Interim Results and Dividend

The Board of Directors announces that for the six months ended 31st December, 2002, the unaudited consolidated net profit of the Group after taxation and minority interests amounted to HK$1,010 million, representing a decrease of 8% as compared with the net profit recorded in the same period in the previous financial year. Earnings per share was HK$0.59.

The Board has resolved to pay an interim dividend of HK$0.35 per share to shareholders whose names appear on the Register of Members of the Company on 15th April, 2003.

Management Discussion and Analysis

BUSINESS REVIEW

Property Sales

Hong Kong's economy remains to be adversely affected by negative factors prevailing locally as well as in overseas markets. During the six-month period which ended on 31st December, 2002, approximately 1,700 units which are attributable to the Group were sold with total sales proceeds amounting to approximately HK$3.7 billion. Amongst these units sold, about 1,600 units were properties completed during the period under review with sales proceeds totally amounting to approximately HK$3.4 billion.

The following development projects were completed in the first half of the financial year:

Location of Properties	Name of Building	Group's Interest (%)	Gross Floor Area (sq.ft.)
Hong Kong			
1. Tai Po Town Lot No. 161	The Beverly Hills - Phases 1 & 2	90.10	652,481
2. 933 King's Road	Royal Terrace	100.00	138,373
3. Tseung Kwan O Town Lot Nos. 57 and 66	Park Central - Phase 1	24.63 (Note 1)	367,486
4. 2 Kwun Tsing Road So Kwun Wat, Castle Peak Road	Aegean Coast	25.00	312,390
5. 198 Yee Kuk Street	City Regalia	100.00	39,113
6. 99 Tai Tong Road Yuen Long	Sereno Verde - Phase 2 (Blocks 13, 15 & 16), Phases 3 & 4	44.00	234,433
7. 8 Fuk Lee Street	Metro Harbour View - Phase 1 (Residential)	72.76 (Note 2)	539,350
		Total attributable interest:	2,283,626

The Group has commenced presale or sale of the following major development projects:

Location of Properties	Name of Building	Group's Interest (%)	Gross Floor Area (sq.ft.)
Hong Kong			
1. 28 Lo Fai Road Tai Po	Casa Marina I	100.00	226,561
2. 1 Lo Ping Road Tai Po	Casa Marina II	100.00	182,545
3. 1-98 King's Park Hill Road	King's Park Hill	62.04	149,587
4. 3 Seymour Road	Palatial Crest	63.35	117,384
5. 8 Hung Lai Road	Royal Peninsula	50.00	739,276
6. 99 Tai Tong Road Yuen Long	Sereno Verde - Phases 1 & 2	44.00	368,745
7. 8 Tung Chung Waterfront Road, Tung Chung	Seaview Crescent - Blocks 1 to 3	20.00	179,634
8. 933 King's Road	Royal Terrace	100.00	138,373
9. Tseung Kwan O Town Lot Nos. 57 and 66	Park Central - Phases 1 & 2	24.63 (Note 1)	729,438
10. 2 Kwun Tsing Road So Kwun Wat, Castle Peak Road	Aegean Coast	25.00	312,390
11. 8 Fuk Lee Street	Metro Harbour View - Phases 1 & 2 (Residential)	72.76 (Note 2)	1,052,338
		Total attributable interest:	4,196,271

Note 1: The combined percentage of attributable interest in the two lots.

Note 2: Including attributable interest from Hong Kong Ferry (Holdings) Company Limited.

