

Commentary on Annual Results

The following comments should be read in conjunction with the Audited Financial Statement of Accounts of Henderson China Holdings Limited and the related notes on the accounts.

Results of Operations

COMPARISON OF FINANCIAL YEAR 2001 TO FINANCIAL YEAR 2000

Total turnover of the Group amounted to HK\$483 million in Financial Year 2001, representing an increase of 36% as compared to that recorded in the previous financial year. Profit from ordinary activities before taxation increased by 20% to HK\$179 million compared to that of the corresponding period in Financial Year 2000. Main sources of profit contribution to the Group during the financial year under review included sale of properties, income derived from investment and financing activities, and rental income. The Group's profit attributable to shareholders increased by 15% to HK\$168 million as compared to that recorded in the previous financial year.

The Group completed two residential and commercial projects in Mainland China and these amounted to approximately 2,500,000 sq.ft. in total attributable floor area, reflecting a substantial increase in completion footage during the financial year under review as compared with that registered in the previous financial year. Sale of properties and income derived from investment and financing activities continued to form as the largest part of the Group's turnover and profit, constituting approximately 77% and 63% of total turnover and profit from operations respectively in Financial Year 2001. Revenues from property development, which were mainly generated

from sale of the residential units of the Group's development projects in Mainland China, totally amounted to HK\$269 million resulting in an increase of 156% over that recorded in Financial Year 2000. Operating profit from property sales grew by 113% as compared to that of the previous year and was recorded at HK\$50 million for the financial year under review.

Gross rental income of the Group remained stable as compared with that recorded in the previous financial year and was recorded at approximately HK\$66 million in Financial Year 2001 whilst operating profit from property investment was recorded at HK\$65 million and remained at approximately the same level as that posted in the previous financial year.

The Group's finance costs for the period under review, after deducting HK\$124 million for the amount capitalised mainly in respect of investment properties under development, was recorded at approximately HK\$6 million.

Fixed assets held by the Group was recorded at HK\$2,186 million and remained at approximately the same level as that registered in the previous financial year.

FINANCIAL RESOURCES AND LIQUIDITY

The Group is in a strong financial position and possesses a large capital base whereas net debt position remains low. As of 30th June, 2001, shareholders' funds of the Group amounted to HK\$7,300 million representing a slight increase of 1% from the level recorded as at the end of the previous financial year. The Group's total net external borrowing after deducting cash at bank and in hand of HK\$202

Commentary on Annual Results (cont'd)

million amounted to HK\$1,762 million as at the end of the Financial Year 2001, representing an increase of 39% as compared with that recorded at the end of the previous financial year. Total net external borrowings as compared with shareholders' funds of the Group as at the end of the period under review was 24% as compared to 18% recorded as at the end of

the previous financial year. All of the Group's borrowings were unsecured and were mainly obtained on a committed term basis of longer than one year. The maturity profile of the Group's bank loans and borrowings outstanding as at the end of Financial Year 2001 and Financial Year 2000 is presented respectively as follows:—

	2001 HK\$'000	2000 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	528,228	725,117
After 1 year but within 2 years	700,000	900,000
After 2 years but within 5 years	735,582	—
Total Bank Loans and Borrowings	1,963,810	1,625,117
Less: Cash at bank and in hand	(201,692)	(356,316)
Total Net Borrowings	1,762,118	1,268,801

Financing facilities extended to the Group are mainly denominated in Hong Kong Dollars. Bank Loans and borrowings of the Group, which are primarily obtained 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. The proportion of bank loans denominated in Renminbi which the Group procured directly in Mainland China are continuously being increased in comparison with other non-Renminbi borrowings thereby serving to reduce the foreign currency exposure of the Group. The interest payable on such bank loans are fixed on the base rates promulgated by the People's Bank of China from time to time.

As at the end of the period under review, current assets of the Group which included an amount of HK\$840 million being properties under development was recorded at HK\$3,666 million as compared to current liabilities of HK\$1,294 million, thereby reflecting the financially liquid position of the Group.

With the adoption of a conservative financial management policy by the Group's management, the capital and retained profits of the Group will continue to be put to good use to finance the Group's operations. The Group has adequate sources of shareholders' funds and sufficient unutilised banking facilities for funding its ongoing operations as well as future expansion.