

Chairman's Statement



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

Profit & Turnover

The Group's consolidated net profit including exceptional items and after taxation and minority interests for the year ended 30th June, 1999 amounted to HK\$5,423 million, representing an increase of 10% over that reported in the previous financial year. Exceptional items amounting to HK\$1,381 million represent mainly the writing back of provision for diminution in value of properties. The turnover of your Group exceeded that of the previous financial year by 37% and amounted to HK\$14,597 million.

Dividends

Your Board recommends the payment of a final dividend of HK\$0.80 per share to shareholders whose names appear on the Register of Members of the Company on 1st December, 1999. The total distribution per share of HK\$1.50 for the full year, including the interim dividend of HK\$0.70 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 or before 3rd December, 1999.

Chairman's Statement (cont'd)

Business Review

Following a period of drastic market fluctuations in Asia during the summer months of the previous year, economies in the region gradually improved and stabilised during the financial year under review. Also, gradual improvement has also been observed in the Hong Kong economy.

PROPERTY MARKET

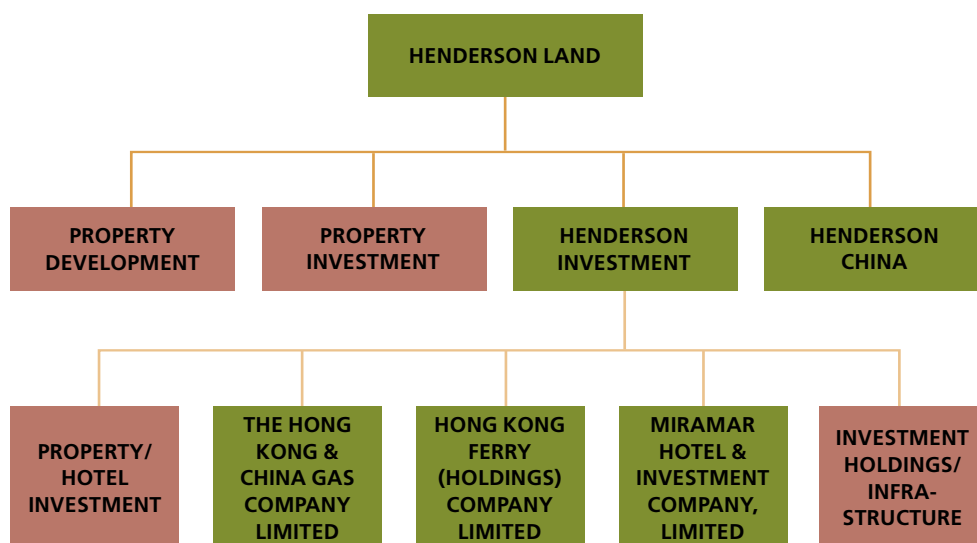
During the period under review, market conditions in the local property sector showed gradual improvement as end-user buyers re-emerged in the market at a time when local

commercial banks were keen to offer preferential terms for home mortgage loan business. These developments resulted in increased property sale activities in the local residential market and residential property prices also recovered by some 15% as compared with their trough levels registered in the third quarter of last year. The Group was able to record satisfactory results for property sales in the financial year under review. By June this year, the Group had sold approximately 9,500 residential units totalling around HK\$21 billion in aggregate value.

HENDERSON LAND GROUP STRUCTURE

Market Capitalisation as at 30th June, 1999

Henderson Land	: HK\$77Bn.
Six Listed Companies of Group	: HK\$156Bn.



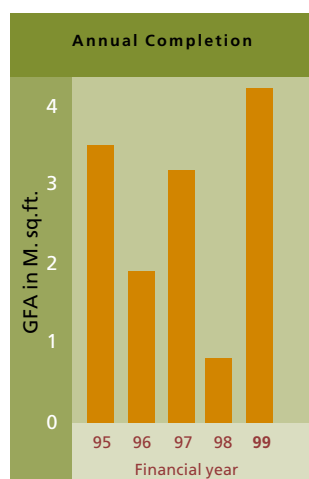
■ Listed companies

Chairman's Statement (cont'd)

LOCAL PROPERTY DEVELOPMENT & LAND BANK

During the financial year under review, the Group completed 14 developments as listed below which in aggregate amounted to 4.19 million sq. ft. in attributable gross floor area:-

