

The following comments should be read in conjunction with the Audited Statement of Accounts of Henderson Land Development Company Limited and the related notes on the accounts.

Review of Results

During the financial year ended 30th June, 2005, the Group's turnover amounted to approximately HK\$5,833 million (FY2004: HK\$6,727 million), showing a decrease of 13% when compared to that recorded in the previous financial year. This was mainly attributed to a reduction in turnover from the Group's property development segment during the financial year under review. The Group's profit attributable to shareholders substantially increased by 76% and amounted to HK\$10,854 million in the financial year under review (FY2004 restated: HK\$6,173 million; previously stated as HK\$3,059 million). As from the financial year under review, the Group has early adopted Hong Kong Accounting Standard 40 "Investment Property" ("HKAS 40"), HK (SIC) Interpretation 21 "Income taxes — recovery of revalued non-depreciable assets" ("HK (SIC) Int 21") and HK Interpretation 1 "The appropriate accounting policies for infrastructure facilities" ("HK Int 1"), which all had their respective effects on the annual results of the Group and also led to the above-mentioned restatement of profit for the previous financial year.

Turnover of the Group's property development segment amounted to approximately HK\$1,885 million in the financial year under review (FY2004: HK\$2,837 million), representing a decrease of 34% when compared to that recorded in the previous financial year. This decrease in turnover was recorded notwithstanding completion of more development properties of the Group in attributable footage terms during the financial year under review due to a change in marketing policy whereby certain projects of the Group were promoted for sale only after completion of the

relevant development properties. This business segment recorded a profit contribution of HK\$455 million during the financial year under review as a result (FY2004: HK\$311 million).

As at the end of 30th June, 2005, the Group made provisions in respect of certain property projects in the aggregate amount of approximately HK\$228 million (FY2004: HK\$28 million) that mainly included provisions for a project site under development whereas no provision which had previously been made on property projects was written back during the financial year under review (FY2004: HK\$788 million provisions written back).

In the financial year under review, property leasing revenue amounted to approximately HK\$2,299 million (FY2004: HK\$2,217 million). Profit contribution from operation relating to property leasing amounted to approximately HK\$1,319 million in the financial year under review (FY2004: HK\$1,204 million). In respect of the core investment property portfolio of the Group in Hong Kong, its positioning strategy to accumulate rental retail shopping centres developments situate in the center of new towns and located right at the transportation nodes has contributed to provide relatively stable recurrent income.

Due to the adoption of HKAS 40, the Group recorded an amount of HK\$6,754 million in respect of increase in fair value of investment properties in the financial year under review (FY2004 restated: HK\$3,064 million).

Profit from the finance services of the Group that was mainly related to the housing mortgage loan business extended to end-buyers of the Group's development properties amounted to approximately HK\$89 million for the financial year under review (FY2004: HK\$76 million).

Building construction activities of the Group, which are mainly catered to the developments participated by the Group, recorded profit contribution of approximately HK\$67 million (FY2004: HK\$35 million) in the financial year under review due to completion of contracted works at below budgeted costs and income arising from management fee in respect of a joint venture property project of the Group.

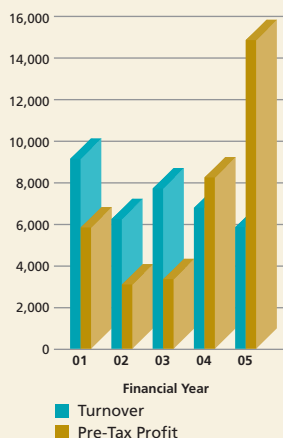
The Group's segmental result from its investment in infrastructure projects in Mainland China that is mainly operated through the Group's subsidiary, China Investment Group Limited, amounted to approximately HK\$152 million (FY2004 restated: HK\$150 million; previously stated as HK\$172 million).

During the financial year under review, improved sentiment in the tourism industry and restored consumer confidence benefited the Group's business operations that are related to the tourist industry and retailing business. The Group's hotel operations registered an increase of 22% in profit to approximately HK\$55 million during the financial year under review (FY2004: HK\$45 million). The Group's department store business also recorded an increase of 9% in profit to approximately HK\$24 million during the financial year under review (FY2004: HK\$22 million).

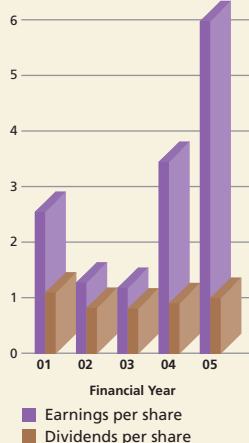
The segment of other business activities of the Group made a total profit contribution of approximately HK\$108 million (FY2004 restated: HK\$91 million; previously stated as HK\$107 million) in the financial year under review.

