HENDERSON CHINA HOLDINGS LIMITED

Incorporated in Bermuda with limited liability

(Stock Code: 0246)

2003/2004 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 financial year ended 30th June, 2004 amounted to approximately HK$16 million. This compares with the net loss figure restated as HK$399 million for the same period in the previous financial year after adoption of revised accounting standard. Turnover of the Group amounted to HK$93 million for the financial year under review as compared to a turnover of HK$188 million that was recorded in the previous financial year.

DIVIDENDS

Your Board recommends the payment of a final dividend of HK$0.03 per share to shareholders whose names appear on the Register of Members of the Company on 6th December, 2004. The total distribution per share of HK$0.06 for the full year, including the interim dividend of HK$0.03 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 8th December, 2004.

BUSINESS REVIEW

Property Market

During the past twelve-month period, fast growth was noted in the domestic economy of Mainland China. This has led to the implementation of macro-economic measures by the central government which aim to cool down the overheated economy. The tightening credit policies that were imposed to credit extension to certain selected sectors and industries in the Mainland which included the property sector had put property sales turnover as well as property prices under pressure. However, these measures had on the whole, not given rise to significant adverse effects on property markets in the major cities in the Mainland. Moreover, government authorities in the Mainland had adopted tighter measures to supervise the review and approval for applications relating to change of land usage as well as development proposals for new projects. These actions have certain positive implications as the Group holds a number of property projects with construction already in progress.

Property Development

During the financial year under review, the Group put up the remaining units in the previously completed development projects for sale and these included the Skycity, the Everwin Garden as well as the Comfort Mansion in Shanghai, the Heng Bao Garden in Guangzhou and Phases VIII and IX of the Lexi New City in Panyu. On the progress of project development, the Group's site located at 210 Fangcun Avenue, Guangzhou, has commenced construction work during the period under review and this site will be developed as a project comprising nine high-rise residential towers and a retail shopping podium. This project will provide approximately 2.6 million sq.ft. in total gross floor area upon completion. In addition, the development site that is situate at 130-2 Heng Feng Road, Zhabei District in Shanghai, is scheduled to commence work in the near future for development of an office tower which will provide approximately 512,000 sq.ft. in development gross floor area.

Property Rental

In the period under review, the rental office space in the Henderson Centre in Beijing recorded 80% in average occupancy rate. The retailing business operated under the joint name of "Henderson-Yan Sha" has opened for business within the shopping podium of the Henderson Centre in Beijing since this May and it is expected that the opening of this department store operation will bring about a gradual increase in the occupancy rate of the shopping podium. The office tower in the Skycity project in Shanghai recorded 86% in average occupancy whilst the commercial podium in the project was fully let. Moreover, leasing of the retail shopping arcade known as the Heng Bao Plaza that is situate above the Changshou Road Station of the Guangzhou Metro Line recorded an average occupancy rate of 50%. During the period under review, the Group has further taken active steps to plan for the pre-leasing of the Office Tower II of the Grand Gateway in the Xuhui District in Shanghai.

PROSPECTS

During this time as stringent property development control measures are being adopted by the government authorities in the Mainland, the Group will take various appropriate steps to proceed with development of those project sites that possess approved development plans in hand. Upon completion of the Office Tower II of the Grand Gateway project in Shanghai next year, total footage of the investment property portfolio of the Group will show a substantial increase. In the meantime, efforts are currently made by the Group to expedite construction work on the project situate at Fangcun Avenue in Guangzhou with the aim to complete this project by the end of 2006 and it is anticipated that this project will bring in substantial sales revenues to the Group.

Lee Ka Kit
Chairman

Hong Kong, 23rd September, 2004

BUSINESS RESULTS

The Group's consolidated net profit after taxation and minority interests for the financial year ended 30th June, 2004 amounted to approximately HK$16 million. This compares with the net loss figure restated as HK$399 million for the same period in the previous financial year after adoption of revised accounting standard. Turnover of the Group amounted to HK$93 million for the financial year under review as compared to a turnover of HK$188 million that was recorded in the previous financial year.

