



**恒基中國集團有限公司**  
**HENDERSON CHINA HOLDINGS LIMITED**

Incorporated in Bermuda with limited liability

(Stock Code: 0246)

INTERIM RESULTS **2004/2005**

**INTERIM RESULTS AND DIVIDEND**

The Board of Directors announces that for the six months ended 31st December, 2004, the unaudited consolidated net loss of the Group after taxation and minority interests amounted to HK\$12 million, as compared with the net loss of HK\$32 million recorded in the corresponding period of the previous financial year. Loss per share was HK\$0.02.

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 20th April, 2005.

**CLOSING OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 18th April, 2005 to Wednesday, 20th April, 2005, 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, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 15th April, 2005. Warrants for the interim dividend will be sent to shareholders on Thursday, 21st April, 2005.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT — UNAUDITED

	Note	For the six months ended 31st December	
		2004 HK\$'000	2003 HK\$'000
Turnover	3	34,667	52,320
Cost of sales / services		(5,490)	(17,650)
		29,177	34,670
Other revenue		6,746	13,986
Other net income		1,070	1,386
Selling expenses		(2,099)	(12,140)
Administrative and other operating expenses		(48,229)	(56,175)
Loss from operations	3	(13,335)	(18,273)
Finance costs	4(a)	(1,477)	(6,705)
		(14,812)	(24,978)
Share of profits less losses of associates		6,683	(6,932)
Loss from ordinary activities before taxation	4	(8,129)	(31,910)
Income tax	5	(10,985)	(6,599)
Loss from ordinary activities after taxation		(19,114)	(38,509)
Minority interests		7,027	6,785
Loss attributable to shareholders		(12,087)	(31,724)
Interim dividend declared after the interim period end	7(a)	14,933	14,903
Loss per share	8	HK\$0.02	HK\$0.06

## CONSOLIDATED BALANCE SHEET

	Note	At 31st December, 2004 unaudited HK\$'000	At 30th June, 2004 audited HK\$'000
Non-current assets			
Fixed assets			
— Investment properties		3,182,587	3,180,911
— Other fixed assets		17,453	19,274
		<b>3,200,040</b>	3,200,185
Interest in associates		404,620	425,680
Investments in securities		74,665	73,775
Properties held for development		3,834,546	3,804,700
Instalments receivable		23,687	30,160
Deferred tax assets		218,127	216,425
		<b>7,755,685</b>	7,750,925
Current assets			
Properties under development		1,318,300	1,223,785
Completed properties for sale		283,044	287,023
Deposits for acquisition of properties		1,177,406	1,177,406
Loans receivable		50,488	78,689
Debtors, prepayments and deposits	9	465,298	455,295
Instalments receivable		31,986	31,002
Cash and cash equivalents		211,152	340,254
		<b>3,537,674</b>	3,593,454
Current liabilities			
Bank loans and overdrafts — unsecured		622	497,008
Creditors and accrued expenses	10	542,710	541,367
Current taxation		214,176	213,681
		<b>757,508</b>	1,252,056
Net current assets		<b>2,780,166</b>	2,341,398
Total assets less current liabilities		<b>10,535,851</b>	10,092,323
Non-current liabilities			
Bank loans — unsecured		1,941,877	1,093,375
Amounts due to fellow subsidiaries		515,521	890,951
Deferred tax liabilities		474,890	465,500
		<b>2,932,288</b>	2,449,826
Minority interests		652,532	657,708
		<b>3,584,820</b>	3,107,534

	At 31st December, 2004 unaudited HK\$'000	At 30th June, 2004 audited HK\$'000
Note		
Net assets	<b>6,951,031</b>	<b>6,984,789</b>
Capital and reserves		
Share capital	497,776	497,776
Share premium	5,569,402	5,569,402
Capital reserves	82,796	81,716
Investment properties revaluation reserve	136,298	143,036
Retained profits	664,759	692,859
	<b>6,951,031</b>	<b>6,984,789</b>

## Notes to the Consolidated Profit and Loss Account and Consolidated Balance Sheet (unaudited)

### 1 BASIS OF PREPARATION

These condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) except that they have only reviewed the figures in respect of the six months ended 31st December, 2004, and did not review the comparatives for the six months ended 31st December, 2003. KPMG’s independent review report to the Board of Directors is included in interim report to be sent to the shareholders.

These condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKICPA and the disclosure requirements set out in Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are the same as those used in the Group’s audited accounts for the year ended 30th June, 2004.