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Gross Floor Area (sq.ft.)
HONG KONG					
1 248 Queen's Road East (CEF Life Tower)	17,582	334,899	Commercial	17.13	57,368
2 1 Harbour View Street (One International Finance Centre)	614,700	784,480 (Office Tower)	Commercial	35.69	279,981
		131,138 (Shopping Arcade)	Commercial	35.69	46,803
3 356 Queen's Road West (Imperial Terrace)	4,578	43,457	Commercial/Residential	100.00	43,457
4 23 Yuk Sau Street (The Gracedale)	3,316	26,528	Residential	100.00	26,528
5 88 Chun Yeung Street (Newton Inn)	9,556	143,342	Hotel/Serviced Apartment	100.00	143,342
KOWLOON					
6 79 Wing Hong Street (Dragon Centre)	14,343	172,117	Office/Industrial	50.00	86,059
7 38A Ko Shan Road (The City Culture)	1,800	14,099	Commercial/Residential	100.00	14,099
8 1B Kimberley Street (Everglory Centre)	2,419	28,559	Commercial	100.00	28,559
NEW TERRITORIES					
9 Fanling Sheung Shui Town Lot No. 126 (Belair Monte)	223,674	1,150,141	Commercial/Residential	13.00	149,518
10 Yuen Long Town Lot No. 463 (Greenfields)	63,389	316,937	Residential	7.00	22,186
11 Tung Chung Town Lot No. 1 (Tung Chung Crescent -Blocks 1, 2, 3, 5, 6)	331,537	964,753	Residential	20.00	192,951
12 Tai Po Town Lot No. 117 (Casa Marina)	283,200	226,561	Residential	100.00	226,561
13 Tseung Kwan O Town Lot No. 40 (La Cité Noble)	157,154	1,262,789	Commercial/Residential	100.00	1,262,789
14 Fanling Sheung Shui Town Lot No. 193 (Dawning Views)	313,876	1,610,964	Commercial/Residential	100.00	1,610,964
					4,191,165



Chairman's Statement (cont'd)

Additions made to the development land bank totally amounted to approximately 2.67 million sq.ft. in attributable gross floor area during the period under review, which included the following sites:-

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Gross Floor Area (sq.ft.)
KOWLOON					
1 1-11 & 2-4 Kwong Yung Street/22-30 Yin Chong Street and 1C-1F Kwong Wa Street	17,093	157,541	Commercial/ Residential	100.00	157,541
2 Yau Tong Bay Marine Lots and Associated Areas *	2,357,986	11,062,375	Commercial/ Residential	19.013	2,103,289
NEW TERRITORIES					
3 Fanling Sheung Shui Town Lot No. 189	97,133	320,262	Residential	45.00	144,118
4 Fanling Sheung Shui Town Lot No. 126 (Belair Monte)	223,674	1,150,140	Residential	5.00	57,507
5 Tuen Mun Town Lot No. 377 R.P. (Parkland Villas – Phase II)	228,197	276,127	Residential	75.01	207,123
					<u>2,669,578</u>

* subject to land use conversion and payment of land premium

As at the end of the financial year under review, the total development land bank of your Group in Hong Kong amounted to approximately 24.5 million sq.ft. in total attributable development floor area, which includes the Group's interests in development sites, investment properties, hotel properties as well as the property interests in the three listed associates of the Group. Amongst the development sites in the Group's land bank, negotiations will be held for fixing the government land premiums for the remaining land lots totalling 1.27 million sq.ft. in attributable gross floor area in respect of the Airport Railway Hong Kong Station development project.

Also, your Group held approximately 24 million sq.ft. of agricultural land in the New Territories as at the end of the period under review and

applications for conversion of these land lots into development sites will continue to be made in stages. Amongst these, the Group made satisfactory progress on negotiations in respect of certain project sites which amongst others, include : - (i) Lam Tei site in Tuen Mun District : This is a site of agricultural land for which the Town Planning Board of the Government had earlier already given approval for conversion of part of this site into a residential development site which will carry a maximum plot ratio of 2.1. Due to subsequent changes in government policies as well as subsequent changes in market conditions, the Group is at present making every effort to propose to increase the plot ratio of the site to 3. Subject to approval of such a proposal from the Town Planning Board, this project site will be built into a residential development of approximately 1.75 million sq.ft. in

Chairman's Statement (cont'd)

attributable development floor area; (ii) Wu Kai Sha site in Shatin: This farmland site, which is situated right opposite the Lee On Terminal of the to-be-built Ma On Shan Line of Kowloon-Canton Railway Corporation, was approved by the Town Planning Board for conversion into a residential development with 1.5 maximum plot ratio. Due to subsequent decisions by the Government to implement the Ma On Shan Line, the Group has already submitted proposals to increase the plot ratio of this site to 3.5, representing development gross floor area of approximately 1.89 million sq.ft. attributable to the Group subject to approval from the Town Planning Board.

