



HENDERSON CHINA HOLDINGS LIMITED

Incorporated in Bermuda with limited liability

2001/2002

Annual Results

CHAIRMAN'S STATEMENT

I am pleased to present to the Shareholders my report on the operations of the Group.

PROFIT AND TURNOVER

The Group's consolidated net profit after taxation and minority interests for the year ended 30th June, 2002 amounted to HK\$133 million, representing a decrease of 21% from that reported in the previous financial year. The turnover of your Group showed an increase of 20% over that of the previous financial year and amounted to HK\$578 million.

DIVIDENDS

Your Board recommends the payment of a final dividend of HK\$0.06 per share to shareholders whose names appear on the Register of Members of the Company on 10th December, 2002. The total distribution per share of HK\$0.12 for the full year, including the interim dividend of HK\$0.06 per share already paid, is same as the total distribution in the previous year. Warrants for the final dividend will be sent to shareholders on 11th December, 2002.

BUSINESS REVIEW

Property Market

In the past financial year, the property markets in major cities in Mainland China made a full recovery under the favourable developments on China's accession to the World Trade Organisation and the successful application by Beijing City to host the Olympic Games in 2008. As these property markets attracted property purchasers from overseas, the lowering of housing mortgage rates since the beginning of 2002 further increased the domestic property sale activities thereby bringing about renewed enthusiasm to the overall property market in the Mainland China.

Property Development

During the period under review, the main focus of the Group's property marketing efforts has been placed on the sale of residential units in Heng Bao Garden which is located on top of the Changshou Road Station of the Metro Line in Guangzhou as well as the newly completed residential units in the Group's joint venture development projects located in Panyu in the

Guangdong Province, namely, Lexi New City Phase VIII known as Fanghua Garden-Luotao South Zone Villa and Phase IX of Lexi New City known as Green Island House. The residential units of the Heng Bao Garden were well received by property purchasers and more than 500 units were sold during the financial year under review making the total accumulated number of residential units sold since initial sales launch in early 2001 to more than 85% of the number of completed units of this development. As for the sale of Phase VIII and Phase IX of the Lexi New City project in Panyu, these developments continued to record good sales results as in the past and 60% of the residential units were successfully sold soon after the initial sales launch. Further, major marketing efforts placed on the re-launch of the completed residential units in the Group's Skycity project in Shanghai for sale had also met with good response and recorded a notable increase in sales from purchasers both locally as well as from overseas.

Property Rental

As at the end of the financial year under review, the total attributable gross floor area of the Group's rental property portfolio amounted to 2.58 million sq.ft. The retail shopping podium of the Heng Bao Garden in Guangzhou became available to tenants as from the end of 2001 and leasing of Basement Level 1 and Level 1 for which your Group placed its major marketing efforts had made encouraging progress with an average 75% of the lettable space already let. Since all of the Group's rental properties are located in busy areas in major city centres with easy transportation access, the Group recorded steady rental income in the past financial year.

PROSPECTS

In light of the economic growth in Mainland China, it is anticipated that its property market will on the whole experience a gradual and balanced development. As for those major cities which are currently attracting purchasers both locally and from overseas such as Beijing and Shanghai, there exists further potential for value appreciation. Your Group possesses plentiful development land bank in these cities and conditions gradually appear ripe for development of some of the sites. The Group will expedite the steps to develop these projects and will identify suitable joint venture business partners to assist in the development.

Following the end of the financial year under review, leasing of the retail shopping podium properties in Heng Bao Garden in Guangzhou continues to make good progress. It is anticipated that rental properties will provide a stable source of income to the Group. Further, sales proceeds will be generated from the current accelerated sales programme of the Group's existing completed property units, and these will all help to bring about future development of the Group's projects to take place at a faster pace.

Lee Ka Kit
Chairman

Hong Kong, 3rd October, 2002

ANNOUNCEMENT

BUSINESS RESULTS

The Group's consolidated net profit after taxation and minority interests for the year ended 30th June, 2002 amounted to HK\$133 million, representing a decrease of 21% from that reported in the previous financial year. The turnover of your Group showed an increase of 20% over that of the previous financial year and amounted to HK\$578 million.

