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HENDERSON INVESTMENT LIMITED

恒基兆業發展有限公司

(incorporated in Hong Kong with limited liability)

PROPOSED PRIVATISATION BY



HENDERSON LAND DEVELOPMENT COMPANY LIMITED

恒基兆業地產有限公司

(incorporated in Hong Kong with limited liability)

**BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
INVOLVING THE CANCELLATION OF ALL THE ISSUED SHARES
OF HK\$0.20 EACH IN HENDERSON INVESTMENT LIMITED
HELD BY THE MINORITY SHAREHOLDERS (AS DEFINED HEREIN)**

Financial adviser to Henderson Land Development Company Limited



The Hongkong and Shanghai Banking Corporation Limited

**Independent financial adviser to the Independent Director (as defined herein)
of Henderson Investment Limited**



PLATINUM
Securities

A letter from the board of directors of Henderson Investment Limited is set out on pages 8 to 17 of this document. An explanatory statement regarding the Proposal (as defined herein) is set out on pages 46 to 131 of this document. A letter from the Independent Director containing his advice to the Independent Minority Shareholders (as defined herein) in relation to the Proposal is set out on page 18 of this document. A letter from the independent financial adviser, Platinum Securities Company Limited, containing its advice to the Independent Director in relation to the Proposal is set out on pages 19 to 45 of this document.

The action to be taken by the Independent Minority Shareholders (as defined herein) is set out on page 60 of this document.

Notices convening the Court Meeting (as defined herein) and the Extraordinary General Meeting (as defined herein) to be held on 2nd January, 2003 are set out on pages 139 to 142 of this document. Whether or not you are able to attend the Meetings (as defined herein) in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to lodge both of them with the share registrar of Henderson Investment Limited, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the relevant Meeting. In the case of the pink form of proxy, it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged.

This document is issued jointly by Henderson Investment Limited and Henderson Land Development Company Limited.

6th December, 2002

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DEFINITIONS

In this document (other than the Scheme and notices of the Meetings), the following expressions shall have the meanings respectively set opposite them, unless the context otherwise requires:

“Adjusted NTAV”	pro forma adjusted consolidated net tangible asset value of the HIL Group which is based on the NTAV and adjusted for certain items as set out in Section 6 of Appendix I to this document
“Announcement”	the announcement dated 5th November, 2002 issued jointly by HLD and HIL relating to the Proposal and published in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times on 6th November, 2002
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Banshing”	Banshing Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of HLD
“Cancellation Price”	the cancellation price of HK\$7.60 per Scheme Share payable by HLD to the holders of Scheme Shares pursuant to the Scheme
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Condition(s)”	the conditions or any of them to which the Proposal is subject, all of which are set out in the Explanatory Statement on pages 47 and 48 of this document
“Controlling Parties”	Markshing, Darnman, Gainwise, Covite and Banshing, all beneficially interested in an aggregate of approximately 73.48% of the issued capital of HIL as at the date of this document
“Court Meeting”	the meeting of the Minority Shareholders to be convened at the direction of the High Court for the approval of the Scheme, notice of which is set out on pages 139 and 140 of this document, and any adjournment thereof
“Covite”	Covite Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of HLD

DEFINITIONS

“Darnman”	Darnman Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of HLD
“DTZ”	DTZ Debenham Tie Leung Limited, an independent professional property valuer
“Effective Date”	the date on which the Scheme, if approved, becomes effective, which is expected to be 29th January, 2003
“Excluded Parties”	Dr. Lee Shau Kee, Fu Sang, Mr. Ho Wing Fun, Mr. Lee King Yue, Mr. Lee Tat Man, Mr. Leung Sing, Mr. Lo Tak Shing, Madam Yang Hsueh Chin, Mr. Fung Pok Wah, Mr. Fung Chun Wah, Mr. Lam Ka Wai, Mr. Lam Ko Yu, Mr. Lee Siu Lun, Tako Assets and Thommen, all beneficially interested in an aggregate of approximately 1.97% of the issued capital of HIL as at the date of this document and are deemed to be acting in concert with HLD under the Takeovers Code
“Explanatory Statement”	the explanatory statement set out on pages 46 to 131 of this document and issued in compliance with Section 166A of the Companies Ordinance
“Extraordinary General Meeting”	the extraordinary general meeting of HIL for the approval and implementation of the Scheme, notice of which is set out on pages 141 and 142 of this document, and any adjournment thereof
“Fu Sang”	Fu Sang Company Limited, a company incorporated in Hong Kong with limited liability
“Gainwise”	Gainwise Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of HLD
“Henderson Cyber”	Henderson Cyber Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange and owned as to 66.67% by HIL
“High Court”	High Court of Hong Kong
“HIL”	Henderson Investment Limited (恒基兆業發展有限公司), a company incorporated in Hong Kong with limited liability and whose HIL Shares are listed on the Stock Exchange
“HIL Board”	the board of HIL Directors
“HIL Director(s)”	director(s) of HIL

DEFINITIONS

“HIL Group”	HIL and its subsidiaries
“HIL Share(s)”	ordinary share(s) of HK\$0.20 each in the capital of HIL
“HIL Shareholders”	holders of HIL Shares
“HLD”	Henderson Land Development Company Limited (恒基兆業地產有限公司), a company incorporated in Hong Kong with limited liability and whose HLD Shares are listed on the Stock Exchange
“HLD Group”	HLD and its subsidiaries
“HLD Shares”	ordinary shares of HK\$2.00 each in the capital of HLD
“holder”	a registered holder of shares including a person entitled by transmission to be registered as such and joint holders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong and China Gas”	The Hong Kong and China Gas Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange and owned as to 36.42% by HIL
“Hong Kong Ferry”	Hong Kong Ferry (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange and owned as to 30.98% by HIL
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a licensed bank under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, and an exempt dealer under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong, being the financial adviser to HLD in connection with the Proposal
“Independent Director”	Mr. Philip Yuen Pak Yiu, the independent HIL Director appointed to advise the Independent Minority Shareholders in relation to the Proposal
“Independent Minority Shareholders”	Minority Shareholders other than the holders of the HIL Shares beneficially owned by the Excluded Parties
“Latest Practicable Date”	3rd December, 2002, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Markshing”	Markshing Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of HLD
“Meeting(s)”	the Court Meeting and the Extraordinary General Meeting or any of them, as the case may be
“Minority Shareholders”	HIL Shareholders other than the holders of the HIL Shares beneficially owned by the Controlling Parties
“Miramar”	Miramar Hotel and Investment Company, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange and owned as to 43.67% by HIL
“NTAV”	the consolidated net tangible asset value of the HIL Group as at 30th June, 2002, based on the audited financial statements of the HIL Group for the year ended 30th June, 2002 as set out in the latest annual report of HIL despatched to the HIL Shareholders on 28th October, 2002
“Platinum”	Platinum Securities Company Limited, a registered investment adviser and a registered dealer under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong, and the independent financial adviser to the Independent Director
“PER”	price to earnings ratio
“PRC”	People’s Republic of China
“Proposal”	the proposal for the privatisation of HIL by HLD by way of the Scheme as described in this document
“Record Time”	4:00 p.m. Hong Kong time on the day immediately preceding the Effective Date
“Register”	the register of members of HIL
“Relevant Authorities”	appropriate governments, governmental bodies, regulatory bodies, courts or institutions
“Scheme”	the scheme of arrangement between HIL and the holders of Scheme Shares under Section 166 of the Companies Ordinance as set out on pages 132 to 138 of this document, with or subject to any modification thereof or addition thereto or conditions approved or imposed by the High Court

DEFINITIONS

“Scheme Share(s)”	HIL Share(s) in issue as at the Record Time other than those beneficially owned by the Controlling Parties
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“Tako Assets”	Tako Assets Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Hong Kong Ferry
“Thommen”	Thommen Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of Hong Kong Ferry
“trading day”	a day on which the Stock Exchange is open for trading in securities
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.ft.”	square feet
“sq.m.”	square metres
“%”	per cent

EXPECTED TIMETABLE

- Latest time for lodging transfers of the HIL Shares in order to be entitled to attend and vote at the Court Meeting and the Extraordinary General Meeting 4:00 p.m. on Monday, 30th December, 2002
- Register closed for determination of entitlements of Independent Minority Shareholders to attend and vote at the Court Meeting and the Extraordinary General Meeting Tuesday, 31st December, 2002 to Thursday, 2nd January, 2003 (both dates inclusive)
- Latest time for lodging forms of proxy in respect of:
- Court Meeting (*Note 1*) 11:00 a.m. on Tuesday, 31st December, 2002
- Extraordinary General Meeting (*Note 1*) . . . 11:30 a.m. on Tuesday, 31st December, 2002
- Suspension of dealings in the HIL Shares and the HLD Shares 9:30 a.m. on Thursday, 2nd January, 2003
- Court Meeting 11:00 a.m. on Thursday, 2nd January, 2003
- Extraordinary General Meeting 11:30 a.m. on Thursday, 2nd January, 2003
- Press announcements of the results of the Meetings in the South China Morning Post and the Hong Kong Economic Times Friday, 3rd January, 2003
- Resumption of dealings in the HIL Shares and the HLD Shares 9:30 a.m. on Friday, 3rd January, 2003
- Last day for dealings in the HIL Shares Tuesday, 21st January, 2003
- Suspension of dealings in the HIL Shares 9:30 a.m. on Wednesday, 22nd January, 2003
- Latest time for lodging transfers of the HIL Shares in order to qualify for the Cancellation Price under the Scheme 4:00 p.m. on Friday, 24th January, 2003
- High Court hearing of petition to sanction the Scheme Tuesday, 28th January, 2003
- Record Time 4:00 p.m. on Tuesday, 28th January, 2003
- Effective Date (*Note 2*) Wednesday, 29th January, 2003
- Withdrawal of the listing of the HIL Shares on the Stock Exchange (*Note 2*) 4:00 p.m. on Wednesday, 29th January, 2003

EXPECTED TIMETABLE

Press announcements of the Effective Date and
the withdrawal of the listing of the HIL Shares in the
South China Morning Post and the Hong Kong
Economic Times Thursday, 30th January, 2003

Cheques for payment of the Cancellation Price
to be despatched on or before Friday, 7th February, 2003

The Minority Shareholders should note that the above timetable, which is mainly dependent on the availability of the dates for the High Court to hear the proceedings relating to the Scheme, is subject to change. Further announcements will be made in the event that there is any change.

Notes:

1. Forms of proxy should be lodged with the share registrar of HIL, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and by the times and dates stated above. In the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for the Extraordinary General Meeting must be lodged, not later than the time and date stated above. Completion and return of a form of proxy for either of the Meetings will not preclude an Independent Minority Shareholder from attending the relevant Meeting and voting in person if he so wishes. In such event, the returned form of proxy will be deemed to have been revoked.

2. The Scheme will become effective when it is sanctioned (with or without modification) by the High Court and an office copy of the order of the High Court, together with the minute containing the particulars required by Section 61 of the Companies Ordinance, are delivered to and registered by the Registrar of Companies in Hong Kong. Registration is expected to take place on 29th January, 2003. The Minority Shareholders should note the Conditions set out in the Explanatory Statement on pages 47 and 48 of this document. If the Scheme becomes effective, it is expected that the listing of the HIL Shares on the Stock Exchange will be withdrawn on 29th January, 2003.



HENDERSON INVESTMENT LIMITED

恒基兆業發展有限公司

(incorporated in Hong Kong with limited liability)

Executive Directors:

Lee Shau Kee (*Chairman and Managing Director*)
Lee Ka Kit (*Vice Chairman*)
Colin Lam Ko Yin (*Vice Chairman*)
Lee Tat Man
Lee King Yue
Eddie Lau Yum Chuen
Li Ning
Lee Ka Shing
Patrick Kwok Ping Ho
Ho Wing Fun
Lau Chi Keung
Donald Cheung Ping Keung
Augustine Wong Ho Ming
Suen Kwok Lam
Sit Pak Wing

Registered office:

6th Floor
World-Wide House
19 Des Voeux Road
Central
Hong Kong

Independent Non-executive Directors:

Woo Po Shing
Philip Yuen Pak Yiu
Leung Hay Man
Jackson Woo Ka Bui
(Alternate Director to Woo Po Shing)

6th December, 2002

To the Minority Shareholders

Dear Sir or Madam,

**Proposed Privatisation of
HENDERSON INVESTMENT LIMITED
by Henderson Land Development Company Limited
by way of a Scheme of Arrangement
under Section 166 of the Companies Ordinance**

INTRODUCTION

On 5th November, 2002, HLD, five of whose indirect wholly owned subsidiaries comprising the Controlling Parties holding 2,070,243,859 HIL Shares representing in aggregate 73.48% of the issued share capital of HIL, requested the HIL Board to put forward a proposal to the Minority Shareholders regarding a proposed privatisation of HIL by way of a scheme of arrangement under Section 166 of the Companies Ordinance involving the cancellation and extinguishment of all the Scheme Shares in consideration of the payment of the cancellation price of HK\$7.35 per Scheme Share.

LETTER FROM THE BOARD

It was announced on 29th November, 2002 that HLD, having taken into consideration the views of various HIL Shareholders, had decided to increase the Cancellation Price as originally announced on 5th November, 2002 from HK\$7.35 per Scheme Share to HK\$7.60 per Scheme Share, representing an increase of 3.4%. HLD has stated that it would not further increase the Cancellation Price. Following this announcement, HLD will not be allowed to increase the Cancellation Price, save in wholly exceptional circumstances, as a result of the provisions of Rule 18.3 of the Takeovers Code. HLD and HIL reserve the right to amend the other terms of the Proposal, subject to all applicable provisions of the Takeovers Code.

For the avoidance of doubt, it should be noted that the 11 cents final dividend recommended by the HIL Board and, if approved by HIL Shareholders at the forthcoming annual general meeting of HIL to be held on 18th December, 2002, payable to the HIL Shareholders whose names appear on the Register on 18th December, 2002, will not be affected by the outcome of the Proposal.

Upon the Scheme becoming effective, HIL will become a wholly owned subsidiary of HLD. HIL will apply to the Stock Exchange for the withdrawal of the listing of the HIL Shares on the Stock Exchange immediately following the Effective Date. It is the intention of HLD to maintain the existing businesses of the HIL Group upon the privatisation of HIL.

As at the date of this document, the Controlling Parties remain interested beneficially in an aggregate of 2,070,243,859 HIL Shares, representing about 73.48% of the issued share capital of HIL. Such HIL Shares, by reason of the fact that the Controlling Parties are all indirect wholly owned subsidiaries of HLD, will not form part of the Scheme Shares and, accordingly, will neither be represented nor voted at the Court Meeting to approve the Scheme. The Controlling Parties have also stated that such HIL Shares will similarly not be represented or voted at the Extraordinary General Meeting to approve and give effect to the Scheme.

In view of the interests of HLD in the Proposal and the direct or indirect relationships between the Excluded Parties and HLD as explained in the following paragraph, all of the 55,351,064 HIL Shares of the Excluded Parties which represent approximately 1.97% of the issued capital of HIL, although forming part of the Scheme Shares, will not be represented or voted at the Meetings as the Excluded Parties are deemed to be acting in concert with HLD under the Takeovers Code.

Dr. Lee Shau Kee, as the Chairman of the board of directors of HLD and its Managing Director, is deemed under the SDI Ordinance to be interested in the HIL Shares beneficially owned by the Controlling Parties. In addition, he is interested personally and, under the SDI Ordinance, taken to be interested through Fu Sang in an aggregate of 40,395,084 HIL Shares, representing approximately 1.43% of the issued capital of HIL as at the date of this document. Fu Sang is controlled by a unit trust in which Dr. Lee Shau Kee is taken to be interested under the SDI Ordinance. Some of the other members of the board of directors of HLD comprising Mr. Ho Wing Fun, Mr. Lee King Yue, Mr. Lee Tat Man, Mr. Leung Sing and Mr. Lo Tak Shing are also interested in an aggregate of 1,563,880 HIL Shares, which amounts to about 0.06% of the issued capital of HIL as at the date of this document. Mr. Ho Wing Fun, Mr. Lee King Yue, Mr. Lee Tat Man, Mr. Leung Sing and Mr. Lo Tak Shing beneficially own 1,100 HIL Shares, 959,028 HIL Shares, 6,666 HIL Shares, 150,000 HIL Shares and 404,375 HIL Shares

LETTER FROM THE BOARD

respectively, representing in aggregate 0.05% of the issued capital of HIL as at the date of this document. In the case of Mr. Lee King Yue, he is also deemed to be interested in 42,711 HIL Shares beneficially owned by his spouse, Madam Yang Hsueh Chin, representing 0.01% of the issued capital of HIL as at the date of this document. In addition, Mr. Fung Pok Wah and Mr. Fung Chun Wah, being the sons of Madam Fung Lee Woon King who is a director of HLD, are interested in 300,000 HIL Shares and 1,751,000 HIL Shares respectively. Mr. Lam Ka Wai and Mr. Lam Ko Yu, being the brothers of Mr. Colin Lam Ko Yin who is also a director of HLD, are interested in 1,137,000 HIL Shares and 941,000 HIL Shares respectively. Mr. Lee Siu Lun, who is the brother of Dr. Lee Shau Kee, is beneficially interested in 4,857,100 HIL Shares. Because they are close relatives of certain directors of HLD, Mr. Fung Pok Wah, Mr. Fung Chun Wah, Mr. Lam Ka Wai, Mr. Lam Ko Yu and Mr. Lee Siu Lun, all of whom are collectively interested in an aggregate of 8,986,100 HIL Shares representing 0.32% of the issued capital of HIL as at the date of this document, are deemed to be acting in concert with HLD under the Takeovers Code. Tako Assets and Thommen, both of which are wholly owned subsidiaries of Hong Kong Ferry which in turn is owned as to 30.98% by HIL and, hence, HLD is indirectly interested, are beneficially interested in a total of 4,406,000 HIL Shares, representing approximately 0.16% of the issued capital of HIL as at the date of this document. In the circumstances, all of these parties, who are defined as “Excluded Parties”, are deemed to be acting in concert with HLD under the Takeovers Code because of their direct or indirect relationship with HLD.

HLD has appointed HSBC as its financial adviser in connection with the Proposal.

The HIL Board comprises eighteen HIL Directors, fifteen of whom are executive HIL Directors and the remaining three are independent non-executive HIL Directors. Apart from Mr. Lau Chi Keung, Mr. Cheung Ping Keung, Donald, Mr. Wong Ho Ming, Augustine and Mr. Sit Pak Wing all of whom are employees of a wholly owned subsidiary of HLD, Henderson Real Estate Agency Limited, all of the other executive HIL Directors are common directors of HLD and HIL. Of such common directors of HLD and HIL, Dr. Lee Shau Kee, Mr. Ho Wing Fun, Mr. Lee King Yue and Mr. Lee Tat Man, in addition to their interests in HIL Shares as mentioned above, are interested in HLD Shares. Mr. Lau Chi Keung is also interested in HLD Shares. Hence, all of the executive HIL Directors are not considered independent under the Takeovers Code to opine on the terms of the Proposal. In respect of the independent non-executive HIL Directors, Sir Po-Shing Woo and Mr. Leung Hay Man, being common directors of HLD and HIL, are likewise not considered to be independent so as to express any view to the Independent Minority Shareholders regarding the Proposal. As a result, Mr. Philip Yuen Pak Yiu, an independent non-executive HIL Director, has been appointed by the HIL Board as the Independent Director to make a recommendation to the Independent Minority Shareholders in respect of the Proposal.

Platinum has been appointed by the HIL Board as the independent financial adviser to advise the Independent Director in connection with the Proposal.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The table below sets out the ownership of the HIL Shares in issue, including those beneficially owned by the Controlling Parties and the Excluded Parties, as at the Latest Practicable Date:

	As at the Latest Practicable Date	
	Number of HIL Shares	%
Markshing (<i>Note 1</i>)	602,168,418	21.37
Darnman (<i>Note 1</i>)	84,642,341	3.00
Gainwise (<i>Note 1</i>)	217,250,000	7.71
Covite (<i>Note 1</i>)	363,328,900	12.90
Banshing (<i>Note 1</i>)	<u>802,854,200</u>	<u>28.50</u>
Aggregate number of the HIL Shares of the Controlling Parties	<u>2,070,243,859</u>	<u>73.48</u>
Lee Shau Kee	34,779,936	1.23
Fu Sang (<i>Note 2</i>)	<u>5,615,148</u>	<u>0.20</u>
	40,395,084	1.43
Ho Wing Fun	1,100	—
Lee King Yue (<i>Note 3</i>)	959,028	0.03
Lee Tat Man	6,666	—
Leung Sing	150,000	0.01
Lo Tak Shing	404,375	0.01
Yang Hsueh Chin (<i>Note 3</i>)	42,711	0.01
Fung Pok Wah (<i>Note 4</i>)	300,000	0.01
Fung Chun Wah (<i>Note 4</i>)	1,751,000	0.06
Lam Ka Wai (<i>Note 4</i>)	1,137,000	0.04
Lam Ko Yu (<i>Note 4</i>)	941,000	0.03
Lee Siu Lun (<i>Note 4</i>)	4,857,100	0.18
Tako Assets (<i>Note 5</i>)	3,000,000	0.11
Thommen (<i>Note 5</i>)	<u>1,406,000</u>	<u>0.05</u>
Aggregate number of the HIL Shares of the Excluded Parties	<u>55,351,064</u>	<u>1.97</u>
Aggregate number of the HIL Shares of the Controlling Parties and the Excluded Parties	2,125,594,923	75.45
Independent Minority Shareholders	<u>691,732,472</u>	<u>24.55</u>
	<u><u>2,817,327,395</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

Assuming that no further HIL Shares will be issued between the Latest Practicable Date and the Record Time, immediately upon the Effective Date, all of the 2,817,327,395 HIL Shares then in issue will be held in the names of HLD or its subsidiaries or as HLD may direct with the result that HIL will become a wholly owned subsidiary of HLD (*Note 6*).

Notes:

1. These companies, being the Controlling Parties, are all indirect wholly owned subsidiaries of HLD and together they beneficially own 2,070,243,859 HIL Shares, which represented 73.48% of the issued capital of HIL. Dr. Lee Shau Kee was taken to be interested in these HIL Shares by virtue of the SDI Ordinance.
2. Dr. Lee Shau Kee was taken to be interested in Fu Sang by virtue of the SDI Ordinance.
3. Mr. Lee King Yue was deemed to be interested in the 42,711 HIL Shares held by his spouse, Madam Yang Hsueh Chin, by virtue of the SDI Ordinance.
4. Mr. Fung Pok Wah and Mr. Fung Chun Wah are the sons of Madam Fung Lee Woon King, a director of HLD. Mr. Lam Ka Wai and Mr. Lam Ko Yu are the brothers of Mr. Colin Lam Ko Yin, a director of HLD. Mr. Lee Siu Lun is the brother of Dr. Lee Shau Kee. Such persons are deemed to be acting in concert with HLD under the Takeovers Code.
5. Tako Assets and Thommen are wholly owned subsidiaries of Hong Kong Ferry and are deemed to be acting in concert with HLD under the Takeovers Code.
6. Under the Scheme, the share capital of HIL will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Forthwith upon such reduction, the authorised share capital of HIL will be increased to its former amount by the creation of the same number of HIL Shares as is equal to the Scheme Shares cancelled. The credit arising in HIL's books of account as a result of the capital reduction will be applied in paying up in full at par the new HIL Shares so created, which will be allotted and issued, credited as fully paid, to HLD or as HLD may direct.

SUMMARY OF THE PROPOSAL

The purpose of this document is to provide you with further information regarding the Proposal and to give you notices of the Meetings. Your attention is also drawn to the letter from the Independent Director, the letter from Platinum to the Independent Director, the Explanatory Statement and the Scheme, all of which form part of this document.

It is proposed that, subject to the Conditions being fulfilled or, if applicable, waived, the Proposal will be implemented by way of the Scheme, which will involve a reduction in the authorised and issued share capital of HIL by the cancellation and extinguishment of all of the Scheme Shares. Forthwith upon such reduction of capital taking effect, the authorised share capital of HIL will be increased to its former amount of HK\$600,000,000 by the creation of such number of new HIL Shares as is equal to the number of the Scheme Shares cancelled. The credit which will arise in HIL's books of account as a result of the reduction of capital will be applied in paying up in full at par the new HIL Shares so created, which will be allotted and issued, credited as fully paid, to HLD or as HLD may direct. The Scheme also provides that, in consideration of the cancellation and extinguishment of the Scheme Shares, the holders of Scheme Shares whose names appear on the Register at the Record Time will be entitled to receive the Cancellation Price of HK\$7.60 from HLD for each Scheme Share held.

LETTER FROM THE BOARD

Payment of the Cancellation Price will be effected by cheques and implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which HLD may otherwise be, or claim to be, entitled against any holder of Scheme Shares.

On the bases of the Cancellation Price and of a total of 2,817,327,395 HIL Shares outstanding as at the Latest Practicable Date, the entire issued capital of HIL is valued at about HK\$21,412 million under the Proposal. The total amount of the Cancellation Price payable pursuant to the Scheme is about HK\$5,678 million. HLD has stated that it intended to finance this amount from bank borrowings. HLD has, among others, two syndicated loan facilities of HK\$5,500,000,000 and HK\$1,000,000,000 and their respective agents are BNP Paribas Hong Kong Branch and Wing Lung Bank Limited. The payment of interest on, and repayment of or security for, any loan facilities will not depend to any significant extent on the business of HIL. HSBC is satisfied that sufficient financial resources are available to HLD for the implementation of the Proposal.

The Proposal will become effective and binding on HIL and all of the holders of Scheme Shares, including the Excluded Parties and their nominees in whose names some of the HIL Shares beneficially owned by them are registered, provided that the Conditions are fulfilled or, if applicable, waived.

The Scheme will lapse if it does not become effective on or before 31st March, 2003 (or such later date as the High Court may allow) and the holders of Scheme Shares will be notified accordingly by press announcements. Further announcements regarding the Proposal will be made as and when appropriate.

Assuming that the Scheme becomes effective on 29th January, 2003, cheques for the Cancellation Price are expected to be despatched to the holders of Scheme Shares on or before 7th February, 2003.

FINANCIAL EFFECTS OF THE PROPOSAL

Share Price

The Cancellation Price represents:

- (i) a premium of about 27.7% over the closing price of HK\$5.95 per HIL Share as quoted on the Stock Exchange on 4th November, 2002, being the last trading day prior to the suspension of trading in the HIL Shares pending the issue of the Announcement;
- (ii) a premium of about 29.5% over the average closing price of HK\$5.87 per HIL Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including 4th November, 2002;
- (iii) a premium of about 26.9% over the average closing price of HK\$5.99 per HIL Share based on the daily closing prices as quoted on the Stock Exchange over the 20 trading days up to and including 4th November, 2002;

LETTER FROM THE BOARD

- (iv) a premium of about 24.2% over the average closing price of HK\$6.12 per HIL Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including 4th November, 2002; and
- (v) a premium of about 2.7% over the closing price of HK\$7.40 per HIL Share as quoted on the Stock Exchange as at the Latest Practicable Date.

As already explained, the outcome of the Proposal will not affect the 11 cents final dividend recommended by the HIL Board and payable to the HIL Shareholders whose names appear on the Register on 18th December, 2002, if approved by them at the forthcoming annual general meeting of HIL to be held on 18th December, 2002.

Historical share price information on the HIL Shares is set out in Section 2 of Appendix III to this document.

Net Tangible Assets

The Cancellation Price represents:

- (i) a premium of about 12.1% over the NTAV per HIL Share of about HK\$6.78; and
- (ii) a premium of about 16.2% over the Adjusted NTAV per HIL Share of HK\$6.54.

Earnings

The HIL Group's audited consolidated profit attributable to the HIL Shareholders for the year ended 30th June, 2002 was approximately HK\$1,780 million, representing earnings per HIL Share of approximately 63 cents as shown in the Consolidated Income Statement in Section 2 of Appendix I to this document. When compared with the HIL Group's audited consolidated profit attributable to the HIL Shareholders of approximately HK\$1,978 million in respect of the previous financial year which is equivalent to earnings per HIL Share of approximately 70 cents, this represents a year-on-year reduction in profit attributable to the HIL Shareholders of 10%.

Based on the earnings per HIL Share for the year ended 30th June, 2002, the Cancellation Price would represent a PER for HIL Shares of about 12.1. This represents a premium of about 27.7% over the PER of about 9.4 based on the closing price of HK\$5.95 per HIL Share on 4th November, 2002, being the day immediately preceding the Announcement.

Dividend Yield

Based on the Cancellation Price and the dividends for the year ended 30th June, 2002, the dividend yield for HIL Shares would be about 2.9%.

LETTER FROM THE BOARD

BACKGROUND TO, AND REASONS FOR, THE PROPOSAL

Your attention is drawn to the section headed "Background to, and reasons for, the Proposal" in the Explanatory Statement on page 50 of this document.

INFORMATION RELATING TO THE HIL GROUP AND FUTURE INTENTIONS

Your attention is drawn to the sections headed "Information relating to the HIL Group" and "Future intentions" in the Explanatory Statement on pages 51 to 56 of this document.

MEETINGS AND ACTION TO BE TAKEN BY THE INDEPENDENT MINORITY SHAREHOLDERS

As you will see from the notices of Meetings on pages 139 to 142 of this document, the Meetings have been convened to be held at 11:00 a.m. and 11:30 a.m. respectively in the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Thursday, 2nd January, 2003.

The High Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme, with or without modification. In so far as the statutory requirement for the sanction of the Scheme by the High Court is concerned, a resolution for the approval of the Scheme will be deemed to have been passed if a majority in number representing three-fourths in value of the HIL Shares held by the Minority Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme. Under Rule 2.10 of the Takeovers Code, however, such a resolution will only be considered to have been passed if (i) the Scheme is approved by at least 75% of the votes attaching to the HIL Shares of the Independent Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast against the resolution at the Court Meeting is not more than 10% of all the HIL Shares held by all of the Independent Minority Shareholders. Based on 691,732,472 HIL Shares held by the Independent Minority Shareholders as at the date of this document, 10% of such HIL Shares amounted to 69,173,247 HIL Shares.

Immediately following the Court Meeting, the Extraordinary General Meeting will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Scheme.