PROPERTY RENTAL

During the period under review, the local property leasing market generally experienced a slowdown and rental was subject to downward pressure. However, the investment properties of the Group are represented mainly by shopping podiums located in the new towns and these properties were less affected as compared with the retail shopping premises located in the urban areas.

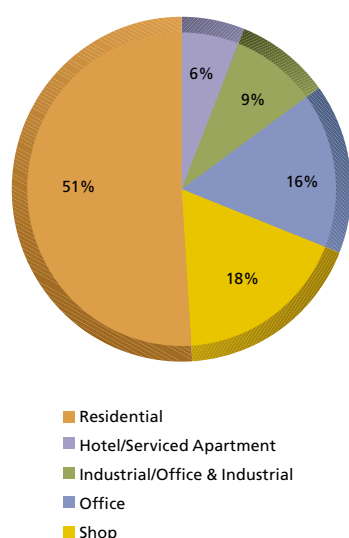
For the new investment properties totalling 760,000 sq.ft. in gross floor area which were added to the Group's investment property portfolio during the period under review, the majority of these properties only started to generate rental income as from the second half of the financial year and total gross rental income recorded by the Group during the financial year under review amounted to approximately HK\$1,355 million. With the exclusion of the rental income of the Group from the two shopping podium investment properties for which the Group's interests were reduced during the previous financial year, the total gross rental income of the Group for the financial year under review was approximately 5% less than that recorded for the Group's

comparable portfolio in the previous financial year. As at the end of the financial year under review, the investment property portfolio of your Group amounted to approximately 4.9 million sq.ft. in attributable gross floor area. New investment properties which will be completed in the next financial year mainly include the retail shopping podiums of the Metro City-Phase II & Phase III totalling approximately 1.2 million sq.ft. in attributable gross floor area and a large part of these retail shopping properties has been pre-let to date. As a result of the addition of these properties, the investment property portfolio of the Group will be increased to approximately 6.1 million sq.ft. in attributable gross floor area and these properties will contribute significantly to the long term growth of the rental income stream of your Group.

HENDERSON INVESTMENT LIMITED ("HENDERSON INVESTMENT") –

This 64.28%-owned listed subsidiary of the Group reported a profit of approximately HK\$1,107 million for the financial year ended 30th June, 1999, showing an increase of 8% over the profit recorded in the previous financial year. Rental income of this group showed a slight decrease of 3% as compared to that recorded in the previous financial year. Both the Newton Hotel Hong Kong and Newton Hotel Kowloon of this group recorded significant improvements in room occupancy rates as compared with those recorded in the previous financial year, showing an overall average of 84% during the period under review. The retailing business of this group, operating under its five Citistores, also showed satisfactory performance during the financial year under review. Strategic securities investments of this group brought about a profit of HK\$173 million during the financial year under review.

USES OF LAND BANK & INVESTMENT PROPERTIES



Chairman's Statement (cont'd)

THE HONG KONG AND CHINA GAS COMPANY LIMITED ("HONG KONG AND CHINA GAS") –

33.06% owned by Henderson Investment : Hong Kong and China Gas reported a 10% increase in profit for the six months ended 30th June, 1999 as compared to the profit of the corresponding period in the previous financial year. The number of gas meters installed in Hong Kong as at 30th June, 1999, increased to 1.35 million. Occupancy rate of Phase One of the Airport Railway Hong Kong Station project, One International Finance Centre comprising 130,000 sq.ft. of shopping premises and 780,000 sq.ft. of office space in which this group has 15% interest, showed a continuous increase. The King's Park Rise development, in which this group has a 45% equity interest, will be completed before the end of 1999. The Ma Tau Kok (South) Gas Plant site with a site area of 130,000 sq.ft. and Ma Tau Kok (North) Gas Plant site with a site area of 135,000 sq.ft. are covered by the new statutory zoning plans of the South East Kowloon Development proposal announced by the Government on 3rd September, 1998. Application will be made to the Town Planning Board for conversion of land usage of the South Plant site for residential development purpose.

