Commentary on Annual Results

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

Results of Operations

COMPARISON OF FINANCIAL YEAR 2001 TO FINANCIAL YEAR 2000

Total turnover of the Group amounted to HK$9,169 million in Financial Year 2001, showing a reduction of 46.1% as compared to that recorded in the previous financial year. Profit from ordinary activities before taxation declined by 28.7% to HK$5,786 million compared to that recorded in the corresponding period in Financial Year 2000. Main sources of profit generation to the Group during the financial year under review included sale of properties, rental income and profit contributions from the three listed associates of the Group. Further, an amount of HK$759 million in profit on disposal of investment was recorded which was inclusive of a significant gain of HK$582 million that arose from the successful spin-off of Henderson Cyber Limited as well as profit of HK$101 million on disposal of listed securities held for long-term purpose by the Group during the financial year under review. The Group's profit attributable to shareholders was recorded as HK$4,394 million and represented a 24.6% decrease as compared with that recorded in the previous financial year.

The Group completed six development projects in Hong Kong and these amounted to approximately 1,290,000 sq.ft. in total attributable floor area, reflecting a major reduction in completion footage during the financial year under review as compared with that registered in the previous financial year. Sale of properties continued to form as the largest part of the Group's turnover and profit, constituting approximately 55% and 36% of total turnover and profit from operations respectively in the past financial year. Revenues from property development, which were mainly generated from sale of the Group's local development projects, totally amounted to HK$4,998 million and represented a reduction of 63% as compared to that recorded in Financial Year 2000. Operating profit from property sales decreased by 77% as compared to that of the previous financial year and was recorded at HK$1,462 million for the financial year under review.

Gross rental income of the Group increased by 27% to record at approximately HK$1,960 million in Financial Year 2001 as compared with that recorded in the previous financial year mainly as a result of improvements shown in respect of both the occupancy rates and rental levels of the Group's investment property portfolio. Operating profit from property investment was recorded at HK$1,303 million, showing an increase of 28% over that posted in the previous financial year.

Share of profits less losses of associates and jointly controlled entities showed a total combined amount of HK$1,373 million which represented a decrease of 6% from the level recorded in the previous year. As part of this total combined amount, the Group's share of profits from the three listed associates continued to increase this year and recorded a growth of 11% over the level registered in the previous financial year and totally contributed HK$1,411 million to the profit of the Group in the financial year under review. Interest income amounted to HK$687 million in the

Commentary on Annual Results (cont'd)

period under review whilst the figure of finance costs, after deducting HK$1,160 million for the amount capitalised mainly in respect of investment properties under development, was recorded at approximately HK$207 million.

Fixed assets held by the Group were recorded at HK$36,347 million representing an increase of 11% as compared with that recorded in the previous financial year mainly due to the addition of investment properties notwithstanding a downward adjustment made in respect of revaluation of the Group's existing investment property portfolio during the period under review.

