

HENDERSON INVESTMENT LIMITED

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\$794 million, representing an increase of 3% as compared with the net profit recorded in the corresponding period in the previous financial year. Earnings per share was HK\$0.28.

The Board has resolved to pay an interim dividend of HK\$0.11 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

The consolidated profit of the 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. Despite the adverse economic condition in Hong Kong during the period under review, the results of the Group had remained steady due to the diversity of the Group's businesses and the Group's continuous efforts made in the area of cost control.

Property Rental

Although there were adjustments made to rental rates in the local investment property sector generally in response to the decline in the overall economy, the major component of the Group's rental property portfolio is mainly comprised of retail shopping centres located in new towns with stable patronage. Further, tourists' spending brought about by the arrival of large number of visitors from Mainland China was also favourable to the retail shopping property sector. During the period under review, the total gross rental income of the Group amounted to approximately HK\$307 million, showing an increase of 7% over that registered in the corresponding period in the previous financial year. The average occupancy level of the core rental properties of the Group was able to be maintained at 95%, being almost 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 1.85 million sq.ft.

Hotel & Department Store Operations

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 the 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 the 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.

Security Services

Megastrength Security Services Company Limited is wholly owned by the 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.

Other Investments

During the period under review, major investments of China Investment Group Limited which is 64% held by the Group are mainly represented by the ownership of two toll-roads and 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. The infrastructural investment projects are anticipated to continue to provide stable return to the 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.

Associated Companies (cont'd)

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 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

On 29th November, 2002, Henderson Land Development Company Limited made an announcement to offer HK\$7.60 in cash as cancellation price for each share in the Company 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 shares held by independent minority shareholders of the Company. At the Court Meeting held on 2nd January, 2003, notwithstanding that 85.6% of independent minority shareholders of the Company 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.

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.

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, as the Government takes active steps to promote the tourism industry and provide access to facilitate visitors from Mainland China coming to conduct business in Hong Kong, this will bring about a large increase in the number of visitors from Mainland China particularly after the establishment of the 24-hour immigration check points at Lok Ma Chau and simplification of entry procedures for in-bound visitors by the Hong Kong Government. Such increase of visitors from Mainland China will boost business turnover in the hotel, retailing and catering industries in Hong Kong and will also have a positive effect on the various business operations of the Group. In the absence of unforeseen circumstances, it is anticipated that the performance of the Group for the whole year of the current financial year will remain steady.