The audited consolidated results for the year ended 30th June, 2004 are as follows:

Consolidated Profit and Loss Account

		For the year ended 30th June	
		2004	2003 restated
	Notes	**HK$'000**	HK$'000
Turnover	2	**93,329**	188,330
Cost of sales / services		**(22,997)**	(69,968)
		70,332	118,362
Other revenue		**14,850**	7,207
Other net (loss) / income	3	**(1,644)**	18,885
Selling expenses		**(7,354)**	(15,431)
Administrative expenses		**(164,113)**	(96,555)
Other operating income / (expenses)	4	**129,511**	(322,469)
Profit / (loss) from operations	2	**41,582**	(290,001)
Finance costs	5(a)	**(19,017)**	(16,637)
		22,565	(306,638)
Share of losses less profits of associates		**(35,042)**	(60,662)
Loss from ordinary activities before taxation	5	**(12,477)**	(367,300)
Income tax	6	**(3,979)**	(38,468)
Loss from ordinary activities after taxation		**(16,456)**	(405,768)
Minority interests		**32,208**	7,018
Profit / (loss) attributable to shareholders		**15,752**	(398,750)
Dividends attributable to the year	8		
Interim dividend declared during the year		**14,933**	14,903
Final dividend proposed after the balance sheet date		**14,933**	14,903
		29,866	29,806
Earnings / (loss) per share	9	**HK$ 0.03**	HK$ (0.80)

1 CHANGE IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were 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. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1st July, 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) ("SSAP 12 (revised)") "Income Taxes" issued by the Hong Kong Institute of Certified Public Accountants, the Group adopted a new policy for deferred tax as set out below.

Under SSAP 12 (revised), deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

As a result of the adoption of this accounting policy, the Group's profit for the year has been increased by HK$10,085,000 (2003: an increased charge of HK$3,567,000) and the net assets as at the year end have been decreased by HK$34,300,000 (2003: HK$44,385,000).

The new accounting policy has been adopted retrospectively, with the opening balances of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods.

2 SEGMENTAL INFORMATION

(a) Segmental information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The Group comprises the following main 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 year ended 30th June, 2004

	Property development HK$'000	Property investment HK$'000	Finance HK$'000	Management and sales commissions HK$'000	Unallocated HK$'000	Consolidated HK$'000
Turnover	**28,532**	**43,796**	**6,406**	**14,595**	**—**	**93,329**
External revenue	**28,532**	**43,796**	**6,406**	**14,595**	**—**	**93,329**
Segment result	**228,959**	**(122,847)**	**6,258**	**7,032**	**(77,820)**	**41,582**
Profit from operations						**41,582**

For the year ended 30th June, 2003 (restated)

	Property development HK$'000	Property investment HK$'000	Finance HK$'000	Management and sales commissions HK$'000	Unallocated HK$'000	Consolidated HK$'000
Turnover	91,042	41,291	40,931	15,066	—	188,330
External revenue	91,042	41,291	40,931	15,066	—	188,330
Segment result	(191,934)	(124,317)	37,835	(3,462)	(8,123)	(290,001)
Loss from operations						(290,001)

(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 NET (LOSS) / INCOME

	For the year ended 30th June **2004** **HK$'000**	2003 HK$'000
Other net (loss) / income includes:		
(Loss) / gain on disposal of interest in subsidiaries	**(343)**	99,530
Loss on disposal of interest in associates	—	(78,294)

4 OTHER OPERATING INCOME / (EXPENSES)

	For the year ended 30th June **2004** **HK$'000**	2003 HK$'000
Write back / (provision) on property projects	**264,107**	(262,500)
Bad debts written off / provision	**(82,161)**	(44,566)
Others	**(52,435)**	(15,403)
	129,511	(322,469)

5 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

(a) Finance costs

	For the year ended 30th June **2004** **HK$'000**	2003 HK$'000
Bank interest	**36,796**	42,428
Interest on loans wholly repayable within five years	**3,800**	16,828
Other borrowing costs	**1,607**	1,111
Total borrowing costs	**42,203**	60,367
Less: amount capitalised *	**23,186**	43,730
	19,017	16,637

* Borrowing costs have been capitalised at a rate of 1.68% (2003: 2.50%) per annum.