### 2 RECENTLY ISSUED ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the condensed interim financial statements for the six months ended 31st December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### 3 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, 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	6,429	21,484	2,175	4,579	—	34,667
Other revenue	—	60	—	—	6,686	6,746
External revenue	<u>6,429</u>	<u>21,544</u>	<u>2,175</u>	<u>4,579</u>	<u>6,686</u>	<u>41,413</u>
Segment result	<u>(4,696)</u>	<u>(13,397)</u>	<u>2,166</u>	<u>272</u>	<u>2,320</u>	<u>(13,335)</u>
Loss from operations						(13,335)
Finance costs						(1,477)
						(14,812)
Share of profits less losses of associates	4,723	2,099	—	—	(139)	6,683
Loss from ordinary activities before taxation						(8,129)
Income tax						(10,985)
Loss from ordinary activities after taxation						(19,114)
Minority interests						7,027
Loss attributable to shareholders						<u>(12,087)</u>

**For the six months ended 31st December, 2003**

	Property development HK\$'000	Property investment HK\$'000	Finance HK\$'000	Management and sales commissions HK\$'000	Unallocated HK\$'000	Consolidated 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	<u>(26,769)</u>	<u>(11,463)</u>	<u>4,082</u>	<u>4,058</u>	<u>11,819</u>	<u>(18,273)</u>
Loss from operations						(18,273)
Finance costs						(6,705)
						(24,978)
Share of losses less profits of associates	(7,556)	629	—	—	(5)	(6,932)
Loss from ordinary activities before taxation						(31,910)
Income tax						(6,599)
Loss from ordinary activities after taxation						(38,509)
Minority interests						6,785
Loss attributable to shareholders						<u>(31,724)</u>

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

#### 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	
	2004 HK\$'000	2003 HK\$'000
Bank interest	13,197	13,470
Interest on loans wholly repayable within five years	1,246	3,331
Other borrowing costs	498	363
Total borrowing costs	<u>14,941</u>	<u>17,164</u>
Less: amount capitalised*	<u>(13,464)</u>	<u>(10,459)</u>
	<u>1,477</u>	<u>6,705</u>

\* Borrowing costs have been capitalised approximately at the rate of 1.28% (2003: 1.36%) per annum.

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

	For the six months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Staff costs	27,956	32,332
Less: amount capitalised	<u>(16,164)</u>	<u>(10,036)</u>
	<u>11,792</u>	<u>22,296</u>
Depreciation	2,350	1,826
Less: amount capitalised	<u>(13)</u>	<u>(12)</u>
	<u>2,337</u>	<u>1,814</u>
Cost of completed properties for sale	<u>5,162</u>	<u>14,873</u>
Gain on disposal of fixed assets	<u>(617)</u>	<u>(2,179)</u>
Dividends from unlisted investment securities	<u>(5,857)</u>	<u>(13,691)</u>

#### 5 INCOME TAX

Income tax in the consolidated profit and loss account represents:

	For the six months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Company and subsidiaries		
Current tax — provision for Hong Kong Profits Tax	(1)	(1)
Current tax — outside Hong Kong	(3,038)	(1,403)
Deferred tax	(7,688)	(1,300)
Associates	(262)	(3,895)
Tax indemnity (Note 6)	4	—
	<u>(10,985)</u>	<u>(6,599)</u>

Provision for Hong Kong Profits Tax has been made at 17.5% (2003: 17.5%) 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 tax jurisdictions 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

	<b>For the six months ended 31st December</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared after the interim period end at HK\$0.03 per share (2003: HK\$0.03 per share)	<b><u>14,933</u></b>	<b><u>14,903</u></b>

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

	<b>For the six months ended 31st December</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the interim period, at HK\$0.03 per share (2003: HK\$0.03 per share)	<b><u>14,933</u></b>	<b><u>14,903</u></b>



## 8 LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders of HK\$12,087,000 (2003: HK\$31,724,000) and on 497,776,205 ordinary shares (2003: 496,776,205 ordinary shares) in issue during the period. There was no potential dilution of loss per share for both periods.