Share of profits less losses of associates of the Group amounted to approximately HK\$3,315 million (FY2004 restated: HK\$1,787 million; previously stated as HK\$1,591 million). Such share of profits less losses figures include HK\$664 million increase in fair value of investment properties (FY2004 restated: HK\$196 million) as a result of the adoption of HKAS 40 by the associates of the Group. In particular, the Group's share of profits from the three listed associates amounted to approximately HK\$2,666 million (FY2004 restated: HK\$1,759 million; previously stated as HK\$1,607 million). Such share of profits less losses figures include an amount of HK\$518 million representing increase in fair value of investment properties (FY2004 restated: HK\$152 million) as a result of the adoption of HKAS 40 by the three listed associates. Further, share of profits less losses of jointly controlled entities of the Group which are mainly engaged in property development and property investment activities substantially increased by 179% to approximately HK\$2,713 million (FY2004 restated: HK\$974 million; previously stated as HK\$144 million). The increase of such share of profits less losses figures was partly

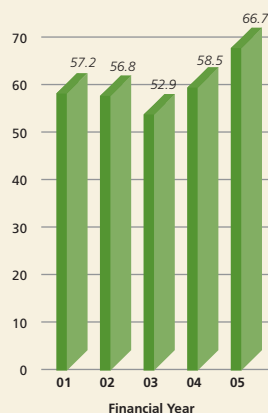
Turnover and Pre-Tax Profit
(HK\$ Million)



Dividends and Earnings per share
(HK\$)



Shareholders' Funds
(HK\$ Billion)



due to substantial attributable share of profits arising from the sale of part of the Grand Promenade project. Moreover, the figures include an amount of HK\$1,246 million representing attributable share of increase in fair value of investment properties being mainly Two International Finance Centre as a result of the adoption of HKAS 40 (FY2004 restated: HK\$830 million).

During the financial year under review, the Group also recorded premium on redemption of Guaranteed Convertible Notes for an amount of HK\$445 million in the financial year under review (FY2004: nil).

Further, adoption of HK (SIC) Int 21 and HK Int 1 in the financial year under review has brought about the effect of a decrease to the extent of HK\$1,283 million (FY2004 restated: a decrease of HK\$533 million) and also a decrease of HK\$6 million (FY2004 restated: an increase of HK\$3 million) respectively to profit attributable to shareholders.

Liquidity, Financial Resources and Capital Structure

As of 30th June, 2005, the aggregate amount of the Group's outstanding bank borrowings and outstanding payment obligations of the Guaranteed Convertible Notes amounted to HK\$16,200 million (FY2004: HK\$10,999 million). The Group's total net bank borrowings together with outstanding amount in Guaranteed Convertible Notes, after deducting approximately HK\$4,356 million in deposits and cash holdings, amounted to approximately HK\$11,845 million as at the end of the financial year under review (FY2004: HK\$7,196 million). Except for a very small portion of the bank borrowings related to a subsidiary of the Group, all of the Group's borrowings were unsecured and 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 presented below together with the Guaranteed Convertible Notes:

	As at 30th June, 2005 HK\$'000	As at 30th June, 2004 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	3,097,364	1,249,053
After 1 year but within 2 years	4,920,139	2,808,744
After 2 years but within 5 years	6,744,260	1,191,381
After 5 years	1,250,000	—
Guaranteed Convertible Notes	<u>188,700</u>	<u>5,750,000</u>
Total Bank Loans and Borrowings and Guaranteed Convertible Notes	<u>16,200,463</u>	<u>10,999,178</u>
Less: Cash At Bank and In Hand	<u>(4,355,663)</u>	<u>(3,803,055)</u>
Total Net Bank Borrowings and Guaranteed Convertible Notes	<u>11,844,800</u>	<u>7,196,123</u>

As of 30th June, 2005, shareholders' funds of the Group amounted to approximately HK\$66,699 million, representing an increase of 14% (FY2004 restated: HK\$58,484 million; previously stated as HK\$61,236 million) recorded at the end of the previous financial year. The Group is in a strong financial position and possesses a large capital base whilst the net debt position remains at a low level. With abundant committed banking facilities in place, and continuous cash inflow generated from a solid base of recurrent income, the Group has adequate financial resources in meeting the funding requirement of its ongoing operations as well as future expansion.

