



HENDERSON CHINA HOLDINGS LIMITED

Incorporated in Bermuda with limited liability

2002/2003

Interim Results

INTERIM RESULTS AND DIVIDEND

The Board of Directors announces that for the six months ended 31st December, 2002, the unaudited consolidated net loss of the Group after taxation and minority interests amounted to HK\$98.1 million, whilst a net profit of HK\$89.2 million was recorded in the same period in the previous financial year. Loss per share was HK\$0.20. During the period under review, the Group had made provisions on property projects and written off bad debts relating to property rental for a total amount of HK\$135 million.

The Board has resolved to pay an interim dividend of HK\$0.03 per share to shareholders whose names appear on the Register of Members of the Company on 15th April, 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT — UNAUDITED

		For the six months ended 31st December	
	Note	2002 HK\$'000	2001 HK\$'000
Turnover	2	121,853	332,301
Cost of sales / services		(41,588)	(196,040)
		80,265	136,261
Other revenue		5,866	3,494
Other net loss		(1,322)	—
Selling expenses		(10,194)	(16,198)
Administrative expenses		(42,976)	(29,893)
Other operating expenses	3	(135,836)	—
(Loss) / profit from operations	2	(104,197)	93,664
Finance costs	4(a)	(10,831)	(5,409)
		(115,028)	88,255
Share of profits less losses of associates		13,715	6,551
(Loss) / profit from ordinary activities before taxation	4	(101,313)	94,806
Taxation	5	74	(5,115)
(Loss) / profit from ordinary activities after taxation		(101,239)	89,691
Minority interests		3,165	(483)
(Loss) / profit attributable to shareholders		(98,074)	89,208
Interim dividend	7(a)	14,903	29,807
(Loss)/earnings per share			
Basic	8(a)	HK\$(0.20)	HK\$0.18
Diluted	8(b)	N/A	N/A

Notes to the Consolidated Profit and Loss Account (unaudited)

1 BASIS OF PREPARATION

The condensed interim financial statements are unaudited but have been reviewed by the Audit Committee.

The condensed interim financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The principal accounting policies and basis of preparation used in the preparation of these condensed interim financial statements are the same as those used in the Group's audited financial statements for the year ended 30th June, 2002, except for the following new/revised SSAPs which are effective and have been adopted for the first time in preparation of the current period's condensed consolidated financial statements:

SSAP 1 (Revised) :	"Presentation of financial statements"
SSAP 11 (Revised) :	"Foreign currency translation"
SSAP 15 (Revised) :	"Cash flow statements"
SSAP 25 (Revised) :	"Interim financial reporting"
SSAP 34 :	"Employee benefits"

In accordance with SSAP 1 (Revised) "Presentation of financial statements", the consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity and in accordance with SSAP 15 (Revised) "Cash flow statements", the preparation of cash flow statement is modified as required. The adoption of the new / revised SSAPs have no significant impact on the Group's financial results.

2 SEGMENTAL INFORMATION

- (a) The analysis of the Group's revenue and results by business segment during the periods are as follows:

Bussiness segment	
Property development	- the development and sale of properties
Property investment	- the leasing of properties to generate rental income
Finance	- the provision of financing to generate interest income
Management and sales commissions	- the provision of property management services to generate management income
Guaranteed return on investment	- the investment of An-Ju project to generate guaranteed return

	For the six months ended 31st December, 2002						
	Property	Property	Finance	Management	Guaranteed	Unallocated	Consolidated
	development	investment		and sales	return on		
HK\$'000	HK\$'000	HK\$'000	commissions	investment	HK\$'000	HK\$'000	
Turnover	53,706	28,295	29,563	10,289	—	—	121,853
Other revenue	876	63	—	—	—	4,927	5,866
External revenue	<u>54,582</u>	<u>28,358</u>	<u>29,563</u>	<u>10,289</u>	<u>—</u>	<u>4,927</u>	<u>127,719</u>
Segment result	(1,528)	368	29,489	1,951	—	4,927	35,207
Provisions on property projects	(98,000)	—	—	—	—	—	(98,000)
Bad debts written off	—	(37,467)	(369)	—	—	—	(37,836)
Unallocated operating expenses net of income							<u>(3,568)</u>
(Loss) / profit from operations							(104,197)
Finance costs							<u>(10,831)</u>
							(115,028)
Share of profits less losses of associates	8,675	7,152				(2,112)	<u>13,715</u>
(Loss) / profit from ordinary activities before taxation							(101,313)
Taxation							<u>74</u>
(Loss) / profit from ordinary activities after taxation							(101,239)
Minority interests							<u>3,165</u>
(Loss) / profit attributable to shareholders							<u>(98,074)</u>