In addition to the fact that the Controlling Parties will not be entitled to attend the Court Meeting as they are not parties to the Scheme, the aggregate of 2,070,243,859 HIL Shares representing approximately 73.48% of the issued capital of HIL beneficially owned by them will also not be represented or voted at the Extraordinary General Meeting. Moreover, the Excluded Parties, who, as at the date of this document, are collectively beneficially interested in 55,351,064 HIL Shares representing approximately 1.97% of the issued share capital of HIL, and their nominees in whose names some of the HIL Shares beneficially owned by them are registered, for the reasons already stated above, will not attend and vote at the Meetings in person or by proxy in their capacity as Minority Shareholders although, in the case of those who are HIL Directors, they may attend the Meetings as HIL Directors.

LETTER FROM THE BOARD

Whether or not you are able to attend the Meetings in person, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to lodge them with the share registrar of HIL, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible, but in any case not later than the following respective times. In the case of the pink form of proxy for use at the Court Meeting, you are requested to lodge this form of proxy not later than 11:00 a.m. on Tuesday, 31st December, 2002, but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be lodged not later than 11:30 a.m. on the same day. Two self-addressed, pre-paid envelopes marked "For Return of Court Meeting Proxy Form — Henderson Investment Limited" and "For Return of EGM Proxy Form — Henderson Investment Limited" respectively are enclosed for your convenience for returning by post (from within Hong Kong only) your completed forms of proxy. The completion and return of a form of proxy for any of the Meetings will not preclude you from attending the relevant Meeting and voting in person if you so wish. In the event that you attend a Meeting after having lodged the form of proxy, that form of proxy will be deemed to have been revoked.

For the purpose of determining the entitlements of Independent Minority Shareholders to attend and vote at the Court Meeting and the Extraordinary General Meeting, the Register will be closed from Tuesday, 31st December, 2002 to Thursday, 2nd January, 2003 (both dates inclusive) and during such period, no transfer of HIL Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of HIL, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Monday, 30th December, 2002.

Assuming that the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be on Wednesday, 29th January, 2003. Further press announcements will be made giving details of the results of the Meetings and, if all the resolutions are passed at the Meetings, the last day for dealing in the HIL Shares, the Record Time, the result of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of the withdrawal of the listing of the HIL Shares on the Stock Exchange.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the sections headed "Share certificates, dealings and listing" and "Registration and payment" in the Explanatory Statement on pages 57 and 58 of this document.

FURTHER INFORMATION

A letter from the Independent Director to the Independent Minority Shareholders as well as a letter from Platinum to the Independent Director are reproduced on pages 18 to 45 of this document. We advise you to read these letters carefully before you take any action in respect of the Proposal.

LETTER FROM THE BOARD

In considering what action to take in connection with the Proposal, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisers.

You are also urged to read carefully the Explanatory Statement and all the Appendices to the Explanatory Statement set out on pages 46 to 131 of this document, the Scheme set out on pages 132 to 138 of this document and the notices of the Meetings set out on pages 139 to 142 of this document.

Yours faithfully,
For and on behalf of the Board
Dr. Lee Shau Kee
Chairman and Managing Director



HENDERSON INVESTMENT LIMITED

恒基兆業發展有限公司

(incorporated in Hong Kong with limited liability)

6th December, 2002

To the Independent Minority Shareholders

Dear Sir or Madam,

**Proposed Privatisation of
HENDERSON INVESTMENT LIMITED
by Henderson Land Development Company Limited
by way of a Scheme of Arrangement
under Section 166 of the Companies Ordinance**

Terms used in this letter have the same meanings as those defined in the document of which this letter forms part.

It was announced on 5th November, 2002 that HLD had requested the HIL Directors to put forward the Proposal to the Minority Shareholders for the purpose of acquiring their interests in HIL at the cancellation price of HK\$7.35 per Scheme Share by way of the Scheme. It was further announced on 29th November, 2002 that HLD, having taken into consideration the views of various HIL Shareholders, had decided to increase the Cancellation Price from HK\$7.35 per Scheme Share to HK\$7.60 per Scheme Share, representing an increase of 3.4%. Details of the Proposal are set out in the section headed "Letter from the Board" on pages 8 to 17 of this document. For the purpose of the Proposal I have been appointed the Independent Director in order to give a recommendation to the Independent Minority Shareholders as to how they should vote on the Scheme. Platinum has been appointed as the independent financial adviser to advise me in connection with the Proposal.

Having taken into account the terms of the Proposal and the opinion of Platinum and, in particular, the factors, reasons and recommendations set out in the letter from Platinum to me which appears on pages 19 to 45 of this document and to which I draw the specific attention of the Independent Minority Shareholders, I consider that the terms of the Proposal are fair and reasonable in so far as the Independent Minority Shareholders are concerned. Accordingly, I recommend the Independent Minority Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting. I also recommend the Independent Minority Shareholders to vote in favour of the special resolution to approve and give effect to the Scheme at the Extraordinary General Meeting.

I also draw the attention of the Independent Minority Shareholders to (i) the letter from the Board, (ii) the Explanatory Statement and (iii) the Appendices which form part of the Explanatory Statement, in particular, the property valuations in Appendix II.

Yours faithfully,

Philip Yuen Pak Yiu

Independent Non-executive Director

LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

Set out below is the text of the letter from Platinum to the Independent Director prepared for inclusion in this document:



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building

4 Des Voeux Road, Central

Hong Kong

Telephone (852) 2841 7000

Facsimile (852) 2522 2700

6th December, 2002

The Independent Director
Henderson Investment Limited
6th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

Dear Sir,

**PROPOSED PRIVATISATION OF HENDERSON INVESTMENT LIMITED
BY HENDERSON LAND DEVELOPMENT COMPANY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT**

INTRODUCTION

We refer to our engagement to advise the Independent Director with respect to the proposed privatisation of HIL by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Details of the Scheme are contained in the document to the Minority Shareholders of HIL dated 6th December, 2002 (the "Document") of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Document.

Platinum has been retained as the financial adviser to advise the Independent Director as to whether or not the terms of the Proposal, in particular the Cancellation Price, are fair and reasonable so far as the Independent Minority Shareholders are concerned. Platinum is independent from, and not connected with, HIL, its associates or parties acting in concert with any of them save for the fact that Dr. The Hon. David Li Kwok Po ("Dr. Li") (an independent non-executive director of Hong Kong and China Gas and Henderson Cyber) is the Chairman and Chief Executive Officer of The Bank of East Asia, Limited ("BEA"), which in turn has an equity interest in Platinum Holdings Company Limited ("Platinum Holdings"), the holding company of Platinum. Dr. Li has no management function in the Platinum Group, defined herein to include Platinum Holdings, its subsidiaries (including Platinum) and associated companies. Furthermore, Dr. Li is acting independently of Hong Kong and China Gas and Henderson Cyber and has no involvement on the board of either HIL or HLD. Dr. Li's association with Platinum via Platinum Holdings and BEA does not present any conflict of interest in respect of the role of Platinum insofar as in its advice to the Independent Director is concerned.

LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

In formulating our opinion, we have relied on the information and facts supplied by, the opinions expressed by, and the representations of, the HIL Directors and the management of HIL concerning the HIL Group, the Proposal and the Scheme, including those facts, opinions and representations set out in the Document. Examples of such information include financial information, terms of the Proposal, current business operations, future prospects and valuation reports. We have assumed that all such information is true and accurate in all material respects as at the date hereof. The HIL Directors have confirmed that they take full responsibility for the contents of the Document, other than those relating to the HLD Group apart from the HIL Group, which the directors of HLD have assumed full responsibility.

We have no reason to believe that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the Document. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the HIL Group. The HIL Directors have confirmed that no material facts have been omitted from the information supplied to us. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation regarding the Proposal and the Scheme.

INDEPENDENT DIRECTOR

The HIL Board comprises eighteen HIL Directors. Fifteen of them are executive HIL Directors and three are independent non-executive HIL Directors. Apart from Mr. Lau Chi Keung, Mr. Cheung Ping Keung, Donald, Mr. Wong Ho Ming, Augustine and Mr. Sit Pak Wing, all other executive HIL Directors are common directors of HLD and HIL. Out of those executive HIL Directors who are common directors of HLD and HIL, Dr. Lee Shau Kee, Mr. Lee King Yue, Mr. Ho Wing Fun and Mr. Lee Tat Man are interested in HLD Shares. Mr. Lau Chi Keung, Mr. Cheung Ping Keung, Donald, Mr. Wong Ho Ming, Augustine and Mr. Sit Pak Wing are all employees of a wholly-owned subsidiary of HLD. Mr. Lau Chi Keung is also interested in HLD Shares. Hence, all executive HIL Directors are not considered independent to opine on the terms of the Proposal. In respect of the independent non-executive HIL Directors, Sir Po-shing Woo and Mr. Leung Hay Man are common directors of HLD and HIL and hence they are also not considered independent to opine on the terms of the Proposal. As a result, the HIL Board appointed Mr. Philip Yuen Pak Yiu, an independent non-executive HIL Director, to be the only member of the HIL Board to make a recommendation to the Independent Minority Shareholders in connection with the Proposal.

TERMS OF THE PROPOSAL

In summary, the Proposal involves the following principal steps:

- (i) all the Scheme Shares held by their holders will be cancelled and in consideration therefor such holders will receive the Cancellation Price of HK\$7.60 from HLD for every Scheme Share held; and
- (ii) the authorised share capital of HIL will be restored to its original amount and new fully paid HIL Shares equivalent to the number of the Scheme Shares cancelled will be issued to HLD or its nominees so that HIL will become a wholly-owned subsidiary of HLD and the listing of the HIL Shares on the Stock Exchange will be withdrawn.

Further details of the terms and conditions of the Proposal are set out in the Explanatory Statement contained in the Document.

The Scheme is subject to a number of Conditions, including the approval by not less than three-fourths in value of the votes (taken by poll) cast by a majority in number of the Independent Minority Shareholders present and voting at the Court Meeting, the dissenting votes against the Scheme at the Court Meeting cast by the Independent Minority Shareholders not exceeding 10% in value of all the HIL Shares held by the Independent Minority Shareholders and the sanction of the Scheme and the confirmation of the reduction of capital involved in the Scheme by the High Court.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation relating to the terms of the Proposal, we have taken into consideration the following principal factors and reasons:

Background to, and reasons for, the Proposal

HIL is a holding company. The principal activities of its subsidiaries are property development and investment, investment holding, infrastructure, department store operation, retailing and hotel business, security guard services and information technology development in Hong Kong. One of the subsidiaries of HIL, Henderson Cyber, is listed on the Growth Enterprise Market of the Stock Exchange. Three of the principal associates of HIL, being Hong Kong and China Gas, Hong Kong Ferry and Miramar, are listed on the Main Board of the Stock Exchange. The HIL Directors have confirmed that, upon privatisation of HIL, they do not intend to make any significant changes to the existing businesses or make significant disposals of assets in the near future, other than in the ordinary course of business.

It was announced on 29th November, 2002 (the "Second Announcement Day") that HLD, having taken into consideration the views of various HIL Shareholders, had decided to increase the Cancellation Price as originally announced on 5th November, 2002 from HK\$7.35 per Scheme Share to HK\$7.60 per Scheme Share, representing an increase of approximately 3.40%. HLD has stated that it would not further increase the Cancellation Price. Following this announcement, HLD will not be allowed to increase the Cancellation Price, save in wholly exceptional circumstances, as a result of the provisions of Rule 18.3 of the Takeovers Code. HLD and HIL reserve the right to amend the other terms of the Proposal, subject to all applicable provisions of the Takeovers Code.

The board of HLD has stated that it does not intend to dispose, or procure any of the Controlling Parties to dispose, of any of their beneficial interests in HIL or any of the principal associates of the HIL Group following implementation of the Proposal. HIL will, subject to the approval of the Stock Exchange, withdraw the listing of the HIL Shares on the Stock Exchange. However, in the event that the Proposal is not approved or withdrawn or lapses, it is intended that HIL will maintain the listing of the HIL Shares on the Stock Exchange. Both HLD and HIL have also confirmed that no material discussions have commenced, or are taking place, with any third party regarding the disposal of any major assets of the HIL Group.

LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

HIL is owned as to approximately 73.48% by HLD and is one of the seven listed companies within the HLD Group. The board of HLD has stated the reasons for the Proposal in the section headed "Background to, and reasons for, the Proposal" in the Explanatory Statement contained in the Document. As a result of the Proposal, an opportunity is available to all of the holders of Scheme Shares to realise their investments in HIL at a premium over the prevailing market price of the HIL Shares. We consider this choice being made available is in the interests of the Independent Minority Shareholders, especially after we have reviewed other aspects of the Proposal which we will discuss in the ensuing sections of this letter.

Historical financial performance and future growth

According to the 2002 Annual Report of HIL, sale of properties and rental income represented approximately 45.7% of its turnover and rental income alone accounted for approximately 45.4% of the turnover of the HIL Group for the year ended 30th June, 2002. Meanwhile, our analysis below shows that the share of results of associates contributed to approximately 55.5%, 86.3% and 88.6% of the adjusted profit before taxation for the three years ended 30th June, 2002 respectively. Share of results of Hong Kong and China Gas alone accounted for approximately 47.5%, 72.1% and 74.4% of the adjusted audited consolidated profit before tax of the HIL Group for the three years ended 30th June, 2002 respectively.

An excerpt of the key financials from the audited consolidated results of the HIL Group for the three years ended 30th June, 2002 are set out below:

	Year ended 30th June,			Percentage change	
	2000	2001	2002	2001/2000	2002/2001
	HK\$ million	HK\$ million	HK\$ million	%	%
Turnover	817	1,051	1,188	28.6	13.1
Profit from operations (Note 1)	1,215	366	306	(69.9)	(16.4)
Share of results of associates (Note 2)	1,337	1,481	1,580	10.7	6.7
Profit before taxation	1,823	2,225	2,033	22.1	(8.6)
Profit attributable to the HIL Shareholders	1,608	1,978	1,780	23.0	(10.0)

Sources: 2001 and 2002 Annual Reports of HIL

Adjusted profit before taxation (Note 3)	2,410	1,715	1,783	(28.8)	4.0
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LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

Notes:

1. Profit from operations

	2000	2001	2002
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Gross profit	611	499	588
Other operating income	10	96	92
Gain on disposal of investments in securities	1,239	101	2
(Deficit) surplus on revaluation of investments in securities	32	(49)	(64)
Impairment loss on property, plant and equipment recognised	(345)	—	(60)
Selling and distribution costs	(197)	(110)	(77)
Administrative expenses	(128)	(167)	(175)
Other operating expenses	<u>(7)</u>	<u>(4)</u>	<u>—</u>
 Profit from operations	 <u>1,215</u>	 <u>366</u>	 <u>306</u>

2. For information purposes, the following is a breakdown of the share of results of the associated companies of HIL for the three years ended 30th June, 2002:

	2000	2001	2002
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Hong Kong and China Gas	1,145	1,236	1,326
Hong Kong Ferry	58	89	51
Miramar	64	85	134
Other non-listed associates	<u>70</u>	<u>71</u>	<u>69</u>
 Share of results of associates	 <u>1,337</u>	 <u>1,481</u>	 <u>1,580</u>

Source: HIL

LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

3. The adjusted profit before taxation is calculated using the audited consolidated profit before taxation for each of the three years ended 30th June, 2002, adjusted by excluding the gains and losses on disposal of interests in subsidiaries and associates for the respective years as well as the provisions for impairment in values in associates and in a jointly controlled entity for the respective years as follows:

	2000	2001	2002
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit before taxation	1,823	2,225	2,033
Add:			
Loss on disposal of interests in subsidiaries	—	—	4
Impairment in value of			
associates	559	23	—
jointly controlled entity	28	49	—
Less:			
Gain on disposal of interests in			
subsidiaries	—	(582)	—
associates	—	—	(134)
Impairment in value of associates written back	—	—	(120)
	<hr/>	<hr/>	<hr/>
Adjusted profit before taxation	<u>2,410</u>	<u>1,715</u>	<u>1,783</u>

Sources: 2001 and 2002 Annual Reports of HIL

Although turnover of the HIL Group showed an upward trend, the rate of increase slowed from approximately 28.6% to 13.1% during the three-year period under review. The increase in turnover for the year ended 30th June, 2001 from that of 2000 was mainly due to an increase in rental income of approximately HK\$63.8 million and the consolidation of infrastructural projects in the accounts of HIL, which were held by an associated company previously and HIL increased its stake in the associated company from approximately 44.06% to 64.06% for the year ended 30th June, 2001 so that the associated company became a subsidiary. Therefore, turnover from the toll roads and bridges increased from zero to approximately HK\$161 million for the year ended 30th June, 2001. A full year turnover from the toll roads and bridges was consolidated in the accounts of HIL for the following year ended 30th June, 2002, thus increasing the turnover of HIL by approximately HK\$60 million. Increase in rental income accounted for approximately HK\$92.6 million of the increase in turnover for the same year. Despite the turnover moving upward from approximately HK\$817 million to HK\$1,188 million, the profit from operations during this period under review dropped from approximately HK\$1,215 million to HK\$306 million. For the year ended 30th June, 2000, HIL disposed of the majority of its holding in China Telecom Corporation Limited (currently renamed as China Mobile (Hong Kong) Limited) which resulted in a gain of approximately HK\$1,206 million. The stake in China Telecom Corporation Limited was acquired as a strategic investment during the initial public offering of its shares and was disposed of when the market price was attractive. For the year ended 30th June, 2001, HIL also realised a gain of approximately HK\$30 million on the disposal of shares of China Telecom Corporation Limited. In the same year, HIL also realised a gain on disposal of B-shares of China-listed companies during that more active period of the B-shares market. There was no major disposal of, or trading in, equity securities for the year ended 30th June, 2002.

LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

Impairment loss on property, plant and equipment in 2000 was due to provisions made on properties to reflect the then market valuations. The valuation on properties between the two years ended 30th June, 2001 did not have any material change, thus no provision was made for the year ended 30th June, 2001. For the financial year 2002, impairment in value of the data-center equipment and facilities of Henderson Cyber of approximately HK\$60 million was provided for in the accounts.

Although there were contributions from gains on disposal of investment in securities and provisions made on properties plants and equipment, the timing and amounts of such gains and provisions will be uncertain in the future.

Rental income accounted for approximately 45.4% and 68.6% of the turnover and operating profit respectively of the HIL Group for the year ended 30th June, 2002. Rental income has become a steady source of income to the HIL Group. Performance of the local economy has adversely affected the property rental market and local consumer spending. However, according to the 2002 Annual Report of HIL, the major retail shopping properties owned by the HIL Group, which accounted for approximately 62.6% of the investment properties of the HIL Group, were able to maintain an overall occupancy rate of approximately 93% while rental levels generally remained steady.

Regarding the recent new housing policy measures put forward by the Hong Kong Government in mid-November 2002, we concur with the HIL Directors who are of the view that the effect of such measures will initially be on the residential properties sales market. Since the value of the residential properties held for sale in Hong Kong accounted for only approximately 1.55% of the entire property portfolio of the HIL Group as at 31st October, 2002, the HIL Directors expect the immediate impact of the new housing policy measures on the value of the property portfolio of the HIL Group will not be significant.

Hotel and retailing operations represented approximately 17.0% and 7.6% of the turnover and operating profit respectively of the HIL Group for the year ended 30th June, 2002. The downturn of the local and foreign economy resulted in the two Newton Hotels of the HIL Group recording an operating loss of approximately HK\$10.59 million for the financial year 2002. Room tariffs were subject to pressure for downward adjustments. The HIL Group currently operates a total of six outlets of Citistore department stores.

Toll fee income accounted for approximately 18.6% and 33.7% of the turnover and operating profit respectively of the HIL Group for the year ended 30th June, 2002. The toll bridge and toll road joint venture operations of the HIL Group in the PRC continued to make contributions to the profit of the HIL Group. However, as indicated by the HIL Directors, due to the efforts of the PRC government to enhance the road and bridge infrastructure of the country, there is an increasing number of toll roads and bridges being built. According to the HIL Directors, the toll fee income last year dropped on a year-on-year basis. Based on the above, we consider the expectation of the HIL Directors that the toll projects would face more competition from the nearby toll roads and bridges to be reasonable.

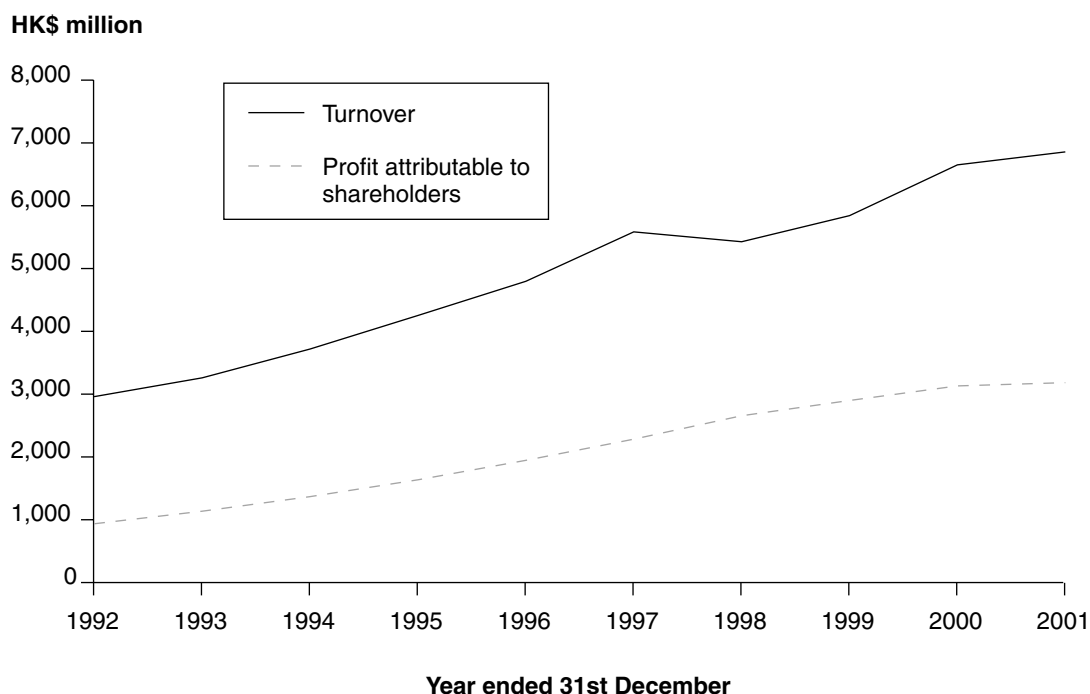
We have discussed with the HIL Directors and we concur with their view that rental property portfolio, investment in infrastructural projects, business in hotel and retailing operations, together with contributions from associated companies, have been contributing

steady income to the HIL Group. As mentioned above and further discussed below, the Independent Minority Shareholders should note that the HIL Group has become more dependent on the earnings contribution from its associates and the future earnings growth of HIL will depend much on the contributions from the associated companies.

Income attributable to the share of results of associates has been trending up during this review period, increasing from approximately HK\$1,337 million to HK\$1,580 million during the three years ended 30th June, 2002. These amounts represented approximately 55.5%, 86.3% and 88.6% of the adjusted profit before taxation for the three years ended 30th June, 2002 respectively. This trend shows an increasing dependence of the HIL Group on the earnings contributions from its associates. In summary, the earnings growth of HIL is becoming more dependent on its associates.

As Hong Kong and China Gas is owned as to approximately 36.42% by HIL and approximately 74.4% of the adjusted audited consolidated profit before taxation of the HIL Group for the year ended 30th June, 2002 was attributable to the share of results from Hong Kong and China Gas, we reviewed the growth of Hong Kong and China Gas in order to form a view on its impact on the growth of HIL. Meanwhile, performances of Miramar and Hong Kong Ferry have improved over the last three years ended respectively 31st March, 2002 and 30th June, 2002, their respective profit contributions represented approximately 6.6% and 2.5% of the profit before taxation of HIL for the year ended 30th June, 2002. We will not elaborate further on the results of these two companies, but will focus on the main profit contributing associate, Hong Kong and China Gas. Set out below is a graph showing the historical turnover and profit performance of Hong Kong and China Gas for the last ten financial years:

10-year turnover and profit of Hong Kong and China Gas



Sources: 2001 Annual Report of Hong Kong and China Gas

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Utilities in developed cities are stable businesses as illustrated in the graph above showing the ten-year trend of the turnover and profit attributable to the shareholders of Hong Kong and China Gas. Turnover of Hong Kong and China Gas grew approximately 3.1% for the year ended 31st December, 2001 and fell approximately 1.1% for the six-month interim period ended 30th June, 2002. The profit attributable to the shareholders only grew approximately 1.65% for the year ended 31st December, 2001 and approximately 0.15% for the interim period ended 30th June, 2002. Although Hong Kong and China Gas is actively developing China business to expand its market, the time for pay back on such investments and the performance of such investments are both uncertain. According to a press release of Hong Kong and China Gas on 8th November, 2002, the warm weather and the poor economy in Hong Kong for the first nine months of 2002 had a negative impact on gas sales. Hong Kong and China Gas has frozen its tariffs and monthly maintenance charge since January 1998 and has no present plan to adjust gas tariffs.

Looking at the audited consolidated turnover, gross profit and net profit attributable to the HIL Shareholders for the past three years of the HIL Group, the growth of the HIL Group has been on a downward trend and unstable. Based on the historical financials of the past three years, HIL has also become more dependent on its associates, its future growth potential may be directly impacted by the earnings growth of its associates, especially by that of Hong Kong and China Gas as discussed above.

The Proposal can be considered to be an opportunity for the Minority Shareholders to liquidate their investments in HIL for other alternative investments. The swapping of potentially steady growth investments for other investments is especially conducive when the Cancellation Price is at a premium over the market price of the HIL Shares. Although some investors may prefer investments with steady growth, we believe that giving the opportunity to the Minority Shareholders to realise their investments in HIL at a premium over the market price is in the interests of the Independent Minority Shareholders.

Dividend

The following table shows the dividend related statistics of the HIL Group for the last five financial years:

For the year ended 30th June,	Dividend per HIL Share HK\$	Earnings per HIL Share HK\$	Dividend pay-out ratio %	Average daily closing price of the HIL Share for the year then ended HK\$	Dividend yield %
1998	0.24	0.36	66.67	6.51	3.69
1999	0.22	0.39	56.41	4.66	4.72
2000	0.23	0.57	40.35	5.61	4.10
2001	0.23	0.70	32.86	5.46	4.22
2002	0.22	0.63	34.92	6.23	3.53

Sources: 2002 Annual Report of HIL and Bloomberg

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The dividend per HIL Share has been fairly constant for the last five years ended 30th June, 2002, ranging from HK\$0.22 to HK\$0.24 per HIL Share. However, the dividend payout ratio has steadily decreased from approximately 66.67% in 1998 to approximately 34.92% in 2002 due to the HIL Directors' intention to retain cash to further reduce gearing. The dividend yield calculated using the annual average daily closing price of the HIL Shares also show an overall decreasing trend since 1999, with the dividend yield dropping from approximately 4.72% to 3.53% in 2002. Despite the downward trend, an average dividend yield of approximately 4.05%, calculated by applying the dividend yield ratios of the last five financial years, is attractive when compared to the average Hang Seng Index dividend yield for the last five years up to and including the Second Announcement Day of approximately 2.9%. However, there is no assurance that the dividend yield of HIL will remain the same.

We are of the view that the Proposal offering the Cancellation Price, which represents a premium over the market price of the HIL Shares while allowing the Minority Shareholders an opportunity to swap their investments in HIL Shares into other investments, is in the interests of the Minority Shareholders and hence the Independent Minority Shareholders.

HIL Share price performance

The table below sets out the highest and lowest trading prices and the average closing prices of the HIL Shares of each month for the period commencing from 1st May, 2002 and up to and including the Latest Practicable Date:

Month	Closing price		Monthly
	Highest	Lowest	average daily
	HK\$	HK\$	closing price
			HK\$
2002			
May	7.35	6.45	6.85
June	6.95	6.55	6.75
July	6.75	6.20	6.47
August	6.60	5.95	6.18
September	6.35	6.00	6.18
October	6.15	5.80	6.01
November	7.40	5.75	7.22
December (Up to and including the Latest Practicable Date)	7.55	7.40	7.48

Source: Stock Exchange website (www.hkex.com.hk)

The highest and lowest trading prices of the HIL Shares as from 1st May, 2002 and up to and including the Latest Practicable Date were HK\$7.55 (on 2nd December, 2002) and HK\$5.75 (on 1st November, 2002) respectively. The Cancellation Price of HK\$7.60 per Scheme Share represents a premium of approximately 0.66% and 32.17% respectively over the highest and lowest trading prices of the HIL Shares during the period under review.

