

HENDERSON INVESTMENT LIMITED

Interim Results and Dividend

The Board of Directors announces that for the six months ended 31st December, 2003 the unaudited consolidated net profit of the Group after taxation and minority interests amounted to HK\$822 million, representing an increase of 6% as compared with the restated net profit recorded in the corresponding period of the previous financial year. Earnings per share was HK\$0.29.

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 21st April, 2004.

Management Discussion and Analysis

BUSINESS REVIEW

Property Rental

During the period under review, the local rental property market recovered alongside with observed improvements in the Hong Kong and the global economy and saw the rental level for Grade A office and retail shopping properties returning on a growth path. The Group's core rental property portfolio mainly comprises retail shopping properties located in the new towns where patronage is stable. Further, with increased spending in the retail business sector partly brought about by visitors from Mainland China, the total gross rental income of the Group amounted to approximately HK\$315 million during the period under review, showing an increase of 3% over that registered in the corresponding period of the previous financial year. The average occupancy level of the rental properties of the Group was maintained at the 94% level. As at the end of the period under review, the rental property portfolio attributable to the Group totally amounted to 2.04 million sq.ft..

Hotel & Department Store Operations

The Newton Hotel Hong Kong and the Newton Hotel Kowloon of the Group recorded an average occupancy level of around 90% during the period under review whilst room tariff rates remained at a relatively low level. Benefiting from the Individual Visit Scheme and Closer Economic Partnership Arrangement ("CEPA") policies that were initiated by the central government, the retailing business of the Group that is operated under its Citistore outlets recorded an increase in turnover in the period under review as compared to that recorded in the corresponding period of the previous financial year.

Security Services

Megastrength Security Services Company Limited, a wholly-owned subsidiary of the Group, 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. During the period under review, the business of this company was actively expanded and its profit contribution to the Group had continued to show an increase.

Other Investments

During the six-month period ended 31st December, 2003, a 64% owned subsidiary of the Group, China Investment Group Limited, made approximately HK\$69.7 million in profit contribution to the Group. During the period under review, this company transferred the operating and management rights of two toll bridges located in Tianjin to the local municipal government, and approximately HK\$104 million in profit before tax was thus derived after making a corresponding adjustment in the relevant accounting policy. A toll road of this company located in Fenghua, Zhejiang Province, however, recorded approximately HK\$54 million in impairment loss on assets.

Associated Companies

The Hong Kong and China Gas Company Limited recorded profit attributable to shareholders that amounted to HK\$3,051 million in the financial year ended 31st December, 2003, representing an increase of HK\$3 million as compared to that recorded in the previous financial year. As at the end of 2003, the number of customers reached 1,520,166, an increase of over 49,400 customers over the previous year. Since the fourth quarter of 2003, the West-to-East gas pipeline has gradually started supplying gas to Eastern China; and natural gas supply to the other areas along the pipeline's route will also start from 2005 onwards, thus helping to drive rapid growth in commercial, industrial and residential gas consumption. This group continues to expand its foothold in the Mainland and invest in natural gas projects as a long-term strategic priority for its core business development. In 2003, this group particularly focused on developing its Mainland business within the economically prosperous regions of Guangdong, Eastern China, Shandong and Central China where natural gas supply is imminent. The group has thus far concluded 24 city piped-gas joint venture projects in the Mainland, including those undertaken in sizeable cities such as Shenzhen, Nanjing, Wuhan and Jinan. In line with this group's development strategy, it has established Hong Kong & China Gas Investment Limited as an investment holding company to manage the development of this group's Mainland business. In 2003, the group continued to be rated as one of Hong Kong's top ten leading companies in the Far Eastern Economic Review survey of Asian businesses.

