



HENDERSON CHINA HOLDINGS LIMITED

Incorporated in Bermuda with limited liability

2003/2004

Interim Results

INTERIM RESULTS AND DIVIDEND

The Board of Directors announces that for the six months ended 31st December, 2003, the unaudited consolidated net loss of the Group after taxation and minority interests amounted to HK\$31.7 million, as compared with the restated net loss of HK\$104.5 million recorded in the corresponding period in the previous financial year. Loss per share was HK\$0.06.

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 21st April, 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

	Notes	For the six months ended 31st December	
		2003 HK\$'000	2002 restated HK\$'000
Turnover	2	52,320	121,853
Cost of sales / services		(17,650)	(41,588)
		34,670	80,265
Other revenue		13,986	5,866
Other net income / (loss)		1,386	(1,322)
Selling expenses		(12,140)	(10,194)
Administrative expenses		(56,172)	(42,976)
Other operating expenses	3	(3)	(135,836)
Loss from operations	2	(18,273)	(104,197)
Finance costs	4(a)	(6,705)	(10,831)
		(24,978)	(115,028)
Share of losses less profits of associates		(6,932)	13,715
Loss from ordinary activities before taxation	4	(31,910)	(101,313)
Taxation	5	(6,599)	(8,046)
Loss from ordinary activities after taxation		(38,509)	(109,359)
Minority interests		6,785	4,865
Loss attributable to shareholders		(31,724)	(104,494)
Interim dividend declared after the interim period end	7(a)	14,903	14,903
Loss per share			
Basic	8(a)	HK\$0.06	HK\$0.21
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, 2003, except for the SSAP 12 (Revised) "Income taxes" which is effective and has been adopted for the first time in preparation of the current period's condensed consolidated financial statements.

On the adoption of the revised HK SSAP 12 (Revised) "Income taxes", deferred taxation is provided in full, using the liability method, on the temporary differences arising between the tax bases of assets / liabilities and their carrying amounts in the accounts with limited exceptions. Deferred taxation is determined by reference to the taxation rate enacted or substantively enacted on the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In previous years, deferred taxation was provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Future deferred tax benefits were not recognised unless their realisation was assured beyond reasonable doubt. The adoption of the revised HK SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparative figure have been restated to conform the changed policy. The shareholders' equity as at 1st July, 2003 was restated and decreased by HK\$193,225,000 which comprised decrease in retained profits of HK\$169,225,000 and decrease in investment property revaluation reserve of HK\$24,000,000 (as at 1st July, 2002: the shareholders' equity decreased by HK\$255,675,000, which comprised decrease in retained profits of HK\$187,200,000 and investment property revaluation reserve of HK\$68,475,000). The effect of change to income tax for the six months ended 31st December, 2003 is an increase in the charge of HK\$1,300,000 (31st December, 2002: HK\$8,120,000).

2 SEGMENTAL INFORMATION

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

Business segments:

- 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

	For the six months ended 31st December, 2003					Consolidated HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Finance HK\$'000	Management and sales commissions HK\$'000	Unallocated HK\$'000	
Turnover	19,378	21,832	4,091	7,019	—	52,320
Other revenue	60	60	—	—	13,866	13,986
External revenue	<u>19,438</u>	<u>21,892</u>	<u>4,091</u>	<u>7,019</u>	<u>13,866</u>	<u>66,306</u>
Segment result	(26,769)	(11,463)	4,085	4,058	13,866	(16,223)
Provisions on property projects	—	—	—	—	—	—
Bad debts written off	—	—	(3)	—	—	(3)
Unallocated operating expenses net of income						(2,047)
Loss from operations						(18,273)
Finance costs						(6,705)
Share of losses less profits of associates	(7,556)	629	—	—	(5)	(24,978) (6,932)
Loss from ordinary activities before taxation						(31,910)
Taxation						(6,599)
Loss from ordinary activities after taxation						(38,509)
Minority interests						6,785
Loss attributable to shareholders						<u>(31,724)</u>