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The table below shows a summary of the premiums based on the Cancellation Price of HK\$7.60 per Scheme Share over the various closing prices on the dates and periods listed below:

Trading day	Closing price	Premium based on the Cancellation Price
Latest Practicable Date	7.40	2.70%
Second Announcement Day	7.40	2.70%
4th November, 2002, being the last trading day prior to the issue of the Announcement (the "Pre-suspension Day")	5.95	27.73%

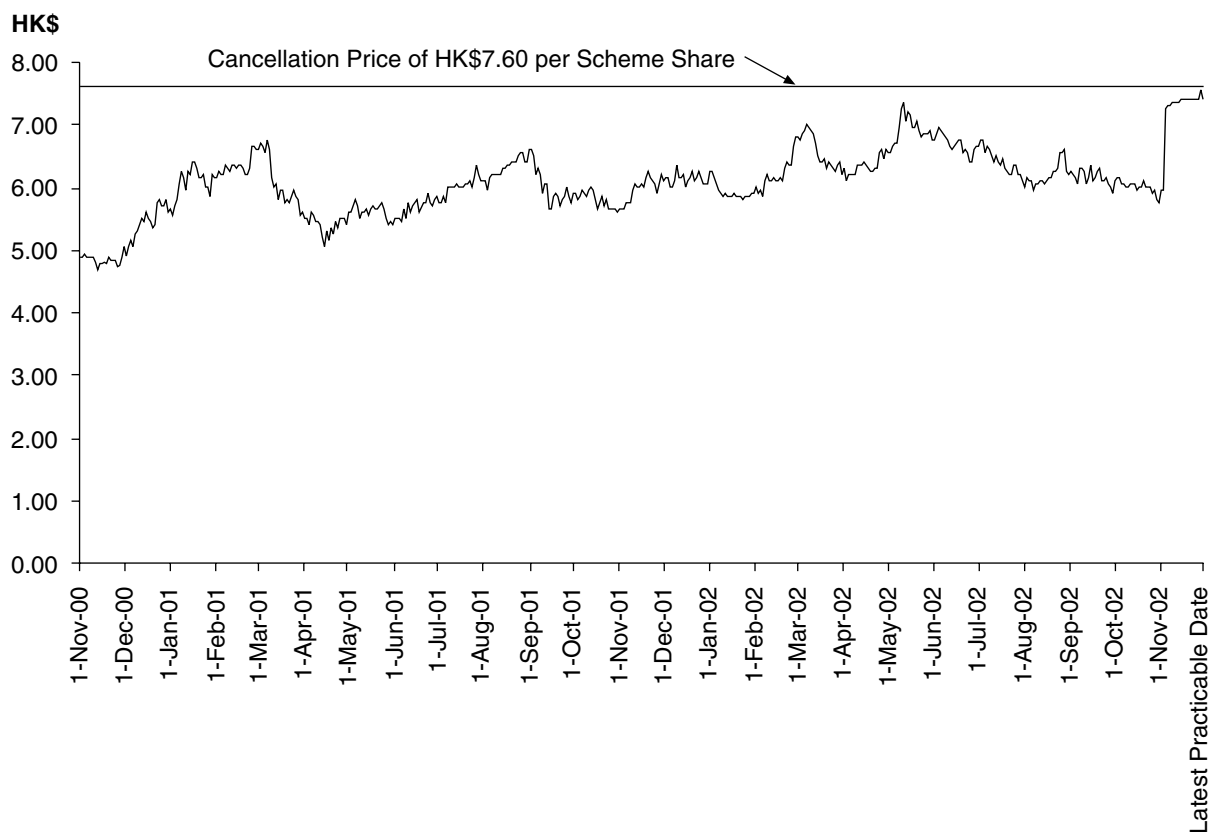
Period	Average closing price	Premium based on the Cancellation Price
5 trading days up to and including the Pre-suspension Day	5.87	29.47%
10 trading days up to and including the Pre-suspension Day	5.95	27.73%
30 trading days up to and including the Pre-suspension Day	6.03	26.04%
60 trading days up to and including the Pre-suspension Day	6.12	24.18%
180 trading days up to and including the Pre-suspension Day	6.39	18.94%

Source: Stock Exchange website (www.hkex.com.hk)

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The graph below further illustrates the daily closing prices of the HIL Shares quoted on the Stock Exchange from 1st November, 2000 up to and including the Latest Practicable Date:

Price chart of the HIL Shares



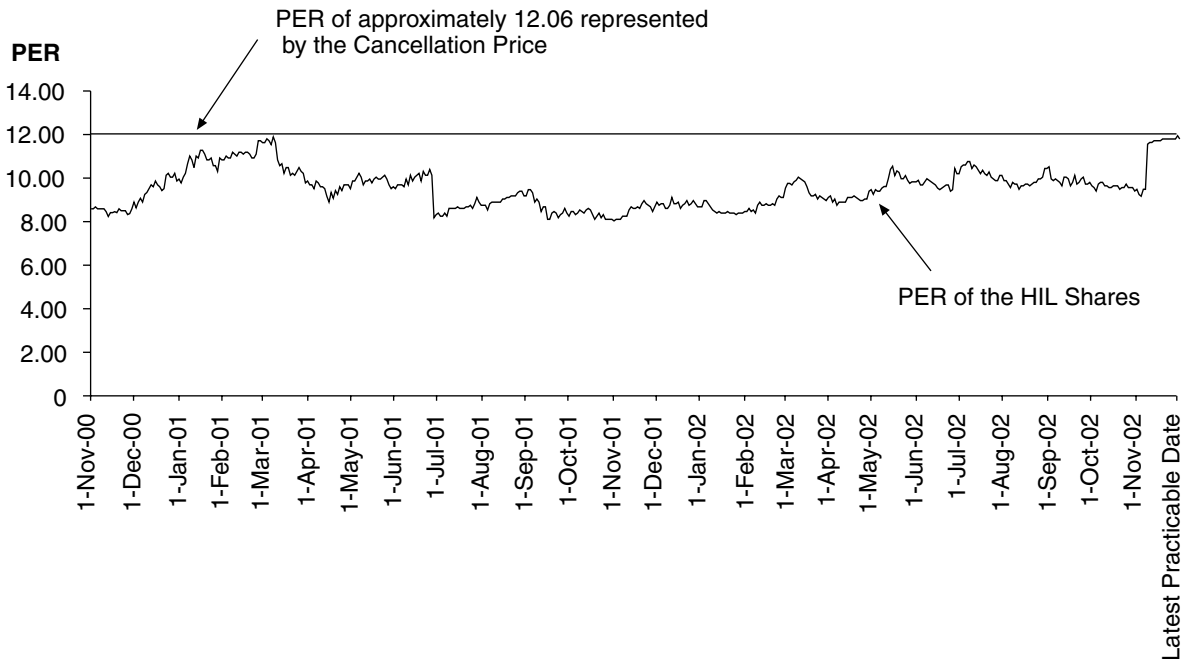
Source: Bloomberg

As illustrated in the above share price chart, the closing prices of the HIL Shares traded below the Cancellation Price of HK\$7.60 per Scheme Share at all times for the two years before the Latest Practicable Date. Following the Announcement, the HIL Shares rose to and close at HK\$7.40 on both days of the Second Announcement Day and the Latest Practicable Date. However, there is no assurance that the price of the HIL Shares will remain at the current level if the Scheme is unsuccessful or the Proposal is withdrawn or lapses. We are of the view that, as mentioned in the section headed "Prospect of an alternative offer and further increase of the Cancellation Price" below, due to the substantial stake in HIL held by HLD, it is unlikely that any independent third party will be making an offer, better or worse than the Cancellation Price, for the HIL Shares. Furthermore, in the section headed "Background to, and reasons for, the Proposal" above, we have referred to the fact that HLD has no intention of disposing of or procuring the Controlling Parties to dispose of their HIL Shares to any third party and HLD will not further increase the Cancellation Price. Given that the historical prices of the HIL Shares during the recent years have fallen below the Cancellation Price, which will not be further increased by HLD, and that a competing offer is not likely, an exit price higher than the Cancellation Price may not likely be available to the Minority Shareholders in the near future. Therefore, we consider that the Cancellation Price is reasonable and in the interests of the Independent Minority Shareholders.

Price earnings multiple

The graph below illustrates the PER of the HIL Shares between the period of 1st November, 2000 and the Latest Practicable Date, and the PER represented by the Cancellation Price:

PER chart of the HIL Shares



Source: Bloomberg

As can be seen from the above graph, the PER of approximately 12.06 represented by the Cancellation Price and the earnings per HIL Share for the year ended 30th June, 2002 is higher than all PERs of the HIL Shares achieved within the last 2 years before the Latest Practicable Date.

Following the Announcement, the daily closing price of the HIL Shares rose to HK\$7.40 on both days of the Second Announcement Day and the Latest Practicable Date. However, there is no assurance that the price of the HIL Shares will remain at the current level if the Proposal is withdrawn or lapses, and hence the PER may return to a lower level.

Based on its historical PER of the HIL Shares, the Scheme provides an opportunity for the Minority Shareholders to realise their investments at a higher PER. Accordingly, we are of the view that the Proposal is in the interests of the Independent Minority Shareholders and the Cancellation Price is fair and reasonable.

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Liquidity

The following table sets out the trading volume of the HIL Shares for the period commencing from 1st May, 2002 and up to and including the Latest Practicable Date:

	Monthly trading volume	Percentage of monthly trading volume to total issued HIL Shares <i>(Note 1)</i>	Percentage of monthly trading volume to public float of the HIL Shares <i>(Note 2)</i>
2002			
May	45,351,228	1.61%	6.56%
June	28,275,500	1.00%	4.09%
July	28,318,033	1.01%	4.09%
August	20,294,500	0.72%	2.93%
September	24,946,888	0.89%	3.61%
October	26,929,714	0.96%	3.89%
November	120,575,697	4.28%	17.43%
- From 1st November to Pre-suspension Day	3,846,334	0.14%	0.56%
- From the date of the Announcement and up to and including the Second Announcement Day	116,729,363	4.14%	16.87%
December (up to and including the Latest Practicable Date)	19,779,000	0.70%	2.86%
From the date of the Announcement and up to and including the Latest Practicable Date	136,508,363	4.85%	19.73%

Notes:

1. Based on 2,817,327,395 HIL Shares in issue.
2. Based on the public float of approximately 691,732,472 HIL Shares.

Source: Stock Exchange website (www.hkex.com.hk)

As shown in the table above, the monthly trading volume of the HIL Shares during the six-month period before the Pre-suspension Day dropped from the highest trading volume recorded in May 2002, of approximately 1.61% of the total issued share capital of HIL, or approximately 6.56% of the HIL Shares held by the public, to approximately 0.96% of the total issued share capital of HIL, or approximately 3.89% of the HIL Shares held by the public in October 2002. From the date of the Announcement and up to and including the Latest Practicable Date, the trading volume of the HIL Shares increased significantly to 136,508,363 HIL Shares, representing approximately 4.85% of the total issued HIL Shares and approximately 19.73% of the HIL Shares held by the public. The monthly trading volume of the HIL Shares in November was approximately 4.28% of the total issued share capital of HIL, or approximately 17.43% of the HIL Shares held by the public. Based on the trading volume of the HIL Shares since May 2002, it is not likely, in our opinion, that the relatively active trading

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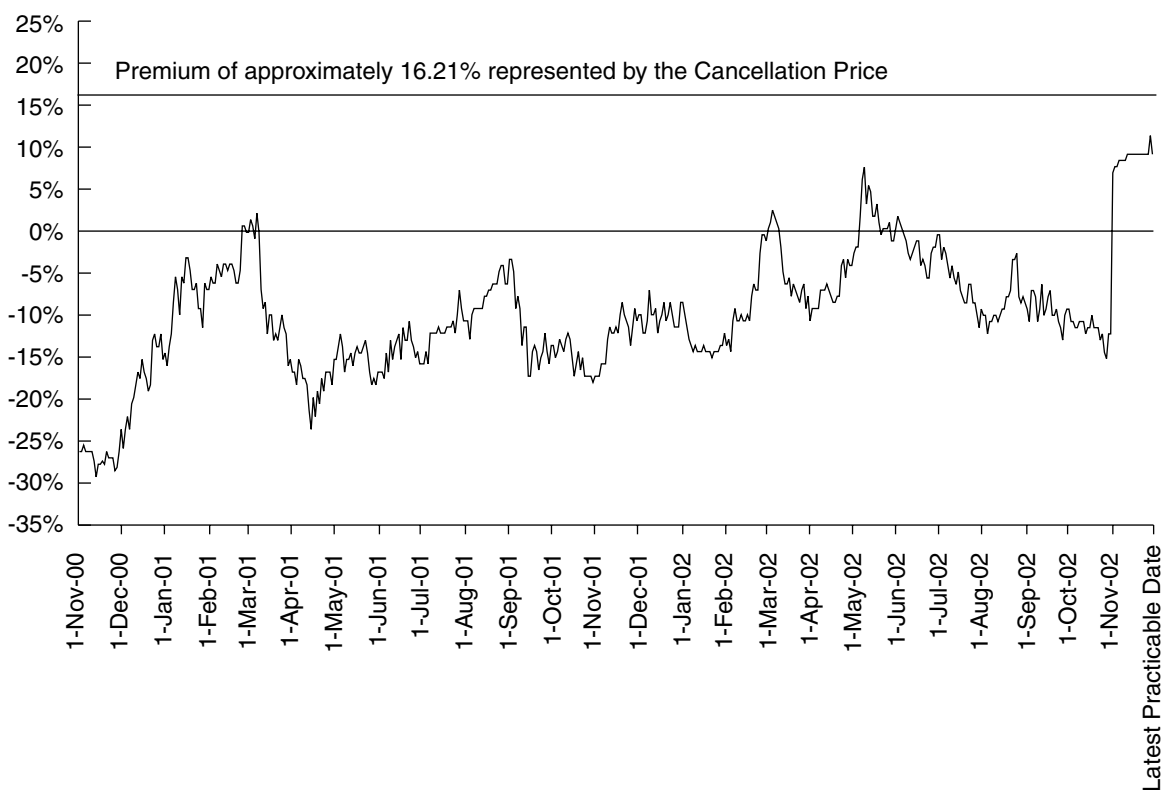
volume of the HIL Shares recorded since the Pre-suspension Day will continue if the Proposal is withdrawn or lapses. Given the relatively low level of liquidity of the HIL Shares before the release of the Announcement, the Independent Minority Shareholders would not be able to sell a significant number of their HIL Shares in the market without depressing the market price of the HIL Shares. The Proposal represents an opportunity for the Minority Shareholders to dispose of their investment in HIL at the Cancellation Price. Therefore, we are of the view that the Scheme is in the interests of the Independent Minority Shareholders as an opportunity is available to them to liquidate their holdings in HIL at a price that is at a premium over the market price, even when the holdings are in sizable blocks.

Net asset value

The Cancellation Price of HK\$7.60 per Scheme Share represents a premium of approximately 12.09% to the NTAV per HIL Share of approximately HK\$6.78 and a premium of approximately 16.21% to the Adjusted NTAV per HIL Share of approximately HK\$6.54 as shown in Section 6 of Appendix I to the Document.

We have assessed the daily closing price of the HIL Shares against the net tangible asset value based on the then latest published audited accounts of HIL (the "Latest NTAV") per HIL Share from 1st November, 2000 to the Latest Practicable Date. Set out below is a graph showing the premium or discount of the daily closing price of the HIL Shares over/to the Latest NTAV per HIL Share:

Premium/discount of closing price over/to the Latest NTAV per HIL Share



Sources: Bloomberg

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It can be seen that the HIL Shares have traded at discounts to the Latest NTAV per HIL Share for most of the days during the last two years. Before the date of the Announcement, the biggest trading premium over the then Latest NTAV per HIL Share was approximately 7.61% on 17th May, 2002 while the deepest trading discount to the then Latest NTAV per HIL Share was approximately 29.27% on 13th November, 2000. On the Pre-suspension Day, the discount of the closing price to the Latest NTAV per HIL Share was approximately 12.24%. On the Second Announcement Day and the Latest Practicable Date, the premiums of the closing prices over the respective Latest NTAV per HIL Share were both approximately 9.14%. Based on the historical trend, in the absence of the Proposal it is unlikely that the discount to the Latest NTAV per HIL Share will become a premium of approximately 16.21% over the Adjusted NTAV per HIL Share represented by the Cancellation Price. Therefore, we are of the view that the Cancellation Price is reasonable and in the interests of the Independent Minority Shareholders.

Market Value Adjusted NTAV (as defined below)

As book value does not always reflect the market value of the assets held by a company, we believe that it is also necessary to look at the market values of the underlying listed assets held by HIL. We believe that this is a more up-to-date value of HIL to the HIL Shareholders. We have examined the value of each HIL Share in two components: (i) the market value of the interests of HIL in its listed subsidiary, being Henderson Cyber, and associated companies, being Hong Kong and China Gas, Hong Kong Ferry and Miramar; and (ii) the net asset value of the residual net tangible assets held by HIL. For easy reference, we have termed this combined value as the Market Value Adjusted NTAV.

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We have compared the Market Value Adjusted NTAV per HIL Share as at the Latest Practicable Date with the Cancellation Price of HK\$7.60 per Scheme Share. Taking the share prices of the listed subsidiary and associated companies of HIL on the Latest Practicable Date, the Market Value Adjusted NTAV per HIL Share is calculated as follows:

(i) Market value of the listed subsidiary and associated companies held by HIL

Company	Percentage shareholding held by HIL %	Market capitalisation HK\$ million (Note 1)	Attributable market value to HIL HK\$ million	Equivalent value per HIL Share HK\$ (Note 2)
	(a)	(b)	(c) = (a) x (b)	
Henderson Cyber	66.67%	1,300	867	0.31
Miramar	43.67%	3,319	1,449	0.51
Hong Kong and China Gas	36.42%	58,616	21,348	7.58
Hong Kong Ferry	30.98%	2,049	635	<u>0.22</u>
			Market value of the listed subsidiary and associated companies per HIL Share	<u><u>HK\$8.62</u></u>

Notes:

1. Being the closing price of the subsidiary and each associated company of HIL on the Latest Practicable Date multiplied by the latest published number of shares in issue of the respective subsidiary and associated companies of HIL.
2. Being column (c) divided by 2,817,327,395 HIL Shares in issue.

Sources: Bloomberg and 2002 Annual Report of HIL

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(ii) Residual net tangible assets

	<i>HK\$'000</i>
Adjusted NTAV as shown in Section 6 of Appendix I to the Document	18,425,439
Less:	
Share of interests in listed associates	(12,537,618)
Share of interests in listed subsidiary	<u>(531,467)</u>
Residual net tangible assets	5,356,354
Residual net tangible assets per HIL Share	HK\$1.90

Sources: 2001 and 2002 Annual Reports of HIL

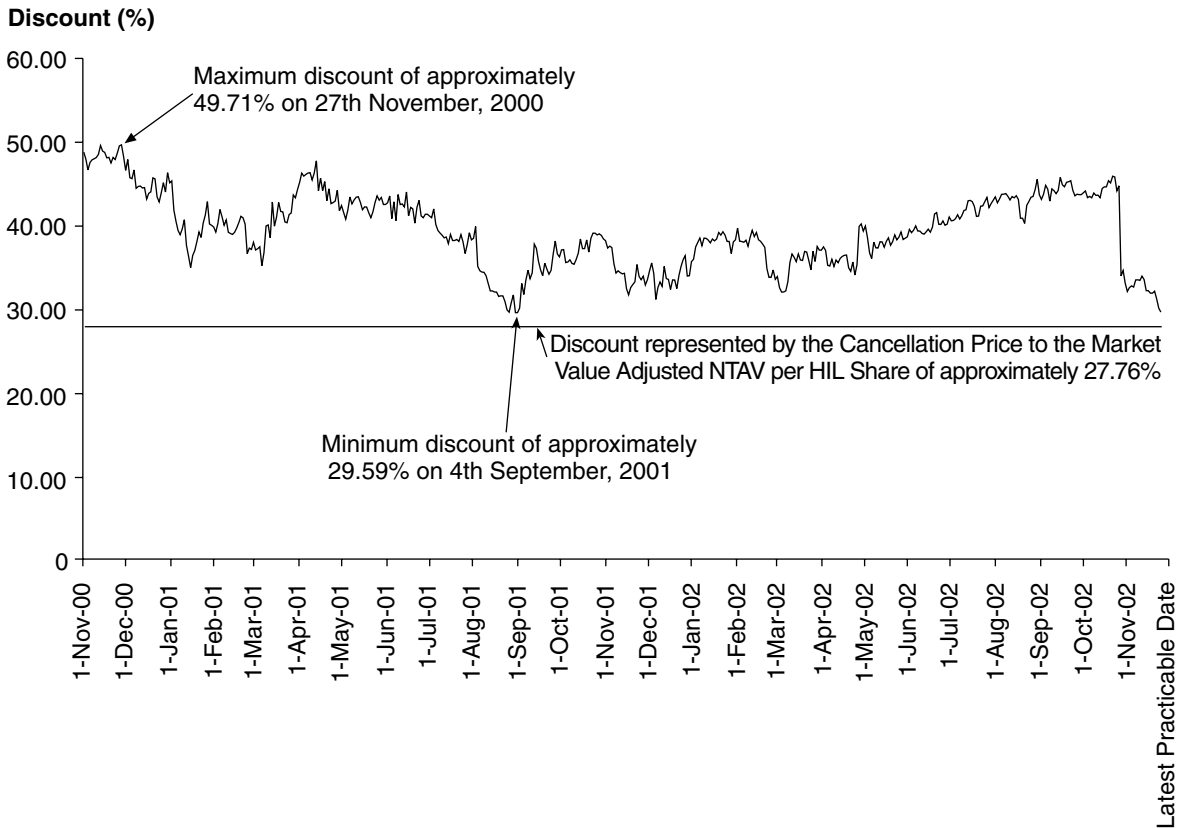
(iii) Market Value Adjusted NTAV per HIL Share

Market value of the listed subsidiary and associated companies per HIL Share as illustrated in part (i) above	HK\$8.62
Residual net tangible assets per HIL Share	HK\$1.90
Market Value Adjusted NTAV per HIL Share	HK\$10.52
Discount of the Cancellation Price to the Market Value Adjusted NTAV per HIL Share	27.76%

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We have compared the Market Value Adjusted NTAV per HIL Share of each day with the daily closing prices of the HIL Shares for that same day for the last two years from 1st November, 2000 up to and including the Latest Practicable Date. We noted that daily closing price of the HIL Shares was consistently at a discount to the corresponding Market Value Adjusted NTAV per HIL Share during the period under review. The graph below shows such discounts over the last two years from 1st November, 2000 to the Latest Practicable Date:

Discount of daily closing price of the HIL Shares to the daily Market Value Adjusted NTAV per HIL Share



Sources: Bloomberg and 2001 and 2002 Annual Report of HIL

We noted that the daily closing price of the HIL Shares was consistently at a discount to the daily Market Value Adjusted NTAV during the period under review. The discounts ranged from the lowest of approximately 29.59% (on 4th September, 2001) to the highest of approximately 49.71% (on 27th November, 2000), indicating that the market has, at least in the last two years, valued the HIL Shares at discounts from approximately 29.59% to 49.71% to the value of its underlying investments.

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Meanwhile, the Cancellation Price is at a discount of approximately 27.76% to the Market Value Adjusted NTAV of approximately HK\$10.52 per HIL Share on the Latest Practicable Date. This discount is lower than all discounts of the daily closing prices to the corresponding Market Value Adjusted NTAV per HIL Share in the last two years. On the Pre-suspension Day, the closing price of HK\$5.95 per HIL Share represented a discount of approximately 44.20% to the then Market Value Adjusted NTAV per HIL Share. On the Second Announcement Day, the closing price of HK\$7.40 per HIL Share represented a discount of approximately 31.23% to the then Market Value Adjusted NTAV per HIL Share. On the Latest Practicable Date, the closing price of HK\$7.40 per HIL Share represented a discount of approximately 29.66% to the then Market Value Adjusted NTAV per HIL Share. As such, the Cancellation Price values the HIL Shares better than all of the values the market has placed on the HIL Shares during the last two years before the Latest Practicable Date. Accordingly, notwithstanding that the discount represented by the Cancellation Price to the Market Value Adjusted NTAV is approximately 27.76% per HIL Share, we consider that the level of discount is acceptable.

We have used this Market Value Adjusted NTAV basis to value the HIL Shares because this approach is similar to a “breakup value” approach except without the discount resulting from a mass sell down of assets as in the case of breaking up a company. We consider using the discounted cash flow approach inappropriate as it involves assumptions which are uncertain and subjective. For example, one may have to assume that for a start, there is no major change in the market and economic conditions in the markets in which HIL operates. Other assumptions would be the rental rates of the rental properties of HIL remaining at certain levels or growing at certain rates.

However, the Independent Minority Shareholders should note that although the Market Value Adjusted NTAV of approximately HK\$10.52 per HIL Share is one of the relevant bases for comparison, whether this value is realisable or not in the market is uncertain. The reason being that if the shares of all the listed subsidiary and associated companies attributable to the HIL shareholdings held by the Independent Minority Shareholders are sold simultaneously in the market, their prices will be depressed and the values we used in the analysis will not be achievable even if all other market factors remain constant. Although HIL can attempt to negotiate for a block sale of its holdings in listed subsidiary and associated companies to benefit from the control premium, such sale is subject to the availability of a willing buyer. This is especially likely in the case of Henderson Cyber where its average monthly trading volume from January 2002 to November 2002 was in the region of 209,000 shares. Its share price has also dropped continuously from HK\$0.73 per share on 8th January, 2002 to HK\$0.26 per share on the Latest Practicable Date. Another consideration that the Market Value Adjusted NTAV per HIL Share of approximately HK\$10.52 may be uncertain is that Hong Kong and China Gas, Hong Kong Ferry and Miramar are all listed companies and their share prices fluctuate and are affected by market and other economic factors or their respective intrinsic factors. In particular, the share price of Hong Kong and China Gas stood at an average PER range of between approximately 14.3 and 21.0 for the past three years up to the Latest Practicable Date while the other two Hong Kong power utility companies had ranges of approximately 8.3 to 15.1 and approximately 8.8 to 12.3 respectively for the same period. Despite Hong Kong and China Gas having a unique advantage in terms of its market position given that it has a dominant market share of gas supplying service in Hong Kong, the recent public pressure on utility companies to lower their rates may have an impact on its share price. Lastly, the realisation of all of the properties held by the HIL Group would take considerable time and the total amount realised would depend on the state of the property market which has been depressed in recent years.

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Comparable Companies

To help evaluate the fairness and reasonableness of the premium or discount represented by the Cancellation Price to the underlying assets of HIL, we have made comparisons with comparable companies. Since HIL is one of the constituent stocks of the Hang Seng Property Index, we have identified the other eight constituent stocks (*Note 9*) in the Hang Seng Property Index as comparable companies (the “Comparable Companies”). The principal activities of these companies include property investment and development. We have further reviewed the 33 Hang Seng Index constituent stocks (other than the nine Hang Seng Property Index constituent companies) and reviewed all of the non-bank companies in order to identify comparable companies. From our review, we have chosen and included into our group of Comparable Companies all the companies that hold two or more listed subsidiaries and/or associated companies. With this criterion, we have identified and included The Wharf (Holdings) Limited, New World Development Company Limited, Hutchison Whampoa Limited and Swire Pacific Limited “A” in our group of Comparable Companies. The Comparable Companies have a market capitalisation of between approximately HK\$6.36 billion and HK\$234.49 billion as at the Latest Practicable Date and a net asset value (based on the latest published consolidated accounts) of between approximately HK\$18.16 billion and HK\$210.48 billion. Since the market value of each Comparable Company is more than the aggregate market value of its listed subsidiaries and/or associated companies, while this is not the case for HIL, using the Market Value Adjusted NTAV as a basis for comparison would be inappropriate. Furthermore, the underlying residual net asset value other than the listed subsidiaries and/or associates are not publicly available for all the Comparable Companies, we would not be able to obtain a consistent and comparable Market Value Adjusted NTAV for all such companies. Therefore, we consider using the Market Value Adjusted NTAV basis for the Comparable Companies unsuitable and net asset values of the Comparable Companies are used as the bases for comparison instead. The table below illustrates the level of premium or discount of the share price to the net asset value per share of each of the Comparable Companies and HIL:

	Closing share price on the Latest Practicable Date HK\$	Market capitalisation on the Latest Practicable Date HK\$ million	Latest published audited net asset value per share HK\$	Latest published audited consolidated net asset value HK\$ million	Premium/ (Discount) of share price to net asset value per share %
Comparable Companies in the Hang Seng Property Index:					
Cheung Kong	57.75	133,758	71.87	166,472 <i>(Note 1)</i>	(19.65)
Hang Lung Group <i>(Note 9)</i>	6.85	9,068	13.72	18,160 <i>(Note 2)</i>	(50.07)
Hang Lung Properties	7.50	21,670	9.04	26,112 <i>(Note 2)</i>	(17.04)
Henderson Land	27.30	47,014	33.01	56,852 <i>(Note 2)</i>	(17.30)
Hysan <i>(Note 9)</i>	6.15	6,363	20.47	21,177 <i>(Note 1)</i>	(69.96)

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	Closing share price on the Latest Practicable Date <i>HK\$</i>	Market capitalisation on the Latest Practicable Date <i>HK\$ million</i>	Latest published audited net asset value per share <i>HK\$</i>	Latest published audited consolidated net asset value <i>HK\$ million</i>	Premium/ (Discount) of share price to net asset value per share %
Sino Land	2.775	10,725	6.65	25,719 <i>(Note 2)</i>	(58.27)
Sun Hung Kai Properties	52.50	126,048	53.56	128,598 <i>(Note 2)</i>	(1.98)
Wheelock	5.70	11,582	13.03	26,485 <i>(Note 3)</i>	(56.25)
Other Comparable Companies:					
Hutchison Whampoa	55.00	234,485	49.37	210,481 <i>(Note 1)</i>	11.40
New World Development	4.625	10,020	24.77	53,651 <i>(Note 2)</i>	(81.33)
Swire Pacific “A”	32.20	30,167	47.00	44,033 <i>(Note 1)</i>	(31.49)
Wharf (Holdings)	17.20	42,097	22.27	54,513 <i>(Note 1)</i>	(22.77)
Simple average of all the Comparable Companies					(34.56)
Simple average of nine Comparable Companies <i>(Note 8)</i>					(44.94)
HIL	7.40	20,848	6.54 <i>(Note 4)</i>	18,425 <i>(Note 5)</i>	13.15
Cancellation Price: Compared to the Adjusted NTAV per HIL Share	7.60 <i>(Note 6)</i>		6.54 <i>(Note 4)</i>		16.21
Compared to the Market Value Adjusted NTAV per HIL Share	7.60 <i>(Note 6)</i>		10.52 <i>(Note 7)</i>		(27.76)

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Notes:

1. Based on the relevant interim report for the six months ended 30th June, 2002.
2. Based on the relevant Annual Report for the year ended 30th June, 2002.
3. Based on the relevant Annual Report for the year ended 31st March, 2002.
4. Adjusted NTAV per HIL Share.
5. Adjusted NTAV.
6. Cancellation Price.
7. Market Value Adjusted NTAV per HIL Share.
8. The nine Comparable Companies with market capitalisation and net asset value of less than HK\$100 billion.
9. Since 2nd December, 2002, both Hang Lung Group Limited and Hysan Development Company Limited no longer belong to the Hang Seng Property Index. However, due to the fact that these two companies were still the Hang Seng Property Index constituents on the Pre-suspension Day and the Second Announcement Day, for comparison reason, we consider it appropriate to include them as the Comparable Companies.

Sources: Bloomberg, Annual Reports and interim reports of the Comparable Companies

The Comparable Companies traded from a discount to net asset value of approximately 81.33% to a premium over net asset value of approximately 11.40%. The simple average discount of all the Comparable Companies is approximately 34.56%. Since the market capitalisation of HIL as at the Latest Practicable Date and the Adjusted NTAV were approximately HK\$20.85 billion and HK\$18.43 billion respectively, we consider making comparison with those Comparable Companies of comparable size, that is with market capitalisation and net asset value of less than HK\$100 billion, would be more meaningful. As a result, the average discounts of the closing prices to the net asset value per share of the nine Comparable Companies with market capitalisation and net asset value of less than HK\$100 billion is approximately 44.94%.