Gearing Ratio & Financial Management

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 and Guaranteed Convertible Notes as a ratio of the Group's shareholders' funds amounted to 17.8% (FY2004 restated: 12.3%; previously stated as 11.8%). The Group's profit from operations of HK\$1,764 million, when added to an aggregate amount of HK\$6,029 million representing the Group's share of profits less losses of associates as well as jointly controlled entities, covered the interest expense before capitalization of HK\$287 million (FY2004: HK\$249 million) by 27.1 times (FY2004 restated: 20.9 times). The Group's finance costs which was arrived after interest capitalization was recorded at approximately HK\$209 million for the financial year under review (FY2004: HK\$111 million).

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were mainly denominated in Hong Kong Dollars. Bank loans and borrowings of the Group, which are primarily obtained from international banks in Hong Kong 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. 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 from time to time locked in interest rates of one year term and longer to match part of the medium-term funding needs of the Group by obtaining fixed-rate borrowings or entering into Hong Kong Dollars interest rate swap agreements in respect of a portion of such borrowings. Financing facilities arranged by the Group were mainly denominated in Hong Kong Dollars. In respect of the Group's business activities in Mainland China that are conducted through its subsidiaries, a portion of the borrowings was denominated in Renminbi during the financial year under review. 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 during the financial year under review.

50 Tan Kwai Tsuen, Yuen Long

Total G.F.A.: Approx. 54,000 sq.ft; 100% owned by the Group.
This development comprises eight 3-storey to 4-storey residential towers and was completed in March 2005.



COMMUNITY WORKS & EMPLOYEE ACTIVITIES



Kam Tin BBQ



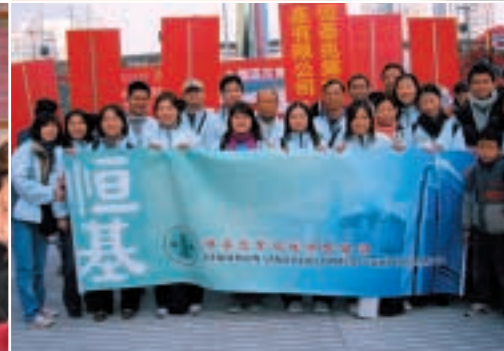
2005 Grand Promenade Cup
- Kitchee vs Juventus



Bowling match



Lo Pang annual dinner



Charity walk for millions



Elder care visit

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 very small portion of project financing facilities that was extended by banks to a subsidiary of the Group engaging in infrastructural projects in Mainland China.

Future Plans of Material Investments or Capital Assets

As at 30th June, 2005, capital commitments of the Group amounted to HK\$7,189 million (FY2004: HK\$7,562 million). Due to land-use conversion approved during the financial year under review in respect of certain property sites that were originally designated as industrial/office developments into hotel development sites, the future development expenditure will be increased once decisions have been made to proceed with such hotel development. As at the end of the financial year under review, outstanding commitments of the Group that were mainly made up of the Group's obligations contracted for acquisition of property and future property development expenditures as well as for funding the Group's subsidiaries and associates established outside Hong Kong amounted to HK\$638 million (FY2004: HK\$92 million) and HK\$1,691 million (FY2004: HK\$1,764 million) respectively. The future development expenditure and related costs approved by the directors but not contracted for as at the end of the financial period under review amounted to HK\$4,860 million (FY2004: HK\$5,706 million).

Contingent Liabilities

Contingent liabilities of the Group totally amounted to approximately HK\$2,560 million as at 30th June, 2005 (FY2004: HK\$2,718 million). In support of the banking facilities extended to the Group's treasury subsidiaries and certain operating subsidiaries, the Company has provided guarantees to commercial banks and as at the end of the financial year under review, the Company's contingent liabilities relating to the utilized amount of such banking facilities amounted to HK\$15,470 million (FY2004: HK\$4,499 million). Further, in support of banking facilities extended to an associate and a jointly controlled entity of the Group for funding property developments which mainly relate to the International Finance Centre project, the Company has also given guarantees amounting to HK\$2,241 million as at the end of the financial year under review (FY2004: HK\$2,322 million).

Employees

As at 30th June, 2005, the Group had about 6,500 (FY2004: 6,400) full-time employees. 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.

Total employees' costs amounted to HK\$855 million for the year ended 30th June, 2005 (FY2004: HK\$756 million).

Site at Wu Kai Sha, Shatin

Total G.F.A.: Approx. 3,500,000 sq.ft.
This site was granted approval for residential development and the area where this site is located had been approved by the Town Planning Board for a Comprehensive Development Area zoning. Application for land-use change and land exchange to be granted for this site has been submitted to the Government.