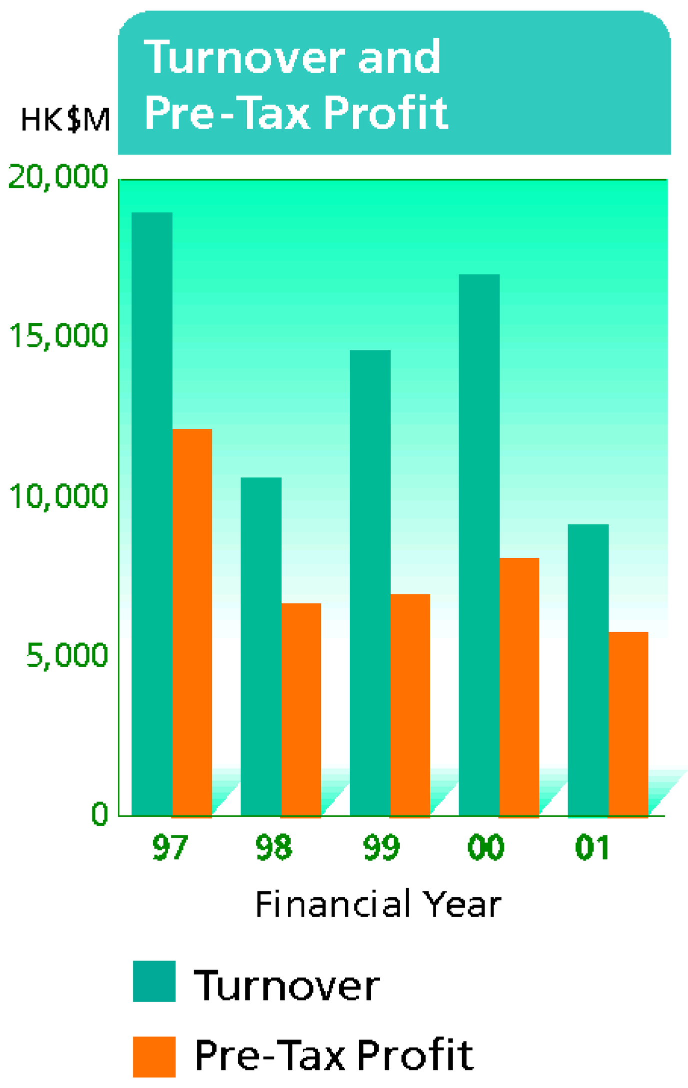
FINANCIAL RESOURCES AND LIQUIDITY

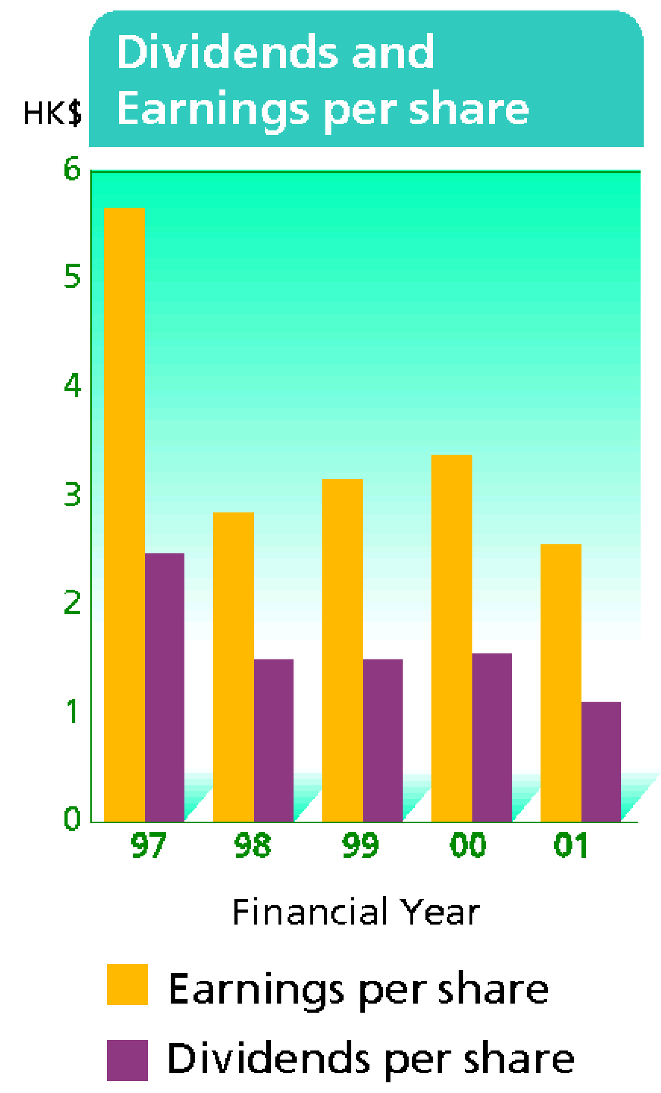
The Group is in a strong financial position and possesses a large capital base whilst the net debt position remains low in comparison. As of 30th June, 2001, shareholders' funds of the Group amounted to HK$56,313 million representing a slight decrease of 3% from the level recorded as at the end of the previous financial year. The Group's total net external borrowing after deducting cash at bank and in hand of HK$1,582 million amounted to HK$11,893 million as at the end of Financial Year 2001, representing a reduction of 14% as compared with that recorded in the previous financial year. Total net external borrowings as compared with shareholders' funds of the Group as at the end of this financial year was thus recorded at 21% as compared to the 24% level registered as at the end of the previous financial year.