HIL traded at a premium of approximately 13.15% over the Adjusted NTAV per HIL Share on the Latest Practicable Date. Meanwhile, the Cancellation Price offers a premium of approximately 16.21% over the Adjusted NTAV per HIL Share and represents a discount of approximately 27.76% to the Market Value Adjusted NTAV per HIL Share on the Latest Practicable Date. We are of the view that due to the discounts put on property companies by the market, it is unusual to find property companies that are valued at a premium. Although the historical HIL Share prices reflected narrow discounts to the Latest NTAV per HIL Share, we believe that in the absence of the Proposal, the Independent Minority Shareholders will find it difficult to achieve an exit price with a premium of approximately 16.21% over the Adjusted NTAV per HIL Share for the HIL Shares. Furthermore, the discount of approximately 27.76% represented by the Cancellation Price to the Market Value Adjusted NTAV per HIL Share on the Latest Practicable Date is below the average discount of the market price to the net asset value per share of approximately 34.56% of all the Comparable Companies and is also lower than the average discount of approximately 44.94% of the nine Comparable Companies with market capitalisation and net asset value of less than HK\$100 billion. We, therefore, consider the Cancellation Price fair and reasonable and is in the interests of the Independent Minority Shareholders.

LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

Privatisation precedents

The level of discount to the Market Value Adjusted NTAV per HIL Share as at the Latest Practicable Date represented by the Cancellation Price is approximately 27.76%. In assessing whether this level of discount is fair and reasonable, we have briefly reviewed all of the successful privatisation proposals which have been announced since January 2001 in Hong Kong and have summarised below the key statistics of these precedents:

Company	Date of privatisation proposal	Principal activities	Offer price (HK\$)	Premium over average closing share price			Adjusted consolidated net tangible asset value per share (HK\$)	Premium/ (Discount) of offer price to adjusted consolidated net tangible asset value per share (%)
				Last trading day (%) <i>(Note 1)</i>	30 trading days (%)	60 trading days (%)		
Concord Land Development Company Limited	February 2001	Property development in Hong Kong and the PRC	1.40	66.67	65.62	74.53	6.33	(77.88)
Evergo China Holdings Limited	August 2001	Property investment in Hong Kong and the PRC	0.18	55.17	65.39	59.72	0.82	(78.05)
Grand Hotel Holdings Limited (A share offer)	August 2002	Management and ownership of hotels and service apartments	1.84	116.47	117.49	108.07	1.84	0
IMC Holdings Limited	January 2002	Ship-owning, operation and trading of vessels, ship management, crew agency and investment in shipyards	1.60	5.96	23.27	27.44	2.70	(40.74)
Lam Soon Food Industries Limited	March 2002	Manufacturing and trading of food products	2.90	31.82	31.72	33.46	6.11	(52.54)

LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

Company	Date of privatisation proposal	Principal activities	Offer price (HK\$)	Premium over average closing share price			Adjusted consolidated net tangible asset value per share (HK\$)	Premium/ (Discount) of offer price to adjusted consolidated net tangible asset value per share (%)
				Last trading day (%) (Note 1)	30 trading days (%)	60 trading days (%)		
Ryoden Development Limited	August 2002	Property investment and development in Hong Kong and the PRC	0.80	53.85	74.04	65.52	1.12	(28.57)
The Mingly Corporation Limited	January 2001	Investing in and developing principally high technology companies and property development	0.70	29.63	55.84	55.30	1.05	(33.33)
Average				51.37	61.91	60.57		(44.44)
Proposal:								
			7.60	27.73 (Note 2)	26.04	24.18	6.54	16.21
			7.60	27.73 (Note 2)	26.04	24.18	10.52	(27.76)

Sources: Bloomberg and offer documents of the above privatisation companies

Notes:

1. The last trading day prior to the announcement of the respective privatisation proposals
2. Pre-suspension Day

We note that the Cancellation Price of HK\$7.60 per Scheme Share represents a premium of approximately 16.21% over the Adjusted NTAV per HIL Share and a discount to the Market Value Adjusted NTAV per HIL Share as at the Latest Practicable Date of approximately 27.76%. The above precedents have offer prices which are mostly at deeper discounts to the adjusted consolidated net tangible asset value than that represented by the Cancellation Price to the Market Value Adjusted NTAV per HIL Share as at the Latest Practicable Date. The discount of approximately 27.76% is below the average discount of approximately 44.44% of the privatisation precedents. We also note that the premium of the Cancellation Price over the closing price of the HIL Shares on the Pre-suspension Day is within the range of those for the other privatisation precedents. Accordingly, we consider the Cancellation Price is fair and reasonable.

Prospect of an alternative offer and further increase of the Cancellation Price

HIL is approximately 73.48% held by HLD, which has informed us that it did not have any intention to sell its controlling shareholding in HIL. Consequently, the Independent Minority Shareholders should note that, without the support of HLD, it is unlikely that there will be a third party offer or proposal for the Scheme Shares. In addition, it was announced on 29th November, 2002 that HLD would not further increase the Cancellation Price. Following this announcement, HLD will not be allowed to increase the Cancellation Price of HK\$7.60 per Scheme Share, save in wholly exceptional circumstances, as a result of the provisions of Rule 18.3 of the Takeovers Code. Therefore, if the Proposal is withdrawn or lapses, the price of the HIL Shares may return to its historical trading range and trading volume. Therefore, the Proposal is, in our view, an opportunity for the holders of Scheme Shares to liquidate their investments in the HIL Shares at a premium, regardless of the shareholding size to be liquidated. The Proposal and its terms are, therefore, in the interests of the Independent Minority Shareholders.

CONCLUSIONS AND RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, have taken into account the following factors in arriving at our opinion:

- the leveling financial performance of the HIL Group for the preceding three financial years;
- the Proposal provides a cash exit and an opportunity for all of the holders of Scheme Shares to realise their investments in HIL at a premium over the closing prices of the HIL Shares over the two-year period before the Latest Practicable Date;
- the Cancellation Price of HK\$7.60 per Scheme Share is at a premium over the trading price of HK\$4.68 to HK\$7.55 per HIL Share over the two-year period before the Latest Practicable Date;
- the Cancellation Price represents a PER of approximately 12.06 and this being higher than all PERs of the HIL Shares achieved over the two-year period before the Latest Practicable Date;

LETTER FROM PLATINUM TO THE INDEPENDENT DIRECTOR

- the discount represented by the Cancellation Price to the Market Value Adjusted NTAV per HIL Share as at the Latest Practicable Date of approximately 27.76% is below the average discounts to the net assets value of approximately 34.56% represented by the closing prices of the Comparable Companies on the Latest Practicable Date, and is also lower than the average discount of approximately 44.94% of the nine Comparable Companies with market capitalisation and net asset value of less than HK\$100 billion;
- the discount represented by the Cancellation Price to the Market Value Adjusted NTAV per HIL Share as at the Latest Practicable Date of approximately 27.76% is less than all of the discounts represented by the daily closing prices of HIL over the two-year period before the Latest Practicable Date;
- the discount represented by the Cancellation Price to the Market Value Adjusted NTAV per HIL Share as at the Latest Practicable Date of approximately 27.76% is below the average discounts to the net tangible asset value of approximately 44.44% represented by the offer price of other recent Hong Kong privatisation proposals;
- the decreasing trend of dividend pay-out ratio of HIL and dividend yield of the HIL Shares;
- the low trading volume in the HIL Shares, with monthly trading generally less than 2% of the total issued HIL Shares and 7% of the free float of the HIL Shares from May 2002 to the Pre-suspension Day;
- the absence of an alternative offer, which is unlikely to be successful without the approval or support of HLD; and
- the Cancellation Price will not be further increased to over HK\$7.60 per Scheme Share by HLD.

Having considered the above, we consider the terms of the Proposal, in particular the Cancellation Price, are fair and reasonable so far as the Independent Minority Shareholders are concerned. Accordingly, we recommend the Independent Director to advise the Independent Minority Shareholders to vote in favour of the relevant resolutions, which will be proposed at the Court Meeting and the Extraordinary General Meeting to approve and implement the Scheme.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Jeny Lau
Managing Director

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Section 166A of the Companies Ordinance.

SCHEME OF ARRANGEMENT FOR THE CANCELLATION OF THE SCHEME SHARES AND THE PAYMENT OF THE CANCELLATION PRICE

INTRODUCTION

It was announced on 5th November, 2002 that HLD had requested the HIL Directors to put forward the Proposal to the Minority Shareholders for consideration.

It was further announced on 29th November, 2002 that HLD, having taken into consideration the views of various HIL Shareholders, had decided to increase the Cancellation Price as originally announced on 5th November, 2002 from HK\$7.35 per Scheme Share to HK\$7.60 per Scheme Share, representing an increase of 3.4%. HLD has stated that it would not further increase the Cancellation Price. Following this announcement, HLD will not be allowed to increase the Cancellation Price, save in wholly exceptional circumstances, as a result of the provisions of Rule 18.3 of the Takeovers Code. HLD and HIL reserve the right to amend the other terms of the Proposal, subject to all applicable provisions of the Takeovers Code.

The purpose of this Explanatory Statement is to explain the terms and the effects of the Proposal, which is to be implemented by the Scheme, and to give to the Minority Shareholders the other relevant information.

A letter from the Board is set out on pages 8 to 17 of this document. A letter from the Independent Director, together with a letter from Platinum to the Independent Director, in connection with the Proposal are set out on pages 18 to 45 of this document. The terms of the Scheme are set out on pages 132 to 138 of this document.

SUMMARY OF THE PROPOSAL

It is proposed that, subject to the Conditions being fulfilled or, if applicable, waived, the Proposal will be implemented by way of the Scheme, which will involve a reduction in the authorised and issued share capital of HIL by the cancellation and extinguishment of all of the Scheme Shares. Forthwith upon such reduction of capital taking effect, the authorised share capital of HIL will be increased to its former amount of HK\$600,000,000 by the creation of such number of new HIL Shares as is equal to the number of the Scheme Shares cancelled. The credit which will arise in HIL's books of account as a result of the reduction of capital will be applied in paying up in full at par the new HIL Shares so created, which will be allotted and issued, credited as fully paid, to HLD or as HLD may direct. Accordingly, HIL will become a wholly owned subsidiary of HLD. The Scheme also provides that, in consideration of the cancellation and extinguishment of the Scheme Shares, all of the holders of Scheme Shares whose names must appear on the Register at the Record Time will be entitled to receive the Cancellation Price, which is HK\$7.60 for each Scheme Share held.

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Payment of the Cancellation Price will be effected by cheques and implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which HLD may otherwise be, or claim to be, entitled against any holder of Scheme Shares.

As at the Latest Practicable Date, there were no outstanding options, warrants or convertible securities issued by HIL. On the bases of the Cancellation Price and of a total of 2,817,327,395 HIL Shares outstanding as at the Latest Practicable Date, the entire issued share capital of HIL is valued at about HK\$21,412 million under the Proposal. The amount of cash required for the payment of the Cancellation Price is about HK\$5,678 million. HLD has stated that it intended to finance the payment of the Cancellation Price from bank borrowings. HLD has, among others, two syndicated loan facilities of HK\$5,500,000,000 and HK\$1,000,000,000 and their respective agents are BNP Paribas Hong Kong Branch and Wing Lung Bank Limited. The payment of interest on, and repayment of or security for, any loan facilities will not depend to any significant extent on the business of HIL. HSBC is satisfied that sufficient financial resources are available to HLD for the implementation of the Proposal.

CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on HIL and all of the holders of Scheme Shares subject to the fulfillment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme by a majority in number of the Independent Minority Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in value of the HIL Shares that are voted either in person or by proxy by the Independent Minority Shareholders at the Court Meeting, provided that the Scheme is not disapproved by the Independent Minority Shareholders at the Court Meeting holding more than 10% in value of all of the HIL Shares held by the Independent Minority Shareholders;
- (b) the passing of a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the reduction of the authorised and issued share capital of HIL) by not less than three-fourths in value of the votes cast by the HIL Shareholders present and voting in person or by proxy at the Extraordinary General Meeting;
- (c) the sanction of the Scheme (with or without modifications) and confirmation of the reduction of capital involved in the Scheme by the High Court;
- (d) an office copy of the order of the High Court, together with a minute containing the particulars required by Section 61 of the Companies Ordinance, being registered by the Registrar of Companies in Hong Kong;
- (e) the Authorisations having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Hong Kong or other relevant jurisdictions;
- (f) all Authorisations remaining in full force and effect without variation, all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is

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not expressly provided for, or is in addition to requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective; and

- (g) all bank and other necessary consents which may be required under any existing contractual obligations of HIL having been obtained.

Condition (a) is the combined effect of Section 166 of the Companies Ordinance and Rule 2.10 of the Takeovers Code. In so far as the statutory requirement for the sanction of the Scheme by the High Court is concerned, a resolution for the approval of the Scheme will be deemed to have been passed if a majority in number representing three-fourths in value of the HIL Shares held by the Minority Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme. Under Rule 2.10 of the Takeovers Code, however, such a resolution will only be considered to have been passed if (i) the Scheme is approved by at least 75% of the votes attaching to the HIL Shares of the Independent Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast against the resolution at the Court Meeting is not more than 10% of all the HIL Shares held by all of the Independent Minority Shareholders. Based on 691,732,472 HIL Shares held by the Independent Minority Shareholders as at the date of this document, 10% of such HIL Shares amounted to 69,173,247 HIL Shares.

HLD reserves the right to waive Conditions (e), (f) and (g) or any of them, either in whole or in respect of any particular matter. Conditions (a) to (d) cannot be waived as they are imposed either by law or by the Takeovers Code. All of the Conditions will have to be fulfilled or waived, as applicable, on or before 31st March, 2003 or such later date as the High Court may allow in relation to the Scheme, otherwise the Proposal will lapse.

Assuming that all of the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Wednesday, 29th January, 2003. Further press announcements will be made giving details of the results of the Meetings and, if the resolutions are passed at the Meetings, the last day for dealing in the HIL Shares, the Record Time, the result of the hearing of the petition for the sanction of the Scheme by the High Court, the Effective Date and the date of the withdrawal of the listing of the HIL Shares on the Stock Exchange.

The Scheme will lapse if it does not become effective on or before 31st March, 2003 or such later date as the High Court may allow and the holders of Scheme Shares will be notified accordingly by press announcements.

FINANCIAL EFFECTS OF THE PROPOSAL

Share Price

The Cancellation Price represents:

- (i) a premium of about 27.7% over the closing price of HK\$5.95 per HIL Share as quoted on the Stock Exchange on 4th November, 2002, being the last trading day prior to the suspension of trading in the HIL Shares pending the issue of the Announcement;

EXPLANATORY STATEMENT

- (ii) a premium of about 29.5% over the average closing price of HK\$5.87 per HIL Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including 4th November, 2002;
- (iii) a premium of about 26.9% over the average closing price of HK\$5.99 per HIL Share based on the daily closing prices as quoted on the Stock Exchange over the 20 trading days up to and including 4th November, 2002;
- (iv) a premium of about 24.2% over the average closing price of HK\$6.12 per HIL Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including 4th November, 2002; and
- (v) a premium of about 2.7% over the closing price of HK\$7.40 per HIL Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Minority Shareholders should note that payment to the HIL Shareholders whose names appear on the Register on 18th December, 2002, of the 11 cents final dividend, which has been recommended by the HIL Board but is pending approval at the forthcoming annual general meeting of HIL to be held on 18th December, 2002, is not dependent on the outcome of the Proposal.

Historical share price information on the HIL Shares is set out in Section 2 of Appendix III to this document.

Net Tangible Assets

The Cancellation Price represents:

- (i) a premium of about 12.1% over the NTAV per HIL Share of about HK\$6.78; and
- (ii) a premium of about 16.2% over the Adjusted NTAV per HIL Share of HK\$6.54.

Earnings

The HIL Group's audited consolidated profit attributable to the HIL Shareholders for the year ended 30th June, 2002 was approximately HK\$1,780 million, representing earnings per HIL Share of approximately 63 cents as shown in the Consolidated Income Statement in Section 2 of Appendix I to this document. When compared with the HIL Group's audited consolidated profit attributable to the HIL Shareholders of approximately HK\$1,978 million in respect of the previous financial year which is equivalent to earnings per HIL Share of approximately 70 cents, this represents a year-on-year reduction in profit attributable to the HIL Shareholders of 10%.

Based on the earnings per HIL Share for the year ended 30th June, 2002, the Cancellation Price would represent a PER for HIL Shares of about 12.1. This represents a premium of about 27.7% over the PER of about 9.4 based on the closing price of HK\$5.95 per HIL Share on 4th November, 2002.

Dividend Yield

Based on the Cancellation Price and the dividends for the year ended 30th June, 2002, the dividend yield for the HIL Shares would be about 2.9%.

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BACKGROUND TO, AND REASONS FOR, THE PROPOSAL

As stated in the Announcement, the board of directors of HLD considers that the Proposal will result in a leaner structure of the HLD Group through the elimination of the listing of HIL, being one of the HLD Group's listed vehicles. At the same time, HLD's indirect interests in Hong Kong and China Gas, Hong Kong Ferry, Miramar and Henderson Cyber, all listed subsidiary or associated companies of HIL, will be increased with resulting benefits to the HLD Group.

The principal activities of both HLD and HIL include property development and investment. The consolidation of such active operations of HLD and HIL is expected to result in better utilisation of resources for both HLD and HIL and, therefore, the resultant consolidated business is expected to operate in a more efficient manner.

The HIL Directors have been informed by the board of directors of HLD that the latter took into consideration the following factors in arriving at the Cancellation Price:

- over the two years ended 4th November, 2002, being the day immediately preceding the Announcement, the HIL Shares traded within the range of HK\$4.68 to HK\$7.35 per HIL Share with an average closing price of HK\$6.05 per HIL Share;
- the Cancellation Price represents a premium of about 12.1% over the NTAV per HIL Share of HK\$6.78 and a premium of about 29.5% and 24.2% respectively over the 5-day and 60-day average closing price per HIL Share up to and including 4th November, 2002;
- on 4th November, 2002, the shares in Hong Kong and China Gas traded at a historic PER of 19.3, which is at the high end of the historic PER range of 14.3 to 21.0 for the Hong Kong and China Gas shares over the 36 months preceding 4th November, 2002;
- the expected returns from other potential investment opportunities for HLD;
- the final dividend of HK\$0.11 per HIL Share for the year ended 30th June, 2002 already recommended by the HIL Board and that the Minority Shareholders will be entitled to receive such dividend if it is approved at the forthcoming annual general meeting of HIL; and
- the views of various HIL Shareholders on the original cancellation price of HK\$7.35 per Scheme Share.

The HIL Board have decided to put forward the Proposal to the Minority Shareholders for their consideration as it is their belief that the Proposal provides an opportunity for all of the holders of Scheme Shares to realise their investments in HIL at a premium over the market price of the HIL Shares during the two-year period preceding 29th November, 2002.

Upon the Scheme becoming effective, HIL will become a wholly owned subsidiary of HLD. It is the intention of HLD to maintain the existing businesses of the HIL Group upon the privatisation of HIL.

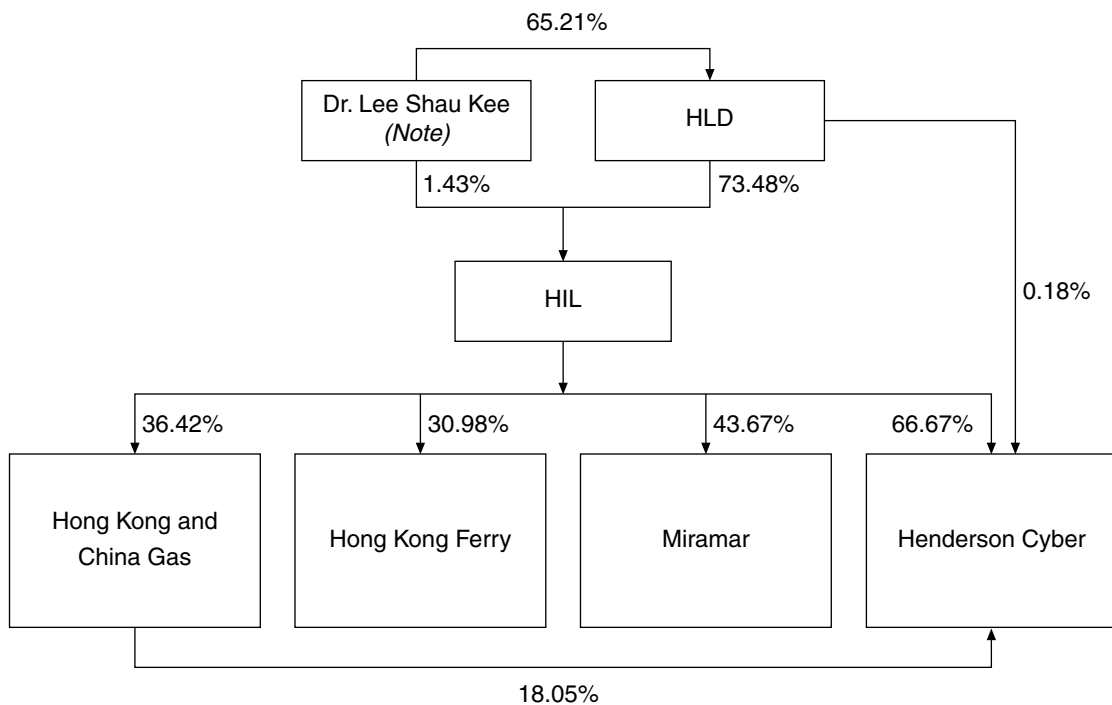
EXPLANATORY STATEMENT

INFORMATION RELATING TO THE HIL GROUP

History

HIL was incorporated in Hong Kong with limited liability and the HIL Shares have been listed on the Stock Exchange and its predecessors since September 1972. HIL is an investment holding company. The principal activities of the subsidiaries of HIL are property development and investment, investment holding, infrastructure, department store operation, retailing and hotel business, security guard services and information technology development in Hong Kong.

HIL Group Structure



Note:

Dr. Lee Shau Kee is taken to be interested in HLD by virtue of the SDI Ordinance. The HLD Shares in which Dr. Lee Shau Kee is taken to be interested are beneficially owned by Henderson Development Limited and its subsidiaries. Details of such interest are set out in Note 1 to paragraph (b)(i) in Section 3 of Appendix III to this document.

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Business

An analysis of the HIL Group's turnover and operating profit or loss before interest expenses for each of the years ended 30th June, 2001 and 2002 by reference to its activities is set out below:

	Year ended 30th June,		2001	
	2002	Operating	2001	Operating
	Turnover	profit/(loss)	Turnover	profit/(loss)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of properties	2,967	713	8,825	2,265
Rental income	539,976	295,267	447,366	276,752
Hotel operation	84,696	24,534	97,563	33,339
Sale of goods	116,791	8,017	87,128	11,923
Security guard services	73,373	9,219	71,087	12,280
Toll fee income	220,992	145,335	160,926	107,730
Information technology services income	67,437	(85,310)	28,306	(130,858)
Others	<u>82,090</u>	<u>32,933</u>	<u>149,550</u>	<u>2,192</u>
	<u>1,188,322</u>	<u>430,708</u>	<u>1,050,751</u>	<u>315,623</u>

Property rental

Rental income has become a steady source of income to the HIL Group. Performance of the local economy, similar to that of the United States of America, has been subject to volatility. This has adversely affected the property rental market and local consumer spending. However, the major retail shopping properties owned by the HIL Group were able to maintain an overall occupancy rate of 93% in the financial year ended 30th June, 2002 whilst rental levels generally remained steady. Such resilience as shown from the HIL Group's rental property portfolio is mainly a result of the positioning strategy adopted by the HIL Group whereby most of its retail shopping podiums are located in new towns and at the existing and planned mass transportation networks.

Hotel and retailing operations

The negative impact of the economic developments occurring both locally as well as overseas has resulted in the HIL Group's two Newton Hotels recording an operating loss in the financial year ended 30th June, 2002. Room tariffs were subject to pressure for downward adjustments notwithstanding that the average occupancy rate was maintained at 89%, being the same as that recorded in the previous financial year.

In respect of the retailing operations, the HIL Group now operates a total of six outlets of Citistore department stores.

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Infrastructural projects

In the financial year ended 30th June, 2002, the toll bridge and toll road joint venture operations of the HIL Group in the PRC continued to make contributions to the HIL Group's profit. The turnover and profit of these two categories of business operations amounted in total to HK\$222 million and HK\$145 million respectively.

Subsidiary and associated companies

Hong Kong and China Gas

Hong Kong and China Gas is 36.42% owned by the HIL Group. The number of customers of Hong Kong and China Gas reached 1,436,984 as at 30th June, 2002, representing an increase of approximately 5% over that of the previous year. With respect to the energy business of Hong Kong and China Gas, investment in mainland gas projects in line with the environmental policy of the PRC has been a long term strategic priority for its core business development. In particular, Hong Kong and China Gas has participated in environmentally-friendly energy projects, including the Guangdong Liquefied Natural Gas Receiving Terminal and Trunkline Project and the West-to-East gas pipeline project. During the last financial year, Hong Kong and China Gas concluded sino-foreign joint venture projects for the transmission of natural gas in three mainland cities each with vast territories, large population and prosperous commercial and industrial activities, namely Zhuhai in Guangdong Province, Taizhou in Jiangsu Province and Zibo in Shandong Province. Recently, Hong Kong and China Gas entered into a framework agreement with Nanjing General Gas Company to establish a sino-foreign city gas joint venture and the total investment for the project will be RMB1.2 billion.

Hong Kong and China Gas strives to strengthen its environmentally-friendly energy business in Hong Kong by expanding its filling station services to meet the demand for liquefied petroleum gas from the existing 16,000 taxis and 200 light buses. ECO Stations' current market share is approximately 32% and the business of ECO Stations generates steady revenue.

According to a press release of Hong Kong and China Gas on 8th November, 2002, the warm weather and the poor economy in Hong Kong for the first nine months of 2002 had a negative impact on gas sales. Hong Kong and China Gas has frozen its tariffs and monthly maintenance charge since January 1998 and has no present plans to adjust gas tariffs.

On the property development front, besides participating in two large development projects — Two International Finance Centre of Airport Railway Hong Kong Station project and Sai Wan Ho Ferry Concourse project — which are presently under construction, Hong Kong and China Gas has agreed to co-operate with HLD in the development of Ma Tau Kok South Plant Site, which will provide a total gross floor area of over 1.1 million sq. ft. and is expected to be completed in 2005.

Hong Kong Ferry

Hong Kong Ferry is 30.98% owned by the HIL Group. Profits of Hong Kong Ferry for the financial year ended 30th June, 2002 were mainly derived from the pre-sale of the residential

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units of Metro Harbour View. Subsequent to the successful pre-sale of Phase 1 of Metro Harbour View in late 2001, Phase 2 was launched in April 2002. The accumulated total number of units sold was approximately 1,500. Phases 1 and 2 are expected to be completed by late 2002 and late 2003 respectively.

Miramar

Miramar is 43.67% owned by the HIL Group. Miramar now manages a total of ten hotels and service apartments with five in Hong Kong and five in the PRC. Faced with the negative impact of the terrorist attack in the United States of America, Miramar's flagship, Hotel Miramar, recorded a modest decline in its occupancy rate to 85% during the year ended 31st March, 2002. It is expected that the entry of the PRC into the World Trade Organisation and its hosting of the Olympic Games in 2008 will facilitate the growth of the tourism industry as well as the economic recovery of Hong Kong, which will benefit the overall business development of Miramar.

Henderson Cyber

Henderson Cyber is 66.67% owned by the HIL Group. Henderson Cyber reported a turnover of HK\$67.5 million for the financial year ended 30th June, 2002, representing an increase of 1.4 times over that registered in the previous financial year as a result of the substantial increase shown in its retail business. Other revenue, mainly represented by interest income from deposits and debt securities, was recorded at a much lower level as compared to that of the previous financial year due to the significant fall in interest rates during the year under review. In the long run, Henderson Cyber seeks to integrate its existing businesses and, where feasible, to offer one-stop shopping while exploring a range of partnerships and alliances with leading technology companies to accelerate access to technologies and further enhance the relationship with the large customer bases of the HLD Group and Hong Kong and China Gas.

Financial information

A summary of the audited consolidated results of the HIL Group for each of the years ended 30th June, 2001 and 2002 is set out below:

	Year ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Turnover	1,188,322	1,050,751
Operating profit	306,025	366,256
Profit before taxation	2,032,651	2,224,809
Profit after taxation but before minority interests	1,782,519	1,989,328
Profit attributable to the HIL Shareholders	1,780,158	1,977,849
Dividends	(619,812)	(648,492)
Earnings per HIL Share	HK\$0.63	HK\$0.70

EXPLANATORY STATEMENT

Net tangible assets

The NTAV of the HIL Group as at 30th June, 2002 was approximately HK\$19,099 million, equivalent to HK\$6.78 per HIL Share. The Adjusted NTAV is approximately HK\$18,425 million, equivalent to HK\$6.54 per HIL Share. Details of the Adjusted NTAV are set out in Section 6 of Appendix I to this document.

Dividends

An interim dividend of HK\$0.11 per HIL Share was declared and paid by HIL on 24th April, 2002. The HIL Shareholders whose names appear on the Register on 18th December, 2002 will be paid a final dividend of HK\$0.11 per HIL Share on 19th December, 2002, subject to the approval of the HIL Shareholders at the annual general meeting of HIL to be held on 18th December, 2002. For the avoidance of doubt, it should be noted that payment of such final dividend is not dependent on the result of the Proposal or the Scheme, which is not expected to become effective on or before 18th December, 2002.

Liquidity and financial resources

As at 30th June, 2002, the gearing ratio of the HIL Group which was calculated on the basis of the total net bank borrowings as a ratio of the HIL Group's shareholders' fund amounted to 4.5% (2001: 4.7%).

The total net bank borrowing of the HIL Group, after deducting cash holdings of approximately HK\$668 million, amounted to approximately HK\$896 million as at 30th June, 2002. Except for a very small portion of the bank borrowings related to a member of the HIL Group, all of the HIL Group's borrowings were unsecured with the vast majority being obtained on a committed term basis. The maturity profiles of the HIL Group's bank loans and borrowings outstanding as at the end of the two previous financial years are summarised respectively as follows:

	As at 30th June,	
	2002	2001
	(In HK\$'000)	(In HK\$'000)
Bank loans and borrowings repayable:		
Within 1 year	431,189	274,154
After 1 year but within 2 years	996,304	751,421
After 2 years but within 5 years	70,870	858,170
After 5 years	<u>65,275</u>	<u>96,980</u>
Total bank loans and borrowings	1,563,638	1,980,725
Less: cash at bank and in hand	<u>(667,601)</u>	<u>(1,080,547)</u>
Total net bank borrowings	<u>896,037</u>	<u>900,178</u>

The interest expense of the HIL Group was recorded at approximately HK\$66 million (2001: HK\$136 million) for the past financial year and showed a substantial decrease as a

EXPLANATORY STATEMENT

result of the low interest rate environment. Bank loans and borrowings of the HIL Group, which are primarily obtained from international banks in Hong Kong with interests mainly based on agreed interest margins over the Hong Kong Interbank Offer Rate, are mainly of floating rate in nature.