(b) Items other than those separately disclosed in notes 3 to 5(a):

	For the year ended 30th June **2004** **HK$'000**	2003 HK$'000
Staff costs	**64,170**	62,502
Less: amount capitalised	**20,521**	18,981
	43,649	43,521
Depreciation	**4,957**	2,803
Less: amount capitalised	**443**	—
	4,514	2,803
Cost of completed properties for sale	**22,593**	68,083
Dividends from unlisted investment securities	**(13,691)**	(4,888)

6 INCOME TAX

Income tax in the consolidated profit and loss account represents:

	For the year ended 30th June 2004 HK$'000	2003 restated HK$'000
Company and subsidiaries		
Current tax - provision for Hong Kong Profits Tax		
Tax for the year	**880**	394
Under-provision in respect of prior years	**214**	6
	1,094	400
Current tax - outside Hong Kong		
Tax for the year	**5,684**	39,163
Over-provision in respect of prior years	**(59)**	(5,975)
Tax refund for taxation outside Hong Kong in respect of prior years	**—**	(102)
	5,625	33,086
Deferred tax		
Origination and reversal of temporary differences	**(6,685)**	6,942
	34	40,428
Associates		
Tax for the year	**3,967**	10,917
Tax refund for taxation outside Hong Kong in respect of prior years	**—**	(12,352)
	3,967	(1,435)
Tax indemnity (note 7)	**(22)**	(525)
	3,979	38,468

Provision for Hong Kong Profits Tax has been made at 17.5% (2003: 17.5%) 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 tax jurisdiction during the year.

7 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.

8 **DIVIDENDS**

	For the year ended 30th June	
	2004	2003
	HK$'000	HK$'000
Interim dividend declared and paid of HK$0.03 (2003: HK$0.03) per share	**14,933**	14,903
Final dividend proposed after balance sheet date of HK$0.03 (2003: HK$0.03) per share	**14,933**	14,903
	29,866	29,806

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

9 **EARNINGS / (LOSS) PER SHARE**

The calculation of earnings / (loss) per share is based on the profit attributable to shareholders of HK$15,752,000 (2003 (restated): loss of HK$398,750,000) and on the weighted average of 497,113,637 ordinary shares (2003: 496,776,205 ordinary shares) in issue during the year. There is no potential dilution of earnings per share during the year and no potential dilution of loss per share for 2003.

10 **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.

DIVIDENDS

Your Board recommends the payment of a final dividend of HK$0.03 per share to shareholders whose names appear on the Register of Members of the Company on 6th December, 2004. The total distribution per share of HK$0.06 for the full year, including the interim dividend of HK$0.03 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 8th December, 2004.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 1st December, 2004 to Monday, 6th December, 2004, 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, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 30th November, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Review of Results

During the financial year under review, turnover of the Group decreased to approximately HK$93 million (2003: HK$188 million). Profit attributable to shareholders amounted to approximately HK$16 million as compared to the restated loss attributable to shareholders of HK$399 million in the previous financial year. The Group recorded a profit in its operating results in the financial period under review mainly as a result of the writing back of provisions previously made on certain property projects of the Group.

Turnover from property sales for the financial year under review amounted to approximately HK$29 million (2003: HK$91 million) which was contributed mainly from sale of residential units from projects situate in Guangdong Province as well as the stock units of other completed projects that were earlier completed by the Group. The Group's property development segment generated a loss of HK$35 million before writing back of provisions on the property projects (2003 restated: Profit of HK$71 million before provision on the property projects). After accounting for the write back of provisions previously made by the Group on certain property projects which amounted to HK$264 million during the financial year under review, the final segmental result of the Group's property development business reported a profit of HK$229 million (2003 restated: Loss of HK$192 million).

On the Group's property investment front, gross rental income of the Group amounted to approximately HK$44 million (2003: HK$41 million) and a loss of approximately HK$123 million (2003: HK$124 million) was reported in the Group's property investment business during the financial year under review.

Profit from the finance services business 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$6 million (2003 restated: HK$38 million).

During the financial year under review, the increased income received from the project management and property management services provided by the Group gave rise to a profit of approximately HK$7 million (2003: Loss of HK$3 million) in the management and sales commission segment of the Group during the period.