	For the six months ended 31st December, 2002 (restated)					Consolidated HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Finance HK\$'000	Management and sales commissions HK\$'000	Unallocated 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>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						(3,568)
Loss from operations						(104,197)
Finance costs						(10,831)
Share of profits less losses of associates	8,675	7,152	—	—	(2,112)	13,715
Loss from ordinary activities before taxation						(101,313)
Taxation						(8,046)
Loss from ordinary activities after taxation						(109,359)
Minority interests						4,865
Loss attributable to shareholders						<u>(104,494)</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	
	2003 HK\$'000	2002 HK\$'000
Provisions on property projects	—	98,000
Bad debts written off	3	37,836
	<u>3</u>	<u>135,836</u>

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

(a) Finance costs

	For the six months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
Bank interest	13,470	25,679
Interest on loans wholly repayable within five years	3,331	9,265
Other borrowing costs	363	743
Total borrowing costs	17,164	35,687
Less: amount capitalised *	(10,459)	(24,856)
	<u>6,705</u>	<u>10,831</u>

* Borrowing costs have been capitalised approximately at the rate of 0.68% (2002: 1.58%) per annum.

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

	For the six months ended 31st December	
	2003 HK\$'000	2002 HK\$'000
Staff costs	32,332	29,189
Less: amount capitalised	(10,036)	(15,206)
	<u>22,296</u>	<u>13,983</u>
Depreciation	1,826	747
Less: amount capitalised	(12)	(40)
	<u>1,814</u>	<u>707</u>
Cost of completed properties for sale	<u>14,873</u>	<u>40,029</u>
Profit on disposal of fixed assets	<u>(2,179)</u>	<u>(4)</u>
Dividends from investment securities	<u>(13,691)</u>	<u>(4,888)</u>

5 TAXATION

Taxation in the consolidated profit and loss account represents:

	For the six months ended 31st December	
	2003 HK\$'000	2002 restated HK\$'000
The Group		
Hong Kong - profits tax	(1)	—
Hong Kong - deferred taxation	5,200	2,300
Outside Hong Kong - profits tax	(1,403)	4,007
Outside Hong Kong - deferred taxation	(6,500)	(10,420)
Associates	(3,895)	(4,367)
Tax Indemnity (Note 6)	—	434
	<u>(6,599)</u>	<u>(8,046)</u>

Provision for Hong Kong profits tax has been made at 17.5% (2002: 16%) on the estimated assessable profits for 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.

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	
	2003	2002
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end at HK\$0.03 per share (2002: HK\$0.03 per share)	14,903	14,903

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	
	2003	2002
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, at HK\$0.03 per share (2002: HK\$0.06 per share)	14,903	29,807

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$31,724,000 (2002 restated: HK\$104,494,000) and on 496,776,205 ordinary shares (2002: 496,776,205 ordinary shares) in issue during the period.

(b) Diluted loss per share

Diluted loss per share for the period is not shown as the existence of outstanding options during the period ended 31st December, 2003 has an anti-dilutive effect on the calculation of diluted loss per share for the period. There was no potential dilution of loss per share during the corresponding period in 2002.

9 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for deferred taxation, details of which are set out in note 1.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 19th April, 2004 to Wednesday, 21st April, 2004, 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 Friday, 16th April, 2004. Warrants for the interim dividend will be sent to shareholders on Thursday, 22nd April, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, turnover of the Group amounted to approximately HK\$52 million, representing a decrease of 57% when compared to approximately HK\$120 million that was recorded in the corresponding period of the previous financial year. Due to the relatively low sales in respect of remaining properties earlier completed and reconfiguration work which was undertaken in respect of certain of the Group's rental retail shopping properties during the period under review, a loss of approximately HK\$31 million was recorded.

Property Market

During the period under review, property markets in major cities in Mainland China have benefited from increased foreign investment and sustained growth of domestic export. As market participants anticipate large-scale events of the Olympic Games and World Expo that will be held in Beijing and Shanghai as well as other big cities will bring about plentiful business opportunities, property markets in major cities have been kept active. Although tourism and consumer spending in Mainland China had suffered a set-back resulting from the outbreak of Severe Acute Respiratory Syndrome in the first half of 2003, market conditions had shown a quick rebound in the second half of last year. On the property front, Grade A office and retail shopping properties in Mainland China also witnessed strong growth in demand and the condition of the residential market continued to show further improvement.