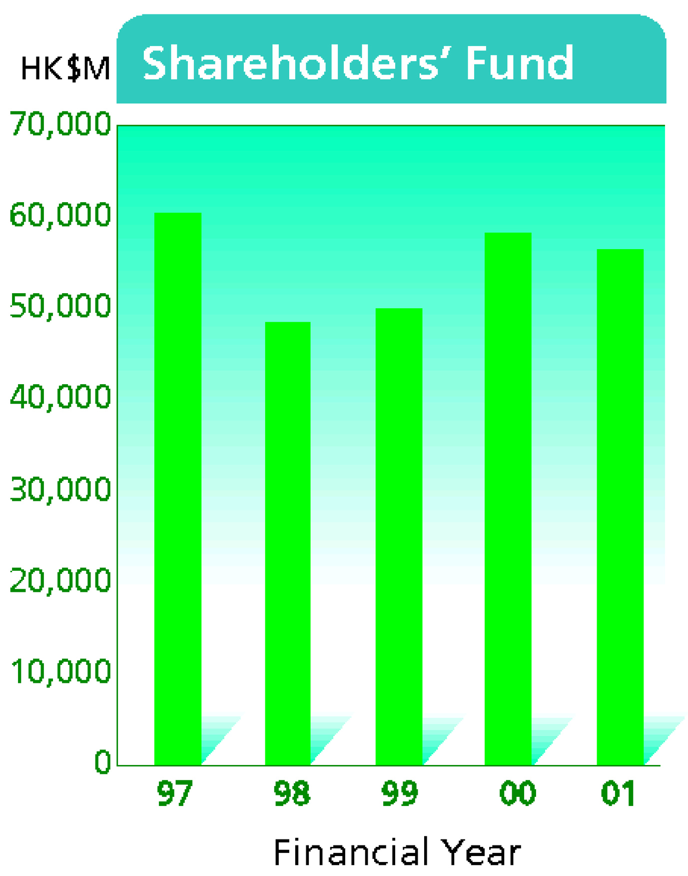
Except for a portion of the bank borrowings of a newly converted subsidiary of the Group, all of the Group's borrowings were unsecured and were mainly obtained on a committed term basis of longer than one year. The maturity profile of the Group's bank loans and borrowings outstanding (which included obligations under finance leases) 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	**1,808,398**	2,831,495
After 1 year but within 2 years	**7,548,962**	6,826,320
After 2 years but within 5 years	**4,018,752**	5,407,541
After 5 years	**96,980**	–
Total Bank Loans and Borrowings	**13,473,092**	15,065,356
Less: Cash at bank and in hand	**(1,581,501)**	(1,158,714)
Total Net Borrowings	**11,891,591**	13,906,642

Commentary on Annual Results (cont'd)







Financing facilities extended to the Group are mainly denominated in Hong Kong Dollars. Bank loans and borrowings of the Group, which are primarily obtained from international banks in Hong Kong with interests chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate, are therefore mainly of floating rate in nature. In respect of the Group's listed subsidiary, Henderson China Holdings Limited, the proportion of bank loans denominated in Renminbi which are extended to this company are continuously being increased in comparison with non-Renminbi borrowings thereby serving to reduce the foreign currency exposure of this company. As a whole, the core operations of the Group can therefore be considered as not exposed to foreign exchange rate risk to any significant extent.

Subsequent to the end of Financial Year 2001, the Group successfully obtained a HK$5,500 million syndicated revolving credit facility from a group of international banks in August, 2001 on favourable terms to replace the HK$5,250 million syndicated revolving credit facility that was due to mature in mid-2002, thereby lengthening the overall loan maturity profile as well as reducing the interest margin of the financing facilities obtained by the Group.

Current assets of the Group which included an amount of HK$11,297 million being properties under development was recorded at HK$24,426 million as compared to current liabilities of HK$7,122 million and this reflected the financially liquid position of the Group at the end of the period under review.

With the adoption of a conservative financial management policy by the Group's management, the capital 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' funds and abundant unutilised banking facilities for funding its ongoing operations as well as future expansion.