	For the six months ended 31st December, 2001						
	Property	Property	Finance	Management	Guaranteed	Unallocated	Consolidated
	development	investment		and sales	return on		
HK\$'000	HK\$'000	HK\$'000	commissions	investment	HK\$'000	HK\$'000	
Turnover	262,451	24,683	31,388	10,099	3,680	—	332,301
Other revenue	3,494	—	—	—	—	—	3,494
External revenue	<u>265,945</u>	<u>24,683</u>	<u>31,388</u>	<u>10,099</u>	<u>3,680</u>	<u>—</u>	<u>335,795</u>
Segment result	30,363	19,294	30,228	10,099	3,680	—	93,664
Provisions on property projects							—
Bad debts written off							—
Unallocated operating expenses net of income							—
(Loss) / profit from operations							93,664
Finance costs							<u>(5,409)</u>
							88,255
Share of profits less losses of associates	11,578	(2,066)				(2,961)	<u>6,551</u>
(Loss) / profit from ordinary activities before taxation							94,806
Taxation							<u>(5,115)</u>
(Loss) / profit from ordinary activities after taxation							89,691
Minority interests							<u>(483)</u>
(Loss) / profit attributable to shareholders							<u>89,208</u>

(b) No geographical analysis of the Group's revenue and results is shown as less than 10% of the Group's operations are outside the People's Republic of China ("PRC").

3 OTHER OPERATING EXPENSES

	For the six months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
Provisions on property projects	98,000	—
Bad debts written off	<u>37,836</u>	—
	<u>135,836</u>	—

4 **(LOSS) / PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION**

(Loss) / profit from ordinary activities before taxation is arrived at after charging / (crediting):

(a) Finance costs

	For the six months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
Bank interest	25,679	40,376
Interest on loans wholly repayable within five years	9,265	9,730
Other borrowing costs	743	2,903
Total borrowing costs	35,687	53,009
Less: amount capitalised*	(24,856)	(47,600)
	<u>10,831</u>	<u>5,409</u>

* Borrowing costs have been capitalised approximately at the rate of 1.58% (2001: 4.21%) per annum.

(b) Items other than those separately disclosed in notes 3 to 4(a):

	For the six months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
Staff costs	29,189	26,626
Less: amount capitalised	(15,206)	(19,191)
	<u>13,983</u>	<u>7,435</u>
Depreciation	747	9,798
Less: amount capitalised	(40)	(48)
	<u>707</u>	<u>9,750</u>
Cost of completed properties for sale	40,029	184,250
Profit on disposal of investment properties	(4)	—
Dividends from investment securities	(4,888)	—

5 TAXATION

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

	For the six months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
The Group		
— Outside Hong Kong	4,007	(2,139)
Associates	(4,367)	(4,995)
Tax Indemnity (Note 6)	434	2,019
	<u>74</u>	<u>(5,115)</u>

No provision has been made for Hong Kong Profits Tax as the Group did not have any assessable income subject to Hong Kong Profits Tax during the period.

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

(b) No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

6 TAX INDEMNITY

Tax indemnity represents indemnity receivable from an intermediate holding company, Henderson Land Development Company Limited ("Henderson Land"), 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.

7 DIVIDENDS

(a) Dividends attributable to the interim period

	For the six months ended 31st December	
	2002	2001
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end at HK\$0.03 per share (2001: HK\$0.06 per share)	<u>14,903</u>	<u>29,807</u>

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

- (b) Dividends attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, at HK\$0.06 per share (2001: HK\$0.06 per share)	<u>29,807</u>	<u>29,807</u>

8 (LOSS) / EARNINGS PER SHARE

- (a) Basic (loss) / earnings per share

The calculation of basic (loss) / earnings per share is based on the loss attributable to shareholders of HK\$98,074,000 (2001: profit HK\$89,208,000) and on 496,776,205 ordinary shares (2001: 496,776,205 ordinary shares) in issue during the period.

- (b) Diluted (loss) / earnings per share

Diluted (loss) per share for the period is not shown as the existence of outstanding options during the period ended 31st December, 2002 has an anti-dilutive effect on the calculation of diluted (loss) per share for the period. There was no potential dilution of earnings per share during the corresponding period in 2001.