The audited consolidated results for the year ended 30th June, 2002 are as follows:

Consolidated Profit and Loss Account

	Notes	For the year ended 30th June	
		2002	2001
		HK\$'000	HK\$'000
Turnover	1	577,612	483,249
Cost of sales / services		(292,439)	(218,108)
		285,173	265,141
Other revenue		5,483	1,185
Other net (loss) / income	2	(3,512)	60,424
Selling expenses		(36,297)	(9,746)
Administrative expenses		(92,197)	(70,363)
Profit from operations	1	158,650	246,641
Finance costs	3(a)	(8,141)	(5,939)
		150,509	240,702
Share of losses less profits of associates		(7,454)	(61,209)
Profit from ordinary activities before taxation	3	143,055	179,493
Taxation	4	(6,554)	12,439
Profit from ordinary activities after taxation		136,501	191,932
Minority interests		(3,615)	(24,216)
Profit attributable to shareholders		132,886	167,716
Dividends attributable to the year	6		
Interim dividend declared during the year		29,807	29,807
Final dividend proposed after the balance sheet date		29,807	29,807
		59,614	59,614
Earnings per share			
Basic	7(a)	HK\$0.27	HK\$0.34
Diluted	7(b)	N/A	N/A

Notes to the Consolidated Profit and Loss Account

1 SEGMENTAL INFORMATION

The principal activities of the Group during the year consisted of property development and investment, project management, property management, finance and investment holding in the People's Republic of China (the "PRC").

(a) The Group's turnover and profit from operations by business segments are analysed as follows:

For the year ended 30th June, 2002

	Property development HK\$'000	Property investment HK\$'000	Finance HK\$'000	Management and sales commissions HK\$'000	Guaranteed return on investment HK\$'000	Consolidated HK\$'000
Turnover	<u>398,391</u>	<u>67,503</u>	<u>81,865</u>	<u>26,168</u>	<u>3,685</u>	<u>577,612</u>
External revenue	<u>398,391</u>	<u>67,503</u>	<u>81,865</u>	<u>26,168</u>	<u>3,685</u>	<u>577,612</u>
Segment result	<u>43,341</u>	<u>20,673</u>	<u>64,603</u>	<u>25,131</u>	<u>3,685</u>	<u>157,433</u>
Unallocated operating income net of expenses						<u>1,217</u>
Profit from operations						<u>158,650</u>

For the year ended 30th June, 2001

	Property development HK\$'000	Property investment HK\$'000	Finance HK\$'000	Management and sales commissions HK\$'000	Guaranteed return on investment HK\$'000	Consolidated HK\$'000
Turnover	<u>268,571</u>	<u>66,156</u>	<u>103,833</u>	<u>31,173</u>	<u>13,516</u>	<u>483,249</u>
External revenue	<u>268,571</u>	<u>66,156</u>	<u>103,833</u>	<u>31,173</u>	<u>13,516</u>	<u>483,249</u>
Segment result	<u>74,323</u>	<u>36,401</u>	<u>102,116</u>	<u>29,359</u>	<u>13,516</u>	<u>255,715</u>
Unallocated operating expenses net of income						<u>(9,074)</u>
Profit from operations						<u>246,641</u>

(b) Geographical segment

No geographical analysis of each segment is shown as less than 10% of the Group's turnover and profit from operations are outside the PRC.

2 **OTHER NET (LOSS) / INCOME**

	For the year ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Other net (loss) / income includes:		
Write back of construction cost	—	66,170
Net gain / (loss) on disposal of investment in associates	4,351	(4,461)

3 **PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION**

The consolidated profit from ordinary activities before taxation is arrived at after charging:

(a) Finance costs

	For the year ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Bank interest	74,597	97,697
Interest on loans wholly repayable within five years	17,423	32,251
Other borrowing costs	3,800	200
Total borrowing costs	95,820	130,148
Less: Amount capitalised*	87,679	124,209
	8,141	5,939

* Borrowing costs have been capitalised approximately at the rate of 3.96% (2001: 6.54%) per annum.

(b) Other items

	For the year ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Staff costs	53,328	54,673
Less: Amount capitalised	30,677	41,365
	22,651	13,308
Depreciation	1,584	3,653
Less: Amount capitalised	679	2,784
	905	869
Cost of completed properties for sale	292,439	204,434

4 TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	For the year ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
The Group		
— Hong Kong	(613)	1,237
— Outside Hong Kong	(3,851)	2,604
Associates		
— Outside Hong Kong	(14,256)	(6,425)
Tax Indemnity (<i>Note 5</i>)	12,166	15,023
	<u>(6,554)</u>	<u>12,439</u>

Provision for Hong Kong Profits Tax has been made at 16% (2001: 16%) on the estimated assessable profits for the year.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign jurisdiction during the year.