HONG KONG FERRY (HOLDINGS) COMPANY LIMITED ("HONG KONG FERRY") –

30.48% owned by Henderson Investment : The interim results of Hong Kong Ferry for the six months ended 30th June, 1999 showed a decrease in profit of 33.4% when compared to the profit recorded in the corresponding period last year. The ferry franchise of this group expired on 31st March, 1999 and new licences were obtained by this group to operate six outlying islands and two inner harbour ferry routes. In respect of the redevelopment of 201 Tai Kok Tsui Road, payments for the land premium of HK\$2.038

billion to the Government have been made. The redevelopment of this project with a gross floor area of approximately 1.95 million sq.ft. will be undertaken in two phases. The first phase with a total floor area of approximately 880,000 sq.ft. is scheduled for completion by the end of 2002.

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED ("MIRAMAR") –

34.78% owned by Henderson Investment : For the financial year ended 31st March, 1999, Miramar reported an increase of 30% in operating profit as compared to the previous financial year. The profit attributable to shareholders, after exceptional items, losses of associated companies and minority interests, showed a decrease of 24% when compared to that of the previous financial year. The opening of the new wing of the Miramar Shopping Centre in Tsimshatsui in early 1998 resulted in a substantial growth in occupancy for the Miramar shopping and office complex. As at 31st March, 1999, occupancy rates of the Miramar Shopping Centre and the Miramar Tower were 97% and 93% respectively. The hotel business operation also recorded satisfactory growth in occupancy, being assisted by an expanding marketing network. Notwithstanding that the room tariffs of hotels in Hong Kong generally witnessed a substantial reduction, the operating profit of Hotel Miramar for the year only showed a moderate decrease.

HENDERSON CHINA HOLDINGS LIMITED ("HENDERSON CHINA") –

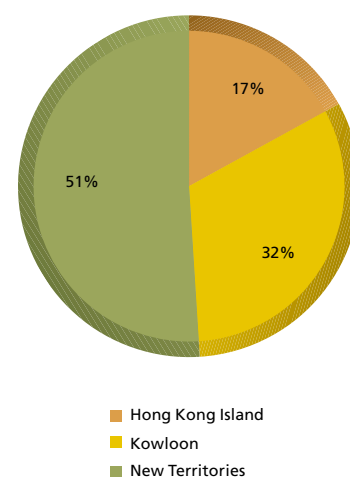
Henderson China, being 56.84% owned by the Group, recorded a profit of approximately HK\$141 million for the financial year ended 30th June, 1999, showing an increase of 18% over the profit recorded in the previous financial year. Two joint venture development projects of this group were completed during



Honor Villa

Located at Caine Road, Hong Kong, this 37.54%-owned project consisting of a 26-storey residential building of approx. 64,000 sq. ft. in total G.F.A. is currently under pre-sale.

DISTRIBUTION OF LAND BANK & INVESTMENT PROPERTIES



Chairman's Statement (cont'd)

the period under review which in total amounted to 729,000 sq.ft. approximately in attributable gross floor area. The retail shopping podium of 660,000 sq.ft. at the Beijing Henderson Centre represents the largest component of this group's investment property portfolio.

Prospects

Countries in Asia have already witnessed improvements in their economies. These also include Japan whose economy has already embarked on a recovery path. Further, it is anticipated that the People's Republic of China will also be able to meet its economic growth targets. As for Hong Kong, the local economy recorded slight positive growth in the previous quarter. In addition, recent developments such as increase in registered tourist arrivals and the gradual return of consumer confidence are also positive indicators evidencing the gradual economic recovery which is currently taking place in Hong Kong.

Your Group believes that the recovering economic environment will lead to an increase in local demand for home purchases and the purchasing power which has accumulated in the past two years due to uncertainty surrounding the local economy will result in increased demand for residential properties, particularly for residential units of small to medium size which match well with your Group's property development focus. The Group owns a massive agricultural land bank. Portions of these are situated in areas currently being planned for future development by the Government where transportation facilities and infrastructures will gradually be put in place leading to easy access to these sites. The Group will endeavour to speed up the necessary applications for converting these land lots into development sites. Further, it is

anticipated that the maximum plot ratio for such sites may also increase with future town planning developments in the vicinity areas. As a result, the Group will not need to resort to hastily replenish its development land bank at comparatively high price from the market.