As of 30th June, 2002, the shareholders' fund of the HIL Group amounted to approximately HK\$19,959 million (2001: HK\$19,250 million), which is similar to that recorded at the end of the previous financial year. The HIL Group is in a strong financial position and possesses a large capital base and its net debt position remains low in comparison. With substantial committed banking facilities in place and continuous cash inflow from a solid base of recurrent income, the HIL Group has adequate financial resources for funding its ongoing operations as well as future expansion.

FUTURE INTENTIONS

HLD does not intend to dispose of or procure any of the Controlling Parties to dispose of any of their beneficial interests in HIL, nor does it intend to discontinue any of the HIL Group's businesses following the implementation of the Proposal. It is the intention of HLD to maintain the existing businesses of the HIL Group upon implementation of the Proposal.

The HIL Directors have confirmed that, upon the privatisation of HIL, they do not intend to make any significant changes to the existing businesses or make significant disposals of assets or interests in the listed subsidiary or associated companies of HIL in the near future, other than in the ordinary course of business.

Whether or not the Proposal is implemented, the HIL Directors do not have any intention to make any significant changes to the existing businesses, employment of the staff of the HIL Group or any significant redeployment of its fixed assets.

The HIL Directors intend that the listing of the HIL Shares on the Stock Exchange will be withdrawn if the Scheme is implemented and be maintained in the event that the Scheme is not approved or withdrawn or lapses.

INFORMATION RELATING TO THE INTERESTS OF THE CONTROLLING PARTIES, THE EXCLUDED PARTIES AND THE HIL DIRECTORS

As at the date of this document, the Controlling Parties beneficially own an aggregate of 2,070,243,859 HIL Shares, representing about 73.48% of the issued share capital of HIL. Such HIL Shares, by reason of the fact that the Controlling Parties are all indirect wholly owned subsidiaries of HLD, will not form part of the Scheme Shares and, accordingly, will not be represented or voted at the Court Meeting to approve the Scheme. The Controlling Parties have also stated that such HIL Shares will similarly not be represented or voted at the Extraordinary General Meeting to approve and give effect to the Scheme.

In view of the interests of HLD in the Proposal and the direct or indirect relationships between the Excluded Parties and HLD as explained in the following paragraph, all of the 55,351,064 HIL Shares of the Excluded Parties which represent approximately 1.97% of the issued capital of HIL, although forming part of the Scheme Shares, will not be represented or voted at the Meetings as the Excluded Parties are deemed to be acting in concert with HLD under the Takeovers Code.

EXPLANATORY STATEMENT

Dr. Lee Shau Kee, as the Chairman of the board of directors of HLD and its Managing Director, is deemed under the SDI Ordinance to be interested in the HIL Shares beneficially owned by the Controlling Parties. In addition, he is interested personally and, under the SDI Ordinance, taken to be interested through Fu Sang in an aggregate of 40,395,084 HIL Shares, representing approximately 1.43% of the issued capital of HIL as at the date of this document. Fu Sang is controlled by a unit trust in which Dr. Lee Shau Kee is taken to be interested under the SDI Ordinance. Some of the other members of the board of directors of HLD comprising Mr. Ho Wing Fun, Mr. Lee King Yue, Mr. Lee Tat Man, Mr. Leung Sing and Mr. Lo Tak Shing are also interested in an aggregate of 1,563,880 HIL Shares, which amounts to about 0.06% of the issued capital of HIL as at the date of this document. Mr. Ho Wing Fun, Mr. Lee King Yue, Mr. Lee Tat Man, Mr. Leung Sing and Mr. Lo Tak Shing beneficially own 1,100 HIL Shares, 959,028 HIL Shares, 6,666 HIL Shares, 150,000 HIL Shares and 404,375 HIL Shares respectively, representing in aggregate 0.05% of the issued capital of HIL as at the date of this document. In the case of Mr. Lee King Yue, he is also deemed to be interested in 42,711 HIL Shares beneficially owned by his spouse, Madam Yang Hsueh Chin, representing 0.01% of the issued capital of HIL as at the date of this document. In addition, Mr. Fung Pok Wah and Mr. Fung Chun Wah, being the sons of Madam Fung Lee Woon King who is a director of HLD, are interested in 300,000 HIL Shares and 1,751,000 HIL Shares respectively. Mr. Lam Ka Wai and Mr. Lam Ko Yu, being the brothers of Mr. Colin Lam Ko Yin who is also a director of HLD, are interested in 1,137,000 HIL Shares and 941,000 HIL Shares respectively. Mr. Lee Siu Lun, who is the brother of Dr. Lee Shau Kee, is beneficially interested in 4,857,100 HIL Shares. Because they are close relatives of certain directors of HLD, Mr. Fung Pok Wah, Mr. Fung Chun Wah, Mr. Lam Ka Wai, Mr. Lam Ko Yu and Mr. Lee Siu Lun, all of whom are collectively interested in an aggregate of 8,986,100 HIL Shares representing 0.32% of the issued capital of HIL as at the date of this document, are deemed to be acting in concert with HLD under the Takeovers Code. Tako Assets and Thommen, both of which are wholly owned subsidiaries of Hong Kong Ferry which in turn is owned as to 30.98% by HIL and, hence, HLD is indirectly interested, are beneficially interested in a total of 4,406,000 HIL Shares, representing approximately 0.16% of the issued capital of HIL as at the date of this document. In the circumstances, all of these parties, who are defined as “Excluded Parties”, are deemed to be acting in concert with HLD under the Takeovers Code because of their direct or indirect relationship with HLD.

Further information in respect of the interests of the HIL Directors, whether as such directors, Excluded Parties, HIL Shareholders or creditors of HIL or otherwise, and the effect thereon of the Scheme, in so far as it is different from the effect on the like interests of the other holders of Scheme Shares, are set out under Section 3 headed “Disclosure of Interests” in Appendix III to this document.

SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all of the Scheme Shares will be cancelled and extinguished, and all the certificates representing the Scheme Shares will, accordingly, cease to have effect as documents or evidence of title.

HIL will apply to the Stock Exchange for the withdrawal of the listing of the HIL Shares on the Stock Exchange immediately following the Effective Date, which is expected to take place on Wednesday, 29th January, 2003. In such an event, the listing of the HIL Shares on the Stock Exchange is expected to be withdrawn on Wednesday, 29th January, 2003.

EXPLANATORY STATEMENT

The holders of Scheme Shares will be notified of the exact dates on which the Scheme and the withdrawal of the listing of the HIL Shares on the Stock Exchange become effective by press announcements.

If the Scheme is not approved or withdrawn or lapses, it is intended that the listing of the HIL Shares on the Stock Exchange will be maintained.

REGISTRATION AND PAYMENT

If the Scheme becomes effective, cheques for the Cancellation Price will be sent to the holders of Scheme Shares whose names must appear on the Register at the Record Time. Such cheques will be posted within ten days after the Effective Date.

It is proposed to close the Register immediately after 4:00 p.m. on Friday, 24th January, 2003, or such other date as may be notified to the Minority Shareholders by press announcements, in order to establish entitlements to the Cancellation Price under the Scheme. The Minority Shareholders or their successors in title should ensure that their HIL Shares are registered or lodged for registration in their names or in the names of their nominees before the Register is closed. The share registrar of HIL is Standard Registrars Limited situate at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

Assuming that the Scheme becomes effective on 29th January, 2003, cheques for the Cancellation Price are expected to be despatched to the holders of Scheme Shares or persons nominated by them on or before 7th February, 2003. As provided in the Scheme, on or after the day being six calendar months after the posting of such cheques, HLD shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in HIL's name with a licensed bank in Hong Kong selected by HIL. HIL shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums, together with interest thereon in accordance with Clause 3(e) of the Scheme, to persons who satisfy HIL that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, HLD shall be released from any further obligation to make any payments under the Scheme and HIL shall thereafter transfer to HLD the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

In the absence of any specific instructions to the contrary received in writing by the share registrar of HIL, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, cheques will be sent to the persons whose names appear on the Register at the Record Time at their respective addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and neither HLD nor HIL will be liable for any loss or delay in transmission.

OVERSEAS HOLDERS OF SCHEME SHARES

In so far as those holders of Scheme Shares not resident in Hong Kong are concerned, they may be subject to the laws of the jurisdiction in which they reside. Such holders should inform themselves of and observe any applicable legal or regulatory requirements. It is the responsibility of all overseas holders of Scheme Shares to satisfy themselves as to the full

EXPLANATORY STATEMENT

observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental approval, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION

The holders of Scheme Shares, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Price would make such holders of Scheme Shares liable to taxation in Hong Kong or in other jurisdictions.

MEETINGS

The High Court has directed that the Court Meeting be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification). In so far as the sanction of the Scheme by the High Court is concerned, such a resolution will be deemed to have been passed if a majority in number representing three-fourths in value of the HIL Shares held by the Minority Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme. As explained above, however, such a resolution will only be considered to have been passed under the Takeovers Code if (i) the Scheme is approved by at least 75% of the votes attaching to the HIL Shares of the Independent Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast against the resolution at the Court Meeting is not more than 10% of all the HIL Shares held by all of the Independent Minority Shareholders. Based on 691,732,472 HIL Shares held by the Independent Minority Shareholders as at the date of this document, 10% of such HIL Shares amounted to 69,173,247 HIL Shares.

Immediately following the Court Meeting, the Extraordinary General Meeting will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Scheme.

As at the date of this document, the Controlling Parties beneficially own an aggregate of 2,070,243,859 HIL Shares, representing about 73.48% of the issued share capital of HIL. Such HIL Shares, by reason of the fact that the Controlling Parties are all indirect wholly owned subsidiaries of HLD, will not form part of the Scheme Shares and, accordingly, will neither be represented nor voted at the Court Meeting to approve the Scheme. Such HIL Shares likewise will neither be represented nor voted at the Extraordinary General Meeting to approve and give effect to the Scheme. In addition, the Excluded Parties, who as at the date of this document are collectively beneficially interested in 55,351,064 HIL Shares representing approximately 1.97% of the issued share capital of HIL, and their nominees in whose names some of the HIL Shares beneficially owned by them are registered will not, for the reasons already explained above, attend and vote at the Meetings in person or by proxy in their capacity as Minority Shareholders although, in the case of those who are HIL Directors, they may attend the Meetings as HIL Directors.

Notices of the Meetings are set out on pages 139 to 142 of this document. The Meetings will be held on Thursday, 2nd January, 2003 at the respective times specified in such notices in the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong.

EXPLANATORY STATEMENT

ACTION TO BE TAKEN BY THE INDEPENDENT MINORITY SHAREHOLDERS

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the Extraordinary General Meeting are enclosed with this document.

Whether or not an Independent Minority Shareholder is able to attend the Meetings in person, he is strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to lodge them with the share registrar of HIL, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible, but in any case not later than the following respective times. In the case of the pink form of proxy for use at the Court Meeting, it is requested that this form of proxy be lodged not later than 11:00 a.m. on Tuesday, 31st December, 2002, but if it is not so lodged, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be lodged not later than 11:30 a.m. on Tuesday, 31st December, 2002. Two self-addressed, pre-paid envelopes marked "For Return of Court Meeting Proxy Form — Henderson Investment Limited" and "For Return of EGM Proxy Form — Henderson Investment Limited" respectively are enclosed in order to facilitate the return by the Independent Minority Shareholders by post (from within Hong Kong only) of their completed forms of proxy. The completion and return of a form of proxy for any of the Meetings will not preclude an Independent Minority Shareholder from attending the relevant Meeting and voting in person if he so wishes. In the event that an Independent Minority Shareholder who has lodged a form of proxy attends the Meeting, his form of proxy for that Meeting will be deemed to have been revoked.

For the purpose of determining the entitlements of Independent Minority Shareholders to attend and vote at the Court Meeting and the Extraordinary General Meeting, the Register will be closed from Tuesday, 31st December, 2002 to Thursday, 2nd January, 2003 (both dates inclusive) and during such period, no transfer of HIL Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of HIL, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Monday, 30th December, 2002.

Assuming that the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be on Wednesday, 29th January, 2003. Further press announcements will be made giving details of the results of the Meetings and, if all the resolutions are passed at the Meetings, the last day for dealing in the HIL Shares, the Record Time, the result of the hearing of the petition to sanction the Scheme by the High Court, the Effective Date and the date of the withdrawal of the listing of the HIL Shares on the Stock Exchange.

FURTHER INFORMATION

Further information in relation to the Proposal is set out in the Appendices to this document, all of which form part of this Explanatory Statement.

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results of the HIL Group for each of the three financial years ended 30th June, 2002:

	Year ended 30th June,		
	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000
Turnover	1,188,322	1,050,751	817,208
Profit from operations	306,025	366,256	1,215,475
Shares of results of associated companies and jointly controlled company	1,580,147	1,488,874	1,362,309
Profit before taxation	2,032,651	2,224,809	1,822,991
Taxation	(250,132)	(235,481)	(214,409)
Profit after taxation	1,782,519	1,989,328	1,608,582
Minority interests	(2,361)	(11,479)	(919)
Profit for the year attributable to the HIL Shareholders	1,780,158	1,977,849	1,607,663
Dividends	(619,812)	(648,492)	(647,985)
Earnings per HIL Share (HK\$)	0.63	0.70	0.57
Dividend per HIL Share (HK\$)	0.22	0.23	0.23

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE HIL GROUP FOR THE YEAR ENDED 30TH JUNE, 2002

Subject to the adoption of the definitions in this document, the following information has been extracted from the audited consolidated financial statements of the HIL Group for the year ended 30th June, 2002. The page numbers in the auditor's report below refer to the 2002 annual report of HIL.

TO THE MEMBERS OF HENDERSON INVESTMENT LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

We have audited the financial statements on pages 37 to 87 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June, 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 3rd October, 2002

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP**Consolidated Income Statement***for the year ended 30th June, 2002*

		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	1,188,322	1,050,751
Direct operating costs		<u>(599,921)</u>	<u>(552,157)</u>
		588,401	498,594
Other operating income	6	92,139	96,140
Gain on disposal of investments in securities		2,285	101,272
Impairment in value of investments in securities recognised		(11,002)	(16,953)
Unrealised holding loss on investments in securities		(52,504)	(31,948)
Impairment loss on property, plant and equipment recognised		(60,260)	—
Selling and distribution costs		(77,412)	(109,968)
Administrative expenses		(175,500)	(167,165)
Other operating expenses		<u>(122)</u>	<u>(3,716)</u>
Profit from operations	7	306,025	366,256
Finance costs	8	(65,559)	(135,721)
(Loss) gain on disposal of interests in subsidiaries		(4,417)	582,181
Share of results of associates		1,580,147	1,480,615
Share of results of a jointly controlled entity		—	8,259
Gain on disposal of interests in associates		134,455	—
Impairment in value of associates written back (recognised)	9	120,000	(23,122)
Impairment in value of a jointly controlled entity recognised		—	(49,251)
Amortisation of goodwill		(38,000)	—
Goodwill written off		<u>—</u>	<u>(4,408)</u>
Profit before taxation		2,032,651	2,224,809
Taxation	12	<u>(250,132)</u>	<u>(235,481)</u>
Profit before minority interests		1,782,519	1,989,328
Minority interests		<u>(2,361)</u>	<u>(11,479)</u>
Net profit for the year		<u>1,780,158</u>	<u>1,977,849</u>
Dividends	13	<u>(619,812)</u>	<u>(648,492)</u>
Earnings per HIL Share	14	<u>HK\$0.63</u>	<u>HK\$0.70</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

Consolidated Balance Sheets

at 30th June, 2002

	Notes	The HIL Group		HIL	
		2002 HK\$'000	2001 HK\$'000 (Restated)	2002 HK\$'000	2001 HK\$'000 (Restated)
NON-CURRENT ASSETS					
Investment properties	15	4,215,740	4,272,688	—	—
Property, plant and equipment	16	2,237,604	2,477,817	—	—
Properties held for development	17	17,053	19,975	—	—
Investments in subsidiaries	18	—	—	2,263,258	2,266,258
Interests in associates	19	13,864,189	13,600,217	167,183	394,180
Investments in securities	20	904,940	821,036	30	30
Instalments receivable		7,224	10,294	5,774	—
Amount due from an investee company	21	5,670	—	—	—
		<u>21,252,420</u>	<u>21,202,027</u>	<u>2,436,245</u>	<u>2,660,468</u>
CURRENT ASSETS					
Inventories	22	27,406	36,243	—	—
Investments in securities	20	216,700	—	—	—
Completed properties for sale	23	281,588	282,489	1,295	—
Debtors, deposits and prepayments	24	467,593	202,821	261,805	3
Instalments receivable		1,428	1,711	256	—
Amounts due from subsidiaries		—	—	10,519,951	11,104,032
Amounts due from associates	43	126,560	126,418	33,775	31,312
Amount due from an investee company	21	630	—	—	—
Pledged bank deposits	38	20,205	24,070	—	—
Bank balances and cash	38	647,396	1,056,477	214	295
		<u>1,789,506</u>	<u>1,730,229</u>	<u>10,817,296</u>	<u>11,135,642</u>
CURRENT LIABILITIES					
Creditors and accrued expenses	25	288,407	288,383	3,609	3,357
Amounts due to subsidiaries		—	—	1,474,801	2,101,171
Amounts due to associates	43	26,097	80,501	25,857	80,253
Amount due to an investee company	43	360	—	360	—
Taxation		139,812	133,608	—	—
Borrowings	26	430,772	273,150	—	—
Obligations under finance leases	27	417	1,004	—	—
		<u>885,865</u>	<u>776,646</u>	<u>1,504,627</u>	<u>2,184,781</u>
NET CURRENT ASSETS		<u>903,641</u>	<u>953,583</u>	<u>9,312,669</u>	<u>8,950,861</u>
		<u>22,156,061</u>	<u>22,155,610</u>	<u>11,748,914</u>	<u>11,611,329</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

	<i>Notes</i>	The HIL Group		HIL	
		2002	2001	2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
CAPITAL AND RESERVES					
Share capital	28	563,466	563,466	563,466	563,466
Reserves	29	19,395,571	18,686,188	11,185,448	11,047,863
		<u>19,959,037</u>	<u>19,249,654</u>	<u>11,748,914</u>	<u>11,611,329</u>
MINORITY INTERESTS					
	30	<u>905,106</u>	<u>978,352</u>	—	—
NON-CURRENT LIABILITIES					
Borrowings	26	1,132,402	1,706,101	—	—
Obligations under finance leases	27	47	470	—	—
Amounts due to fellow subsidiaries	43	159,469	221,033	—	—
		<u>1,291,918</u>	<u>1,927,604</u>	—	—
		<u>22,156,061</u>	<u>22,155,610</u>	<u>11,748,914</u>	<u>11,611,329</u>

Consolidated Statement of Recognised Gains and Losses*for the year ended 30th June, 2002*

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revaluation decrease on investment properties	(22,621)	(436,044)
Revaluation decrease on other properties	<u>(94,000)</u>	<u>(150,000)</u>
Net losses not recognised in the consolidated income statement	(116,621)	(586,044)
Net profit for the year	1,780,158	1,977,849
Realisation of investment property revaluation reserve	(282,733)	—
Realisation of other property revaluation reserve	<u>(23,436)</u>	<u>(116,428)</u>
	<u>1,357,368</u>	<u>1,275,377</u>
Prior year adjustment arising from the effects of changes in accounting policies		
— increase in dividend reserve at 1st July, 2001		<u>338,079</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

Consolidated Cash Flow Statement

for the year ended 30th June, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	31	<u>478,650</u>	<u>595,462</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		19,592	73,936
Interest paid		(53,179)	(140,510)
Interest element of finance lease payments		(226)	(162)
Dividends paid to shareholders		(648,001)	(648,294)
Dividends received from associates and investments in securities		918,459	733,723
Dividends paid to minority shareholders		<u>(28,879)</u>	<u>(40,839)</u>
NET CASH INFLOW (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>207,766</u>	<u>(22,146)</u>
TAXATION			
Hong Kong Profits Tax paid		<u>(35,840)</u>	<u>(20,641)</u>
INVESTING ACTIVITIES			
Proceeds from disposal of associates		44,254	—
Purchase of property, plant and equipment		(37,389)	(168,819)
Proceeds from disposal of property, plant and equipment		556	5,927
Payments to acquire investments in securities		(406,955)	(727,383)
Proceeds from disposal of investments in securities		41,283	760,077
Payments to acquire interests in associates		(130,650)	(153,453)
(Repayment to) advances from associates		(56,595)	30,185
Advance to an investee company		(5,940)	—
Acquisition of subsidiaries			
(net of cash and cash equivalents acquired)	32	—	398
Proceeds from disposal of a subsidiary			
(net of cash and cash equivalents disposed)	33	13,293	—
Decrease in pledged bank deposits		<u>3,865</u>	<u>—</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(534,278)</u>	<u>(253,068)</u>
NET CASH INFLOW BEFORE FINANCING		<u>116,298</u>	<u>299,607</u>
FINANCING	34		
Repayment to fellow subsidiaries		(61,564)	(64,282)
Repayment to minority shareholders		(46,728)	(3,765)
Repayment of obligations under finance leases		(1,010)	(134)
Issue of shares to minority shareholders		—	897,546
New bank and other loans raised		600,000	1,000,000
Repayment of bank and other loans		<u>(1,016,879)</u>	<u>(1,293,193)</u>
NET CASH (OUTFLOW) INFLOW FROM FINANCING		<u>(526,181)</u>	<u>536,172</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(409,883)	835,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>1,014,949</u>	<u>179,170</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>605,066</u>	<u>1,014,949</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		647,396	1,056,477
Bank overdrafts		<u>(42,330)</u>	<u>(41,528)</u>
		<u>605,066</u>	<u>1,014,949</u>

Notes to the Financial Statements*for the year ended 30th June, 2002***1 GENERAL**

HIL is a public limited liability company incorporated in Hong Kong with its HIL Shares listed on the Stock Exchange. Its ultimate holding company is Henderson Development Limited, a private limited liability company incorporated in Hong Kong.

HIL is an investment holding company and the principal activities of its subsidiaries are property development and investment, investment holding, infrastructure, department store operation, security guard services, hotel operation and information technology development.

2 ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the HIL Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the HIL Group's accounting policies. The revised accounting policies are set out in note 3.

The adoption of these new and revised standards has resulted in the following changes to the HIL Group's accounting policies that have affected the amounts reported for the current or prior periods.

(a) Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively and the effect of this change has been to increase the HIL Group's and HIL's net assets at each of 1st July, 2000 and 30th June, 2001 by HK\$338,079,000. Comparative information has been restated to reflect this change in accounting policy.

(b) Segment reporting

In the current year, the HIL Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 30th June, 2001 have been amended so that they are presented on a consistent basis.

(c) Goodwill

In the current year, the HIL Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st July, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st July, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st July, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of HIL and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the HIL Group have been eliminated on consolidation.

(b) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the HIL Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions after 1st July, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

Goodwill arising on acquisitions prior to 1st July, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

(c) Negative goodwill

Negative goodwill represents the excess of the HIL Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1st July, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented as a deduction from intangible assets.

(d) Investments in subsidiaries

Investments in subsidiaries are included in HIL's balance sheet at cost less any identified impairment loss.

(e) Interests in associates

The consolidated income statement includes the HIL Group's share of the post-acquisition results of its associates for the year based on their financial statements made up to 30th June each year or to a date which is not more than six months before the HIL Group's balance sheet date. In the consolidated balance sheet, interests in associates are stated at the HIL Group's share of the net assets of the associates plus the premium paid/less any discount on acquisition in so far as it has not already been amortised/released to income, less any identified impairment loss.

When the HIL Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the HIL Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by HIL on the basis of dividends received and receivable during the year. In HIL's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

(f) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the HIL Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any identified impairment losses. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

(g) Revenue recognition

- (i) Income from the sale of completed properties is recognised upon the execution of a binding sale agreement. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits received, if any.
- (ii) The fixed portion of rental income under operating leases is recognised on a straight-line basis over the respective lease term. Contingent rent, which is determined based on a factor other than just the passage of time, is recognised when the HIL Group's entitlement to receive payment has been established in accordance with the terms of the agreements.
- (iii) Sale of goods from the retail business are recognised when goods are delivered and title of goods passes to the purchaser.
- (iv) Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.
- (v) Investment income and dividend income from investments are recognised when the shareholders' rights to receive payment have been established.

- (vi) Income from hotels and restaurants and management services are recognised when the relevant services are provided.
- (vii) Income from security guard services/consultancy service is recognised when services are provided.
- (viii) Toll fee income is recognised on a cash receipt basis.

(h) Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value which is assessed annually by professional valuers of the HIL Group and at least once every three years by independent professional valuers. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve, unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

(i) Hotel properties

Hotel properties are stated at their open market value which is assessed annually by qualified valuers of the HIL Group and at least once every three years by independent professional qualified valuers. Any surplus or deficit arising on the revaluation of hotel properties is credited or charged to the other property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the other property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of a hotel property, the balance on the revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on hotel properties held on leases of more than 20 years. Due to the fact that the hotels are maintained in a continuous state of proper repairs and improvements thereto from time to time, the HIL Directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value.

(j) Development properties

Properties held for development are stated at the cost of acquisition to the HIL Group together with any attributable expenses less any identified impairment losses, where appropriate.

(k) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes interest, finance charges, professional fees and other direct costs attributable to such properties until they reach a marketable state. Net realisable value is calculated as the estimated selling price less all costs to completion and costs to be incurred in marketing and selling.

(l) Property, plant and equipment

Property, plant and equipment other than hotel properties are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment other than toll highway operation rights and bridges and hotel properties over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease or 50 years
Others	10% to 33%

Amortisation of toll highway operation rights and depreciation of bridges are provided for on the basis of a sinking fund calculation whereby annual amortisation and depreciation amounts compounded at 6% per annum will equal the costs of the relevant toll highway operation rights and bridges at the expiry of the relevant operating periods.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(m) Impairment

At each balance sheet date, the HIL Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that other accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

(n) Inventories

Inventories, which represent retail and catering inventories, are stated at the lower of cost and net realisable value. Costs is calculated on the weighted average cost method.

(o) Instalments receivable

Instalments receivable represent the principal amounts of proceeds from sale of flats contracted to be received by instalments. The gross amounts repaid by customers include principal and interest calculated at contracted rates on the remaining balance outstanding. The principal amounts receivable within twelve months from the balance sheet date have been included in current assets.

(p) Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased assets at the inception of the leases or, if lower, at the present value of the minimum lease payments. Leased assets are subject to depreciation the same as other owned depreciable assets unless there is no reasonable certainty that the HIL Group will obtain ownership by the end of the lease term whereby the assets are then depreciated over the shorter of the lease term or their estimated useful lives.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

An operating lease is a lease other than a finance lease. Payments under an operating lease are recognised as an expense in the income statement on a straight-line basis over the lease term after deducting incentive benefits which are recognised as part of the net consideration agreed for the use of the leased asset, irrespective of their nature or form or the timing of payments.

(q) Development costs

Expenditure on development is charged to the income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that the development costs will be recovered through future commercial activity. Such development costs are then deferred and written off over the life of the project from the date of commencement of commercial operation.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(s) Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

(t) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

(u) Retirement benefit scheme/mandatory provident fund scheme cost

The pension costs charged in the income statement represent the contributions paid and payable in respect of the current year to the HIL Group's defined contribution schemes/mandatory provident fund schemes.

4 TURNOVER

	The HIL Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of properties	2,967	8,825
Rental income	539,976	447,366
Hotel operation	84,696	97,563
Sale of goods	116,791	87,128
Security guard services	73,373	71,087
Toll fee income	220,992	160,926
Information technology services income	67,437	28,306
Others	82,090	149,550
	<u>1,188,322</u>	<u>1,050,751</u>

5 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The business upon which the HIL Group reports its primary segment information is as follows:

Property leasing	—	property rental
Hotel operation	—	hotel operations and management
Department store	—	department store operations and management
Infrastructure	—	infrastructure project investment
Others	—	sale of properties, provision of cleaning and security guard services and provision of information technology services

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

Segment information about these businesses is presented below:

	2002						Consolidated HK\$'000
	Property leasing HK\$'000	Hotel operation HK\$'000	Department store HK\$'000	Infrastructure HK\$'000	Others HK\$'000	Eliminations HK\$'000	
INCOME AND RESULTS							
Turnover	539,976	84,696	142,212	220,992	200,446	—	1,188,322
Other operating income	4,199	735	1,661	532	60,743	—	67,870
External income	544,175	85,431	143,873	221,524	261,189	—	1,256,192
Inter-segment income	62,509	1,740	—	—	4,524	(68,773)	—
Total income	<u>606,684</u>	<u>87,171</u>	<u>143,873</u>	<u>221,524</u>	<u>265,713</u>	<u>(68,773)</u>	<u>1,256,192</u>

Inter-segment sales were charged at prices determined by management with reference to market prices.