Landbank

During the period under review, the property market in Hong Kong was still affected by negative external and internal factors and the Government suspended land sales. The Group continued to adopt a prudent and conservative strategy and focused on advancing negotiations with the Government on land usage conversions and seeking approval for obtaining higher development plot ratio for the Group's agriculture land, with satisfactory progress made in both these respects. The permitted plot ratio of the land lots at Ng Uk Tsuen in Sheung Shui was increased from 3.3 times to 5 times resulting in development floor area attributable to the Group having been increased to approximately 220,000 sq. ft., and application for lease modification has been submitted for the increased development floor area of this site. Application for land exchange had also been made in respect of the second phase of the Tai Tong Road project in Yuen Long to develop a total gross floor area of 640,000 sq. ft., with 440,000 sq. ft. being attributable to the Group. Further, the Group has put forward proposals to the Government in respect of a site located at Fanling (North) District on Ma Sik Road of approximately 700,000 sq. ft. in site area for conversion into residential use with plot ratio to 5 times which, upon approval, will be developed into a residential project of more than 3 million sq. ft. in gross floor area. In addition, the site situate in Wu Kai Sha is expected to be approved for development as a residential project with plot ratio of 3 times and this will provide a total gross floor area of about 4 million sq. ft., with 1.6 million sq. ft. being attributable to the Group. This development is anticipated to be included and documented in an Outline Zoning Plan that is currently being prepared by the Government and it is expected that such planning approval process will be finalised shortly. Also, the agricultural land lots located at Wo Hing Road in Fanling being of 170,000 sq. ft. in site area is expected to be developed as a residential project with a total gross floor area of approximately 580,000 sq. ft. Furthermore, the redevelopment of the shipyard sites at Yau Tong Bay in Kowloon is also making satisfactory progress and the environmental permit for the relevant reclamation of this project has already been approved by the Environmental Protection Department. This site will be developed into a project of 38 residential towers with a total gross floor area of 9.7 million sq. ft., of which 1.72 million sq. ft. is attributable to the Group. Application for land exchange has already been made in respect of the old staff-quarters site owned by the listed associate of the Group, Hong Kong Ferry (Holdings) Company Limited which is located at Tai Kok Tsui in Kowloon. This site will be redeveloped into a residential-cum-commercial project of approximately 320,000 sq. ft., with 73,000 sq. ft. being attributable to the Group.

In the period under review, the Group acquired a 27% interest in the residential development portion of the Ma Tau Kok (South Plant) redevelopment project originally owned by The Hong Kong and China Gas Company Limited and effectively increased the Group's attributable residential development footage by approximately 190,000 sq.ft. in gross floor area. As at the end of the period under review, the total development land bank attributable to the Group amounted to approximately 19.1 million sq. ft. In addition, the Group also held agricultural land lots of approximately 22.8 million sq. ft. in total area.

Property Rental

During the period under review, the total rental income of the Group amounted to approximately HK$1.1 billion, recording a slight increase of approximately 5% as compared to that shown in the corresponding period of the previous financial year. There was continuous decline experienced generally in the investment property market during the period under review. However, since the major component of the Group's rental property portfolio is mainly comprised of retail shopping centres located close to the mass transit and mainline railway networks in new towns with growing population, the rental income deriving from such properties was steady. The average occupancy level of the core rental properties of the Group was able to be maintained at 94%, being almost at the same level as that recorded in the corresponding period of the previous financial year. As at the end of the period under review, the rental property portfolio of the Group totally amounted to 7.1 million sq. ft.

The Group and its associate, The Hong Kong and China Gas Company Limited, together owned 47.5% of the International Finance Centre project which is located at the Airport Railway Hong Kong Station. Phase II of this project includes an 88-storey office tower which will be completed in June, 2003. Further, about 40% of the retail shopping properties of the second phase of this project have already been leased and will be made available to the tenants in the second half of 2003. The entire International Finance Centre project will comprise two office towers totally of 2.74 million sq. ft. in gross floor area, retail shopping properties of 640,000 sq. ft. in gross floor area, 1,800 car parking spaces, 400 hotel rooms and 600 service apartments totally of 1.1 million sq. ft. in gross floor area being both operated by the Four Seasons Hotel group. The entire project, which will have a total gross floor area of 4.48 million sq. ft., is expected to be completed by the end of 2004 and will further enhance the stable income of the Group.

Construction and Property Management

The construction arms of the Group, namely, E Man Construction Company Limited, Heng Tat Construction Company Limited, Heng Shung Construction Company Limited and Heng Lai Construction Company Limited are responsible for undertaking most of the construction work of the Group. As a highlight, E Man Construction is celebrating its thirtieth anniversary this year. The total construction footage completed by this company exceeded 100 million sq. ft., which amongst others, included projects of large housing estates, office buildings, industrial buildings, retail shopping centres, hotels, hospitals, parks, fly-overs and transportation hubs. Its experience, technical know-how, project management and quality control expertise are all ranked at the top end of the industry, representing as one of Hong Kong's leading construction companies. Moreover, E Man Construction received the internationally recognized quality standard ISO9002-1994 certificate in 1999 which was upgraded to the more prestigious ISO9001-2000 certificate in 2002. Further, E Man Construction also participated actively in the construction of International Finance Centre which has brought the Company yet another award for building work of excellence.