(b) No provision for deferred taxation has been made in the accounts as the directors consider that no liability would be likely to arise as a result of the reversal of timing differences in the foreseeable future.

5 TAX INDEMNITY

Tax indemnity represents indemnity receivable from an intermediate holding company, Henderson Land Development Company Limited, pursuant to an indemnity deed dated 15th March, 1996 in respect of PRC income tax and Land Appreciation Tax ("LAT") payable by the Group in consequence of the disposal by the Group of any of its property interests owned by the Group as at 31st December, 1995 ("Property Interests") insofar as such taxation is attributable to the difference between (i) the value attributed to the relevant Property Interests in the valuation of the Group's Property Interests by DTZ Debenham Tie Leung Limited (formerly C. Y. Leung & Company Limited) as at 31st December, 1995 ("the Valuation") and (ii) the aggregate of the attributable costs of such Property Interests incurred up to 31st December, 1995 and the attributable amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of such Property Interests, on the assumption that such Property Interests are disposed of at the value attributed to them in the Valuation and computed by reference to the current rates and legislation governing PRC income tax and LAT.

6 DIVIDENDS

	For the year ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Interim dividend paid at HK\$0.06 per share (2001: HK\$0.06 per share)	29,807	29,807
Final dividend proposed after balance sheet date at HK\$0.06 per share (2001: HK\$0.06 per share)	29,807	29,807
	<u>59,614</u>	<u>59,614</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$132,886,000 (2001: HK\$167,716,000) and on 496,776,205 ordinary shares (2001: 496,776,205 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year is not shown as the existence of outstanding options during the year ended 30th June, 2002 has anti-dilutive effect on the calculation of diluted earnings per share for the year. There was no potential dilution of earnings per share during 2001.

8 COMPARATIVE FIGURES

Due to the adoption of revised and new SSAPs during the current year, the presentation of the consolidated profit and loss account has been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current year's presentation.

DIVIDENDS

Your Board recommends the payment of a final dividend of HK\$0.06 per share to shareholders whose names appear on the Register of Members of the Company on 10th December, 2002. The total distribution per share of HK\$0.12 for the full year, including the interim dividend of HK\$0.06 per share already paid, is same as the total distribution in the previous year. Warrants for the final dividend will be sent to shareholders on 11th December, 2002.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 5th December, 2002 to Tuesday, 10th December, 2002, both days inclusive, during which period no requests for the transfer of shares will be accepted. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 4th December, 2002.

FINANCIAL REVIEW

Review of results

Turnover of the Group showed an increase and amounted to approximately HK\$578 million (2001: HK\$483 million) as profit attributable to shareholders registered a decrease and amounted to approximately HK\$133 million (2001: HK\$168 million) as compared to that recorded in the previous financial year. The increase in the Group's turnover was mainly attributed to sale of the residential units of the Group's Heng Bao Garden project as residential property prices experienced an increase in Guangzhou during the period under review. Performance of the Group during the financial year under review was however adversely affected by higher marketing expenses incurred by the property investment business segment and reduced contributions from the other business segments of the Group.

Profit generated from property sales, which amounted to approximately HK\$43 million (2001: HK\$74 million) based on turnover of approximately HK\$398 million (2001: HK\$269 million) recorded in the financial year was contributed mainly from sale of completed residential units of the Group's Heng Bao Garden project as well as stock from other earlier completed projects.

Gross rental income of the Group showed a slight increase and was recorded at approximately HK\$68 million (2001: HK\$66 million) during the financial year under review. However, the Group's profit from rental properties amounted to approximately HK\$21 million (2001: HK\$36 million) and recorded a decrease as compared to that of the previous financial year due to increased marketing expenses incurred in promoting the initial opening of the Group's retail shopping podium at the Heng Bao Garden.

Profit from the finance services of the Group amounted to approximately HK\$65 million in the financial year under review as compared with approximately HK\$102 million recorded in the previous financial year under an environment of declining interest rates.

Profit from management and sales commissions of the Group was mainly related to the project management and property management service provided by the Group and amounted to approximately HK\$25 million (2001: HK\$29 million) during the financial year under review.

The Group's profit contributed from guaranteed return on investment which was related to the government-guaranteed investment return from the Group's participation in the An-Ju housing project of the Tianjin municipal government was reduced to approximately HK\$4 million (2001: HK\$14 million) in the financial year under review mainly due to completion of the final phase of the related project in the first half of the financial year under review.