Segment results	<u>338,897</u>	<u>(10,590)</u>	<u>2,022</u>	<u>145,334</u>	<u>(45,352)</u>	<u>397</u>	430,708
Interest income							24,269
Gain on disposal of investments in securities							2,285
Impairment in value of investments in securities recognized							(11,002)
Unrealised holding loss on investments in securities							(52,504)
Impairment loss on property, plant and equipment recognised							(60,260)
Unallocated corporate expenses							<u>(27,471)</u>
Profit from operations							306,025
Finance costs							(65,559)
Loss on disposal of interests in subsidiaries							(4,417)
Share of results of associates							1,580,147
Gain on disposal of interests in associates							134,455
Impairment in value of associates written back							120,000
Amortisation of goodwill							<u>(38,000)</u>
Profit before taxation							2,032,651
Taxation							<u>(250,132)</u>
Profit before minority interests							1,782,519
Minority interests							<u>(2,361)</u>
Net profit for the year							<u>1,780,158</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

2002

	Property leasing <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Department store <i>HK\$'000</i>	Infrastructure <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
BALANCE SHEET						
Assets						
Segment assets	4,235,213	742,656	58,333	1,331,154	506,995	6,874,351
Investments in associates						13,864,189
Amount due from associates						126,560
Unallocated corporate assets						<u>2,176,826</u>
Consolidated total assets						<u><u>23,041,926</u></u>
Liabilities						
Segment liabilities	85,600	6,061	112,281	21,971	41,860	267,773
Unallocated corporate liabilities						<u>1,910,010</u>
Consolidated total liabilities						<u><u>2,177,783</u></u>
OTHER INFORMATION						
Capital additions	—	227	17,198	5,623	14,341	37,389
Depreciation and amortisation	—	(894)	(11,644)	(36,234)	(34,377)	(83,149)
Amortisation of goodwill	—	—	—	—	—	(38,000)
Impairment loss on property, plant and equipment recognized	—	—	—	—	(60,260)	(60,260)
Impairment in value of investments in securities recognized	—	—	—	—	—	(11,002)
Impairment in value of associates written back	—	—	—	—	—	120,000

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

2001

	Property leasing	Hotel operation	Department store	Infrastructure	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
INCOME AND RESULTS							
Turnover	447,366	97,563	188,252	160,926	156,644	—	1,050,751
Other operating income	439	—	3,981	—	17,784	—	22,204
External income	447,805	97,563	192,233	160,926	174,428	—	1,072,955
Inter-segment income	67,087	1,500	—	—	2,874	(71,461)	—
Total income	<u>514,892</u>	<u>99,063</u>	<u>192,233</u>	<u>160,926</u>	<u>177,302</u>	<u>(71,461)</u>	<u>1,072,955</u>
Inter-segment sales were charged at prices determined by management with reference to market prices.							
Segment results	<u>344,279</u>	<u>(897)</u>	<u>(13,150)</u>	<u>107,730</u>	<u>(116,115)</u>	<u>(6,224)</u>	315,623
Interest income							73,936
Gain on disposal of investments in securities							101,272
Impairment in value of investments in securities recognized							(16,953)
Unrealised holding loss on investments in securities							(31,948)
Unallocated corporate expenses							<u>(75,674)</u>
Profit from operations							366,256
Finance costs							(135,721)
Gain on disposal of interest in subsidiaries							582,181
Share of results of associates							1,480,615
Share of results of a jointly controlled entity							8,259
Impairment in value of associates recognized							(23,122)
Impairment in value of jointly controlled entity recognized							(49,251)
Goodwill written off							<u>(4,408)</u>
Profit before taxation							2,224,809
Taxation							<u>(235,481)</u>
Profit before minority interests							1,989,328
Minority interests							<u>(11,479)</u>
Net profit for the year							<u>1,977,849</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

2001

	Property leasing HK\$'000	Hotel operation HK\$'000	Department store HK\$'000	Infrastructure HK\$'000	Others HK\$'000	Consolidated HK\$'000
BALANCE SHEET						
Assets						
Segment assets	4,287,320	838,796	55,149	1,364,990	639,577	7,185,832
Investments in associates						13,600,217
Amount due from associates						126,418
Unallocated corporate assets						<u>2,019,789</u>
Consolidated total assets						<u><u>22,932,256</u></u>
Liabilities						
Segment liabilities	83,377	8,385	83,458	14,440	87,993	277,653
Unallocated corporate liabilities						<u>2,426,597</u>
Consolidated total liabilities						<u><u>2,704,250</u></u>
OTHER INFORMATION						
Capital additions	—	276	21,755	6,187	140,601	168,819
Depreciation and amortization	—	(998)	(11,982)	(24,010)	(25,799)	(62,789)
Goodwill written off	—	—	—	—	(4,408)	(4,408)
Impairment in value of investments in securities recognized	—	—	—	—	—	(16,953)
Impairment in value of associates recognised	—	—	—	—	—	(23,122)
Impairment in value of jointly controlled entity recognised	—	—	—	—	—	(49,251)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

Geographical segments

The HIL Group's sale of properties, property leasing, hotel operation, department store operation, security guard services and information technology services are carried out in Hong Kong. Infrastructure is carried out in other regions of the PRC.

The following table provides an analysis of the HIL Group's revenue by geographical market, irrespective of the origin of the goods/services:

	2002			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover	961,110	227,212	—	1,188,322
Other operating income	60,570	7,300	—	67,870
External income	1,021,680	234,512	—	1,256,192
Inter-segment income	68,773	—	(68,773)	—
Total income	<u>1,090,453</u>	<u>234,512</u>	<u>(68,773)</u>	<u>1,256,192</u>
Segment results	<u>299,937</u>	<u>130,374</u>	<u>397</u>	<u>430,708</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets	21,658,887	1,383,039	—	23,041,926
Additions to property, plant and equipment	<u>31,700</u>	<u>5,689</u>	<u>—</u>	<u>37,389</u>

	2001			
	Hong Kong HK\$'000	PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover	881,116	169,635	—	1,050,751
Other operating income	20,353	1,851	—	22,204
External income	901,469	171,486	—	1,072,955
Inter-segment income	71,461	—	(71,461)	—
Total income	<u>972,930</u>	<u>171,486</u>	<u>(71,461)</u>	<u>1,072,955</u>
Segment results	<u>223,575</u>	<u>98,272</u>	<u>(6,224)</u>	<u>315,623</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets	21,509,063	1,423,193	—	22,932,256
Additions to property, plant and equipment	<u>162,529</u>	<u>6,290</u>	<u>—</u>	<u>168,819</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

6 OTHER OPERATING INCOME

	The HIL Group	
	2002	2001
	HK\$'000	HK\$'000
Compensation for early termination of tenancy agreements	187	198
Interest income	24,269	73,936
Dividend income from listed investments	28,048	8,932
Dividend income from unlisted investments	7,083	—
Sponsorship fee	1,584	1,822
Sundry income	30,968	11,252
	<u>92,139</u>	<u>96,140</u>

7 PROFIT FROM OPERATIONS

	The HIL Group	
	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Allowances for doubtful debts	178	9,539
Auditors' remuneration	2,969	3,119
Cost of inventories recognised as an expense	128,346	82,305
Cost of properties recognised as an expense	2,145	6,275
Amortisation of held to-maturity-securities	3,847	—
Depreciation and amortization		
Owned assets	82,450	62,262
Assets held under finance leases	699	527
Development costs	17	1,034
Loss on disposal of property, plant and equipment	7,154	815
Operating lease payments in respect of rented premises		
Minimum leases payments	85,289	75,856
Contingent rent (<i>Note a</i>)	—	277
	<u>85,289</u>	<u>76,133</u>
Operating lease payments in respect of telecommunications network facilities	12,236	—
Staff costs including HIL Directors' emoluments and after crediting:	221,313	197,138
Rental from investment properties net of outgoings of HK\$111,209,000 (2001: HK\$117,770,000)	230,627	212,672
Other rental income less outgoings (<i>Notes b and c</i>)	<u>60,393</u>	<u>64,080</u>

Notes:

- a. Contingent rent payments were calculated based on the excess of certain percentages of turnover of the relevant operation that occupied the premise/property over the fixed portion of the monthly rentals.
- b. Including contingent rents received of HK\$66,777,000 (2001: HK\$16,200,000).
- c. Including rental income of HK\$1,894,000 (2001: HK\$1,713,000) from jointly controlled assets less expenses of HK\$583,000 (2001: HK\$599,000).

8 FINANCE COSTS

	The HIL Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts and other borrowings wholly repayable within five years	57,006	107,975
Finance leases	226	162
Other borrowings	<u>8,327</u>	<u>27,584</u>
	<u>65,559</u>	<u>135,721</u>

9 IMPAIRMENT IN VALUE OF ASSOCIATES WRITTEN BACK

The amount represents reversal of an impairment loss recognised in respect of an investment in one of the HIL Group's associates in prior years. This follows a review of the carrying amount of the said investment at the balance sheet date.

10 HIL DIRECTORS' EMOLUMENTS

	The HIL Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
HIL Directors' fees	360	340
Other emoluments	<u>180</u>	<u>—</u>
Total emoluments	<u>540</u>	<u>340</u>

Except for HIL Directors' fees of HK\$60,000 (2001: HK\$60,000) and other emoluments of HK\$100,000 (2001: Nil), no emoluments were paid to the independent non-executive HIL Directors during the two years ended 30th June, 2002.

The aggregate emoluments of each of the HIL Directors during the relevant periods were within the emolument band of Nil to HK\$1,000,000.

There was no arrangement under which an HIL Director had waived or agreed to waive any emoluments during the year.

Certain of the HIL Directors received remuneration from HIL's intermediate holding company for services provided to the HIL Group headed by the intermediate holding company of which HIL is a member.

No apportionment has been made as the HIL Directors are of the opinion that it is impracticable to apportion this amount between their services to HIL's intermediate holding company and each of that company's subsidiaries.

11 EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the HIL Group, none of whom is a HIL Director, are as follows:

	The HIL Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	5,958	7,861
Contributions to retirement benefit schemes	157	102
Bonus	535	314
	<u>6,650</u>	<u>8,277</u>

Their emoluments are within the following bands:

	Number of employees	
	2002	2001
Bands		
Nil — HK\$1,000,000	1	—
HK\$1,000,001 — HK\$1,500,000	2	3
HK\$1,500,001 — HK\$2,000,000	2	1
HK\$2,000,001 — HK\$2,500,000	—	1
	<u>5</u>	<u>5</u>

12 TAXATION

	The HIL Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Profit for the year		
Hong Kong	30,156	38,786
PRC	9,040	9,590
	<u>39,196</u>	<u>48,376</u>
Underprovision in prior years		
Hong Kong	2,893	2,744
	<u>42,089</u>	<u>51,120</u>
Share of tax on results of associates	208,043	182,973
Share of tax on results of jointly controlled entity	—	1,388
	<u>250,132</u>	<u>235,481</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year. Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign jurisdiction during the year.

Details of the unprovided deferred tax are set out in note 36.

13 DIVIDENDS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Special dividend	—	507
Interim paid, 11 cents (2001: 11 cents) per HIL Share	309,906	309,906
Final proposed, 11 cents (2001: 12 cents) per HIL Share	<u>309,906</u>	<u>338,079</u>
	<u>619,812</u>	<u>648,492</u>

HIL distributed 14,086,384 shares in a subsidiary, Henderson Cyber Limited, as special dividend by way of distribution in specie to its HIL Shareholders on the basis of 1 share in Henderson Cyber Limited for every 200 HIL Shares held as at 11th July, 2000.

14 EARNINGS PER HIL SHARE

The calculation of earnings per HIL Share is based on the net profit for the year of HK\$1,780,158,000 (2001: HK\$1,977,849,000) and on 2,817,327,395 (2001: 2,817,327,395) HIL Shares in issue during the year. Diluted earnings per HIL Share is not shown as there were no dilutive potential shares in existence during the two years ended 30th June, 2002.

15 INVESTMENT PROPERTIES

	The HIL Group <i>HK\$'000</i>
At 1st July, 2001	4,272,688
Revaluation decrease	<u>(56,948)</u>
At 30th June, 2002	<u>4,215,740</u>

Representing:

	The HIL Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Long-term leasehold properties situated in Hong Kong	1,030,325	1,048,023
Medium-term leasehold properties situated in Hong Kong	<u>3,185,415</u>	<u>3,224,665</u>
	<u>4,215,740</u>	<u>4,272,688</u>

Investment properties were revalued on 30th June, 2002 on an open market value basis by Mr. Augustine Wong, MRICS, FHKIS, MCI Arb, RPS (GP), a Chartered Valuation Surveyor of Henderson Valuation and Agency Limited, a fellow subsidiary of HIL. The deficit arising on revaluation of investment properties attributable to the HIL Group has been debited to the investment property revaluation reserve.

All the investment properties of the HIL Group are rented out under operating leases.

Investment properties in Hong Kong with a total carrying value of HK\$399,440,000 (2001: HK\$408,888,000) were co-owned with certain fellow subsidiaries as tenants in common. The carrying values represent the HIL Group's proportionate share in the valuation of the relevant properties.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

16 PROPERTY, PLANT AND EQUIPMENT

	Hotel Properties HK\$'000	Other land and buildings HK\$'000	Toll highway operating rights HK\$'000	Bridges HK\$'000	Construction in progress HK\$'000	Leasehold improvements, equipment, furniture, fixtures and motor vehicles HK\$'000	Total HK\$'000
THE HIL GROUP							
COST OR VALUATION							
At 1st July, 2001	830,000	58,765	789,529	658,262	852	413,859	2,751,267
Additions	—	427	—	168	122	36,672	37,389
Revaluation decrease	(94,000)	—	—	—	—	—	(94,000)
Disposals	—	—	—	—	—	(26,834)	(26,834)
Disposal of subsidiaries	—	(4,384)	—	—	—	(14,420)	(18,804)
Reclassification	—	—	—	(2,813)	—	2,813	—
Price adjustment (<i>Note a</i>)	—	—	—	—	—	(17,647)	(17,647)
	<u>736,000</u>	<u>54,808</u>	<u>789,529</u>	<u>655,617</u>	<u>974</u>	<u>394,443</u>	<u>2,631,371</u>
Comprising:							
At cost	—	54,808	789,529	655,617	974	394,443	1,895,371
At valuation							
30th June, 2002	<u>736,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>736,000</u>
	<u>736,000</u>	<u>54,808</u>	<u>789,529</u>	<u>655,617</u>	<u>974</u>	<u>394,443</u>	<u>2,631,371</u>
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1st July, 2001	—	7,025	45,986	52,408	—	168,031	273,450
Provided for the year	—	1,262	20,301	13,498	—	48,088	83,149
Eliminated on disposals	—	—	—	—	—	(19,124)	(19,124)
Eliminated on disposal of subsidiaries	—	(570)	—	—	—	(3,398)	(3,968)
Impairment loss (<i>Note b</i>)	—	—	—	—	—	60,260	60,260
Reclassification	—	—	—	(106)	—	106	—
At 30th June, 2002	<u>—</u>	<u>7,717</u>	<u>66,287</u>	<u>65,800</u>	<u>—</u>	<u>253,963</u>	<u>393,767</u>
NET BOOK VALUES							
At 30th June, 2002	<u>736,000</u>	<u>47,091</u>	<u>723,242</u>	<u>589,817</u>	<u>974</u>	<u>140,480</u>	<u>2,237,604</u>
At 30th June, 2001	<u>830,000</u>	<u>51,740</u>	<u>743,543</u>	<u>605,854</u>	<u>852</u>	<u>245,828</u>	<u>2,477,817</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

	Hotel properties		Other land and buildings		Toll highway operating rights		Bridges		Construction in progress	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Long-term leasehold properties situated in										
— Hong Kong	216,000	254,000	1	1	—	—	—	—	—	—
— PRC	—	—	959	1,002	—	—	—	—	—	—
Medium-term leasehold properties situated in										
— Hong Kong	520,000	576,000	43,077	44,094	—	—	—	—	—	—
— PRC	—	—	3,054	6,643	723,242	743,543	589,817	605,854	974	852
	<u>736,000</u>	<u>830,000</u>	<u>47,091</u>	<u>51,740</u>	<u>723,242</u>	<u>743,543</u>	<u>589,817</u>	<u>605,854</u>	<u>974</u>	<u>852</u>

Hotel properties were revalued on 30th June, 2002 on an open market value basis by Mr. Augustine Wong, MRICS, FHKIS, MCI Arb, RPS (GP), a Chartered Valuation Surveyor of Henderson Valuation and Agency Limited, a fellow subsidiary of HIL.

The net book value of motor vehicles and equipment includes an amount of HK\$1,087,000 (2001: HK\$2,196,000) in respect of assets held under finance leases.

The HIL Group's toll highway operating rights are pledged as securities for certain bank loans.

Notes:

- Price adjustment represents the reduction in the original cost of network equipment and facilities acquired in prior years, granted by the manufacturer during the year.
- During the year, the operating scale of the information technology services has been down-sized. Based on the HIL Group's assessment of the recoverable amount of the related assets, the carrying amount of the data centre and network equipment and facilities were written down by HK\$60,260,000.

	Furniture and equipment HK\$'000
HIL	
COST	
At 1st July, 2001 and 30th June, 2002	21
DEPRECIATION	
At 1st July, 2001 and 30th June, 2002	<u>21</u>
NET BOOK VALUES	
At 30th June, 2002 and 30th June, 2001	<u><u>—</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

17 PROPERTIES HELD FOR DEVELOPMENT

THE HIL GROUP

Included in properties held for development is net interest capitalised of HK\$618,000 (2001: HK\$618,000).

18 INVESTMENTS IN SUBSIDIARIES

	HIL	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	<u>2,263,258</u>	<u>2,266,258</u>

19 INTERESTS IN ASSOCIATES

	The HIL Group		HIL	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted				
Shares, at cost	—	—	167,183	394,180
Share of net assets	<u>466,329</u>	<u>971,827</u>	<u>—</u>	<u>—</u>
	<u>466,329</u>	<u>971,827</u>	<u>167,183</u>	<u>394,180</u>
Listed in Hong Kong				
Share of net assets net of provision	<u>12,537,618</u>	<u>12,628,390</u>	<u>—</u>	<u>—</u>
Goodwill on acquisition of associates	1,073,167	—	—	—
Amortisation	(45,000)	—	—	—
	<u>1,028,167</u>	<u>—</u>	<u>—</u>	<u>—</u>
Negative goodwill on acquisition of associates	(174,925)	—	—	—
Release to income statement	7,000	—	—	—
	<u>(167,925)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>13,397,860</u>	<u>12,628,390</u>	<u>—</u>	<u>—</u>
	<u>13,864,189</u>	<u>13,600,217</u>	<u>167,183</u>	<u>394,180</u>
Market value of listed investments	<u>23,688,952</u>	<u>20,498,643</u>	<u>—</u>	<u>—</u>

The goodwill (negative goodwill) is amortised (released) to the consolidated income statement on a straight-line basis over 20 years.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

20 INVESTMENTS IN SECURITIES

	Held to maturity securities		Investment securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE HIL GROUP								
Equity securities								
Listed in Hong Kong	—	—	545,674	528,941	121,314	214,979	666,988	743,920
Unlisted	—	—	50,058	61,060	40,563	16,056	90,621	77,116
	<u>—</u>	<u>—</u>	<u>595,732</u>	<u>590,001</u>	<u>161,877</u>	<u>231,035</u>	<u>757,609</u>	<u>821,036</u>
Debt securities								
Listed outside Hong Kong	83,123	—	—	—	—	—	83,123	—
Unlisted	280,908	—	—	—	—	—	280,908	—
	<u>364,031</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>364,031</u>	<u>—</u>
Market value of listed securities	<u>84,267</u>	<u>—</u>	<u>486,140</u>	<u>528,941</u>	<u>121,314</u>	<u>214,979</u>	<u>691,721</u>	<u>743,920</u>
Carrying amount analysed for reporting purposes as:								
Current	216,700	—	—	—	—	—	216,700	—
Non-current	147,331	—	595,732	590,001	161,877	231,035	904,940	821,036
	<u>364,031</u>	<u>—</u>	<u>595,732</u>	<u>590,001</u>	<u>161,877</u>	<u>231,035</u>	<u>1,121,640</u>	<u>821,036</u>

	Other investments	
	2002	2001
	HK\$'000	HK\$'000
HIL		
Equity securities		
Unlisted	<u>30</u>	<u>30</u>
Carrying amount analysed for reporting purposes as:		
Non-current	<u>30</u>	<u>30</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

21 AMOUNT DUE FROM AN INVESTEE COMPANY

	The HIL Group	
	2002	2001
	HK\$'000	HK\$'000
The amount is repayable as follows:		
Within one year	630	—
After one year	5,670	—
	<u>6,300</u>	<u>—</u>
Less: Amount due within one year shown under current assets	(630)	—
	<u>5,670</u>	<u>—</u>

The amount is unsecured, bears interest at 10% (2001: Nil) per annum and is repayable by instalments. The last instalment is repayable in October 2006.

22 INVENTORIES

THE HIL GROUP

Inventories of HK\$1,131,000 (2001: HK\$12,153,000) are carried at net realisable value.

23 COMPLETED PROPERTIES FOR SALE

THE HIL GROUP

Completed properties for sale with a total carrying value of HK\$30,686,000 (2001: HK\$30,812,000) were co-owned with certain fellow subsidiaries as tenants in common and the carrying value represents the HIL Group's proportionate share in the total cost of the relevant properties.

Completed properties for sale of HK\$86,501,000 (2001: HK\$86,501,000) are carried at net realisable value.

24 DEBTORS, DEPOSITS AND PREPAYMENTS

The HIL Group maintains a defined credit policy. Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties are payable in advance by the tenants. In respect of retailing, most of transaction are being on cash basis. Other trade debtors settle their accounts according to the payment terms as stated in contracts. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The ageing analysis of trade debtors (net of allowances for bad debts) is as follows:

	The HIL Group	
	2002	2001
	HK\$'000	\$'000
Under 1 month overdue	29,284	32,646
1 to 3 months overdue	31,868	23,536
More than 3 months overdue but less than 6 months overdue	5,110	6,876
Over 6 months overdue	7,451	3,628
	<u>73,713</u>	<u>66,686</u>
Prepayments, deposits and other receivable	393,880	136,135
	<u>467,593</u>	<u>202,821</u>

Included in deposits is an amount of HK\$2,834,000 (2001: HK\$2,834,000) in respect of a rental deposit which is expected to be repaid after twelve months.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

25 CREDITORS AND ACCRUED EXPENSES

The ageing analysis of trade payables of the HIL Group included in creditors and accrued expenses by due date is as follows:

	The HIL Group	
	2002	2001
	HK\$'000	HK\$'000
Due within 1 month or on demand	140,526	118,395
Due after 1 month but within 3 months	44,240	35,036
Due after 3 months but within 6 months	4,053	5,322
Due after 6 months	4,186	26,499
	<u>193,005</u>	<u>185,252</u>
Rental deposits and other payable	95,402	103,131
Total creditors and accrued expenses	<u>288,407</u>	<u>288,383</u>

26 BORROWINGS

	The HIL Group	
	2002	2001
	HK\$'000	HK\$'000
Bank loans	1,494,524	1,911,403
Other loans	26,320	26,320
Bank overdrafts	42,330	41,528
	<u>1,563,174</u>	<u>1,979,251</u>
Secured	294,614	411,403
Unsecured	1,268,560	1,567,848
	<u>1,563,174</u>	<u>1,979,251</u>

The borrowings bear interest at prevailing market rates and are repayable as follows:

	2002	2001
	HK\$'000	HK\$'000
Within one year	430,772	273,150
Between one to two years	996,257	750,951
Between two to five years	70,870	858,170
After five years	65,275	96,980
	<u>1,563,174</u>	<u>1,979,251</u>
Less: Amounts due within one year and included in current liabilities	<u>(430,772)</u>	<u>(273,150)</u>
Amounts due after one year	<u>1,132,402</u>	<u>1,706,101</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

27 OBLIGATIONS UNDER FINANCE LEASES

At the balance sheet date, the total minimum lease payments and the present value of the obligations under financial leases for each of the following periods are:

	The HIL Group			
	Total outstanding minimum lease payments		Present value	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than 1 year	487	1,221	417	1,004
Later than 1 year and not later than 5 years	51	563	47	470
	<u>538</u>	<u>1,784</u>	<u>464</u>	<u>1,474</u>
Less: Future finance charges	(74)	(310)	—	—
Present value of lease obligations	<u>464</u>	<u>1,474</u>	464	1,474
Amount due within one year shown under current liabilities			<u>(417)</u>	<u>(1,004)</u>
Amount shown under non-current liabilities			<u>47</u>	<u>470</u>

The difference between the total outstanding minimum lease payments and the present value represents the discount implicit in the leases.

The HIL Group enters into finance leasing arrangements for certain of its motor vehicles and equipment. The average term of finance leases entered into is two years.

28 SHARE CAPITAL

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
3,000,000,000 HIL Shares	<u>600,000</u>	<u>600,000</u>
Issued and fully paid:		
2,817,327,395 (2001: 2,817,327,395) HIL Shares	<u>563,466</u>	<u>563,466</u>

There was no movement in the share capital of HIL for the two years ended 30th June, 2002.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

29 RESERVES

	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Capital reserve HK\$'000	Share premium account HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE HIL GROUP							
At 1st July, 2000							
As previously reported	3,405,705	793,860	12,909	6,158,568	—	7,350,182	17,721,224
Prior period adjustment (Note a)	—	—	—	—	338,079	—	338,079
As restated	3,405,705	793,860	12,909	6,158,568	338,079	7,350,182	18,059,303
Final dividend paid	—	—	—	—	(338,079)	—	(338,079)
Deficit on revaluation							
Company and subsidiaries	(398,895)	(150,000)	—	—	—	—	(548,895)
Associates	(37,149)	—	—	—	—	—	(37,149)
Net profit for the year	—	—	—	—	—	1,977,849	1,977,849
Realisation of revaluation reserve	—	(116,428)	—	—	—	—	(116,428)
Special dividend paid	—	—	—	—	—	(507)	(507)
Interim dividend paid	—	—	—	—	—	(309,906)	(309,906)
Final dividend proposed	—	—	—	—	338,079	(338,079)	—
At 1st July, 2001	2,969,661	527,432	12,909	6,158,568	338,079	8,679,539	18,686,188
Final dividend paid	—	—	—	—	(338,079)	—	(338,079)
Surplus (deficit) on revaluation							
HIL and subsidiaries	(56,948)	(94,000)	—	—	—	—	(150,948)
Associates	34,327	—	—	—	—	—	34,327
Net profit for the year	—	—	—	—	—	1,780,158	1,780,158
Realisation of revaluation reserve	(443)	(23,436)	—	—	—	—	(23,879)
Realisation on disposal of associates	(282,290)	—	—	—	—	—	(282,290)
Interim dividend paid	—	—	—	—	—	(309,906)	(309,906)
Final dividend proposed	—	—	—	—	309,906	(309,906)	—
At 30th June, 2002	2,664,307	409,996	12,909	6,158,568	309,906	9,839,885	19,395,571
HIL							
At 1st July, 2000							
As previously reported	—	—	3,461	6,158,568	—	4,533,059	10,695,088
Prior period adjustment (Note a)	—	—	—	—	338,079	—	338,079
As restated	—	—	3,461	6,158,568	338,079	4,533,059	11,033,167
Final dividend paid	—	—	—	—	(338,079)	—	(338,079)
Net profit for the year	—	—	—	—	—	663,188	663,188
Special dividend paid	—	—	—	—	—	(507)	(507)
Interim dividend paid	—	—	—	—	—	(309,906)	(309,906)
Final dividend proposed	—	—	—	—	338,079	(338,079)	—
At 1st July, 2001	—	—	3,461	6,158,568	338,079	4,547,755	11,047,863
Final dividend paid	—	—	—	—	(338,079)	—	(338,079)
Net profit for the year	—	—	—	—	—	785,570	785,570
Interim dividend paid	—	—	—	—	—	(309,906)	(309,906)
Final dividend proposed	—	—	—	—	309,906	(309,906)	—
At 30th June, 2002	—	—	3,461	6,158,568	309,906	4,713,513	11,185,448

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

Included in the above is the HIL Group's share of post-acquisition reserves of its associates as follows:

	Investment property revaluation reserve <i>HK\$'000</i>	Other property revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July, 2000	1,286,086	179,336	—	—	—	2,977,611	4,443,033
Deficit on revaluation	(37,149)	—	—	—	—	—	(37,149)
Realisation of revaluation reserve	—	(116,428)	—	—	—	—	(116,428)
Net profit for the year	—	—	—	—	—	572,850	572,850
Reclassification (<i>Note c</i>)	—	—	—	—	—	(20,833)	(20,833)
At 1st July, 2001	1,248,937	62,908	—	—	—	3,529,628	4,841,473
Surplus on revaluation	34,327	—	—	—	—	—	34,327
Realisation of revaluation reserve	(443)	(23,436)	—	—	—	—	(23,879)
Realisation on disposal of associates	(282,290)	—	—	—	—	28,177	(254,113)
Net profit for the year	—	—	—	—	—	490,867	490,867
At 30th June, 2002	<u>1,000,531</u>	<u>39,472</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,048,672</u>	<u>5,088,675</u>

Included in the above is the HIL Group's share of post-acquisition profits of its jointly controlled entity as follows:

At 1st July, 2000	—	—	—	—	—	70,902	70,902
Net profit for the year	—	—	—	—	—	6,871	6,871
Reclassification (<i>Note c</i>)	—	—	—	—	—	(77,773)	(77,773)
At 1st July, 2001	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes:

- Proposed dividends have been restated to the dividend reserve as a result of a change in accounting policy. Details of HIL's new accounting policy adopted are set out in Note 2.
- HIL's reserves available for distribution to HIL Shareholders as at the balance sheet date are represented by its dividend reserve and retained profits amounting to HK\$309,906,000 and HK\$4,713,513,000 (2001: HK\$338,079,000 and HK\$4,547,755,000) respectively.
- Amounts represented post-acquisition profits of certain associates and a jointly controlled entity transferred to the HIL Group which became subsidiaries of HIL on 1st November, 2000.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

30 MINORITY INTERESTS

THE HIL GROUP

Including amounts due to minority shareholders of HK\$186,782,000 (2001: HK\$200,208,000).

The minority shareholders have agreed that no repayment will be demanded within the next twelve months from the balance sheet date and are therefore classified as non-current liabilities.

