



The following comments should be read in conjunction with the Audited Financial Statements of Henderson Investment Limited and the related notes to the financial statements.

Review of Results

During the financial year ended 30th June, 2004, the Group's turnover showed a 6% increase and amounted to approximately HK\$1,256 million (2003: HK\$1,181 million) when compared to that recorded in the previous financial year.

The Group's profit attributable to shareholders amounted to HK\$1,825 million, showing an increase of 17% from the restated HK\$1,565 million (previously stated as HK\$1,626 million) recorded in the previous financial year. The above-mentioned restatement of profit was made in accordance with the revised SSAP 12 "Income Taxes" in relation to accounting for deferred tax which the Group has adopted with effect from 1st July, 2003.

During the year, the overall property investment market started to recover following improvement in the local economic conditions and increased number of tourist arrivals. The Group's profit from rental properties amounted to approximately HK\$337 million (2003: HK\$314 million) based on a rental turnover of HK\$627 million (2003: HK\$620 million) during the financial year under review. Further, the Group's share of results of associates of the Group amounted to approximately HK\$1,636 million (2003: HK\$1,539 million). In particular, the Group's share of profits from the three listed associates increased by 7% and amounted to approximately HK\$1,607 million (2003: HK\$1,507 million), reflecting the steady growth of this source of recurrent income stream.

Profit contributed from investment in infrastructure projects in Mainland China made through the Group's subsidiary, China Investment Group Limited, amounted to approximately HK\$172 million (2003:

HK\$139 million) in the financial year under review. During this same period, China Investment Group Limited disposed of two bridges to the municipal government of Tianjin and this gave rise to a gain on disposal of approximately HK\$104 million to the Group. Separately, a toll road located at Fenghua, Zhejiang Province, owned by this company recorded an impairment loss in the amount of approximately HK\$53 million in the financial year under review as the board of directors of the company took a considered view to write down its value due to severe adverse position arising from neighbouring competing routes.

As sentiment in the tourist industry improved and consumer confidence was restored during the financial year under review, improvements were witnessed in the respective performance of the business operations of the Group that are related to the tourist industry and retailing business. The hotel operations of the Group registered a profit of approximately HK\$5 million (2003: Loss of HK\$9 million) during the financial year under review. The Group's department store business also recorded a substantial increase in profit which amounted to approximately HK\$5 million (2003: HK\$0.04 million) during the financial year under review.

Other business activities of the Group mainly include security services business, information technology business and securities investment. During the year under review, the security services segment showed increase in both turnover and profit which amounted to HK\$95 million (2003: HK\$76 million) and HK\$4.7 million (2003: HK\$3.7 million) respectively. In the same period, the information technology segment has reduced its loss to approximately HK\$26 million (2003: HK\$33 million). The securities investment activities of the Group posted a gain on disposal of investments in securities which amounted to approximately HK\$62 million (2003: HK\$13 million) in the financial year under review.

Liquidity, Financial Resources and Capital Structure

As at 30th June, 2004, the outstanding bank borrowings of the Group amounted to approximately HK\$311 million (2003: HK\$600 million). As at the end of the financial year under review, the cash holdings of the Group amounted to approximately HK\$1,864 million (2003: HK\$815 million), and after netting off the total bank borrowings of HK\$311 million (2003: HK\$600

million), the Group was in a net cash position of HK\$1,553 million (2003: HK\$214 million). Except for the portion of bank borrowings denominated in Renminbi that was obtained by a Group's subsidiary engaged in the infrastructure business in Mainland China, all of the Group's borrowings were unsecured with the vast majority being obtained on a committed term basis. The maturity profiles of the Group's bank loans and borrowings outstanding as at the end of the two prior financial years respectively are summarised as follows:

	As at 30th June, 2004 HK\$'000	As at 30th June, 2003 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	127,731	360,290
After 1 year but within 2 years	47,744	65,485
After 2 years but within 5 years	135,679	109,289
After 5 years	–	65,275
Total Bank Loans and Borrowings	<u>311,154</u>	<u>600,339</u>
Less: Cash At Bank and In Hand	<u>(1,863,818)</u>	<u>(814,563)</u>
Total Net Bank Deposit	<u>(1,552,664)</u>	<u>(214,224)</u>

As at 30th June, 2004, shareholders' fund of the Group increased by 8% and amounted to approximately HK\$20,825 million, compared to the restated figure of HK\$19,249 million (previously stated as HK\$19,640 million) as at the end of last financial year. The Group is in a strong financial position and possesses a large capital base. With substantial committed banking facilities in place and continuous cash inflow from a solid base of recurrent income, the Group has adequate financial resources in meeting the funding requirements of its ongoing operations as well as future expansion.