Property Development

During the period under review, the Group put up the remaining units in the previously completed development projects for sale and these mainly included the Heng Bao Garden in Guangzhou, the Everwin Garden, the Comfort Mansion and the Skycity project in Shanghai as well as Lexi New City Phase VIII - Luotao South Zone Villa and Phase IX - Green Island House located in Panyu, Guangdong Province. All of the residential units in the Comfort Mansion and Skycity project were sold out whilst sale of the Lexi New City project continued to achieve good results as in the past and almost all of the residential units in Phase VIII were sold out during the period under review. The residential units in Phase IX of this project, which had been put up for sale at a later date, were also more than 70% sold.

In the period under review, the Group increased its shareholding interests in the project site located at No. 2 Guan Dong Dian, Chao Yang District in Beijing (the old Beijing Lightbulb Factory site) from 70% to 100%. As a result, the Group will be able to fully develop the potential and enhance the economic return of this project. This project is located in the central commercial area of Beijing city and will be developed into a large-scale mixed-use development with a total gross floor area of approximately 2.65 million sq.ft..

The Office Tower II of The Grand Gateway in Shanghai, which is 42-storey in height and has a total gross floor area of approximately 720,000 sq.ft., is wholly owned by the Group. Construction work for this office tower has made good progress with the superstructure presently being close to completion. It is anticipated that this project will be completed on schedule by mid-2005. Plans for the sale and leasing of this project are at present being actively reviewed by the Group and preliminary discussions have already been initiated with several institutions. Demolition of the Group's project site located at 210 Fangcun Avenue, Fangcun District in Guangzhou (the old Guangzhou Preservation Fruit Factory site) had been completed during the period under review. The development plans of this project have been submitted to the relevant government department of Guangzhou city for approval and construction work is scheduled to commence in 2004. Upon completion, this residential-cum-commercial complex development project will provide over 2.6 million sq.ft. in gross floor area terms. The project will be a quality development in a pleasant community district and comprise mainly residential units supplemented by adequate retail shopping facilities.

Property Rental

During the period under review, reconfiguration and refurbishment of the shopping arcade in the Henderson Centre in Beijing and leasing of this rental property were under way. The commercial podium of the Heng Bao Garden located right above Changshou Road Station of the Guangzhou Metro Line was also in the process of leasing during the period under review. Further, leasing of the shopping podium at the Skycity and the Everwin Garden in Shanghai was satisfactory whilst rentals remained stable.

FINANCIAL REVIEW

Review of Results

For the six-month period up to 31st December, 2003, turnover of the Group amounted to approximately HK\$52 million as compared to HK\$122 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 rental income and sale of the remaining stock of earlier completed projects of the Group. Loss attributable to shareholders amounted to approximately HK\$32 million as compared to the restated loss attributable to shareholders of HK\$104 million (previously stated as HK\$98 million) posted in the corresponding period of the previous financial year. The above-mentioned restatement of loss was made in accordance with the revised SSAP 12 "Income Taxes" in relation to accounting for deferred tax which the Group has adopted with effect from 1st July, 2003.

Property sales of the Group amounted to approximately HK\$20.4 million in the period under review, and loss of approximately HK\$26.8 million was recorded mainly due to increase in selling and administrative expenses.

Gross rental income of the Group was recorded at approximately HK\$21.8 million during the six-month period under review and this compared with HK\$28.3 million registered in the corresponding period in the previous financial year. The Group's rental properties recorded a loss of approximately HK\$11.5 million as compared to a profit of HK\$0.4 million recorded in the corresponding period of the previous financial year.

Profit from the finance segment of the Group including interest income from bank deposits and advances made to the Group's project companies amounted to approximately HK\$4.1 million in the interim period under review as compared to HK\$29.5 million that recorded in the corresponding period in the previous financial year mainly due to decrease in interest income received from the Group's project companies during the period under review.

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\$4.1 million in the six-month period under review as compared to HK\$2 million that was recorded in the corresponding period of the previous financial year.