31 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	2,032,651	2,224,809
Share of results of associates	(1,580,147)	(1,480,615)
Share of results of a jointly controlled entity	—	(8,259)
Interest income	(24,269)	(73,936)
Interest expenses	65,559	135,721
Dividends from investments in securities	(35,131)	(8,932)
Depreciation and amortisation	83,149	62,789
Gain on disposal of investments in securities	(2,285)	(101,272)
Impairment in value of investments in securities recognised	11,002	16,953
Unrealised holding loss on investments in securities	52,504	31,948
Impairment loss on property, plant and equipment recognised	60,260	—
Loss (gain) on disposal of interests in subsidiaries	4,417	(582,181)
Gain on disposal of interests in associates	(134,455)	—
Impairment in value of associates (written back) recognised	(120,000)	23,122
Impairment in value of a jointly controlled entity recognised	—	49,251
Amortisation of goodwill	38,000	—
Goodwill written off	—	4,408
Impairment in value of completed properties for sale recognised	—	14,397
Impairment in value of properties held for development recognised	—	336
Allowance for doubtful debts on instalments receivable	—	9,539
Allowance for doubtful debts	178	—
Allowance for obsolete inventories	—	101
Loss on disposal of property, plant and equipment	7,154	815
Exchange losses	—	1,706
Decrease in instalments receivable	3,353	4,726
Decrease (increase) in inventories	8,621	(19,943)
Decrease in completed properties for sale	901	6,275
Increase in properties under development	—	(871)
Decrease in debtors, deposits and prepayments	841	240,676
Increase in creditors and accrued expenses	6,347	45,289
Decrease in forward sales deposits	—	(1,390)
Net cash inflow from operating activities	<u>478,650</u>	<u>595,462</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

32 ACQUISITION OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	—	1,466,546
Interests in associates	—	16,749
Investments in securities	—	150
Inventories	—	4,982
Debtors, deposits and prepayments	—	50,440
Pledged bank deposits	—	24,070
Bank balances and cash	—	65,224
Creditors and accrued expenses	—	(43,147)
Obligations under finance leases	—	(1,410)
Taxation	—	(3,569)
Borrowings	—	(454,596)
Loan from an HIL Shareholder	—	(161,533)
Carrying value of associates and jointly controlled entity prior to becoming subsidiaries on acquisition	—	(344,882)
Minority interests	—	(559,259)
Net assets	—	59,765
Goodwill	—	5,061
	<u>—</u>	<u>64,826</u>
Satisfied by:		
Cash consideration paid	—	64,826
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration paid	—	(64,826)
Bank balances and cash acquired	—	65,224
Net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries	—	398

The subsidiaries acquired last year contributed HK\$149,243,000 to the HIL Group's net operating cash flow, paid HK\$45,414,000 in respect of the net returns on investments and servicing of finance, paid HK\$10,301,000 in respect of taxation, received HK\$155,000 for investing activities and paid HK\$123,169,000 in respect of financing activities last year.

The subsidiaries acquired last year contributed HK\$160,926,000 to the HIL Group's turnover and HK\$53,196,000 to the HIL Group's profit from operations last year.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

33 DISPOSAL OF SUBSIDIARIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	14,836	—
Property held for development	2,922	—
Inventories	216	—
Debtors, deposits and prepayments	444	—
Amount due from immediate holding company	151	—
Bank balances and cash	245	—
Creditors and accrued expenses	(814)	—
Taxation	(45)	—
	<u>17,955</u>	<u>—</u>
Net assets	17,955	—
Loss on disposal	(4,417)	—
	<u>13,538</u>	<u>—</u>
Total consideration	<u>13,538</u>	<u>—</u>
Satisfied by:		
Cash consideration	<u>13,538</u>	<u>—</u>
Net cash inflow arising on disposal:		
Cash consideration	13,538	—
Bank balances and cash disposed of	(245)	—
	<u>13,293</u>	<u>—</u>

The subsidiary disposed of during the year did not have any significant contribution to the HIL Group's cash flows or operating results for the year.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

34 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Obligations under finance leases <i>HK\$'000</i>	Amounts due to fellow subsidiaries <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1st July, 2000	—	285,315	1,776,320	141,277
New bank and other loans raised	—	—	1,000,000	—
Repayment of bank and other loans	—	—	(1,293,193)	—
Attributable profits less dividends paid	—	—	—	(29,360)
Acquisition of subsidiaries	1,410	—	454,596	559,259
Inception of finance lease contracts	198	—	—	—
Share of investment property revaluation reserve	—	—	—	(4,424)
Issue of shares to minority shareholders of subsidiaries	—	—	—	897,546
Loss on deemed disposal of subsidiaries	—	—	—	(582,181)
Net cash outflow from financing	<u>(134)</u>	<u>(64,282)</u>	<u>—</u>	<u>(3,765)</u>
At 1st July, 2001	1,474	221,033	1,937,723	978,352
New bank and other loans raised	—	—	600,000	—
Repayment of bank and other loans	—	—	(1,016,879)	—
Attributable profits less dividends paid	—	—	—	(26,518)
Net cash outflow from financing	<u>(1,010)</u>	<u>(61,564)</u>	<u>—</u>	<u>(46,728)</u>
At 30th June, 2002	<u>464</u>	<u>159,469</u>	<u>1,520,844</u>	<u>905,106</u>

35 MAJOR NON-CASH TRANSACTIONS

During the year ended 30th June, 2001, the HIL Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$198,000.

Part of the consideration from the disposal of associates of HK\$257,903,000 during the year remained unsettled at the balance sheet date.

36 UNPROVIDED DEFERRED TAX

At the balance sheet date, the major components of the unprovided deferred tax assets (liabilities) are as follows:

	The HIL Group		HIL	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(24,326)	(28,037)	—	—
Unutilised tax losses	197,684	190,809	378	3,390
Other timing differences	62	(16)	—	—
	<u>173,420</u>	<u>162,756</u>	<u>378</u>	<u>3,390</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

The amount of the unprovided deferred tax (credit) charge for the year is analysed as follows:

	The HIL Group		HIL	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
(Shortfall) excess of tax allowances over depreciation	(3,711)	18,112	—	(1)
Tax losses (arising) utilised	(6,875)	(24,009)	3,012	(1,129)
Other timing differences	(78)	2,103	—	—
	<u>(10,664)</u>	<u>(3,794)</u>	<u>3,012</u>	<u>(1,130)</u>

The deferred tax assets primarily relating to taxation losses have not been recognised in the financial statements as it is uncertain that the resulting deferred tax assets will crystallise in the foreseeable future.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of investment properties and hotel properties as profit arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purpose.

37 JOINTLY CONTROLLED ASSETS

Completed properties for sale include the HIL Group's share of interest in jointly controlled assets with an aggregate book value of HK\$35,493,000 (2001: HK\$35,493,000). The HIL Group's share of liabilities incurred in relation to the jointly controlled assets included in creditors and accrued expenses amounted to HK\$451,000 (2001: HK\$434,000).

38 PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Of the pledged bank deposits and bank balances and cash items, a total sum being the equivalent of HK\$76,593,000 (2001: HK\$113,411,000), was kept in other regions of the PRC and is subject to exchange control regulations.

39 EMPLOYEES RETIREMENT SCHEMES

The HIL Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Schemes Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. The amount of forfeited contributions utilised during the year was HK\$155,000 (2001: HK\$274,000). As at 30th June, 2002, there was no remaining balance available to be utilised (2001: HK\$15,000).

No employees of the HIL Group were eligible to join the Fund or the scheme on or after 1st December, 2000.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE HIL GROUP

Employees of the HIL Group who are not members of the Fund and the scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the HIL Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the HIL Group to reduce the future contributions. No amounts were utilised in the year ended 30th June, 2002 (2001: Nil) and the balance available to be utilised as at 30th June 2002 was HK\$278,000 (2001: HK\$34,000).

The HIL Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The HIL Group's retirement costs charged to the income statement for the year ended 30th June, 2002 were HK\$8,606,000 (2001: HK\$5,404,000).

40 CAPITAL COMMITMENTS

	The HIL Group	
	2002	2001
	HK\$'000	HK\$'000
Contracted commitments for the acquisition of property, plant and equipment and for property development and renovation expenditure	<u>14,579</u>	<u>23,808</u>
System development costs approved by the HIL Directors but not yet contracted for	<u>1,447</u>	<u>—</u>

41 CONTINGENT LIABILITIES

	HIL	
	2002	2001
	HK\$'000	HK\$'000
Guarantees given to banks to secure banking facilities utilised by subsidiaries	<u>1,242,240</u>	<u>1,543,517</u>

In addition, there were contingent liabilities in respect of a performance bond guaranteed by a bank on behalf of a subsidiary of HIL amounting to HK\$12,000,000 (2001: HK\$19,000,000). The performance bond was provided in accordance with the terms of the fixed telecommunication network services licence granted to the HIL Group on 16th February, 2000 and amended on 30th May, 2002.

42 OPERATING LEASE COMMITMENTS

The HIL Group as lessee

At the balance sheet date, the HIL Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The HIL Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	55,154	32,612
Later than one year and not later than five years	154,300	30,590
Later than five years	<u>256,374</u>	<u>4,361</u>
	<u>465,828</u>	<u>67,563</u>

Operating lease commitments represent rentals payable by the HIL Group for retail shopping centre, telecommunication network facilities and certain of its office premises. The leases are negotiated for terms of three to twenty years at fixed rental.

The HIL Group as lessor

As at the balance sheet date, the following assets were rented out under operating leases:

	The HIL Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	<u>4,215,740</u>	<u>4,272,688</u>
Completed properties held for sale	<u>230,024</u>	<u>216,154</u>
Properties held for development	<u>12,541</u>	<u>12,541</u>

These assets were leased out for periods of one to three years without renewal options given to the lessees.

Contingent rent income were calculated based on the excess of certain percentages of turnover of the relevant operation that occupied the premise/property over the fixed portion of the monthly rentals.

As at the balance sheet date, the future minimum lease payments under non-cancellable operating leases for each of the following periods is:

	The HIL Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than 1 year	333,278	311,416
Later than 1 year and not later than 5 years	<u>194,379</u>	<u>184,315</u>
	<u>527,657</u>	<u>495,731</u>

43 RELATED PARTY TRANSACTIONS

During the year, the HIL Group entered into the following significant transactions with related parties:

	Fellow subsidiaries		Associates		Investee companies	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consultancy service income	2,584	5,390	118	536	—	—
Cleaning services income	8,153	8,061	—	—	—	—
Hotel management fee income	735	661	—	—	—	—
Interest income	—	—	2,436	3,155	—	—
Management fee income	1,131	2,474	—	—	—	—
Rental income	5,596	5,843	—	—	—	—
Security guard service income	53,194	62,458	—	—	—	—
Accountancy fee paid	5,859	5,921	—	—	—	—
Agency commission paid	18,407	18,523	—	—	—	—
Building management fee paid	57,530	55,636	—	—	—	—
Hotel management fee paid	—	—	2,927	3,467	—	—
Interest expenses	5,610	16,283	—	—	—	—
Licence fee	952	675	—	—	—	—
Maintenance fee	—	1,902	—	—	—	—
Professional fee paid	2,538	2,270	756	280	—	—
Rental expenses	70,804	57,311	4,718	4,004	—	—
Rental deposit paid	2,701	2,834	—	—	—	—
Staff cost reimbursement	211	738	2,460	2,700	—	—
At the Balance sheet date						
Amounts due to						
— Interest-free	—	—	26,097	80,501	360	—
— Interest bearing	159,469	221,033	—	—	—	—
Amounts due from						
— Interest-free	—	—	66,560	66,418	—	—
— Interest bearing	—	—	60,000	60,000	6,300	—

Notes:

- (1) Apart from the above interest-bearing advances with interest chargeable on the balances outstanding from time to time based on Hong Kong Inter-Bank Offer Rate or with interest at market rates, the other transactions were carried out at market prices or, where no market price was available, at cost plus a percentage profit mark-up.
- (2) During the year, interests in certain associates were transferred to the ultimate holding company at profit of HK\$1,877,000.
- (3) HIL's holding company performed administrative services comprising company secretarial, accounting and personnel to certain group companies at no charge as the HIL Directors consider that the costs involved were not significant.

3. SHARE CAPITAL

The authorised and issued share capital of HIL as at the date of this document are as follows:

	Number of HIL Shares <i>'000</i>	Nominal value <i>HK\$'000</i>
Authorised	<u>3,000,000</u>	<u>600,000</u>
Issued and fully paid	<u>2,817,327</u>	<u>563,466</u>

There was no movement in share capital for the period between 30th June, 2002 and the date of this document.

Each of the HIL Shares ranks pari passu in all respects, including dividends, voting and capital.

Apart from the HIL Shares, HIL does not have any warrants, options, convertible securities or other securities in issue. None of the unissued share or loan capital of HIL is subject to any warrants, options or conversion rights and it has not been agreed, conditionally or unconditionally, to put any of the unissued share or loan capital of HIL under any warrants, options or conversion rights.

4. INDEBTEDNESS

At the close of business on 30th September, 2002, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the HIL Group had outstanding borrowings of approximately HK\$1,100 million, comprising bank borrowings of approximately HK\$1,074 million, other borrowings due to a financial institution of approximately HK\$26 million and obligations under finance leases of approximately HK\$0.3 million. The HIL Group's bank borrowings of approximately HK\$289 million were secured by the toll highway operating rights of the HIL Group with net book value of HK\$718 million and bank deposits of approximately HK\$20 million were pledged.

In addition, there were contingent liabilities in respect of a performance bond guaranteed by a bank on behalf of a subsidiary of HIL amounting to HK\$12 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the HIL Group, the HIL Group did not have any outstanding mortgages, charges, debentures, loan capital or other similar indebtedness, or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30th September, 2002.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 30th September, 2002. The HIL Directors have confirmed that there has been no material changes in HIL's indebtedness and contingent liability positions since 30th September, 2002.

5. MATERIAL CHANGES

There has been no material changes in the financial or trading position or prospects of the HIL Group since 30th June, 2002, the date to which the latest published audited consolidated financial statements of the HIL Group were made up.

6. STATEMENT OF ADJUSTED NTAV

Set out below is a statement of the Adjusted NTAV, which was arrived at based on the NTAV and adjusted as follows:

	<i>HK\$'000</i>
NTAV of the HIL Group as at 30th June, 2002 (<i>Note 1</i>)	19,098,795
Adjustments:	
Less: Deficit arising from the valuation of property interests attributable to the HIL Group as at 31st October, 2002	211,243
Final dividend of HK\$0.11 per HIL Share recommended but not provided for (<i>Note 2</i>)	309,906
Unrealised loss on investments in securities (<i>Note 3</i>)	148,478
Attributable loss for the quarter ended 30th September, 2002 for Henderson Cyber (<i>Note 4</i>)	<u>3,729</u>
Adjusted NTAV	<u><u>18,425,439</u></u>
	<i>HK\$</i>
Adjusted NTAV per HIL Share (based on 2,817,327,395 HIL Shares in issue as at the Latest Practicable Date)	<u><u>6.54</u></u>

Note 1: The NTAV was arrived at after deducting goodwill of HK\$860,242,000 from the audited consolidated net asset value of HK\$19,959,037,000 as stated in HIL's annual report for the year ended 30th June, 2002.

Note 2: This dividend is subject to the approval of the HIL Shareholders at the annual general meeting of HIL to be held on 18th December, 2002 and, if approved, will be paid on 19th December, 2002, which is prior to the approval of the Scheme.

Note 3: This represents the difference between the total marked-to-market value of listed securities held by HIL as at the Latest Practicable Date (other than those held as interests in associates) and the value of such listed securities as stated in HIL's annual report for the year ended 30th June, 2002.

Note 4: This represents HIL's share of Henderson Cyber's quarterly results for the quarter ended 30th September, 2002 which was announced on 13th November, 2002.

The following is an extract of the property valuation report, prepared for the purpose of inclusion in this document in connection with DTZ's valuation of the property interests of the HIL Group as at 31st October, 2002, setting out the basis of their valuation:



10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

6th December, 2002

The Directors
Henderson Investment Limited
6/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

Dear Sirs,

RE: PORTFOLIO VALUATION

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the property interests in which Henderson Investment Limited (“HIL”) and its subsidiaries (together referred to as the “HIL Group”) have interests, we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of these property interests as at 31st October, 2002 (the “date of valuation”).

Basis of Valuation

Our valuation of each property interest represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Valuation Assumptions

Our valuations have been made on the assumption that the owners sell the property interests on the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the property interests.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Land Tenure

In valuing the properties in Hong Kong the Government Leases of which expired before 30th June, 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China (the "PRC") on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance, such leases have been extended without premium until 30th June, 2047 and that rents of three per cent. of the rateable value are charged per annum from the date of extension.

In the course of our valuation of Property interest no. 46 which is situated in the PRC, we have assumed that transferable land use right in respect of the property for the specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We are unable to verify the title or the ownership of the property but have relied on the advice given by the HIL Group and its legal adviser on the PRC laws regarding the title and interest in the property.

Method of Valuation

Regarding property interests in Groups I and III which are held for investment in Hong Kong and the PRC respectively, we have valued them by investment method by capitalizing the net incomes shown on the schedules provided to us by the HIL Group with due provisions for reversionary income potential. Each of Property interest nos. 10 and 11 has been valued as a fully operational hotel with the inclusion of fixtures, fittings and equipments which are necessary for the operation of the hotel having regard to the trading accounts of the hotel and our opinion as to the future trading potential and level of turnover likely to be achieved.

Regarding property interests in Group II which are held for sale in Hong Kong, we have valued them by direct comparison method by making reference to relevant comparable transactions.

Source of Information	We have relied to a very considerable extent on the information given by the HIL Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, floor areas, number of parking spaces, number of guest rooms, trading accounts, profit and loss accounts, interest attributable to the HIL Group and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the HIL Group and are therefore only approximations. No on-site measurement has been carried out.
Title Investigation	We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the appropriate Land Registry in respect of properties in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.
Site Inspection	We have, wherever possible, inspected the exterior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.
Exchange Rate	Unless otherwise stated all money amounts stated are in Hong Kong Dollars. The exchange rate adopted is the average rate as at 31st October, 2002, being HK\$1=RMB1.06, and there has been no significant fluctuation in exchange rate between that day and the date of this letter.

We attach herewith a summary of valuations and, pursuant to Practice Note 12 of the Listing Rules, an extract of our valuation certificate regarding Property interest no. 46.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor
(General Practice Division)
A.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. K.B. Wong is a registered professional surveyor who has over 18 years' experience in the valuation of properties in Hong Kong and over 10 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property interest	Capital value in existing state as at 31st October, 2002 HK\$	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 HK\$
Group I — Properties held for investment in Hong Kong			
1. All shop units on Level Three, the Remaining Parts at Level One and various Car Parking Spaces on Levels One and Two of the Podium, Shatin Centre, 2-16 Wang Pok Street, Shatin, New Territories	1,335,000,000	94.4	1,260,240,000
2. Shops units on Levels One to Three of the Shopping Podiums of North and South Wings, the external walls of the podium and Car Parking Spaces Nos. 1 to 78 on Basement and Bicycle Parking Spaces Nos. 1 to 64 on Level One, Trend Plaza, 2 Tuen Lung Street, Tuen Mun, New Territories	1,038,000,000	100	1,038,000,000
3. Eva Court, 36 MacDonnell Road, Mid-Levels, Hong Kong	600,000,000	100	600,000,000

Property interest	Capital value in existing state as at 31st October, 2002 HK\$	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 HK\$
4. Shops Nos. G1, G7, G11, G15, G19, G23 and G32 on Ground Floor, Shops Nos. 203, 206, 210, 214, 218, 222, 226, 230, 238 and a Portion of Shop area on Second Floor of the Commercial Development, Town Square (currently known as City Landmark II), 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories	197,000,000	100	197,000,000
5. Block C and all Car Parking Spaces on Second Floor, Hang Wai Industrial Centre, 6 Kin Tai Street, Tuen Mun, New Territories	56,500,000	100	56,500,000
6. Shops on Ground and First Floors, Kindergarten, Wet Market, Cinema and Plaza on Ground Floor, Lorry Parking Spaces and Car Parking Spaces on Ground and First Floors, Fanling Centre, 33 San Wan Road, Fanling, New Territories	555,000,000	23.04	127,872,000
7. 85 Car Parking Spaces in Basement, Town Square (currently known as City Landmark II), 67-95 Tsuen Wan Market Street, Tsuen Wan, New Territories	21,000,000	26	5,460,000

Property interest	Capital value in existing state as at 31st October, 2002 HK\$	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 HK\$
8. Shop 14A on Level 1 and 19.48% attributable interest in the parking spaces, namely 14 Lorry Parking Spaces and 96 Car Parking Spaces on Basement and 7 Lorry Parking Spaces and 161 Bicycle Storage Spaces on Level 1 of the Shopping Podium, Jade Plaza, 3 On Chee Road/ On Cheung Road, Tai Po, New Territories	4,883,000	100	4,883,000
9. Kowloon Building, 555 Nathan Road, Yaumatei, Kowloon	358,000,000	100	358,000,000
10. Newton Hotel Kowloon, 58-66 Boundary Street, Mongkok, Kowloon	216,000,000	100	216,000,000
11. Newton Hotel Hong Kong, 200-218 Electric Road, North Point, Hong Kong	520,000,000	100	520,000,000
12. External wall, Golden Dragon Commercial Building, 522 Nathan Road, Yaumatei, Kowloon	1,500,000	100	1,500,000

Property interest	Capital value in existing state as at 31st October, 2002 <i>HK\$</i>	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 <i>HK\$</i>
13. Shops Nos. 1 to 11 on Ground Floor and Shops Nos. 1 to 2 on Lower Ground Floor, Fairview Height, 1 Seymour Road, Mid-levels, Hong Kong	62,000,000	35.42	21,960,400
14. The whole of Well Tech Centre (except 16th to 19th Floors), 9 Pat Tat Street, San Po Kong, Kowloon	132,600,000	100	132,600,000
15. The whole of Big Star Centre (except 3rd Floor), 8 Wang Kwong Road, Kowloon Bay, Kowloon	77,500,000	100	77,500,000
	Sub-total:		4,617,515,400

Property interest	Capital value in existing state as at 31st October, 2002 <i>HK\$</i>	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 <i>HK\$</i>
Group II — Properties held for sale in Hong Kong			
16. 3rd Floor, 25 Castle Road, Mid-levels, Hong Kong	1,700,000	100	1,700,000
17. Ground Floor Garage, 29 Castle Road, Mid-levels, Hong Kong	700,000	100	700,000
18. Lower and Upper Basements, Mackenny Court, 65-73 MacDonnell Road, Mid-levels, Hong Kong	17,500,000	100	17,500,000
19. 3rd Floor of Block D, 25 Robinson Road, Mid-levels, Hong Kong	2,200,000	100	2,200,000
20. Basement Garage, 2E Seymour Road, Mid-levels, Hong Kong	1,500,000	100	1,500,000
21. 604 Shanghai Street, Mongkok, Kowloon	7,800,000	100	7,800,000
22. 3rd Floor, 39 Yin Chong Street, Mongkok, Kowloon	780,000	100	780,000
23. The whole of 5th Floor, Oxford Factory Building, 42-46 Wang Lung Street, Tsuen Wan, New Territories	2,000,000	100	2,000,000

Property interest	Capital value in existing state as at 31st October, 2002 HK\$	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 HK\$
24. Shop No. 4 on Ground Floor, Ching Fai Terrace, 4-8 Ching Wah Street, North Point, Hong Kong	1,650,000	100	1,650,000
25. 102 Car Parking Spaces at Tycoon Court, 8 Conduit Road, Mid-levels, Hong Kong	20,400,000	100	20,400,000
26. Java Road 108 Commercial Centre, 108 Java Road, North Point, Hong Kong	57,000,000	33.33	18,998,100
27. Flat F on 36th Floor together with portion of the Roof thereabove, and Car Parking Spaces Nos. 1 to 11 on Ground Floor, Car Parking Spaces Nos. 1 to 17 on 1st Floor, Car Parking Spaces Nos. 6, 11, 13, 16 and 19 on 2nd Floor, Car Parking Spaces Nos. 1 to 3, 5, 7 and 19 on 3rd Floor, Car Parking Spaces Nos. 8 to 13 and 19 on 4th Floor and Car Parking Spaces Nos. 1 to 15 on 5th Floor, Royal Court, 9M Kennedy Road, Mid-levels, Hong Kong	18,000,000	100	18,000,000

Property interest	Capital value in existing state as at 31st October, 2002 <i>HK\$</i>	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 <i>HK\$</i>
28. 23rd Floor, Car Parking Space No. 4 on Ground Floor and Portion of Spaces on Car Park "1" (also known as Car Parking Spaces Nos. 2 and 3 on Car Park "1"), Hoover Court, 7-9 MacDonnell Road, Mid-levels, Hong Kong	14,000,000	100	14,000,000
29. Flats A and B and Flat Roofs on 1st Floor, Flat B on 3rd Floor, Duplex Flat A on 23rd and 24th Floors, Car Parking Spaces Nos. 7 and 7A, 8 and 8A, 11, 13, 15, 17 and 19 on Ground Floor, Car Parking Spaces Nos. 31 and 36 on 1st Lower Ground Floor and Car Parking Spaces Nos. 42 to 44, 49, 50, 57 to 59 and 62 on 2nd Lower Ground Floor, Suncrest Tower, 1 Monmouth Terrace, Wanchai, Hong Kong	40,400,000	100	40,400,000
30. 4 shop units, 84 domestic units and 71 car parking spaces at Palatial Crest, 3 Seymour Road, Mid-levels, Hong Kong	540,000,000	0.49	2,646,000
31. Car Parking Space No. 6 on Car Park Ground Floor, Silver Star Court, 22-26 Village Road, Happy Valley, Hong Kong	200,000	100	200,000

Property interest	Capital value in existing state as at 31st October, 2002 HK\$	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 HK\$
32. Shop 3 on Ground Floor, Victor Court, 14-28 Wang On Road, North Point, Hong Kong	1,900,000	100	1,900,000
33. Units 1 to 8 on 1st Floor and Units 1, 3 and 4 on 2nd Floor, Lai Kwan Court, 438 Castle Peak Road, Cheung Sha Wan, Kowloon	4,000,000	100	4,000,000
34. Shop No. 19 on Ground Floor and the yard appertaining thereto and 21% attributable interest of the whole of 1st and 2nd Floors, Florence Plaza, 23 Cheung Wah Street, Cheung Sha Wan, Kowloon	10,000,000	100	10,000,000
35. Shop No. 15 on 1st Floor, Shops Nos. 13 and 15 on 2nd Floor, Wing On Building, 206 Fuk Wa Street, Shamshuipo, Kowloon	640,000	100	640,000
36. Flat Roofs 1 and 2 on 3rd Floor, Tak Sun Building, 442-448 Ma Tau Wai Road, Kowloon City, Kowloon	150,000	100	150,000

Property interest	Capital value in existing state as at 31st October, 2002 HK\$	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 HK\$
37. The whole of Royal Commercial Centre (except Units 2 and 3 on 5th Floor, Units 1 on 10th and 13th Floors, Unit 3 on 18th Floor, Unit 5 on 19th Floor and the whole of 20th Floor), 56 Parkes Street, Tsimshatsui, Kowloon	89,000,000	100	89,000,000
38. Units 1 to 11 on 18th Floor and Private Car Parking Spaces Nos. 8 and 18 on 4th Floor, New Trend Centre, 704 Prince Edward Road East and 104 King Fuk Street, San Po Kong, Kowloon	8,900,000	100	8,900,000
39. All shop units and all car parking spaces in Wonderland Villas, 9 Wah King Hill Road, Kwai Chung, New Territories	463,000,000	9.1288	42,266,344
40. 37 Car Parking Spaces on Level 2, Greenery Plaza, 3 Chui Yi Street, Tai Po, New Territories	4,810,000	100	4,810,000

Property interest	Capital value in existing state as at 31st October, 2002 HK\$	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 HK\$
41. Workshop Units A, B, E and G on 3rd Floor, Workshop Unit P on 5th Floor and Workshop Unit E on 9th Floor, 9 Car Parking Spaces on Ground Floor and 19 Car Parking Spaces and 23 Lorry Parking Spaces on 1st Floor, Houston Industrial Building, 32-40 Wang Lung Street, Tsuen Wan, New Territories	20,800,000	100	20,800,000
42. Shop No. 12 on Ground Floor, Brilliant Garden, 250 Castle Peak Road, San Hui, Tuen Mun, New Territories	4,500,000	100	4,500,000
43. 27 Car Parking Spaces on Ground and Lower Ground Floors, The Rainbow Garden, 351 Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories	3,510,000	100	3,510,000
44. Car Parking Space No. 23 and Area A and Area B on Ground Floor, Hamford Court, 335 Prince Edward Road West, Kowloon City, Kowloon	250,000	100	250,000
45. 18 Car Parking Spaces on First Floor, Tak Lee Industrial Centre, 8 Tsing Yeung Circuit, Tuen Mun, New Territories	3,380,000	100	3,380,000
	Sub-total:		344,580,444

Property interest	Capital value in existing state as at 31st October, 2002 HK\$	Interest attributable to HIL %	Capital value in existing state attributable to HIL as at 31st October, 2002 HK\$
Group III — Property held for sale in the PRC			
46. Unit E on 13th Floor, Block B, Taojin Garden, No. 110 Hengfu Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	500,000	100	500,000
	Sub-total:		<u>500,000</u>
	Grand-total:		<u><u>4,962,595,844</u></u>

VALUATION CERTIFICATE

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st October, 2002
46. Unit E on 13th Floor, Block B, Taojin Garden, No. 110 Hengfu Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises a residential unit on the 13th floor of a high-rise residential building completed in 1990's.</p> <p>The property has a gross floor area of approximately 1,222 sq.ft. (113.55 sq.m.).</p> <p>The land use rights of the development has been granted for a term of 70 years from 18th October, 1991 for residential use.</p>	The property was vacant.	HK\$500,000

Notes:

- (1) According to Realty Title Certificate No. 0271896, the land use rights and the building ownership of the property are vested in Citistore (China) Limited, a wholly owned subsidiary of Max-mercan Investment Limited which in turn is a wholly owned subsidiary of HIL, for a term of 70 years for residential use from 18th October, 1991.
- (2) According to Housing Pre-sale Contract No. 30073, the property was purchased by Citistore (China) Limited at a consideration of HK\$967,000.
- (3) The PRC legal opinion states that:
 - (i) Citistore (China) Limited has legally obtained the land use rights and building ownership of the property with a total gross floor area of 113.55 sq.m.
 - (ii) Citistore (China) Limited has the right to transfer, lease and mortgage the related property interest.

The following is an extract of the property valuation report, prepared for the purpose of inclusion in this document in connection with DTZ's valuation of the property interests of the Henderson Cyber Group as at 31st October, 2002, setting out the basis of their valuation:



10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

6th December, 2002

The Directors
Henderson Cyber Limited
6/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

Dear Sirs,

RE: PORTFOLIO VALUATION

**Instructions,
Purpose &
Date of
Valuation**

In accordance with your instructions for us to value the properties which are held by Henderson Cyber Limited (“Henderson Cyber”) and/or its subsidiaries (hereinafter together referred to as the “Henderson Cyber Group”), we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such properties as at 31st October, 2002 (the “date of valuation”).

**Basis of
Valuation**

Our valuation of each property represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Valuation Assumptions

Our valuations have been made on the assumption that the owners sell the properties on the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Land Tenure

In valuing the properties the Government Leases of which expired before 30th June, 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People’s Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance, such leases have been extended without premium until 30th June, 2047 and that rents of three per cent. of the rateable value are charged per annum from the date of extension.