Liquidity, Financial Resources and Capital Structure

As at 30th June, 2004, the outstanding bank borrowings amounted to approximately HK$1,590 million (2003: HK$1,753 million). As at the end of the financial year under review, the Group's total net bank borrowings after deducting cash holdings of approximately

HK$340 million amounted to approximately HK$1,250 million. All of the Group's borrowings were unsecured and were mainly obtained on a committed term basis. The maturity profile of the Group's bank loans and borrowings outstanding as at the end of the two prior financial years are presented respectively as follows:

	As at 30th June, 2004 HK$'000	As at 30th June, 2003 HK$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	**497,008**	332,201
After 1 year but within 2 years	**900,000**	1,350,075
After 2 years but within 5 years	**193,375**	71,000
Total Bank Loans and Borrowings	**1,590,383**	1,753,276
Less: Cash At Bank and In Hand	**(340,254)**	(760,751)
Total Net Bank Borrowings	**1,250,129**	992,525

As of 30th June, 2004, shareholders' funds of the Group amounted to approximately HK$6,985 million (2003 restated: HK$6,992 million). The Group possesses a large capital base and is in a strong financial position whereas net borrowing position remains low. With adequate cash on hand and committed banking facilities in place, the Group has sufficient financial resources to meet the funding requirements of its ongoing operations as well as future business development.

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 17.9% (2003 restated: 14.2%). Amounts due to fellow subsidiaries of the Group was approximately HK$891 million (2003: HK$1,128 million) as at 30th June, 2004. The Group's profit from operations of HK$42 million just exceeded the interest expense before capitalisation of HK$41 million recorded in the financial year under review. As for the finance costs which was arrived at after interest capitalisation, this amounted to approximately HK$19 million (2003: HK$17 million).

The Group's financing and treasury activities were managed centrally at the corporate level. Bank loans of the Group were obtained in Hong Kong Dollars as well as in Renminbi. As at 30th June, 2004, the majority of the Group's bank borrowings was denominated in Hong Kong Dollars with the remaining balance 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. 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. The use of financial derivative instruments is strictly controlled and is solely for management of the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings. In order to further contain its borrowing costs, the Group will consider making use of interest rate swap instruments when appropriate, to lock in short to medium term interest rate for a portion of the Group's floating rate borrowings. With an aim to fix a portion of the Group's Hong Kong Dollar loan rates at the current low level, the Group maintained a number of unexpired Hong Kong Dollars interest rate swap agreements in respect of a portion of such borrowings during the financial year under review.

As at the end of the financial year under review, the majority of the Group's borrowings was denominated in Hong Kong dollars with the remaining balance being denominated in Renminbi. As a whole, the core operations of the Group were not exposed to any significant foreign exchange risks and the Group did not enter into any currency hedging agreement in the financial year under review.

Assets of the Group had not been charged to any third parties in the financial year under review.

Future Plans of Material Investments or Capital Assets

As at 30th June, 2004, commitment of the Group amounted to HK$4,527 million (2003: HK$3,962 million). Out of these commitments, HK$1,750 million (2003: HK$2,313 million) were mainly related to contracted obligations of the Group for future development costs and expenditures to be incurred on several projects of the Group in the short to medium term with the remaining amount of HK$2,777 million (2003: HK$1,649 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 financial year under review.

Contingent Liabilities

In support of the banking facilities extended to the Group's treasury subsidiaries and project subsidiaries, the Company has given guarantees to commercial banks, and as at 30th June, 2004, the Company's contingent liabilities relating to the utilised amount of such banking facilities amounted to HK$1,290 million (2003: HK$1,031 million). The other contingent liabilities of the Group were mainly represented by guarantees given by the Group to banks in support of the mortgage financing provided by them to purchasers of properties developed by the Group and this amounted to HK$214 million (2003: HK$229 million) as at the end of the financial year under review. These guarantees are short term in nature and the Group's obligations will be gradually relinquished along with issuance of the property title documents in respect of the units sold.

EMPLOYEES

As at 30th June, 2004, 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 for the year ended 30th June, 2004 amounted to HK$64 million as compared to HK$63 million for the previous financial year.

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

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

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, 23rd September, 2004

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Kit (Chairman), Lee Shau Kee, Colin Lam Ko Yin, Lee King Yue, Leung Sing, Lee Ka Shing, Patrick Kwok Ping Ho, Ho Wing Fun and Cheung Fong Ming; (2) non-executive directors: Wong Ying Wai and Kan Fook Yee; and (3) independent non-executive directors: Philip Yuen Pak Yiu, Liang Shangli, Gordon Kwong Che Keung and Alex Wu Shu Chih.

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