Amongst approximately 7,000 residential units which are due to be completed in the next financial year, over 4,000 residential units have already been sold to date with sales proceeds of such units exceeding HK\$10 billion in aggregate. The Group has been positioned for a good start in the 21st Century. Further, the recurrent income base of the Group can be expected to further increase due to the forthcoming completion of investment properties of your Group. In the next financial year, the investment property portfolio of your Group will amount to approximately 6.1 million sq.ft. in total attributable gross floor area. On the assumption that all of these investment properties will be fully let, the total gross rental income of the Group calculated on a full-year basis will exceed HK\$2 billion. The massive inflow of funds from property sales proceeds will be utilised well by your Group. Whilst your Group will continue to concentrate on its property development business, efforts will also be made to identify suitable investment opportunities in new business areas. In the absence of unforeseen circumstances, the Group is anticipated to show steady growth in the current financial year.

Finally, on behalf of the Board of Directors, I would like to express my sincere appreciation to all management executives and staff for their contributions and good work performed in the past financial year.

Lee Shau Kee

Chairman

Hong Kong, 23rd September, 1999

Development Projects Completed



The City Culture

Located in Hunghom, Kowloon, this project consists of a 20-storey residential block measuring approx. 14,000 sq.ft. in total G.F.A. and was completed in June 1999.

The following development projects were completed during the financial year:-

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Gross Floor Area (sq.ft.)
HONG KONG					
1 248 Queen's Road East (CEF Life Tower)	17,582	334,899	Commercial	17.13	57,368
2 1 Harbour View Street (One International Finance Centre)	614,700	784,480 (Office Tower)	Commercial	35.69	279,981
		131,138 (Shopping Arcade)	Commercial	35.69	46,803
3 356 Queen's Road West (Imperial Terrace)	4,578	43,457	Commercial/Residential	100.00	43,457
4 23 Yuk Sau Street (The Gracedale)	3,316	26,528	Residential	100.00	26,528
5 88 Chun Yeung Street (Newton Inn)	9,556	143,342	Hotel/Serviced Apartment	100.00	143,342
KOWLOON					
6 79 Wing Hong Street (Dragon Centre)	14,343	172,117	Office/Industrial	50.00	86,059
7 38A Ko Shan Road (The City Culture)	1,800	14,099	Commercial/Residential	100.00	14,099
8 1B Kimberley Street (Everglory Centre)	2,419	28,559	Commercial	100.00	28,559
NEW TERRITORIES					
9 Fanling Sheung Shui Town Lot No. 126 (Belair Monte)	223,674	1,150,141	Commercial/Residential	13.00	149,518
10 Yuen Long Town Lot No. 463 (Greenfields)	63,389	316,937	Residential	7.00	22,186
11 Tung Chung Town Lot No. 1 (Tung Chung Crescent -Blocks 1, 2, 3, 5, 6)	331,537	964,753	Residential	20.00	192,951
12 Tai Po Town Lot No. 117 (Casa Marina)	283,200	226,561	Residential	100.00	226,561
13 Tseung Kwan O Town Lot No. 40 (La Cité Noble)	157,154	1,262,789	Commercial/Residential	100.00	1,262,789
14 Fanling Sheung Shui Town Lot No. 193 (Dawning Views)	313,876	1,610,964	Commercial/Residential	100.00	1,610,964
					<u>4,191,165</u>

Development Projects Completed (cont'd)

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Gross Floor Area (sq.ft.)
THE PEOPLE'S REPUBLIC OF CHINA					
1 Lot E, Huashan Road, Xuhui District, Shanghai (The Grand Gateway – Ganghui Huayuan and shopping arcade)	546,682	1,204,782	Retail/ Residential/ Serviced Apartment/ Carparks	14.71	177,223
2 Phase VI of Lexi New City, Shajiao Island, Panyu, Guangdong (Fanghua Garden – Luo Hu Villa)	917,455	1,671,014	Retail/ Residential/ Carparks	14.21	237,451
					<u>414,674</u>



The Grand Gateway, Xuhui District, Shanghai

Total G.F.A.: 4,628,860 sq.ft.; 14.71% owned by Group. This is a commercial and residential complex project located in one of the prime residential areas of Shanghai. The first phase of development of the residential portion was completed in 1998 and construction work of the shopping arcade is expected to be completed in late 1999.