The Group's wholly-owned subsidiaries, Hang Yick Properties Management Limited, Well Born Real Estate Management Limited and Goodwill Management Limited provided quality property management services to the Group's development projects as well as other private and public housing estate projects. Apart from placing an emphasis on staff training, these property management arms of the Group also play an active role as responsible corporate citizens in support of annual community activity themes promoted by the Government in areas such as educational promotion, voluntary work and environmental awareness. Since the middle of last year, these management arms of the Group totally received 78 open awards which, amongst others, included the Caring Company Award and the Employers Gold Star Award - Platinum Award. Further, these subsidiaries of the Group have also been honoured with the Hong Kong Eco-Business Grand Award - Green Property for three consecutive years in a row and had also been granted the Outstanding Employers Award.

Henderson Investment Limited

The consolidated profit of this group for the six months ended 31st December, 2002 amounted to HK$794 million, representing an increase of 3% as that recorded in the corresponding period in the previous financial year. During the period under review, the total gross rental income of this group amounted to approximately HK$307 million, showing an increase of 7% over that registered in the corresponding period in the previous financial year with average occupancy level of the major rental properties of this group being recorded at approximately 95%.

Benefiting from recent simplification of tourist entry procedures undertaken by the Hong Kong Government to facilitate visitors arriving from Mainland China, the Newton Hotel Hong Kong and the Newton Hotel Kowloon operated by this group recorded an average occupancy level of 91% during the period under review whilst room tariff rates had been kept steady. Turnover of the retailing business of this group, operated under its Citistore outlets, recorded a decrease in the period under review as compared to that of the corresponding period in the previous financial year.

Megastrength Security Services Company Limited is wholly owned by this group and provides comprehensive professional security management services which include the provision of security guards, security services for property premises, crisis management and contingency planning services as well as security services in shopping centres and hotels. Business of this company has developed further in the period under review.

Also, during the period under review, major investments in China Investment Group Limited, which is 64% held by Henderson Investment, are mainly represented by ownership of two toll-roads as well as three toll-bridges in Mainland China and this subsidiary is also engaged in retailing business. This subsidiary recorded a loss of approximately HK$3 million as a result of provisions made in the amount of HK$10.46 million in respect of the re-organisation of its retailing business in Mainland China. It is anticipated that the infrastructural investment projects will continue to provide stable income to this group.

Associated Companies

The Hong Kong and China Gas Company Limited recorded steady growth for the year 2002, with turnover amounted to HK$6,878 million showing an increase of 0.3%. Profit attributable to shareholders amounted to HK$3,087 million and HK$653 million was invested in development of pipeline and other infrastructures. The number of customers increased by 63,330 households to 1,470,738 households. This group operates five amongst a total of twelve liquefied petroleum gas ("LPG") filling stations in Hong Kong and the current market share in this segment is about 33%.

On the property development front, the project plan for Ma Tau Kok South Plant site was finalized in 2002. It comprises five residential towers and a commercial podium, with a gross footage of over 1,100,000 sq. ft., to be completed in 2005. Phase I of the Airport Railway Hong Kong Station project which this group owned 15% is almost completely rented. Phase II which includes office and commercial properties, a hotel and a service apartment building will be completed in 2003 and 2004 respectively. The Sai Wan Ho Ferry Concourse project which this group owns 50% is making satisfactory progress and is expected to be completed in 2005. Among its businesses in Mainland China, the State Ministry of Foreign Trade and Economic Cooperation has approved the group to register its holding company, The Hong Kong & China Gas Investment Limited, for the purpose of managing investment projects in the Mainland, including businesses in areas such as Guangdong, Jiangsu and Shandong. Currently there are twelve joint venture pipeline gas projects in Mainland China including the Guangdong Liquefied Natural Gas Receiving Terminal and the national West-to-East gas pipeline project. In view of the adverse economic condition in Hong Kong, Towngas tariff and maintenance fee have been frozen at the 1998 level to reduce customer hardship. The group endeavours to grow its business by improving its efficiency and productivity, and developing new markets. The group has received several achievement awards in the area of management and customer services, including consecutively being ranked among the top ten companies in Hong Kong in the Far Eastern Economic Review's Survey of Asia's Leading Companies.

