

Chairman's Statement

Dr. Lee Shau Kee, Chairman and Managing Director



I am pleased to present to the Shareholders
my report on the operations of the Group

Profit and Turnover

The Group's consolidated net profit after taxation and minority interests for the year ended 30th June, 2003 amounted to HK\$2,242 million, representing an increase of 4% over that reported in the previous financial year. The turnover of your Group showed an increase of 23% over that of the previous financial year and amounted to HK\$7,667 million.

Dividends

Your Board recommends the payment of a final dividend of HK\$0.45 per share to shareholders whose names appear on the Register of Members of the Company on 1st December, 2003. The total distribution per share of HK\$0.80 for the full year, including the interim dividend of HK\$0.35 per share already paid, is same as the total distribution in the previous year. Warrants for the final dividend will be sent to shareholders on or before 4th December, 2003.

Business Review

PROPERTY MARKET

During the period under review, the economy in Hong Kong remained on a declining path. Occurrence of the Severe Acute Respiratory Syndrome ("SARS") in March of this year led to a sharp drop in consumer spending and an increasing unemployment rate. The decline in the economy resulted in downward adjustment in the property market. Transaction volume was at a very low level. The business operation of your Group was adversely affected by such developments which took place during the period under review. However, since July of this year, positive steps were taken on the economic front by the Central Government in the mainland that led to a revision of policy to allow the granting of travel permits to outbound tourists from the mainland by way of individual visas, and the establishment of arrangements to bring about closer economic co-operation between Mainland China and Hong Kong. In addition, proposals have been made to build new bridges to link up Hong Kong, Macau and Zhuhai. These new developments

Chairman's Statement (cont'd)

have led to a boost in confidence of the Hong Kong citizens, improvement in the local economy and property prices becoming more stable.

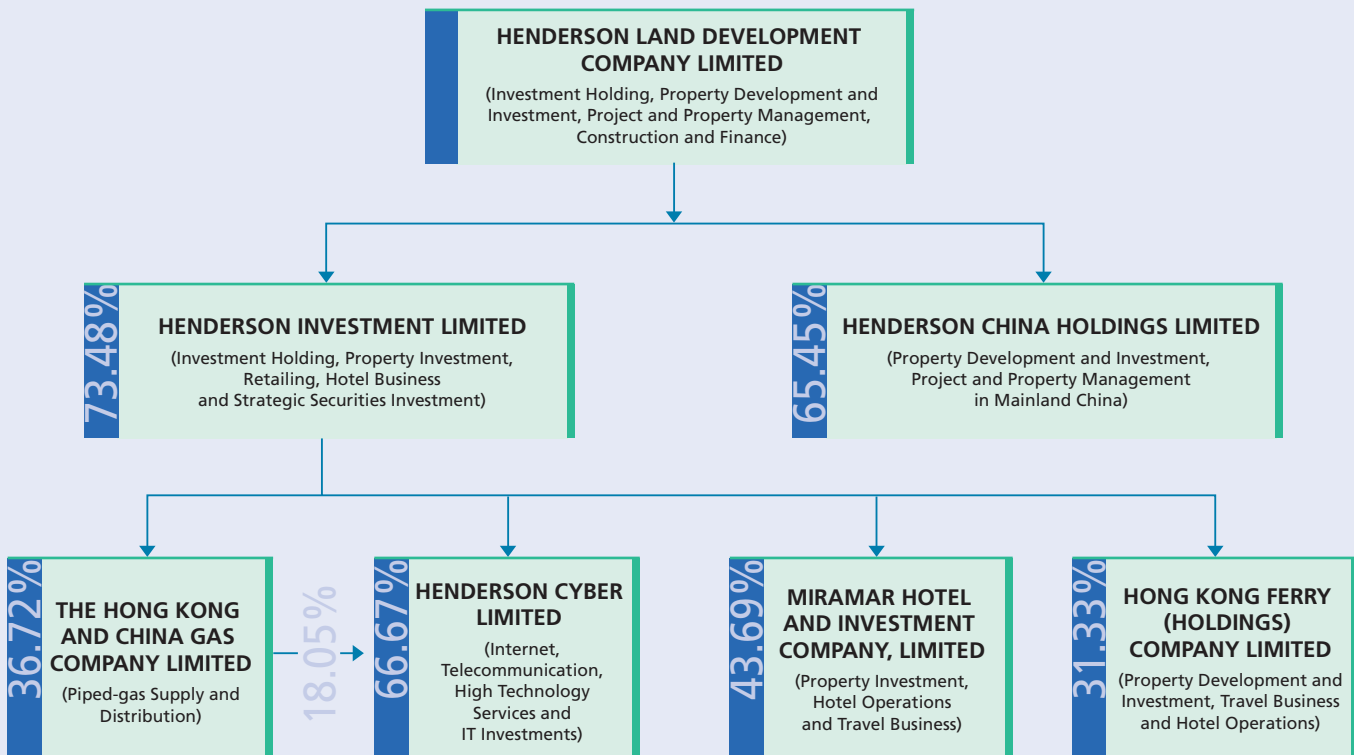
Major developments put up for sale and pre-sale by the Group during the period under review included the Metro Harbour View, Park Central, Aegean Coast