9 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 11th April, 2003 to Tuesday, 15th April, 2003, both days inclusive, during which period no requests for the transfer of shares will be accepted. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms 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 Thursday, 10th April, 2003. Warrants for the interim dividend will be sent to shareholders on Wednesday, 23rd April, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of this financial year, major property markets in Mainland China generally remained active although performance of property sale prices and rentals varied significantly

amongst the different major cities. The property market in Shanghai performed better in particular with relatively high volume in transactions recorded. As the property market in Shanghai received a further boost from its successful bid to host the World Expo in 2010, the Group took the opportunity to re-launch the sale of the property units of the Shanghai Skycity project. As a result, almost all of the remaining residential units in the Shanghai Skycity project had been sold with prices remaining steady. The Group has undertaken improvements in facilities and in the provision of property management services at the State Apartments in Beijing Henderson Centre with an aim to enhance the value of the Group's existing holding of the units in the project which will be re-launched for sale at a later date. Over 90% of the residential units in the Heng Bao Garden project of the Group located in Guangzhou had been sold. Moreover, around 80% and 50% of Phase VIII and Phase IX respectively of the Group's joint venture development project known as the Lexi New City located in Panyu District had also been sold and sales continued to make steady progress for this project.

During the period under review, the rental property business of the Group in all major cities, with the exception of Beijing, made satisfactory progress. In Beijing, certain tenants in the Beijing Henderson Centre breached the tenancy agreements and vacated the premises. Refurbishment will now be undertaken at the shopping arcade in the Beijing Henderson Centre and the vacated shop units will be leased out again in the third quarter of 2003 after the launch of a new marketing campaign. Furthermore, the shopping premises of Shanghai Skycity had also been fully let whilst occupancy of the office units in this project also exceeded 60%. Heng Bao Plaza, which is located right above the Changshou Road underground railway station in Guangzhou and gradually becomes widely recognised as one of the more popular large-scale shopping centres in the busy Li Wan District shopping area, has progressed well with the leasing of its Basement Level 1 and the three additional shopping floors upto Level 3, recording an average occupancy rate of almost 70%.

FINANCIAL REVIEW

Review of Results

For the six-month period upto 31st December, 2002, turnover of the Group amounted to approximately HK\$122 million as compared to HK\$332 million recorded in the corresponding period in the previous financial year. The Group's turnover during the interim period under review was mainly attributed to sale of the remaining stock of residential units at the Heng Bao Garden project. Loss attributable to shareholders amounted to approximately HK\$98 million as compared to the profit attributable to shareholders of HK\$89 million posted in corresponding period of the previous financial year. Overall performance of the Group during this period was adversely affected by the provisions made on property projects and write-off of bad debts relating to property rental for an aggregate amount of HK\$135 million.

Loss generated from property sales, which amounted to approximately HK\$1.5 million based on turnover of approximately HK\$53.7 million recorded in the interim period under review, resulted from sale of completed residential units of the Group.

Gross rental income of the Group was recorded at approximately HK\$28.3 million during the six-month period under review and this compared with HK\$24.7 million registered in the corresponding period in the previous financial year. However, the Group's rental properties recorded a reduced profit of approximately HK\$0.4 million as compared to an amount of HK\$19.3 million that recorded in the corresponding period of the previous financial year due to increase in expenses incurred in the period under review.

Profit from the finance segment of the Group, which were mainly attributed to interest income from advances made to the Group's project companies as well as from property mortgage loans extended to purchasers of the Group's property units, amounted to approximately HK\$29.5 million in the interim period under review being at a similar level as that recorded in the corresponding period in the previous financial year.

Profit from management and sales commissions of the Group was mainly related to the project management and property management services provided by the Group to joint venture projects and this amounted to approximately HK\$2.0 million which was recorded in the six-month period under review as compared to HK\$10 million that was recorded in the corresponding period of the previous financial year. The decrease in profit from this source was mainly due to the incurrence of expenses during the period under review.

Financial Resources and Liquidity

As at 31st December, 2002, shareholders' funds of the Group amounted to approximately HK\$7,531 million as compared to HK\$7,660 million that was registered as at 30th June, 2002. The Group is in a strong financial position and possesses a large capital base whereas net debt position remains low. The Group's total net bank borrowings, after deducting cash holdings of approximately HK\$314 million, amounted to approximately HK\$464 million as at 31st December, 2002 as compared to the net bank borrowings recorded at HK\$1,430 million as at 30th June, 2002. This substantial decrease was mainly due to the replacement of a portion of bank loans by inter-company loans. All of the Group's borrowings were unsecured and were mainly obtained on a committed term basis. With adequate committed banking facilities in place and cash flows generating from its business operations, the Group has sufficient financial sources to fund its ongoing operations as well as future expansion.