Method of Valuation

We have valued the properties by direct comparison method by making reference to comparable sales evidence as available in the relevant market or where appropriate by capitalizing the net incomes shown on the schedules provided to us by the Henderson Cyber Group with due provisions for reversionary income potential of the properties.

Source of Information

We have relied to a very considerable extent on the information given by the Henderson Cyber Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Henderson Cyber Group and are therefore only approximations. No on-site measurement has been carried out.

Title Investigation

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Urban Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

**Site
Inspection**

We have inspected the exterior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

We attach herewith a summary of valuations.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor
(General Practice Division)
A.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. K.B. Wong is a registered professional surveyor who has over 18 years' experience in the valuation of properties in Hong Kong.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31st October, 2002 HK\$
1. Units 1, 2, 3, 4 and 5 on 16th, 17th, 18th and 19th Floors, Well Tech Centre, 9 Pat Tat Street, San Po Kong, Kowloon	30,000,000
2. Workshop on 3rd Floor, Big Star Centre, 8 Wang Kwong Road, Kowloon Bay, Kowloon	9,500,000
	<hr/>
Total:	<u>39,500,000</u>

1. RESPONSIBILITY STATEMENT

The information in this document relating to the HIL Group has been supplied by the HIL Directors. The issue of this document has been approved by the HIL Directors, who jointly and severally accept fully responsibility for the accuracy of the information contained in this document (other than that relating to the HLD Group apart from the HIL Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than that relating to the HLD Group apart from the HIL Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement in this document misleading.

The information in this document relating to the HLD Group has been supplied by the directors of HLD. The issue of this document has been approved by the directors of HLD, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the HIL Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than that relating to the HIL Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement in this document misleading.

2. MARKET PRICES

The HIL Shares are traded on the Stock Exchange.

The table below shows the respective closing prices of the HIL Shares on the Stock Exchange (i) on the last trading day of each of the six calendar months preceding the date of the Announcement; (ii) on 4th November, 2002 (being the last full trading day immediately preceding the date of the Announcement); (iii) on 29th November, 2002; and (iv) on the Latest Practicable Date.

Date	Price per Share <i>HK\$</i>
31st May, 2002	6.85
28th June, 2002	6.55
31st July, 2002	6.35
30th August, 2002	6.60
30th September, 2002	6.00
31st October, 2002	5.80
4th November, 2002	5.95
29th November, 2002	7.40
Latest Practicable Date	7.40

The highest and lowest closing prices of the HIL Shares recorded on the Stock Exchange during the period from 5th May, 2002, being the date six months prior to the date of the Announcement, to the Latest Practicable Date were respectively HK\$7.55 on 2nd December, 2002 and HK\$5.75 on 1st November, 2002.

3. DISCLOSURE OF INTERESTS

For the purpose of this Section, the “Offer Period” means the period from 5th November, 2002 to the Latest Practicable Date, both dates inclusive, the “Disclosure Period” means the period beginning from the six months prior to the Offer Period and ending with the Latest Practicable Date, both dates inclusive, and “interested” and “interests” have the meanings respectively ascribed thereto in the SDI Ordinance.

(a) Interests and dealings in HIL Shares

- (i) As at the Latest Practicable Date, HLD, through the Controlling Parties, was interested in 2,070,243,859 HIL Shares.
- (ii) As at the Latest Practicable Date, the following HIL Directors had interests in HIL Shares:

Name of Director	Number of HIL Shares held and nature of interest				Total number and percentage of issued share capital of HIL held
	Personal interest	Family interest	Corporate interest	Other interests	
Lee Chau Kee	34,779,936			2,075,859,007 (Note 1)	2,110,638,943 (74.92%)
Lee Tat Man	6,666				6,666 (0.00%)
Lee King Yue	959,028	42,711 (Note 3)			1,001,739 (0.04%)
Ho Wing Fun	1,100				1,100 (0.00%)

Dr. Lee Chau Kee, Mr. Lee Tat Man, Mr. Lee King Yue and Mr. Ho Wing Fun are also directors of HLD.

Save as disclosed above, none of the HIL Directors had any interests in HIL Shares as at the Latest Practicable Date. Save as disclosed in paragraph (a)(iv) below, none of the HIL Directors dealt for value in any HIL Shares during the Disclosure Period.

(iii) As at the Latest Practicable Date, the Excluded Parties had the following interests in the HIL Shares:

Name of Excluded Parties	Number of HIL Shares held and nature of interest				Total number and percentage of issued share capital of HIL held
	Personal interest	Family interest	Corporate interest	Other interests	
Lee Shau Kee	34,779,936			2,075,859,007 (Note 1)	2,110,638,943 (74.92%)
Fu Sang			5,615,148 (Note 2)		5,615,148 (0.20%)
Ho Wing Fun	1,100				1,100 (0.00%)
Lee King Yue	959,028	42,711 (Note 3)			1,001,739 (0.04%)
Lee Tat Man	6,666				6,666 (0.00%)
Leung Sing	150,000				150,000 (0.01%)
Lo Tak Shing	404,375				404,375 (0.01%)
Yang Hsueh Chin	42,711 (Note 3)				42,711 (0.01%)
Fung Pok Wah (Note 4)	300,000				300,000 (0.01%)
Fung Chun Wah (Note 4)	1,751,000				1,751,000 (0.06%)
Lam Ka Wai (Note 4)	1,137,000				1,137,000 (0.04%)
Lam Ko Yu (Note 4)	941,000				941,000 (0.03%)
Lee Siu Lun (Note 4)	4,857,100				4,857,100 (0.18%)
Tako Assets (Note 5)			3,000,000		3,000,000 (0.11%)
Thommen (Note 5)			1,406,000		1,406,000 (0.05%)

Notes:

- These 2,075,859,007 HIL Shares included the 5,615,148 HIL Shares held by Fu Sang. These 2,075,859,007 HIL Shares were beneficially owned by Fu Sang and the Controlling Parties, which are subsidiaries of HLD. Dr. Lee Shau Kee was taken to be interested in Fu Sang and HLD by virtue of the SDI Ordinance. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited ("Rimmer") and Hopkins (Cayman) Limited ("Hopkins"). Rimmer was the trustee of a discretionary trust which held the majority of units in a unit trust.

Hopkins was the trustee of the unit trust, which beneficially owned all the issued ordinary shares which carry the voting rights in the share capital of Henderson Development Limited (“HD”) and Fu Sang. HD and its subsidiaries together beneficially owned 1,117,143,200 HLD Shares.

2. These HIL Shares were included in the interests described in Note 1 above.
3. Mr. Lee King Yue was deemed to be interested in the same 42,711 HIL Shares held by his spouse, Madam Yang Hsueh Chin, by virtue of the SDI Ordinance.
4. Mr. Fung Pok Wah and Mr. Fung Chun Wah are the sons of Madam Fung Lee Woon King, a director of HLD. Mr. Lam Ka Wai and Mr. Lam Ko Yu are the brothers of Mr. Colin Lam Ko Yin, a director of HLD. Mr. Lee Siu Lun is the brother of Dr. Lee Shau Kee. Such persons are deemed to be acting in concert with HLD under the Takeovers Code.
5. Tako Assets and Thommen are wholly owned subsidiaries of Hong Kong Ferry which is 30.98% owned by the HIL Group.

Save as disclosed above, none of the Excluded Parties had any interest in the HIL Shares as at the Latest Practicable Date. Save as disclosed in paragraph (a)(iv) below, none of the Excluded Parties dealt for value in any HIL Shares during the Disclosure Period.

Save as disclosed above, neither HLD nor any of the parties acting in concert with HLD owned or controlled any HIL Shares as at the Latest Practicable Date.

- (iv) On 8th May, 2002, Mr. Lee King Yue, being a director of both HIL and HLD, acquired 5,000 HIL Shares at a consideration of HK\$6.45 per HIL Share. On 4th November, 2002, Mr. Colin Lam Ko Yin, also a director of both HIL and HLD, donated 11,000 HIL Shares to a charitable organisation established in Hong Kong. Save as disclosed herein, neither HLD nor any parties acting in concert with HLD dealt for value in any HIL Shares during the Disclosure Period.
- (v) As at the Latest Practicable Date, no subsidiary of HIL, pension fund of HIL or of any subsidiary of HIL or any advisers of HIL owned or controlled any HIL Shares or dealt for value in any HIL Shares during the Disclosure Period.
- (vi) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between HLD or any person acting in concert with HLD and any other person.
- (vii) As at the Latest Practicable Date, no person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with HIL or HLD or with any person acting in concert with HIL or HLD or with any person who is an associate of HIL by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code owned or controlled any HIL Shares or dealt for value in any HIL Shares during the Disclosure Period.

(viii) As at the Latest Practicable Date, there was no interest in any HIL Shares which was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with HIL and no such fund manager dealt for value in any HIL Shares during the Disclosure Period.

(b) **Interests and dealings in HLD Shares**

(i) As at the Latest Practicable Date, the following HIL Directors had interests in HLD Shares:

Name of HIL Director	Number of HLD Shares held and nature of interest				Total number and percentage of issued share capital of HLD held
	Personal interest	Family interest	Corporate interest	Other interests	
Lee Shau Kee				1,122,938,300 (Note 1)	1,122,938,300 (65.21%)
Lee Tat Man	858,000				858,000 (0.05%)
Lee King Yue	26,400	16,500	19,800 (Note 2)		62,700 (0.00%)
Ho Wing Fun	100				100 (0.00%)
Lau Chi Keung	2,200				2,200 (0.00%)
Jackson Woo Ka Biu (Alternate director to Woo Po Shing)		2,000			2,000 (0.00%)

Notes:

- Out of these HLD Shares, 1,117,143,200 HLD Shares were beneficially owned by HD and its subsidiaries as described in Note 1 to paragraph (a)(iii) above and 192,500 HLD Shares were beneficially owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in Fu Sang and HD as set out in Note 1 to paragraph (a)(iii). In addition, 5,602,600 HLD Shares were beneficially owned by a subsidiary of Hong Kong and China Gas. Dr. Lee Shau Kee was taken to be interested in Hong Kong and China Gas by virtue of the SDI Ordinance.
- These HLD Shares were beneficially owned by a company in which the relevant HIL Director was entitled to exercise or control the exercise of one-third or more of the voting rights at its general meetings.

(ii) Save as disclosed above, none of the HIL Directors and HIL had any interest in any HLD Shares as at the Latest Practicable Date and none of the HIL Directors and HIL dealt for value in any HLD Shares or options, derivatives or convertible securities of HLD during the Disclosure Period.

(c) Other interests

- (i) No benefit is or will be paid to any HIL Director as compensation for loss of office or otherwise in connection with the Scheme.
- (ii) No agreement, arrangement or understanding (including any compensation arrangement) exists between HLD or any person acting in concert with HLD and any of the HIL Directors, recent HIL Directors, HIL Shareholders or recent HIL Shareholders having any connection with or dependence upon the Scheme.
- (iii) No agreement or arrangement exists between any HIL Director and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.
- (iv) No material contract has been entered into by HLD in which any HIL Director has a material personal interest.
- (v) None of the HIL Directors has a service contract in force with any member of the HIL Group which has more than twelve months to run or which was entered into or amended within six months before the Announcement.
- (vi) HSBC Broking Services (Asia) Limited, an indirect wholly owned subsidiary of HSBC, holds at the date of this document 1,596 HIL Shares in a dividend suspense account.

4. MATERIAL CONTRACTS

Neither HIL nor any of its subsidiaries within the two years prior to the Latest Practicable Date entered into any contracts which are or may be material other than in the ordinary course of the business carried on or intended to be carried on by the HIL Group.

5. LITIGATION

As at the Latest Practicable Date, neither HIL nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to any of the HIL Directors to be pending or threatened by or against HIL or any of its subsidiaries.

6. MISCELLANEOUS

- (a) The beneficial interests in the HIL Shares of the parties deemed to be acting in concert with the offeror, HLD, are set out in the section headed "Shareholding Structure" on page 11 of this document. Those parties which are companies are Markshing, Darnman, Gainwise, Covite and Banshing (all of which are wholly owned subsidiaries of HLD), Fu Sang, Tako Assets and Thommen (both of which are wholly owned subsidiaries of Hong Kong Ferry). Their addresses and the names of their directors are set out below:

Name	Address	Directors
HLD	6th Floor World-Wide House 19 Des Voeux Road Central Hong Kong	Lee Shau Kee, Lee Ka Kit, Colin Lam Ko Yin, Lee King Yue, Fung Lee Woon King, Leung Sing, Eddie Lau Yum Chuen, Li Ning, Lee Ka Shing, Patrick Kwok Ping Ho, Ho Wing Fun, John Yip Ying Chee, Suen Kwok Lam, Lo Tak Shing, Woo Po Shing, Leung Hay Man, Angelina Lee Pui Ling, Lee Tat Man, Kan Fook Yee, Vincent Liang (alternate to Lo Tak Shing), Jackson Woo Ka Biu (alternate to Woo Po Shing)
Markshing	as above	Lee Shau Kee, Fung Lee Woon King, Colin Lam Ko Yin, Lee King Yue, Lee Ka Shing
Darnman	as above	as above
Gainwise	as above	as above
Covite	as above	as above
Banshing	as above	as above
Fu Sang	as above	Lee Shau Kee, Lee Tat Man, Lee Ka Shing, Colin Lam Ko Yin (alternate to Lee Tat Man)
Tako Assets	P.O. Box 71 Craigmuir Chambers Road Town Tortola British Virgin Islands	Colin Lam Ko Yin, Leung Hay Man, Li Ning, Peter Wong Man Kong
Thommen	98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi New Territories Hong Kong	Colin Lam Ko Yin, Li Ning, Leung Hay Man

The ultimate controlling shareholder of HLD, Markshing, Darnman, Gainwise, Covite, Banshing and Fu Sang is Hopkins, the trustee of the unit trust as described in Note 1 to paragraph (a)(iii) in Section 3 of this Appendix III. The ultimate parent company of HLD, Markshing, Darnman, Gainwise, Covite and Banshing is Henderson Development Limited. The directors of Henderson Development Limited are Lee Shau Kee, Lee Ka Kit, Lee Ka Shing, Lee Tat Man, Fung Lee Woon King, Colin Lam Ko Yin (also alternate to Lee Tat Man) and Woo Po Shing.

The ultimate controlling shareholder of Tako Assets and Thommen is Hong Kong Ferry. The directors of Hong Kong Ferry are Colin Lam Ko Yin, Norman Ho Hau Chong, Michael Kan Yuet Loong, Eddie Lau Yum Chuen, Lee Shau Kee, Leung Hay Man, Li Ning, Peter Wong Man Kong and Alex Wu Shu Chih.

The addresses of the other parties deemed to be acting in concert with HLD are as follows:

Lee Shau Kee: 22nd Floor, 36 MacDonnell Road, Hong Kong; Ho Wing Fun: Flat L, 3rd Floor, 111 Mount Butler Road, Hong Kong; Lee King Yue: Flat D7, Hong Kong Garden, 8 Seymour Road, Hong Kong; Lee Tat Man: Flat A, 10th Floor, Fortune Court, 25 Repulse Bay Road, Hong Kong; Leung Sing: Block 8, Greenwood Terrace, 28 Sui Wo Road, Shatin, New Territories, Hong Kong; Lo Tak Shing: 19th Floor, Eva Court, 36 MacDonnell Road, Mid-levels, Hong Kong; Yang Hsueh Chin: Flat D7, Hong Kong Garden, 8 Seymour Road, Hong Kong; Fung Pok Wah: 21st Floor, Wilshire Park, 12-14 MacDonnell Road, Hong Kong; Fung Chun Wah: 21st Floor, Wilshire Park, 12-14 MacDonnell Road, Hong Kong; Lam Ka Wai: 19B Fine Mansion, 36 Village Road, Hong Kong; Lam Ko Yu: Room 2206, Wellborne Commercial Centre, 8 Java Road, Hong Kong; Lee Siu Lun: Flat B2, 29th Floor, Nicholson Tower, 8 Wongnaichung Gap Road, Hong Kong.

- (b) The registered office of HLD is 6th Floor, World-Wide House, 19 Des Voeux Road, Central, Hong Kong.
- (c) The principal place of business of HSBC is 1 Queen's Road Central, Hong Kong.
- (d) All costs, charges and expenses of and incidental to the Scheme and the costs of carrying the Scheme into effect will be borne by HLD.
- (e) The English text of this document and the forms of proxy shall prevail over the Chinese text.
- (f) All announcements in relation to the Proposal will be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

7. EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualifications
HSBC	Licensed bank and exempt dealer
Platinum	Registered investment adviser and securities dealer
DTZ	Property valuer
Deloitte Touche Tohmatsu	Certified Public Accountants

8. CONSENTS

HSBC, Platinum, DTZ and Deloitte Touche Tohmatsu have given and have not withdrawn their respective written consents to the issue of this document with the inclusion therein of their opinions, letters or valuation reports, as the case may be, and the references to their names, opinions, letters or valuation reports in the form and context in which they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of the Solicitors for HIL, Woo, Kwan, Lee & Lo, at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours on any weekday (public holidays excepted) until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of HIL;
- (b) the memorandum and articles of association of HLD;
- (c) the audited consolidated financial statements of the HIL Group for each of the years ended 30th June, 2000, 2001 and 2002;
- (d) the letter from Platinum to the Independent Director, the text of which is set out on pages 19 to 45 of this document;
- (e) the letters and summaries of valuations from DTZ, the texts of which are set out in Appendix II to this document, and the valuation certificates from DTZ; and
- (f) the letters of consent referred to in Section 8 of this Appendix.

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 4885 OF 2002**

**In the Matter
of
HENDERSON INVESTMENT LIMITED
(恒基兆業發展有限公司)**

**and
In the Matter
of
the COMPANIES ORDINANCE,
Chapter 32 of the Laws of Hong Kong**

**Scheme of Arrangement
(under Section 166 of the Companies Ordinance,
Chapter 32 of the Laws of Hong Kong)**

between

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

**and
the holders of Scheme Shares
(as hereinafter defined)**

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Banshing”	Banshing Investment Limited, a company incorporated in Hong Kong with limited liability
“Controlling Parties”	Markshing, Darnman, Gainwise, Covite and Banshing, all indirect wholly owned subsidiaries of HLD and beneficially interested in an aggregate of approximately 73.48% of the issued capital of HIL as at the date of this Scheme

SCHEME OF ARRANGEMENT

“Court”	the High Court of the Hong Kong Special Administrative Region
“Covite”	Covite Investment Limited, a company incorporated in Hong Kong with limited liability
“Darnman”	Darnman Investment Limited, a company incorporated in Hong Kong with limited liability
“Effective Date”	the date on which this Scheme becomes effective in accordance with Clause 6 of this Scheme
“Excluded Parties”	Lee Shau Kee, Fu Sang, Ho Wing Fun, Lee King Yue, Lee Tat Man, Leung Sing, Lo Tak Shing, Yang Hsueh Chin, Fung Pok Wah, Fung Chun Wah, Lam Ka Wai, Lam Ko Yu, Lee Siu Lun, Tako Assets and Thommen, all beneficially interested in an aggregate of approximately 1.97% of the issued capital of HIL as at the date of this Scheme
“Fu Sang”	Fu Sang Company Limited, a company incorporated in Hong Kong with limited liability
“Gainwise”	Gainwise Investment Limited, a company incorporated in Hong Kong with limited liability
“HIL”	Henderson Investment Limited (恒基兆業發展有限公司), a company incorporated in Hong Kong with limited liability
“HIL Shares”	ordinary shares of HK\$0.20 each in the capital of HIL
“HLD”	Henderson Land Development Company Limited (恒基兆業地產有限公司), a company incorporated in Hong Kong with limited liability
“holder”	a registered holder and includes a person entitled by transmission to be registered as such and joint holders
“Markshing”	Markshing Investment Limited, a company incorporated in Hong Kong with limited liability
“Record Time”	4:00 p.m. Hong Kong time on the day immediately preceding the Effective Date
“Register”	the register of members of HIL
“Scheme”	this scheme of arrangement under Section 166 of the Companies Ordinance in its present form or with or subject to any modification thereof or addition thereto or conditions approved or imposed by the Court

SCHEME OF ARRANGEMENT

“Scheme Share(s)”	HIL Share(s) in issue as at the Record Time other than those beneficially owned by the Controlling Parties
“Tako Assets”	Tako Assets Limited, a company incorporated in the British Virgin Islands with limited liability
“Thommen”	Thommen Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars

- (B) The authorised share capital of HIL at the date of this Scheme is HK\$600,000,000 divided into 3,000,000,000 HIL Shares 2,817,327,395 of which have been issued and are fully paid and the remainder are unissued.
- (C) The primary purpose of this Scheme is that all of the Scheme Shares should be cancelled and that HIL should become a wholly owned subsidiary of HLD.
- (D) As at the date of this Scheme, an aggregate of 2,070,243,859 HIL Shares are beneficially owned by the Controlling Parties and registered as follows:

Name of Controlling Parties	Name of Registered Holders	Number of HIL Shares
Markshing	Markshing	342,705,418
	Arsenton Nominees Limited	259,463,000
Darnman	Darnman	34,955,000
	Superb Nominees Limited	49,687,341
Gainwise	Gainwise	167,750,000
	Superb Nominees Limited	49,500,000
Covite	Covite	363,328,900
Banshing	Banshing	751,604,200
	Wing Lung Bank (Nominees) Limited	51,250,000

Each of the Controlling Parties has undertaken that in relation to such HIL Shares in which it is beneficially interested, each of such HIL Shares will remain so registered and beneficially interested until the date on which this Scheme becomes effective, is withdrawn or lapses.

SCHEME OF ARRANGEMENT

(E) As at the date of this Scheme, an aggregate of 55,351,064 HIL Shares are beneficially owned by the Excluded Parties and registered as follows:

Name of Excluded Parties	Name of Registered Holders	Number of HIL Shares
Lee Shau Kee	Lee Shau Kee	9,482,962
	Hang Seng (Nominees) Limited	25,287,762
	Superb Nominees Limited	9,212
Fu Sang	Fu Sang	5,615,148
Ho Wing Fun	Ho Wing Fun	1,100
Lee King Yue	Lee King Yue	9,028
	HKSCC Nominees Limited	950,000
Lee Tat Man	Hang Seng (Nominees) Limited	6,666
Leung Sing	HKSCC Nominees Limited	150,000
Lo Tak Shing	Lo Tak Shing	4,375
	HKSCC Nominees Limited	400,000
Yang Hsueh Chin	Yang Hsueh Chin	17,711
	HKSCC Nominees Limited	25,000
Fung Pok Wah	HKSCC Nominees Limited	300,000
Fung Chun Wah	HKSCC Nominees Limited	1,751,000
Lam Ka Wai	HKSCC Nominees Limited	1,137,000
Lam Ko Yu	HKSCC Nominees Limited	941,000
Lee Siu Lun	HKSCC Nominees Limited	4,857,100
Tako Assets	HKSCC Nominees Limited	3,000,000
Thommen	HKSCC Nominees Limited	1,406,000

Each of the Excluded Parties, being deemed to be acting in concert with HLD under The Code on Takeovers and Mergers, has undertaken that in relation to such HIL Shares in which each of them is beneficially interested, each of such HIL Shares will remain so registered and beneficially interested until the date on which this Scheme becomes effective, is withdrawn or lapses and will procure that such HIL Shares will not be represented or voted at the meeting convened by direction of the Court for the purpose of approving this Scheme.

(F) HLD and each of the Controlling Parties and Excluded Parties have agreed to appear by Counsel on the hearing of the Petition to sanction this Scheme and to undertake to the Court to be bound thereby and will execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by each of them for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the authorised and issued share capital of HIL shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the authorised share capital of HIL shall be increased to its former amount of HK\$600,000,000 by the creation of such number of new HIL Shares as is equal to the number of the Scheme Shares cancelled; and
 - (c) HIL shall apply the credit arising in its books of account as a result of the reduction of its share capital referred to in sub-clause (a) of this Clause 1 in paying up in full at par the new HIL Shares to be created as aforesaid, which new HIL Shares shall be allotted and issued, credited as fully paid, to HLD or as HLD may direct.

PART II

Consideration for cancellation of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, HLD shall pay or cause to be paid to each holder of Scheme Shares (as appearing in the Register at the Record Time) HK\$7.60 for each Scheme Share held.

PART III

General

3.
 - (a) Not later than ten days after the Effective Date, HLD shall send or cause to be sent to the holders of Scheme Shares (as appearing in the Register at the Record Time), cheques in respect of the sums payable to such holders pursuant to Clause 2 of this Scheme.
 - (b) Unless indicated otherwise in writing to the share registrar of HIL, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, all such cheques shall be sent by post in pre-paid envelopes addressed to such holders at their respective addresses as appearing on the Register at the Record Time or, in the case of joint holders, at the address as appearing on the Register at the Record Time of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
 - (c) Cheques shall be posted at the risk of the addressees and neither HIL nor HLD shall be responsible for any loss or delay in transmission.

SCHEME OF ARRANGEMENT

- (d) Each such cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to HLD for the monies represented thereby.
 - (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, HLD shall have the right to cancel or countermand payment of any such cheque which has not then been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in HIL's name with a licensed bank in Hong Kong selected by HIL. HIL shall hold such monies until the expiration of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy HIL that they are respectively entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been cashed. Any payments made by HIL hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to Clause 2 of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of any interest or withholding tax or any other deductions required by law. HIL shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of HIL to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (f) On the expiration of six years from the Effective Date, HLD shall be released from any further obligation to make any payments under this Scheme and HIL shall transfer to HLD the balance, if any, of the sums standing to the credit of the deposit account referred to in paragraph (e) of this Clause 3 including accrued interest subject, if applicable, to the deduction of interest tax or any withholding tax or any other deductions required by laws.
 - (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
- 4. Each certificate existing at the Record Time in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of HIL to deliver up the same to HIL for the cancellation thereof.
 - 5. All mandates or relevant instructions in force at the Record Time relating to any of the Scheme Shares shall cease to be valid and effective mandates or instructions.
 - 6. This Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme under Section 166 of the Companies Ordinance, Chapter 32 of the Laws of the Hong Kong Special Administrative Region, and confirming, under Section 60 of the same Ordinance, the reduction of share capital provided for in this Scheme, together with a minute relating to the share capital of HIL and containing the particulars required by Section 61 of such Ordinance, shall have been duly registered by the Registrar of Companies.

SCHEME OF ARRANGEMENT

7. Unless this Scheme shall have become effective on or before 31st March, 2003 or such later date, if any, as the Court may allow, this Scheme shall lapse.
8. HIL and HLD may jointly consent for and on behalf of all concerned to any modification of or addition to the Scheme or to any condition which the Court may think fit to approve or impose.
9. All costs, charges and expenses of and incidental to this Scheme and the costs of carrying this Scheme into effect will be borne by HLD.

Dated 6th December, 2002.

NOTICE OF COURT MEETING

HCMP 4885/02

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 4885 OF 2002**

**In the Matter
of
HENDERSON INVESTMENT LIMITED
(恒基兆業發展有限公司)
and
In the Matter
of
the COMPANIES ORDINANCE,
Chapter 32 of the Laws of Hong Kong**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 3rd December, 2002 made in the above matters, the Court has directed a Meeting to be convened of the holders of the ordinary shares of HK\$0.20 each in the capital of the above-named Company other than those of such shares beneficially owned by Markshing Investment Limited, Darnman Investment Limited, Gainwise Investment Limited, Covite Investment Limited and Banshing Investment Limited, all being indirect wholly owned subsidiaries of Henderson Land Development Company Limited (恒基兆業地產有限公司), for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the aforementioned holders of ordinary shares of HK\$0.20 each and that such Meeting will be held in the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Thursday, 2nd January, 2003 at 11:00 a.m. at which place and time all such holders of ordinary shares of HK\$0.20 each in the capital of the Company are requested to attend.

A copy of the Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to Section 166A of the above-mentioned Ordinance are incorporated in the composite document of which this Notice forms part.

The above-mentioned holders of ordinary shares of HK\$0.20 each in the capital of the Company may vote in person at the Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed herewith.

NOTICE OF COURT MEETING

It is requested that forms appointing proxies be lodged with the Registrar of the Company, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the Meeting, but if forms are not so lodged they may be handed to the Chairman of the Meeting at the Meeting.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.

By the same Order, the Court has appointed Philip Yuen Pak Yiu or, failing him, Augustine Wong Ho Ming or, failing him, Donald Cheung Ping Keung to act as Chairman of the Meeting and has directed the Chairman to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated 6th December, 2002

WOO, KWAN, LEE & LO
27th Floor, Jardine House
1 Connaught Place
Central,
Hong Kong

Solicitors for Henderson Investment Limited



HENDERSON INVESTMENT LIMITED

恒基兆業發展有限公司

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the above-named Company will be held in the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Thursday, 2nd January, 2003 at 11:30 a.m. (or so soon thereafter as the meeting of certain holders of the ordinary shares of HK\$0.20 each in the capital of the Company convened by direction of the High Court of the Hong Kong Special Administrative Region for the same place and day shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the Scheme of Arrangement dated 6th December, 2002 (the “Scheme”) between the Company and the holders of Scheme Shares (as defined in the Scheme) in the form of the print which has been produced to this Meeting and for the purposes of identification signed by the Chairman of this Meeting, with any modification thereof or addition thereto or condition approved or imposed by the Court, be and is hereby approved; and
- (B) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the authorised and issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of capital taking effect, the authorised share capital of the Company be increased to its former amount of HK\$600,000,000 by the creation of such number of new ordinary shares of HK\$0.20 each in the capital of the Company as is equal to the number of the Scheme Shares cancelled; and
 - (iii) the Company shall apply the credit arising in its books of account as a result of such reduction of capital in paying up in full at par the new ordinary shares of HK\$0.20 each in the capital of the Company to be created as aforesaid, which new shares shall be allotted and issued, credited as fully paid, to Henderson Land Development Company Limited or as it may direct and the Directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly.”

By Order of the Board
John Yip
Secretary

Dated 6th December, 2002

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

6th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

Notes:

- (i) A member entitled to attend and vote at the above Meeting is entitled to appoint not more than two persons as his proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company, but must attend the Meeting in person to represent him.
- (ii) A white form of proxy for use at the Meeting is enclosed herewith.
- (iii) In order to be valid, the white form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the Registrar of the Company, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending the Meeting and voting in person if he so wishes. In the event that a member attends the Meeting after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
- (iv) In the case of joint holders of a share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.