and Phase 2 of Sereno Verde, all of which recorded satisfactory results. Properties that were sold by the Group during this financial year amounted to approximately HK\$15.6 billion, comprising around 8,000 residential units. Amongst these, approximately 2,600 units representing HK\$5.29 billion in total sales were attributable to the Group.

(All percentage shareholdings shown above were figures as of 2nd October, 2003)

HENDERSON LAND GROUP STRUCTURE

Market Capitalisation as at 2nd October, 2003
Henderson Land Development Company Limited : HK\$60Bn.
Seven Listed Companies of Group : HK\$154Bn.



Chairman's Statement (cont'd)

DEVELOPMENT PROJECTS COMPLETED

The following development projects were completed during this financial year:

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Gross Floor Area (sq.ft.)
HONG KONG					
1 Tai Po Town Lot No. 161 (The Beverly Hills – Phases 1 & 2)	982,194	724,174	Residential	90.10	652,481
2 933 King's Road (Royal Terrace)	16,744	138,373	Commercial/ Residential	100.00	138,373
3 Tseung Kwan O Town Lot Nos. 57 and 66 (Park Central – Phases 1 & 2)	359,883	2,932,813	Commercial/ Residential	24.63	722,352
4 2 Kwun Tsing Road So Kwun Wat Castle Peak Road (Aegean Coast)	456,964	1,249,560	Commercial/ Residential	25.00	312,390
5 198 Yee Kuk Street (City Regalia)	5,218	39,113	Commercial/ Residential	100.00	39,113
6 99 Tai Tong Road Yuen Long (Sereno Verde – Phase 2) (Blocks 13, 15 & 16) (La Pradera – Phases 3 & 4)	(Note 1 below)	532,802	Residential	44.00	234,433
7 8 Fuk Lee Street (Metro Harbour View – Phase 1)	(Note 2 below)	878,705	Residential	73.02	540,492
8 8 Finance Street (Two International Finance Centre)	(Note 3 below)	1,951,621	Office	36.55	713,317
9 3 Kwong Wa Street (Paradise Square)	17,297	159,212	Commercial/ Residential	100.00	159,212
					3,512,163

Note 1: The site area for the whole of Sereno Verde is 380,335 sq.ft.

Note 2: The site area for the whole of Metro Harbour View is 228,595 sq.ft.

Note 3: The site area for the whole of Airport Railway Hong Kong Station Development is 614,700 sq.ft.



Park Central – Phases 1 & 2, Tseung Kwan O

This 24.63%-owned project of the Group, which has 11 residential tower blocks totalling approx. 2,900,000 sq.ft. in G.F.A., was completed in January 2003.



PROJECTS UNDER SALE

The Group has commenced sale of the following completed development projects:

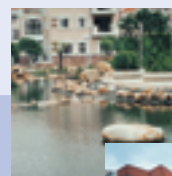
Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)
HONG KONG				
1 28 Lo Fai Road Tai Po (Casa Marina I)	283,200	226,561	Residential	100.00
2 1 Lo Ping Road Tai Po (Casa Marina II)	228,154	182,545	Residential	100.00
3 1-98 King's Park Hill Road (King's Park Hill)	168,392	241,113	Residential	62.14
4 3 Seymour Road (Palatial Crest)	17,636	185,295	Commercial/ Residential	63.35
5 8 Hung Lai Road (Royal Peninsula)	162,246	1,478,552	Residential	50.00
6 99 Tai Tong Road Yuen Long (Sereno Verde – Phases 1 & 2) (La Pradera – Phases 3 & 4)	380,335	1,141,407	Residential	44.00
7 8 Tung Chung Waterfront Road Tung Chung (Seaview Crescent – Blocks 1 to 3 & 5)	228,896	1,195,817	Commercial/ Residential	20.00
8 933 King's Road (Royal Terrace)	16,744	138,373	Commercial/ Residential	100.00
9 Tseung Kwan O Town Lot Nos. 57 and 66 (Park Central – Phases 1 & 2)	359,883	2,932,813	Commercial/ Residential	24.63
10 2 Kwun Tsing Road So Kwun Wat Castle Peak Road (Aegean Coast)	456,964	1,249,560	Commercial/ Residential	25.00
11 8 Fuk Lee Street (Metro Harbour View – Phases 1 & 2)	228,595	1,714,463	Residential	73.02