Projects under Pre-sale



Dragon Centre

This 50%-owned 30-storey industrial / office building of approx. 172,000 sq.ft. in G.F.A. is located in Cheung Sha Wan, Kowloon and was completed in late 1998.

The Group has commenced pre-sale or sale of the following development projects under construction or recently completed:–

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Development Progress	Completion Date or Expected Completion Date
HONG KONG						
1 2 Shau Kei Wan Main Street East (Shau Kei Wan Inland Lot No. 825 R.P.) (Newton Harbour View – Tower II)	13,953	139,220	Commercial/ Residential	100.00	Interior furnishing	November 1999
2 3 Seymour Road (Palatial Crest)	17,636	185,295	Commercial/ Residential	63.31	Constructed up to 14th floor	August 2000
3 75 Caine Road (Honor Villa)	6,887	64,047	Residential	37.54	Interior furnishing	November 1999
KOWLOON						
4 79 Wing Hong Street (Dragon Centre)	14,343	172,117	Office/ Industrial	50.00	Completed	October 1998
NEW TERRITORIES						
5 Tseung Kwan O Town Lot No. 27 (Metro City – Phase II)	339,712	2,814,283	Commercial/ Residential	100.00	Interior furnishing	November 1999
6 Tseung Kwan O Town Lot No. 34 (The Metropolis) (Metro City – Phase III)	135,840	1,145,281	Commercial/ Residential	100.00	Interior furnishing	November 1999
7 Tuen Mun Town Lot No. 377 R.P (Parkland Villas – Blocks 1 to 6)	228,197	636,643	Residential	75.01	Interior furnishing	November 1999
8 Tung Chung Town Lot No. 1 (Tung Chung Crescent – Blocks 7 to 9)	331,537	863,156	Commercial/ Residential	20.00	Completed	August 1999
9 18 Ma Fung Ling Road, Tong Yan San Tsuen, Yuen Long (Evergreen Place)	72,948	72,948	Residential	60.00	Completed	March 1998

Additions to Land Bank

During the financial year, the Group replenished its land bank in Hong Kong with total attributable floor area of approximately 2.67 million sq.ft., including the following development sites:–

Location	Site Area (sq.ft.)	Gross Floor Area (sq.ft.)	Purpose	Group's Interest (%)	Gross Floor Area (sq.ft.)
KOWLOON					
1 1-11 & 2-4 Kwong Yung Street/ 22-30 Yin Chong Street and 1C-1F Kwong Wa Street	17,093	157,541	Commercial/ Residential	100.00	157,541
2 Yau Tong Bay Marine Lots and Associated Areas	2,357,986	11,062,375	Commercial/ Residential	19.013	2,103,289
NEW TERRITORIES					
3 Fanling Sheung Shui Town Lot No. 189	97,133	320,262	Residential	45.00	144,118
4 Fanling Sheung Shui Town Lot No. 126 (Belair Monte)	223,674	1,150,140	Residential	5.00 *	57,507
5 Tuen Mun Town Lot No. 377 R.P. (Parkland Villas – Phase II)	228,197	276,127	Residential	75.01	207,123 **

* additional interest acquired during the financial year under review

** additional gross floor area on payment of land premium



Site at Yau Tong Bay Comprehensive Development Area

– A major residential-cum-commercial joint venture development of the Group in the future.