Financial Resources and Liquidity

As at 31st December, 2003, shareholders' funds of the Group amounted to approximately HK\$6,795 million as compared to HK\$6,843 million that was registered as at 30th June, 2003. 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\$407 million, amounted to approximately HK\$1,529 million as at 31st December, 2003 as compared to the net bank borrowings recorded at HK\$993 million as at 30th June, 2003. This increase in net bank borrowing was however offset by a reduction of similar amount in 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 inflow 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 period under review.

Loan Maturity Profile

The maturity profile of the Group's bank loans and borrowings outstanding as at 31st December, 2003 and 30th June, 2003 respectively are shown as follows:

	As at 31st December, 2003 HK\$'000	As at 30th June, 2003 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	1,236,591	332,201
After 1 year but within 2 years	250,000	1,350,075
After 2 years but within 5 years	450,000	71,000
Total Bank Loans and Borrowings	1,936,591	1,753,276
Less: Cash at bank and in hand	(407,422)	(760,751)
Total Net Bank Borrowings	1,529,169	992,525

Gearing Ratio

As at the end of the 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 stood at approximately 22.5% and that recorded as at 30th June, 2003 was 14.5%. Interest expenses of the Group before interest capitalisation amounted to approximately HK\$16.8 million for the six-month period under review as compared to approximately HK\$35 million recorded in the corresponding period of the previous financial year.

Interest Rate Exposure and Exchange Rate Exposure

The Group's financing and treasury activities are managed centrally at the corporate level. As at 31st December, 2003, borrowings of the Group was mainly denominated in Hong Kong Dollars, with a relatively small portion being denominated 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. With an aim to fix a portion of the Group's Hong Kong Dollar loan rates at the current low level, the Group has maintained Hong Kong Dollar interest rate swap agreements in respect of a portion of such borrowings as at the end of the period under review.

As for the small portion of 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. The Group did not enter into any currency hedging agreement in the period under review.

Capital Commitments

As at 31st December, 2003, capital commitments of the Group amounted to HK\$3,686 million as compared with HK\$3,962 million recorded as at 30th June, 2003. Out of these commitments, HK\$1,931 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\$1,755 million being related to the Group's commitments in respect of future development costs and expenditures of the 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, 2003 amounted to approximately HK\$236 million as compared with HK\$229 million recorded as at 30th June, 2003. These were mainly related to guarantees given by the Group to financial institutions in respect of mortgage financing provided to purchasers of property units developed by the Group, and a large portion of these guarantees are short term in nature which will be gradually relinquished upon the issuance of title deeds of the relevant property units.

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, 2003, the number of employees of the Group was about 1,000, of which about 100 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\$32 million for the six months ended 31st December, 2003 and HK\$29 million for the corresponding period of last year.

PROSPECTS

The economy of Mainland China has sustained steady growth. This will contribute significantly to the gradual development in the overall property market in the Mainland. From a long term perspective, the value of properties situate in major cities have good potential for appreciation, and this will be particularly applicable for the cities of Beijing and Shanghai. The Group holds plentiful development land bank in major cities in the Mainland and satisfactory progress has been made in respect of those property sites that have been planned for development. Amongst these, construction work for the project situate at No. 2 Guan Dong Dian, Chao Yang District in Beijing and the development at 210 Fangcun Avenue, Fangcun District in Guangzhou is expected to commence within this year.

In respect of property leasing, the Group has entered into a retailing management contract with an associate company of Henderson Land Development Company Limited, namely, Beijing Youyi Shopping City Company Limited ("Youyi") whereby Youyi and the Group will operate under the joint name of "Henderson-Yan Sha" to seek leasing tenants and manage the retail shopping arcade of Henderson Centre in Beijing. It is envisaged that upon its re-opening in the second quarter of this year, this shopping arcade will project a fresh image for Henderson Centre.

The Group will acquire quality development sites when suitable opportunities arise and steps will also be taken to attain an optimal mix in respect of the land bank holdings of the Group. Apart from adding pace to its property development efforts, emphasis will also be made on expanding the recurrent rental income of the Group in order to enhance overall return.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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, 17th March, 2004

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