The Group did not undertake any significant acquisition or disposal of assets outside its core business during the interim period under review.

Loan Maturity Profile

The maturity profiles of the Group's bank loans and borrowings outstanding as at 31st December, 2002 and 30th June, 2002 respectively are shown as follows:

	As at 31st December, 2002 (HK\$'000)	As at 30th June, 2002 (HK\$'000)
Bank Loans and Borrowings Repayable:		
Within 1 year	99,145	467,744
After 1 year but within 2 years	398,414	597,143
After 2 years but within 5 years	281,100	759,316
Total Bank Loans and Borrowings	778,659	1,824,203
Less: Cash at bank and in hand	(314,373)	(394,664)
Total Net Bank Borrowings	464,286	1,429,539

Gearing Ratio

As at the end of the interim period 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 approximately 6%. Interest expenses of the Group before interest capitalisation amounted to approximately HK\$35 million for the six-month period under review.

Interest Rate Exposure and Exchange Rate Exposure

The Group's financing and treasury activities are managed centrally at the corporate level. Bank loans of the Group were obtained in Hong Kong Dollars as well as in Renminbi. 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 charged at the standard interest rates applicable for commercial loans as announced by The People's Bank of China from time to time.

As at 31st December, 2002, borrowings of the Group that was denominated in Hong Kong Dollars were slightly in excess of loans outstanding denominated in Renminbi. The Group did not enter into any interest rate or currency hedging agreements in the interim period under review.

Capital Commitments

As at 31st December, 2002, capital commitment of the Group amounted to HK\$3,397 million as compared with HK\$3,725 million recorded as at 30th June, 2002. Out of these commitments, HK\$2,746 million were mainly related to contracted obligations of the Group for future development costs and expenditures to be incurred on various projects of the Group in the short to medium term with the remaining amount of HK\$651 million being related to the Group's commitment in respect of future development costs and expenditures of the new development projects of the Group which was authorized but not yet contracted for as at the end of the interim period under review.

Contingent Liabilities

Contingent liabilities of the Group as at 31st December, 2002 amounted to approximately HK\$261 million as compared with approximately HK\$269 million recorded as at 30th June, 2002. These mainly relate to guarantees given by the Group to financial institutions in respect of mortgage financing provided to purchasers of property units developed by the Group.

Use of Capital and Funding

Capital of the Company and retained profits of the Group will continue to be put to good use to develop the Group's business. The Group has adequate capital resources and abundant unutilised banking facilities for funding its ongoing operations and further expansion.

EMPLOYEES

As at 31st December, 2002, the number of employees of the Group was about 1,000, of which about 90 were employed in Hong Kong and the others were employed in Mainland China. 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. Employees of the Group may be granted share options. Other benefits to employees include medical insurance, retirement schemes, training programmes and educational subsidies.

Total employees' costs amounted to HK\$29 million for the six months ended 31st December, 2002 and HK\$27 million for the corresponding period of last year.

PROSPECTS

Availing the existing opportunities in the marketplace, the Group is making preparation for timely development of suitable property sites within the Group's land bank including the commercial project located in Chao Yang District of Beijing and the commercial-cum-residential project in Fangcun in Guangzhou, and also divesting those relatively small land sites within the Group's land bank with an aim to consolidate the resources of the Group.

On the property investment front, the Group will continue to step up efforts for enhancing rental return on its various investment properties. The shopping centre of Henderson Centre in Beijing will later be re-packaged and promoted through a new marketing campaign, aimed at attracting fashionable shops for the young generation in Beijing. As for Heng Bao Plaza in Guangzhou, the Group will also take steps to enhance the rental income.

In light of the concerns of the central government on the over-heating in certain areas in the Mainland, the Group will undertake a review of the various property projects in hand and determine the strategies for future developments so as to reflect the value of the Group's properties under the prevailing conditions in the marketplace.

Finally, I would like to take this opportunity to thank members of the Board and all staff of the Group for their hard work.

INTERIM REPORT

The interim report containing the detailed information required by paragraphs 46(1) to 46(6) 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, 20th March, 2003

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