Progress of Major Development Projects

Hong Kong

- 1 96-104A Hollywood Road/1-27 Bridges Street/15 Shing Wong Street
(Group's interest – 100.00%)
The site is planned to be developed into a residential tower with a total gross floor area of approximately 164,000 sq.ft. Foundation work is in progress and the development is expected to be completed in late 2000.
- 2 Shau Kei Wan Main Street East – Shau Kei Wan Inland Lot Nos. 825 & 835
(Group's interest – 100.00%)
The development consists of two phases. Phase I comprises a 26-storey residential tower over a level of ground floor shops and 23 carparking spaces, with a total gross floor area of approximately 78,000 sq.ft.. Phase I was completed in September 1997. Phase II comprises a 29-storey residential tower over a level of ground floor shops and two levels of basement car parks, with a total gross floor area of approximately 139,000 sq.ft. and 56 carparking spaces. Superstructure construction work is in progress and the whole development is expected to be completed in late 1999.
- 3 913-919 & 929-935 King's Road
(Group's interest – 100.00%)
The site is planned to be developed into a 31-storey residential tower over a level of shops and a 3-storey carpark, with a total gross floor area of approximately 138,000 sq.ft. and 70 carparking spaces.
- 4 14-16 Shipyard Lane
(Group's interest – 75.00%)
The site is planned for a serviced apartment development with a total gross floor area of approximately 85,000 sq.ft.. Foundation work has been completed.
- 5 19-21 Wong Chuk Hang Road
(Group's interest – 50.00%)
An application for rezoning of the site into residential usage is in the process of being submitted.
- 6 Airport Railway Hong Kong Station Development (Group's interest – 35.69%)
This is a major commercial development of approximately 4,477,000 sq.ft. and is located above the Airport Railway Hong Kong Station. The development consists of two office towers, a 3-storey retail complex, a hotel and a serviced apartment tower. The 38-storey One International Finance Centre office tower provides approximately 780,000 sq.ft. of Grade A office space. The 88-storey Two International Finance Centre office tower will accommodate approximately 2,000,000 sq.ft. and will become a major landmark building on the new Central waterfront. Phase I of the retail complex provides a gross floor area of approximately 130,000 sq.ft.. The retail complex will eventually have a total gross floor area of approximately 640,000 sq.ft.. The hotel and serviced apartment towers will accommodate a gross floor area of approximately 1,100,000 sq.ft.. The development will also provide 1,340 carparking spaces. One International Finance Centre and Phase I of the retail complex were completed in late 1998, while the whole development is scheduled for completion in 2005.
- 7 3 Seymour Road
(Group's interest – 63.31%)
A 33-storey residential tower over a level of ground floor shops and 5 carparking levels, with a total gross floor area of approximately 185,000 sq.ft. and 102

Palatial Crest

63.31% owned by the Group and located at Seymour Road, Mid-Levels, Hong Kong, this development of approx. 185,000 sq.ft. in total G.F.A. consists of a 33-storey residential block built above a 1-storey shop podium and is scheduled for completion in 2000.



Progress of Major Development Projects (cont'd)



Everglory Centre

This commercial project is located in Tsim Sha Tsui, Kowloon and consists of an 18-storey office block built above a 2-storey shop podium. Completed in June, 1999, this project amounted to 28,500 sq.ft. in G.F.A.

carparking spaces, will be built. Superstructure construction work is in progress and the development is expected to be completed in late 2000.

8 75 Caine Road

(Group's interest – 37.54%)

A 26-storey residential tower with a total gross floor area of approximately 64,000 sq.ft. will be built. Superstructure construction work is in progress and the development is expected to be completed in late 1999.

Kowloon

9 1 Tai Yau Street

(Group's interest – 70.00%)

The site is planned to be developed into an 18-storey commercial building over a 4-level podium which consists of one level of ground floor shops and 4 carparking levels. The development will have a total gross floor area of approximately 189,000 sq.ft. and 80 carparking spaces.

10 223 Wai Yip Street

(Group's interest – 100.00%)

231 Wai Yip Street

(Group's interest – 100.00%)

39 King Yip Street

(Group's interest – 100.00%)

The site is planned to be developed together with 227 and 229 Wai Yip Street into two 19-storey and one 18-storey office towers, to be built over a 2-level podium comprising commercial and office space and 2 basement carparking levels. The whole development will provide a total gross floor area of approximately 1,091,000 sq.ft. and 445 carparking spaces and the Group's attributable gross floor area is approximately 966,000 sq.ft..

11 88 & 92 King Lam Street/59 & 61 Wing

Hong Street (Group's interest – 100.00%)

The site is planned to be developed into a 25-storey industrial/office building over a 4-level podium which consists of one level of ground floor shops and 3 carparking levels, and a level of basement shops. The development will have a total gross floor area of approximately 298,000 sq.ft. and 121 carparking spaces.

12 165-167 Wai Yip Street/66 How Ming Street

(Group's interest – 100.00%)

A 20-storey industrial/office building over a 4-level podium which includes one level of workshops and 3 carparking levels will be built. The development will have a total gross floor area of approximately 229,000 sq.ft. and 101 carparking spaces.