In Hong Kong, several substantial pipe-laying projects undertaken by this group are at the planning stage or are currently in progress, and these gas supply pipe-laying projects are extended to eastern New Territories and the international theme park on Lantau Island. On the property development front, this group has 15% interest in the Airport Railway Hong Kong Station development project, and the office towers and shopping mall in Phase One as well as in Phase Two of the International Finance Centre had been completed by stage and put up for lease. The mixed-use hotel development portion of this project which is expected to be completed by the end of 2004 will be managed by Four Seasons Hotels and Resorts. The Sai Wan Ho project in which this group holds 50% interest is expected to be completed in 2005, providing 2,020 residential units. Further, the Ma Tau Kok South Plant site is being developed into five residential apartment buildings, providing a total gross floor area of approximately 1.1 million sq. ft. upon its scheduled completion in 2006. It is envisaged that steady growth in business will be maintained by this group in 2004.

Hong Kong Ferry (Holdings) Company Limited reported a consolidated profit after taxation for the year ended 31st December, 2003 amounting to approximately HK\$265 million, representing a decrease of 22% as compared to that recorded in 2002. During the year under review, profit from sale of residential units of Metro Harbour View remained to be the primary source of income to this group. The entire development project, including the commercial arcade, had been completed in the latter half of 2003. This group has recently accepted the land premium offer in the amount of approximately HK\$390 million for No. 222 Tai Kok Tsui Road and soon after the related procedures are completed, construction work will commence on this site to develop a total gross floor area of 320,000 sq. ft.. Further, the site located at Nos. 43-51A Tong Mi Road which was acquired by this group in October 2003 will be developed into a residential-cum-commercial building with a total gross floor area of approximately 53,000 sq. ft.. The total investment amount of this project is around HK\$120 million and it is expected to be completed at the end of 2005.

Miramar Hotel and Investment Company, Limited recorded HK\$97 million in unaudited profit attributable to shareholders for the six months ended 30th September, 2003, representing an increase of 11.5% over that recorded in this corresponding period of the previous financial year. Although the different business operations of the group recorded varied degree of decline in sales during the period when the Hong Kong economy was adversely affected by SARS epidemic, yet it could then immediately take measures to counter the negative impact by offering a number of promotional privileges to attract local customers to its hotel as well as food and beverage outlets, and at the same time undertook various extra stringent cost control measures to minimize decline in its profit effectively. Satisfactory land sales in the United States during the period under review also made positive profit contribution to this group. It is envisaged that the core business operations of this group will benefit from the gradual recovery of the economy and tourist industry of Hong Kong.

Henderson Cyber Limited

Henderson Cyber Limited reported loss attributable to shareholders of approximately HK\$11 million for the six months ended 31st December, 2003, showing a slight improvement as compared with that for the corresponding period of the previous financial year. During the period, the group actively implemented its marketing strategy to continue to expand the iCare broadband and Internet services, IDD telephone services and retail businesses, with users and registered subscribers of the various services offered by this group grew to a total of 358,000 as at the end of December, 2003; these business operations represent the major source of income for this group.

PROSPECTS

Recovery of the global economy is making good progress as Mainland China continues to record strong growth. The central government has taken active steps to put into effect the policies of the Individual Visit Scheme and CEPA which led to sustained growth in tourists arrival and domestic exports. All these favourable factors, together with the accelerating pace of the merging of the Pearl River Delta Region, will contribute to bring about good prospect of continued growth for the local economy.

With complementary policies and active steps taken by the Government in various areas of trade and commerce, tourists arrival recorded a great increase. These have proved to be beneficial to the hotel, retailing as well as food and beverage businesses of the Group. The major investment properties held by the Group are mostly large-scale retail shopping properties located close to mass railway network with heavy pedestrian traffic and the occupancy rates and rental level are relatively stable. Moreover, contributions to profits from the Group's listed 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, will provide in the long term as a stable source of profit to the Group. The Group possesses abundant financial resources which will enable the Group to further expand its diversified businesses. In the absence of unforeseen circumstances, it is anticipated that the performance of the Group will be satisfactory in the current financial year.