Liquidity, financial resources and capital structure

The Group's total net bank borrowing after deducting cash holdings of approximately HK\$395 million amounted to approximately HK\$1,430 million as at 30th June, 2002. All of the Group's borrowings were unsecured and were mainly 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 presented respectively as follows:

	<u>2002</u>	2001
	<u>(In HK\$'000)</u>	(In HK\$'000)
Bank Loans and Borrowings Repayable:		
Within 1 year	467,744	528,228
After 1 year but within 2 years	597,143	700,000
After 2 years but within 5 years	<u>759,316</u>	<u>735,582</u>
Total Bank Loans and Borrowings	<u>1,824,203</u>	1,963,810
	-----	-----
Less: Cash at bank and in hand	<u>(394,664)</u>	<u>(201,692)</u>
Total Net Bank Borrowings	<u>1,429,539</u>	<u>1,762,118</u>

Interest expenses of the Group before interest capitalisation amounted to approximately HK\$92 million (2001: HK\$130 million) for the financial year under review. For bank loans which were obtained by the Group in the Hong Kong currency, loan interests were chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate and such banking facilities were therefore of floating rate in nature. As for the bank borrowings which were denominated in Renminbi, these are linked to fixed interest rates for commercial loans as announced by The People's Bank of China from time to time.

As of 30th June, 2002, shareholders' funds of the Group, amounted to approximately HK\$7,660 million (2001: HK\$7,300 million) being recorded at around the same level as that registered as at the end of the previous financial year. The Group is in a strong financial position and possesses a large capital base whereas net debt position remains low. With adequate committed banking facilities in place and income to the Group generating from its property business, the Group has sufficient financial sources to fund 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 as a ratio of the Group's shareholders' funds amounted to 18.7% (2001: 24.0%). Profit from operations of HK\$159 million covered the net interest expenses before capitalisation of HK\$92 million by 1.7 times for the financial year under review (2001: 1.9 times).

The Group's financing and treasury activities were managed centrally at the corporate level. Assets of the Group had not been charged to any third parties in the financial year under review. Bank loans of the Group were obtained in Hong Kong Dollars as well as in Renminbi. As at 30th June, 2002, the majority of the Group's bank borrowings was denominated in Hong Kong Dollars with the remaining balance being denominated in Renminbi. The Group did not enter into any currency hedging agreements in the financial year under review.

DETAILED RESULTS ANNOUNCEMENT

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the Stock Exchange's website in due course.

By Order of the Board

John Yip
Secretary

Hong Kong, 3rd October, 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Shareholders of the Company will be held at the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Tuesday, 10th December, 2002 at 11:30 a.m. to transact the following businesses:

1. To receive and consider the Audited Statement of Accounts and the Reports of the Directors and Auditors for the year ended 30th June, 2002.
2. To declare a Final Dividend.
3. To re-elect Directors and fix their remuneration.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider as special businesses and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) "THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase ordinary shares of HK\$1.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended from time to time) or any other applicable laws to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting.”

(B) “THAT:

- (a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate nominal amount of the share capital of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue, or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights attaching to any warrants which may be issued by the Company, or (iv) any scrip dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed twenty per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution; and
- (b) the expression “Relevant Period” shall for the purposes of this Resolution have the same meaning as assigned to it under Ordinary Resolution (A) set out in the notice convening this Meeting.

“Rights Issue” means an offer of shares in the capital of the Company open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(C) “THAT:

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (B) above be and is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the

Company to repurchase such shares under the authority granted pursuant to Ordinary Resolution (A) above provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution.”

By Order of the Board

John Yip
Secretary

Hong Kong, 3rd October, 2002

Notes:

- (1) A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member. Form of proxy must be lodged at the head office of the Company at 6th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
- (2) The Register of Members of the Company will be closed from Thursday, 5th December, 2002 to Tuesday, 10th December, 2002, both days inclusive, during which period no requests for transfer of shares will be accepted.
- (3) In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 4th December, 2002.
- (4) An explanatory statement containing further details concerning Ordinary Resolution (A) of item 5 above will be sent to Members together with the 2002 Annual Report.
- (5) Concerning Ordinary Resolutions (B) and (C) of item 5 above, approval is being sought from Members, as a general mandate in compliance with the Rules Governing the Listing of Securities on the Stock Exchange, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to twenty per cent. of the issued share capital plus the number of shares repurchased by the Company pursuant to the general mandate approved in Ordinary Resolution (A) of item 5 above. The Directors, however, have no immediate plans to issue any new shares of the Company.

Please also refer to the published version of this announcement in South China Morning Post.