Chairman's Statement *(cont'd)*

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)
The People's Republic of China				
1 Lot HR-2 Li Wan District Guangzhou (Metro Line One – Changshou Road Station) (Heng Bao Garden)	256,549	1,236,127	Residential	65.45
2 Phase VIII of Lexi New City, Shajiao Island, Panyu, Guangdong (Fanghua Garden – Luotao South Zone Villa)	1,689,145	2,576,058	Retail/ Residential/ Carparks/ Club	16.36
3 Phase IX of Lexi New City, Shajiao Island, Panyu, Guangdong (Green Island House)	1,805,718	682,621	Residential/ Club	16.36

Phase IX of Lexi New City (Green Island House)

Shajiao Island, Panyu
Total G.F.A.: approx. 683,000 sq.ft.;
16.36% owned by Group. This project
was completed in February 2002.



Chairman's Statement (cont'd)

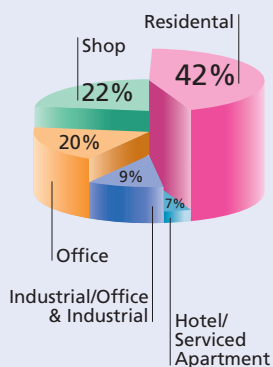
LOCAL LAND BANK

In the financial year under review, the Group made good progress in its negotiation with the Government on agricultural land conversion premium and change of land use for sites held by the Group.

The Group's agricultural land lots situate at Wu Kai Sha were zoned in May of this year to fall within a new Comprehensive Development Area with residential plot ratio of 3. It is estimated that this site will provide a total gross floor area of approximately 3.5 million sq.ft. of which about 1.4 million sq.ft. is attributable to the Group. As for the agricultural lots of approximately 170,000 sq.ft. in site area situate at Wo Hing Road, Fanling, it is anticipated that this will provide gross floor area of approximately 580,000 sq.ft. to the Group. Further, the agricultural land lots situate at Ma Sik Road, Fanling North, of approximately 700,000 sq.ft. in area, is planned for conversion into a residential site with permitted plot ratio of 5, providing over 3 million sq.ft. in gross floor area attributable to the Group. The timing for change in land use for this project will be contingent upon progress of the official implementation plan for the Fanling North Development Strategy. As for the agricultural lots which are situate at Lam Tei, Tuen Mun, which have site area of approximately 84,000 sq.ft., application for land-use conversion with a permitted plot ratio of 2.1 has been made to the Town Planning Board and this will provide around 170,000 sq.ft. in residential gross floor area to the Group. Approval from the Town Planning Board had also been obtained for increasing plot ratio of the agricultural land located in Ng Uk Tsuen, Sheung Shui from 3.3 to 5 which will result in around 220,000 sq.ft. of residential gross floor area attributable to the Group. Application for the conversion premium of this site has already been initiated.

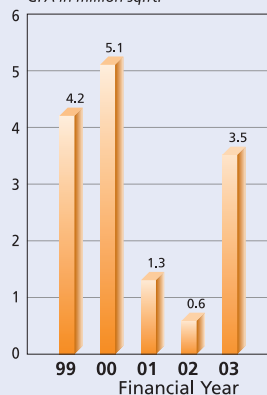
In addition, application for land exchange has already been made in respect of the conversion of the second phase of the agricultural land plots located at Tai Tong Road, Yuen Long, with a total gross floor area of approximately 640,000 sq.ft., of which around 440,000 sq.ft. is attributable to the Group. Also, the redevelopment plan for the old shipyards situate at Yau Tong Bay obtained approval in the period under review from the Environmental Protection Department of the Government in respect of the granting of the land reclamation permit for the project site. The project will involve the development of 38 residential tower blocks which will amount to approximately 9.7 million sq.ft. in gross floor area and approximately 1.72 million sq.ft. will be attributable to the Group. During the past financial year, the Group has also been granted approval by the Town Planning Board for changing the land use of several project sites of the Group for hotel development purpose which will, upon completion, provide around 4,000 hotel rooms. Application has also been made for fixing the lease modification premium in respect of the redevelopment of the old staff quarters' site located in Tai Kok Tsui that is owned by the listed associate of the Group, Hong Kong Ferry (Holdings) Company Limited, and this project will be developed into a residential-cum-retail property with approximately 320,000 sq.ft. in gross floor area of which approximately 73,000 sq.ft. is attributable to the Group. As for another residential-cum-retail redevelopment site also owned by this listed associate of the Group and located at 6 Cho Yuen Street, Yau Tong, application for fixing the lease modification premium for this project has already commenced. During the financial year under review, the Group also acquired a 27% interest in the residential portion of the Ma Tau Kok South Plant redevelopment project of The Hong Kong and China Gas Company Limited and this will add 190,000 sq.ft. of residential gross floor area to the Group.