## 9 DEBTORS, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leasing properties are payable in advance by tenants. Other trade debtors settle their accounts according to the payment terms as stated in the contracts. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The ageing analysis of trade debtors (net of provision for bad debts) is as follows:

	<u>At 31st December, 2004</u>	<u>At 30th June, 2004</u>
	HK\$'000	HK\$'000
Under 1 month overdue	30,134	28,260
More than 1 month overdue but less than 3 months overdue	837	1,611
More than 3 months overdue but less than 6 months overdue	3,292	3,930
More than 6 months overdue	<u>105,919</u>	<u>100,781</u>
	140,182	134,582
Prepayments, deposits and other receivables	<u>325,116</u>	<u>320,713</u>
	<u>465,298</u>	<u>455,295</u>

## 10 CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade creditors with the following ageing analysis:

	<u>At 31st December, 2004</u>	<u>At 30th June, 2004</u>
	HK\$'000	HK\$'000
Trade creditors:		
Due within 1 month and on demand	2,580	3,477
Due after 1 month but within 3 months	657	2,507
Due after 3 months but within 6 months	1,363	2,433
Due after 6 months	<u>129,841</u>	<u>129,676</u>
	134,441	138,093
Rental and other deposits	26,166	24,540
Other payables	<u>382,103</u>	<u>378,734</u>
	<u>542,710</u>	<u>541,367</u>

## **OTHER INFORMATION**

### ***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.

### ***Audit Committee***

The Audit Committee met in March 2005 and reviewed the systems of internal control and compliance and the interim report for the period ended 31st December, 2004.

### ***Corporate Governance***

None of the Directors is aware of information that would reasonably indicate that the Company was not at any time during the six months ended 31st December, 2004 in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") applicable for the period, except that Non-executive Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Bye-law 87 of the Company's Bye-laws. On 3rd January, 2005, the term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term until 31st December, 2007.

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Code.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the period under review, turnover of the Group amounted to HK\$35 million, showing a decrease of 34% when compared to the HK\$52 million figure which was recorded in the corresponding period of the previous financial year. Mainly as a result of the sale of a relatively small number of completed property units during this period, the Group incurred a loss of HK\$12 million.

### ***Property Market***

Continual growth in gross domestic product and increasing inflow of foreign capital were sustained in Mainland China. Household income of residents in the major cities have shown marked improvement in recent years. These have resulted in growth in spending power and stimulated strong urge for property ownership amongst the domestic citizens. The residential property segment showed significant improvement as property sales were kept active. In addition, as demand from foreign enterprises and certain domestic companies for quality office properties also showed a rising trend, property markets in major cities in Mainland China recorded satisfactory performance.

## ***Property Development***

During the period under review, the remaining units of the previously completed development projects of the Group were put up for sale and these mainly included the Heng Bao Garden in Guangzhou, the Everwin Garden in Shanghai as well as the Group's joint venture development project of 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 Phase IX of the Lexi New City project were sold during the period under review. The residential units in Phase VIII of this project and those of Heng Bao Garden were almost completely sold towards the end of the period under review.

During 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) to 100% and the Group will be in a position to capitalise on the maximum potential of this project. Located at the heart of the commercial district in Beijing city, this site is planned to be developed into a sizeable mixed-use property project that amounts to approximately 2.71 million sq. ft. in gross floor area.

Construction work being undertaken at the Group's wholly-owned Office Tower II of The Grand Gateway in Shanghai, which is 42 storeys in total height and amounts to approximately 720,000 sq.ft. in total gross floor area, had made satisfactory progress. This project is expected to be completed in mid-2005 as scheduled. Preparation in respect of leasing of this project is presently underway. Also, foundation work on the Group's project site located at 210 Fangcun Avenue, Fangcun District in Guangzhou (the old Guangzhou Preservation Fruit Factory site) is currently in progress. This site will be developed into a project of over 2.6 million sq.ft. in gross floor area. Being primarily residential in nature with ancillary retail shopping premises provided, this project will, upon completion, become a residential estate set in a pleasant surrounding.

## ***Property Rental***

During the period under review, the shopping arcade in the Henderson Centre in Beijing has been undergoing large-scale leasing activities upon completion of renovation. At the same time, leasing of the commercial podium of the Heng Bao Garden located right above Changshou Road Station of the Guangzhou Metro Line also continued. Further, rental of the shopping podium at the Skycity and the Everwin Garden in Shanghai remained stable and the rental performance of both projects continued to be satisfactory.

## **FINANCIAL REVIEW**

### ***Review of Results***

For the six-month period up to 31st December, 2004, turnover of the Group amounted to approximately HK\$35 million as compared to HK\$52 million recorded in the corresponding period of 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\$12 million over the period under review as compared to the loss attributable to shareholders of HK\$32 million registered in the corresponding period of the previous financial year.

Property sales from the stock of the Group amounted to approximately HK\$6.8 million in the period under review. For the property development segment a loss of approximately HK\$4.7 million was recorded after deducting selling and administrative expenses incurred by the Group.