Gearing Ratio & Financial Management

Since the Group was in a net cash position as at the end of the financial year under review, the gearing ratio of the Group which was calculated on the basis of the total net bank borrowings as a ratio of the Group's shareholders' fund was zero (2003: 0). Amounts due to fellow subsidiaries of the Group amounted to HK\$72 million (2003: HK\$199 million). Profit from operations of HK\$696 million (2003: HK\$466 million) covered the total interest expense before capitalisation of HK\$16 million (2003: HK\$33 million) by 43 times (2003: 14.1 times) for the financial year under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Bank loans and borrowings of the Group, which are primarily obtained from the Hong Kong office of international banks with interests chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate, are therefore mainly of floating rate in nature. The use of financial derivative instruments is strictly controlled and is solely for management of the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings. In order to contain its borrowing costs, the Group will consider making use of interest rate swap instruments, when appropriate, to lock in short to medium term interest rates for a portion of the Group's floating rate borrowings.

Financing facilities arranged by the Group were mainly denominated in Hong Kong Dollars. In respect of the Group's subsidiary, China Investment Group Limited, a portion of its borrowings was denominated in Renminbi during the financial year under review to fund its toll road projects in Mainland China. As a whole, the core operations of the Group are therefore considered to be not exposed to foreign exchange rate risk to any significant extent and the Group did not enter into any currency hedging agreement in the financial year under review.

Assets of the Group had not been charged to any third parties in the financial year under review except that security was provided in respect of a portion of project financing facilities that was extended to a subsidiary of the Group engaging in infrastructural projects in Mainland China.

Future Plans for Material Investments or Capital Assets

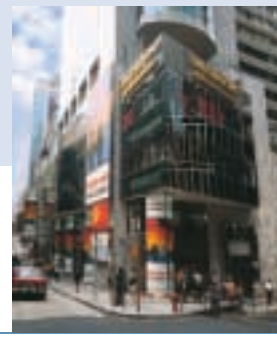
As at 30th June, 2004, capital commitment of the Group amounted to HK\$15 million (2003: HK\$15 million), which represented commitment contracted for a joint venture project. As at the end of the financial year under review, other commitments of the Group, which were mainly related to future minimum lease payments in connection with leasing of retail shop premises on a long term basis by the department store operation of the Group, amounted to approximately HK\$90 million (2003: HK\$349 million).

Contingent Liabilities

In support of the banking facilities extended to the Group's treasury subsidiaries and certain specific operating subsidiaries, the Company has given guarantees to commercial banks. As at the end of the financial year under review, the Company's contingent liabilities relating to the utilised amount of such banking facilities totally amounted to HK\$47 million (2003: HK\$314 million).

Silver Fortune Plaza (Commercial Podium Portion)

50% owned by the Group and comprises six levels of commercial podium, this investment property is located amid the busy downtown area in Central. Attributable G.F.A. is approx. 14,500 sq.ft.

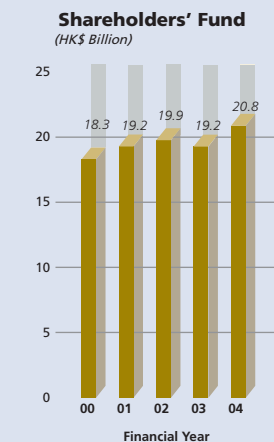
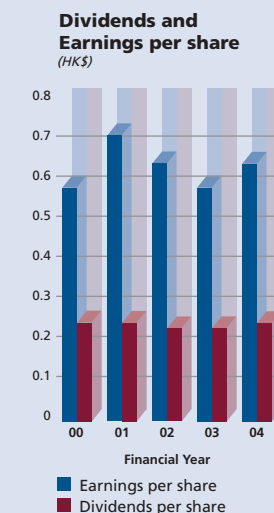
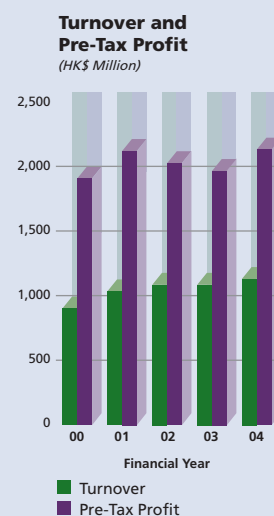


Employees

As at 30th June, 2004, the number of employees of the Group was approximately 1,400 (2003:1,400). The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme, training programmes and educational subsidies.