Usage of Land Bank & Investment Properties



Annual Completion

GFA in million sq.ft.



As at the end of the financial year under review, the total development land bank of the Group amounted to approximately 19 million sq.ft. in attributable gross floor area and, in addition, agricultural land held by the Group amounted to approximately 22 million sq.ft. in site area.

PROPERTY RENTAL

In the financial year under review, total gross rental income of the Group amounted to approximately HK\$2,214 million which represented a slight decrease of 3% as compared to that recorded in the previous financial year, making a contribution of 28% to the total revenue of the Group. Rental income thus remains a stable source of income for the Group. Despite the office rent in Hong Kong generally declining, the Group's rental is resilient as the major rental properties owned by the Group are retail shopping properties situate in the new towns and mass transportation network. Excluding the second phase of the International Finance Centre which had only been completed towards the end of the period under review, major shopping properties of the Group recorded an overall average occupancy rate of 94%. The Group and The Hong Kong and China Gas Company Limited together own an aggregate interest of 47.5% in the International Finance Centre project. The 88-storey office tower of Two IFC provides approximately 2 million sq.ft. in gross floor area and this was completed in May, 2003. In addition, there will be a hotel as well as serviced apartments of 400 rooms and 600 rooms respectively to be operated under the name of the Four Seasons Hotel. These amount to around 1.1 million sq.ft. in total gross floor area and are due to be completed by the end of 2004. This project will further contribute to the steady recurrent income of the Group.

As at the end of the period under review, the total attributable gross floor area of the Group's rental property portfolio amounted to approximately 7.7 million sq.ft. In addition, the Group also owns attributable rental carparking space of around 2.5 million sq.ft.

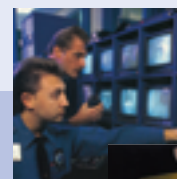
CONSTRUCTION AND PROPERTY MANAGEMENT

The Group continuously strives to upgrade the quality of its development properties by applying new technologies and building materials to improve the efficiency and lower the cost of construction. Also, the Group pays close attention to the provision of after-sale service by offering comprehensive and quality property management services to residents of property projects.

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 exceeds 100 million sq.ft., which includes large housing estates, hotels, hospitals, office buildings and industrial buildings. 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 in the construction of International Finance Centre which has brought the Company another award for building work of excellence.

Property Management

The Group's two in-house property management subsidiaries, namely, Hang Yick Properties Management Limited and Well Born Real Estate Management Limited, currently manage over 200 properties and estates primarily developed by the Group in Hong Kong. Both of these companies have received numerous top performance awards for providing high quality property management services over the years.





E Man Construction

This is a well experienced in-house construction arm of the Group that completed construction work averaging from 2 to 3 million sq.ft. in G.F.A. annually in recent years.



Hang Yick Properties Management Limited, Well Born Real Estate Management Limited and Goodwill Management Limited are the members of the Group which provide property management services to our developments and other private and public estates. The property management companies have been recognised for their staff training and community service programs by being awarded 88 public awards since mid 2002, including the awards "Caring Company" and "Employers Gold Star Award - The Platinum Award", as well as the following awards for three consecutive years, namely "Green Property Management (Private Housing)-Grand Award", "Tenth Anniversary Outstanding Contribution Award for Employers", "Customer Relationship Excellence Awards" and "The British Building Maintenance Award 2002".

CAMPAIGN AGAINST SARS

During the epidemic period of SARS, the Group purchased large quantities of disinfectant materials for donation to the local communities. The listed associate company of the Group, The Hong Kong and China Gas Company Limited, presented hand-cleaning apparatus and made donation totalling HK\$2 million to the local dining industry. The property management arms of the Group also took precautionary steps to ensure that all property projects under their management had undertaken thorough and detailed measures for attaining the highest hygienic standards. Further, with a view to reducing the epidemic risks for the future, the project management department of the Group made further improvements to the design of building plan and sewerage systems for projects of the Group, with particular attention paid to the sanitary systems, facilities of buildings and the use of environmentally friendly building materials.