Gross rental income of the Group was recorded at approximately HK\$21.5 million during the six-month period under review, being at approximately the same level as that registered in the corresponding period of the previous financial year. For the property investment segment, a loss of approximately HK\$13.4 million was recorded by the Group as compared with a loss of HK\$11.5 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, interest received on property mortgage loans from purchasers of the Group's property units and advances made to the Group's project companies amounted to approximately HK\$2.2 million in the interim period under review as compared to HK\$4.1 million that was recorded in the corresponding period of 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 segment 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\$0.3 million in the six-month period under review as compared to HK\$4.1 million that was recorded in the corresponding period of the previous financial year.

### ***Financial Resources and Liquidity***

As at 31st December, 2004, shareholders' funds of the Group amounted to approximately HK\$6,951 million as compared to HK\$6,985 million that was registered as at 30th June, 2004. The Group is in a strong financial position and possesses a large capital base whereas net debt position remains low. All of the Group's borrowings were unsecured and were mainly obtained on a committed term basis. With substantial capital funds and adequate committed banking facilities in place, the Group has sufficient financial resources 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, 2004 and 30th June, 2004 respectively are shown as follows:

	<b>As at 31st December, 2004 HK\$'000</b>	<b>As at 30th June, 2004 HK\$'000</b>
Bank Loans and Borrowings Repayable:		
Within 1 year	<b>622</b>	497,008
After 1 year but within 2 years	<b>1,733,172</b>	900,000
After 2 years but within 5 years	<b>208,705</b>	193,375
Total Bank Loans and Borrowings	<b>1,942,499</b>	1,590,383
Less: Cash at bank and in hand	<b>(211,152)</b>	(340,254)
Total Net Bank Borrowings	<b>1,731,347</b>	1,250,129

### ***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 24.9% and that recorded as at 30th June, 2004 was 17.9%. The Group's total net bank borrowings, after deducting cash holdings of approximately HK\$211 million, amounted to approximately HK\$1,731 million as at 31st December, 2004. This compares with the net bank borrowings figure recorded at HK\$1,250 million as at 30th June, 2004. This increase in net bank borrowing was however partly offset by a reduction in inter-company loans of a similar magnitude recorded at the end of the period under review. Interest expenses of the Group before interest capitalisation amounted to approximately HK\$14.4 million for the six months period under review as compared to approximately HK\$16.8 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, 2004, 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.

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, 2004, capital commitments of the Group amounted to HK\$4,216 million as compared with HK\$4,527 million which was recorded as at 30th June, 2004. Out of these commitments, HK\$1,769 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\$2,447 million being related to the Group's commitments in respect of future development costs and expenditures of the development projects of the Group which were 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, 2004 amounted to approximately HK\$187 million as compared with HK\$214 million recorded as at 30th June, 2004. 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, 2004, the number of employees of the Group was about 1,130, of which about 100 were employed in Hong Kong and the others were employed in Mainland China, as compared to about 1,000 employees as at 31st December, 2003. 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\$28 million for the six months period which ended on 31st December, 2004 and HK\$32 million for the corresponding period of last year.

### **PROSPECTS**

The economy of Mainland China has continued to show notable growth. Significant increase in inflow of foreign capital and the growth in domestic household income compounded to contribute positively to the overall performance of the domestic property market. The Group holds plentiful development land bank in major cities in Mainland China and satisfactory progress has been made in respect of those property sites that have been planned for development.

In respect of property leasing, strong demand for Grade A office building space in Shanghai will be beneficial to leasing of Office Tower II of The Grand Gateway which is located right above the Shanghai Metro Line station right at the centre of a busy commercial district in Shanghai where the density of population is traditionally high. It is anticipated that this office property will be much sought after by potential tenants and it will, upon completion, contribute significant recurrent rental income to the Group. Further, the Group entered into a cooperative agreement with HOBA Home Furnishings Chains Enterprise Co. Ltd. whereby the “Meter” household brand could be leveraged to attract leasing tenants and this new cooperative partner will also manage the basement portion of the retail shopping arcade at the Henderson Centre in Beijing. It is envisaged that upon its re-opening, this will project a fresh image for the shopping arcade of the Henderson Centre.

The Group will review its land bank from time to time and will, as suitable opportunities arise, adjust the portfolio mix of its land holdings. Apart from taking active steps on the development front, efforts will also be made to expand the source of recurrent rental income for the Group as well as to seek for investment opportunities with good return in order to enhance the overall income of the Group and pave the way for future development in the long term interest of the Group.

By Order of the Board  
**John YIP Ying Chee**  
Secretary

Hong Kong, 17th March, 2005

*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, Kan Fook Yee and Philip Yuen Pak Yiu; and (3) independent non-executive directors: Liang Shangli, Gordon Kwong Che Keung and Leung Yuk Kwong.*

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