

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, 2005, the Group's turnover showed a slight 3% increase and amounted to approximately HK\$1,294 million (FY2004: HK\$1,256 million) when compared to that recorded in the previous financial year.

The Group's profit attributable to shareholders increased 65% to HK\$3,505 million (FY2004 restated: HK\$2,130 million; previously stated as HK\$1,825 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 Hong Kong 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.

During the financial year under review, the overall rental property market continued to remain robust following improving economic condition and increased tourist arrival. In the financial year under review, property leasing revenue amounted to approximately HK\$672 million (FY2004: HK\$627 million). The Group's segmental profit from property leasing amounted to approximately HK\$368 million in the financial year under review (FY2004: HK\$337 million).

The Group recorded HK\$890 million in respect of fair value gain of investment properties during the financial year under review (FY2004 restated: HK\$161 million) as a result of the adoption of HKAS 40.

Further, the Group's share of profits less losses of associates of the Group amounted to approximately HK\$2,871 million (FY2004 restated: HK\$1,832 million; previously stated as HK\$1,636 million). Such share of profit less losses figures include HK\$635 million in respect of increase in fair value of investment properties (FY2004 restated: HK\$195 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) in the previous financial year. Such share of profits less losses figures include HK\$518 million in respect of 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.

As the local tourism industry and consumer confidence continued to improve during the financial year under review, the Group's business operations that are related to the tourist industry and retailing business benefited correspondingly. The Group's hotel operations registered a profit of approximately HK\$8 million (FY2004: HK\$5 million) during the financial year under review. The Group's department store business also recorded a profit of approximately HK\$8 million (FY2004: HK\$5 million) during the financial year under review.

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

Other business activities of the Group, which mainly includes cleaning and security guard services and information technology services in the financial year under review, registered a combined loss of approximately HK\$2 million (FY2004: HK\$20 million profit) due to loss from information technology services and reduced income from investments.

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\$229 million (FY2004 restated: a decrease of HK\$56 million) and also a decrease of HK\$8 million (FY2004 restated: an increase of HK\$4 million) respectively to profit attributable to shareholders.

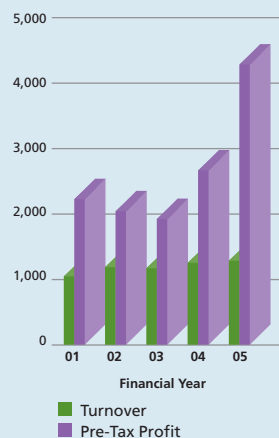
Liquidity, Financial Resources and Capital Structure

As at the end of the financial year under review, the cash holdings of the Group amounted to approximately HK\$2,800 million (FY2004: HK\$1,864

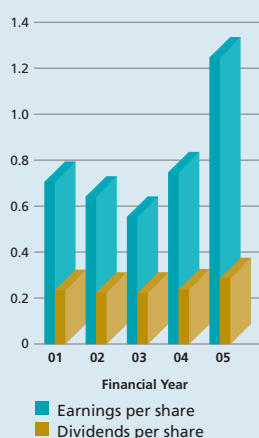
million). After netting off the total bank borrowings that stood at HK\$263 million (FY2004: HK\$311 million), the Group was in a net cash position of HK\$2,537 million (FY2004: HK\$1,553 million). Except for a portion of the bank borrowings denominated in Renminbi in relation to a subsidiary which engages in infrastructure business in 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 are summarised respectively as follows:

	As at 30th June, 2005 HK\$'000	As at 30th June, 2004 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	127,024	127,731
After 1 year but within 2 years	50,130	47,744
After 2 years but within 5 years	85,965	135,679
Total Bank Loans and Borrowings	263,119	311,154
Less: Cash at bank and in hand	(2,800,155)	(1,863,818)
Total Net Bank Deposits	2,537,036	1,552,664

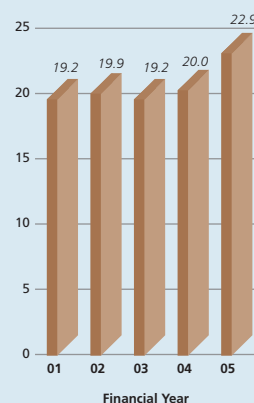
Turnover and Pre-Tax Profit
(HK\$ Million)



Dividends and Earnings per share
(HK\$)



Shareholders' Fund
(HK\$ Billion)



As at 30th June, 2005, shareholders' fund of the Group increased by 14% and amounted to approximately HK\$22,853 million (FY2004 restated: HK\$20,032 million; previously stated as HK\$20,825 million). The Group is in a strong financial position and possesses a large capital base. With substantial cash holdings as well as 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, being in a position which was the same as that registered as at 30th June, 2004. The Group's profit from operations of HK\$1,472 million, when added to an aggregate amount of HK\$2,871 million representing the Group's share of profits less losses of associates, covered the interest expense before capitalization of HK\$13 million (FY2004: HK\$16 million) by 333.1 times (FY2004 restated: 168.2 times).

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, 2005, capital commitment of the Group amounted to HK\$21 million (FY2004: HK\$15 million). These were mainly made up of contracted commitment of the Group for acquisitions of property, plant and equipment, and for property development and renovation expenditure. 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\$38 million (FY2004: HK\$90 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\$34 million (FY2004: HK\$47 million).

Employees

As at 30th June, 2005, the number of employees of the Group was approximately 1,500 (FY2004: 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.

Total employees' costs amounted to HK\$229 million for the year ended 30th June, 2005 (FY2004: HK\$229 million).



Newton Hotel Hong Kong & Newton Hotel Kowloon

Wholly-owned and operated by the Group. These two medium-tariff hotels totally provide 538 guest rooms.

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.
- All of the three businesses of the Travel and Hotel branch of this company were awarded the Hong Kong Q-Mark Service Certificate. It is the first and only company to receive this privileged award in the respective industries.
- "Harbour Cruise – Bauhinia" of this company and "Pearl River Cruise" from Guangzhou Passenger Liner Company Limited formed a strategic alliance in March 2005 to promote their relevant businesses.

Property Development Project

- Metro Harbour View is a large-scale residential-cum-commercial project jointly developed by Hong Kong Ferry (Holdings) and Henderson Land Development Company Limited.



Hong Kong Q-Mark Presentation Ceremony



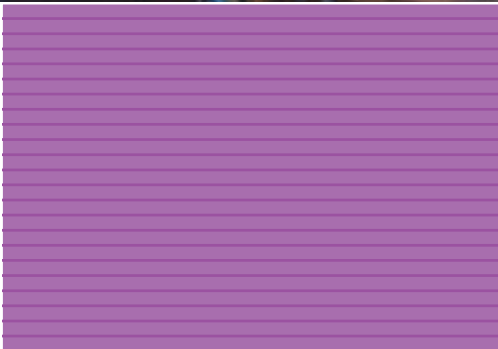
43-51A Tong Mi Road, Mongkok

Signing Ceremony – Hong Kong "Harbour Cruise – Bauhinia" and Guangzhou "Pearl River Cruise" formed a strategic alliance.

- 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. for sale, and a commercial podium of approx. 240,000 sq. ft. in G.F.A. for rental purpose.
- The entire development project was completed in August 2003.
- 43-51A Tong Mi Road – A residential-cum-commercial development project that is expected to be completed in 2006.



Metro Harbour Plaza



Metro Harbour View, Tai Kok Tsui



Harbour Cruise – "Bauhinia"