HENDERSON INVESTMENT LIMITED ("HENDERSON INVESTMENT")

As at the end of the financial year, the Group held a 73.48% interest in this listed subsidiary. In the financial year ended 30th June, 2003, profit of this

company amounted to HK\$1,626 million, showing a decrease of 9% as compared with that recorded in the previous financial year. Profit of this company was mainly generated from the steady rental income received and the stable profit contributions derived from the three listed associates during the financial year under review. The two Newton Hotel experienced a declining occupancy rate and room tariffs under downward pressure as a result of difficult economic conditions, the U.S. led War against Iraq and the outbreak of SARS, the retailing operation of Citistore experienced decreasing turnover but was able to achieve breakeven result through improved efficiencies. Although the technology business of this company has not managed to turnaround into profit-making, it has already substantially contained its loss position. In the meantime, the infrastructural projects of this company also made stable profit contribution to this group.

ASSOCIATED COMPANIES

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

36.72%-owned by Henderson Investment: Hong Kong and China Gas reported an increase of 6.7% in profit to approximately HK\$1.8 billion for the six months ended 30th June, 2003 as compared to the profit of the corresponding period in the previous financial year. The number of customers increased to 1,492,860, representing an increase of 3.9% over that of the previous year. With respect to the energy business of this group, investment in the mainland piped gas projects has been a long term strategic priority and is in line with the environmental policy of Mainland China. In particular, this group has now invested in 16 cities including three in Maanshan (Anhui Province), Zhangjiagang (Jiangsu Province) and Tongxiang (Zhejiang Province). The joint venture agreements of these three projects were signed in the first half of 2003. In June 2003, this group also officially obtained approval to establish a sino-foreign equity joint venture with Nanjing Gas General Company for the development of the

Miramar Hotel & Investment

43.69% owned by a subsidiary of the Group, this company owns and manages the 525-room flagship Hotel Miramar as well as the adjacent Miramar Tower with G.F.A. of 696,000 sq.ft. and the Miramar Shopping Centre of 350,000 sq.ft. in G.F.A. in the busy commercial and tourist district on Nathan Road in Tsimshatsui, Kowloon.



natural gas market. The total investment amount for this project is RMB1,200 million. This group has a 50% interest in this joint venture which will further consolidate its business development base in eastern China.

On the property development front, this group has a 15% interest in the International Finance Centre. Phase One office tower and shopping mall have been leased out. Phase Two comprises, inter alia, the Two IFC which was completed in the second quarter of 2003 and is now being leased. This group has a 50% interest in the Sai Wan Ho Ferry Concourse development project. Construction of the superstructure, now in progress, is expected to be completed in 2005. Foundation work of the Ma Tau Kok South Plant site project has been completed and this project is due for completion in 2006. These two projects combined will provide a residential floor area of approximately 2.5 million sq.ft. in the urban areas.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

31.33%-owned by Henderson Investment: The interim results of Hong Kong Ferry for the six months ended 30th June, 2003 recorded HK\$137 million in profit, representing a slight increase over that in the same period last year. Adversely affected by the SARS outbreak, both the travel and hotel businesses of this group recorded a loss of HK\$2.4 million during the period. This group has decided to take an additional impairment loss of HK\$19 million over the shipyard assets, thereby resulting in the operating loss of the Ferry, Shipyard and Related Operations for the period to increase to HK\$28 million. About 460 residential units of Metro

Harbour View were sold during the period, bringing the total number of residential units sold to around 2,000. Over 40% of Phase I of the commercial arcade of Metro Harbour View has been let. With regard to the projects at Tai Kok Tsui staff quarter and at 6 Cho Yuen Street, this group is negotiating with the Government on the land premium for the change in land use to residential/commercial use with gross floor areas of respectively 320,000 sq.ft. and 160,000 sq.ft. The local property market is expected to bottom out benefiting unsold residential units of Metro Harbour View.

Miramar Hotel and Investment Company, Limited ("Miramar")

43.69%-owned by Henderson Investment: For the year ended 31st March, 2003, Miramar reported a profit of HK\$234 million, representing a decrease of 9% when compared to that of the previous financial year. Affected by the slack local economy, the U.S. led war against Iraq and the SARS outbreak, this group recorded a slight drop in operating result. Nevertheless, the occupancy rate of the shopping and office properties remained steady for the financial year and averaged about 90%. With mainland tourists free to visit Hong Kong, the number of mainland travelers continued to rise. This group's sales offices in Shanghai and Beijing had taken proactive sales and promotion efforts in developing the China market. The average occupancy of Hotel Miramar rose to 87% and room rates had also improved. It is anticipated that the Individual Visit Scheme will create opportunities for the local hotel, food and beverage businesses, thereby enhancing the steady growth of this group's profit.