

HENDERSON CHINA HOLDINGS LIMITED

Interim Results and Dividend

The Board of Directors announces that for the six months ended 31st December, 2001, the unaudited consolidated net profit of the Group after taxation and minority interests amounted to HK\$89.21 million. This represents an increase of 126% as compared with the net profit recorded in the same period in the previous financial year. Earnings per share was HK\$0.18, showing an increase of 125% over that of the corresponding period in the previous year.

The Board has resolved to pay an interim dividend of HK\$0.06 per share to shareholders whose names appear on the Register of Members of the Company on 16th April, 2002.

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of the current financial year, the Group's turnover was recorded at HK\$332 million, showing an increase of 300% over that of the corresponding period in the previous financial period.

Property prices and rentals in major cities in Mainland China have generally become stable while notable increases were recorded for the properties in Shanghai. In the first half of the financial year, the Group was actively engaged in the sales of Heng Bao Garden development project situated right on top of the Changshou Road Station of the Guangzhou Metro Line. The result of sales of this project, which is still in progress, has been satisfactory. As at the end of 2001, a total of over 900 units, representing more than 70% of all the residential units of this project, were sold. Phase VIII of the jointly-owned Lexi New City project located in Panyu District of Guangdong Province with a total gross floor area of 237,000 sq.m. was completed. During the period under review, the completed units of State Apartments of Henderson Centre in Beijing were re-launched. At the same time, the completed units of the Skycity in Shanghai benefitted from the recent favourable terms promulgated by the municipal government in promoting the property market in Shanghai and this boosted the sale of these property units, generating cashflow and profit for the Group.

The rental property business of the Group also showed satisfactory progress for the period under review. Following the recent completion of construction work of the 5-storey Heng Bao Plaza shopping podium located in Guangdong, leasing of the ground floor and the first basement floor of this property was launched first during the time when the internal fitting and decoration work was still under way. Such leasing efforts were met with satisfactory results with a significant number of shop tenants opened for business during the period under review. In the meantime, progress continued to be made for the leasing of this investment property of the Group.

PROSPECTS

Economic growth has been maintained at steady rates in Mainland China over the past few years and this led to substantial increase in income for citizens in major cities in the country, resulting in rising demand for ownership of residential homes. In addition, positive news relating to Mainland China's accession to the World Trade Organisation and the hosting of the Olympic Games in 2008 added as further impetus and these factors brought about significantly more active property markets prevailing in the major cities. In the next few years, it is anticipated that with the influx of foreign businesses into the Mainland China and the surge in economic activities resulting from massive investments that will be made by the central government in the implementation of infrastructural projects and improvements will both contribute towards the continual development of the property markets in the country. Your Group's development projects in Mainland China, being of high quality and standard, will benefit from these market

Interim Report 2001 / 2002

developments. As for the project sites held by the Group which are likely to benefit most from demand for properties arising from such new market developments, your Group will take appropriate measures to expedite the relevant development plans. In this connection, the Group's project site located at No. 2 Guan Dong Dian, Chao Yang District, Beijing is currently planned to be built as a commercial property project. Design plans for the foundation works as well as for building construction related to this project are presently in progress and it is anticipated that construction work for this project will commence in the second half of this year. Furthermore, the Group's past efforts made to effectively control costs and enhance the quality of construction work have already borne fruits and these will continue to contribute to bring about the optimal economic benefits to the Group. Also, in order to cater for the demand by users in the property market, the appropriate technological and communications infrastructural equipment and facilities will also be put in place in the Group's developments to meet with the developing trend in the market and for enhancement of the property projects concerned.

Sale of remaining stock of over 300 residential units at the Group's Heng Bao Garden in Guangzhou is expected to record satisfactory sales. Apart from contributions from the Group's previously completed investment properties notably from the Beijing Henderson Centre and the Shanghai Skycity, the rental income of the Group will also be further enhanced by rents generating from the recently completed shopping podium portion of the Heng Bao Garden in Guangzhou and these are expected to provide a significant and stable source of income for the Group.

It is anticipated that the property development business of the Group will be implemented on a gradual basis in future whilst the investment property business will continue to enhance the recurrent income base of the Group. Further, your Group will continue to adopt a cautious approach to search for suitable investment opportunities with the aim to achieve further increase in income to the Group.