Employees of the Group who are full-time employees and executive directors of Henderson Cyber Limited (“Henderson Cyber”) or any of its subsidiaries may be granted share options to subscribe for shares in Henderson Cyber.

Total employees’ costs amounted to HK\$229 million for the year ended 30th June, 2004 (2003: HK\$215 million).



LISTED ASSOCIATE
Hong Kong Ferry (Holdings)

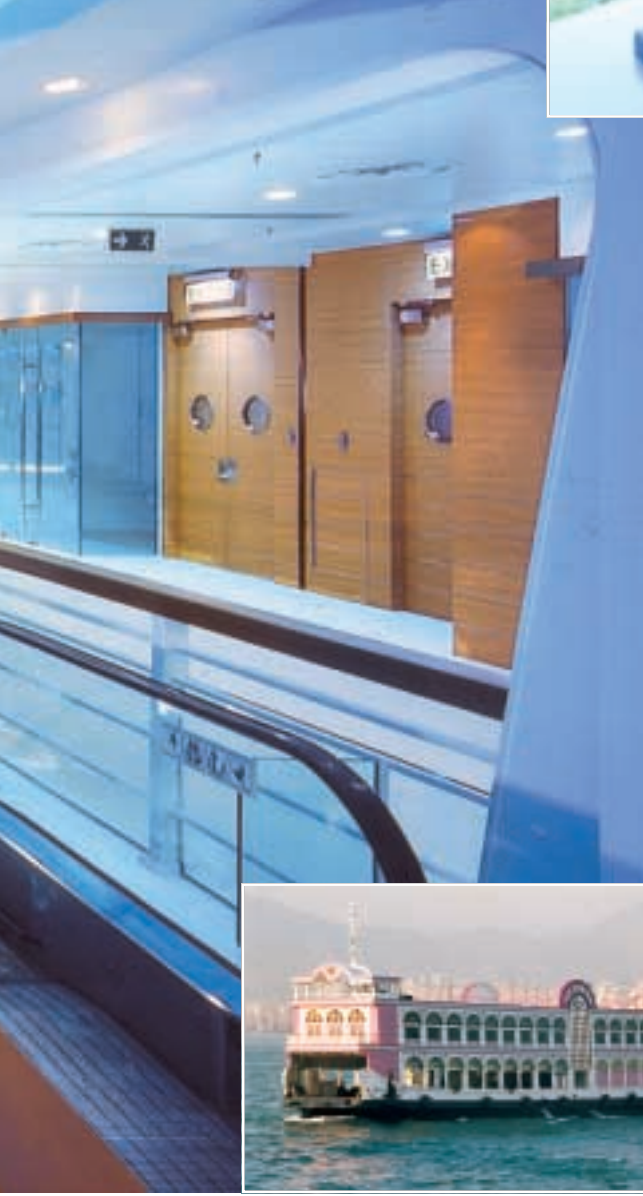


◀ Metro Harbour Plaza

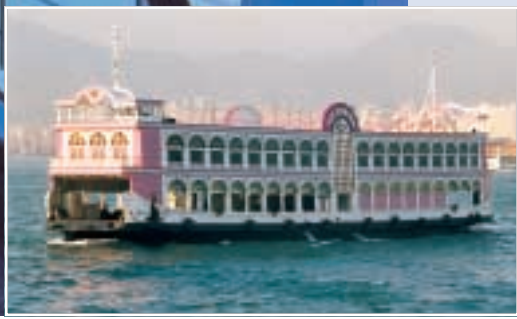




Metro Harbour View Development Project



Harbour Cruise - "Bauhinia"



HONG KONG FERRY (HOLDINGS)

(31.33% owned by the Group)

Ferry, Shipyard and Related Operations

- This company terminated its 80-year ferry operation in Hong Kong in 1999 when the ferry franchise expired.
- It still operates local tours and hotel businesses and both HYFCO Travel as well as the Harbour Cruise obtained the Hong Kong Q-Mark Service Certificate.

Property Development Project

- Metro Harbour View Development Project is a large-scale residential-cum-commercial project jointly developed by Hong Kong Ferry (Holdings) and Henderson Land Development Company Limited.
- Situates in close proximity to the Prince Edward Station and Olympic Station of the MTR, as well as the terminal of the Western Railway.
- Consists of 10 residential towers with 3,500 residential units with G.F.A. of approx. 1,700,000 sq. ft. built above a commercial podium of approx. 240,000 sq. ft. in G.F.A..
- Phase I and Phase II of this development project were completed in December 2002 and August 2003 respectively.