Hong Kong Ferry (Holdings) Company Limited reported a consolidated profit after tax of HK$358 million in the financial year ended 31st December, 2002, showing an increase of 27% compared to that recorded in the previous year. This was mainly attributed to the sales proceeds of the residential portion of Phase 1 of Metro Harbour View. Another two projects at 222 Tai Kok Tsui Road and 6 Cho Yuen Street in Yau Tong will commence once the amount of land premium for rezoning is finalized with the government. Ferry and shipyard related business recorded a HK$68 million operational loss during the year due to impairment in asset value. Operational profit related to tourist and hotel operations has also been reduced by 22%, amounted to HK$3.8 million, due to the poor local consumption level. Sales proceeds from the residential units of Metro Harbour View will remain the main source of income for this group. The commercial portion of this project, namely, the Metro Harbour Plaza, will serve as a steady income source for this group in the future.

Miramar Hotel and Investment Company, Limited recorded HK$89 million in unaudited profit attributable to shareholders for the six months ended 30th September, 2002, representing an increase of 10.3% over that recorded in the corresponding period in the previous financial year. Despite the continuing poor rental rates due to the adverse local economic condition, Miramar Shopping Arcade and Miramar Tower recorded occupancy levels of over 90%, and the shopping arcade of Hotel Miramar was nearly totally rented. Overall rental income has only shown a mild decrease. During the period, the occupancy rate of the hotel has stabilized although pressure to adjust the room tariff rate downward still existed. Average occupancy rate had slightly increased by 3% compared to that of the previous year, enabling a slight growth in hotel profit. The business performance of this group for the second half of the financial year is anticipated to be satisfactory.

Henderson China Holdings Limited

For the six months ended 31st December, 2002, the unaudited consolidated net loss of this group after taxation and minority interests amounted to HK$98 million, whilst a net profit of HK$89 million was recorded in the same period in the previous financial year. Loss per share was HK$0.20. During the period under review, this group had made provisions on property projects and written off bad debts relating to property rental for a total amount of HK$135 million.

Major property markets in Mainland China generally remained active although performance of property sale prices and rentals varied significantly amongst the different major cities. Almost all of the remaining residential units in the Shanghai Skycity project of this group had been sold with prices remaining steady. Further, this group has undertaken improvements in facilities and in the provision of property management services at the State Apartments in Beijing Henderson Centre with an aim to enhance the value of this group's existing holding of the units in the project which will be re-launched for sale at a later date. Over 90% of the residential units in the Heng Bao Garden project of this group located in Guangzhou had been sold. Moreover, around 80% and 50% of Phase VIII and Phase IX respectively of this group's joint venture development project known as the Lexi New City located in Panyu District had also been sold and sales continued to make steady progress for this project.

During the period under review, the rental property business of this group in all major cities, with the exception of Beijing, made satisfactory progress. In Beijing, certain tenants in the Beijing Henderson Centre breached the tenancy agreements and vacated the premises. Refurbishment will now be undertaken at the shopping arcade in the Beijing Henderson Centre and the vacated shop units will be leased out again in the third quarter of 2003 after the launch of a new marketing campaign. Furthermore, the shopping premises of Shanghai Skycity had also been fully let whilst occupancy of the office units in this project also exceeded 60%. Heng Bao Plaza, which is located right above the Changshou Road underground railway station in Guangzhou and gradually becomes widely recognised as one of the more popular large-scale shopping centres in the busy Li Wan District shopping area, has progressed well with the leasing of its Basement Level 1 and the three additional shopping floors upto Level 3, recording an average occupancy rate of almost 70%.

In light of the concerns of the central government on the over-heating in certain areas in the Mainland, this group will undertake a review of the various property projects in hand and determine the strategies for future developments so as to reflect the value of this group's properties under the prevailing conditions in the marketplace.

Henderson Cyber Limited

Henderson Cyber Limited reported loss attributable to shareholders of approximately HK$13 million for the six months ended 31st December, 2002, showing a significant improvement of 57% compared with that for the corresponding period in the previous year. During the period, this group further developed iCare's broadband services, Internet services, IDD services and retail businesses; users and subscribers grew to a total of 275,000 as at the end of 2002. During the period under review, Eastar has commenced development of the second phase of its local wireless Fixed Telecommunications Network Services ("FTNS") network infrastructure to meet Office of Telecommunications Authority of Hong Kong's ("OFTA") requirements. Future Home has also designed and installed various management and monitoring systems in a number of housing estates.

Privatisation Scheme of Henderson Investment Limited

On 29th November, 2002, the Group made an announcement to offer HK$7.60 in cash as cancellation price for each share in Henderson Investment Limited ("HIL") under a privatisation proposal. According to the rules under the "Codes on Takeovers and Mergers and Share Repurchases", one of the conditions to be met is that shareholders who voted against the Scheme cannot exceed 10% in value of all the HIL shares held by independent minority shareholders. At the Court Meeting held on 2nd January, 2003, notwithstanding that 85.6% of independent minority shareholders voted in favour of the privatisation proposal, since the shareholders that voted against the Scheme exceeded the stipulated 10% level as mentioned above, the Scheme cannot become effective and has therefore lapsed.

Corporate Finance

In July, 2002, the Group reached an agreement with the Urban Redevelopment Authority to terminate a funding commitment extended by the Group in relation to the funding of a government redevelopment project and this has significantly reduced the future financing requirements of the Group. The Group possesses abundant long-term committed financing facilities offered by commercial banks to fund the future expansion of the Group's business. With the aim to control the Group's future cost of borrowing effectively, the Group has been taking advantage of the low local interest rates and has recently begun to lock in interest rates of one year term and longer to match part of the medium-term funding needs of the Group. Apart from banking facilities of a relatively small proportion which were raised in Renminbi, funding facilities are obtained in Hong Kong Dollars and the Group's exposure to foreign exchange fluctuation risks is therefore extremely small. Further, the Group does not engage in any derivatives trading activities for speculation purpose.

PROSPECTS

Notwithstanding that the war in Iraq will bring about uncertainties in the global economy, Mainland China is still anticipated to be able to maintain steady economic growth. Further, as exchange rates of the Hong Kong currency had already adjusted downwards alongside with the falling value of the U.S. counter-part, in-bound tourists as well as local exports continued to grow. Together with the government steps now taken to speed up and bring out the synergy effects of the merging of the Hong Kong and Pearl River Delta region, these factors contribute positively to the local economy.

In mid November of last year, the Hong Kong Government announced the implementation of nine measures aiming to stabilise the local property market. The Government had further laid down in a clear manner the policy directions and strategic role of the Government in the local property market in the long term. Under the new policy, the Government's role will only be confined to making orderly adjustments in overall land supply, whereas development and supply of housing will principally be left with private property developers. These long term policies lay a good foundation for the healthy development of the local property market, and will contribute towards reviving the long term economic growth of the local economy. Furthermore, the plans recently announced by the Government to bring in more immigrants to Hong Kong will also attract more investors to come to invest and acquire properties in Hong Kong. Implementation of these two sets of government policies will both help to accelerate the supply and demand of the housing situation prevailing in Hong Kong. In addition, property prices have now already fallen to levels that were recorded in the early-nineties, interest rates have adjusted to a historical low point, the ability of local end-users to service mortgage payments have risen to a historical high level, and the cost of servicing housing mortgage loan has fallen significantly below the monthly rental outlay. Under such circumstance, it is anticipated that more home buyers and property investors will emerge once the local economy becomes stable. In 2003, your Group plans to put up approximately 7,800 new and completed residential units. The majority of these residential units are located at busy areas in urban areas. Most of these units are suited to first-time buyers and a portion of these units would be suitable for the investment immigrant market.

In light of the competitive market condition, the Group continuously reviews its land resources with a view to enhance their value and investment return. The Group also endeavours to raise the standard of its products and strengthen the after-sales services to customers of the Group. Where applicable, new construction techniques and building materials will be used to bring about improvements in increasing efficiency and the reduction of costs. The major investment properties owned by the Group mainly comprise large-scale shopping centres, located close to the mass transit and mainline railway networks with heavy pedestrian traffic, enjoying relatively stable occupancies and steady rental rates. This rental property portfolio is a major source for the growth of the Group's stable recurrent income. Further, the satisfactory results of the Group's associated companies, which include The Hong Kong and China Gas Company Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, also contribute to bring in stable income to the Group. Added to these, pre-sold properties that will be completed in the current financial year will also bring in significant profits to the Group. In the absence of unforeseen circumstances, it is anticipated that the performance of the Group will show satisfactory growth.