13 King's Park Rise, Kowloon Inland Lot No.

11063 (Group's interest – 59.56%)

42 luxury detached/semi-detached houses, four 7-storey and three 6-storey luxury apartments with a total gross floor area of approximately 241,000 sq.ft. and 140 carparking spaces will be built. Superstructure construction work is in progress and the whole development is expected to be completed in late 1999.

14 Hunghom Bay Reclamation Area,

Kowloon Inland Lot No. 11084

(Group's interest – 50.00%)

Two 39-storey residential towers, two 42-storey serviced apartment towers and a 35-storey serviced apartment tower, above two levels of basement carparks will be built. The development will have a total gross floor area of approximately 1,478,000 sq.ft. and 283 carparking spaces. Superstructure construction work is in progress and the whole development is expected to be completed in early 2001.

Progress of Major Development Projects (cont'd)

- 15** 1-11 & 2-4 Kwong Yung Street/22-30 Yin Chong Street and 1C-1F Kwong Wa Street (Group's interest – 100.00%)
The site is planned to be developed into a 34-storey residential tower over a podium consisting of 3 levels of shops and 4 carparking levels. The development will have a total gross floor area of approximately 158,000 sq.ft. and 68 carparking spaces.

New Territories

- 16** Tseung Kwan O Town Lot No. 27 (Group's interest – 100.00%)
Eleven residential towers of 38 storeys on a podium consisting of four levels of shops and two carparking levels with a total gross floor area of approximately 2,814,000 sq.ft. and 1,269 carparking spaces will be built. Superstructure construction work is in progress and the development is expected to be completed in late 1999.
- 17** Tseung Kwan O Town Lot No. 34 (Group's interest – 100.00%)
Four residential towers of 43 storeys on a podium consisting of three levels of shops and two carparking levels with a total gross floor area of approximately 1,145,000 sq.ft. and 509 carparking spaces will be built. Superstructure construction work is in progress and the development is expected to be completed in late 1999.
- 18** Tseung Kwan O Town Lot No. 57 (Group's interest – 24.59%)
The site is planned to be developed into ten high-rise residential towers over a 4-storey commercial podium and carparking basement, with a total gross floor area of 2,642,000 sq.ft.. Foundation work is in progress and the development is expected to be completed before 2004.
- 19** Tseung Kwan O Town Lot No. 66 (Group's interest – 25.00%)
The site is planned to be developed into a high-rise residential tower over a 4-storey commercial podium, with a total gross floor area of 288,000 sq.ft.. Foundation work is in progress and the development is expected to be completed before 2004.
- 20** Tuen Mun Town Lot No. 377 (Group's interest – 75.01%)
The development consists of two phases. Phase I comprises six 24-storey residential towers over a 3-storey carpark podium, with a total gross floor area of approximately 637,000 sq.ft. and 303 carparking spaces. Phase II comprises three 24-storey residential towers over a 3-storey carpark podium, with a total gross floor area of approximately 276,000 sq.ft. and 186 carparking spaces. Superstructure construction work is in progress. Phase I is expected to be completed in late 1999 and Phase II is expected to be completed in late 2000.
- 21** Tuen Mun Town Lot No. 374 (Group's interest – 25.00%)
Seven high rise residential towers over a 3-storey commercial podium consisting of shops and carparking spaces, with a total gross floor area of approximately 1,250,000 sq.ft. and 1,290 carparking spaces, will be built. Foundation work is in progress and the development is expected to be completed in late 2001.
- 22** Tai Po Town Lot No. 118 (Group's interest – 100.00%)
106 luxurious 3-storey houses with a total gross floor area of 183,000 sq.ft. and 212 carparking spaces will be built. Superstructure construction work is in progress and the development is expected to be completed in early 2000.

Attendance at the MTR Tseung Kwan O Fun Day at the MTR Hang Hau Station work site in Tseung Kwan O to celebrate the commencement of the MTR Tseung Kwan O Extension Line project in April 1999.



Progress of Major Development Projects (cont'd)



Tai Po Town Lot No. 118

To be completed in early 2000 and located in Tai Po, N. T., this project has a total of 106 luxurious 3-storey houses with a total G.F.A. of approx. 183,000 sq.ft.

23 Tai Po Town Lot No. 161

(Group's interest – 90.10%)

The site is planned to be developed by phases into 536 luxurious houses with a total gross floor area of 1,164,000 sq.ft. and 829 carparking spaces. Foundation and superstructure construction works for Phase I are in progress. The first two phases comprising approximately 372 houses with a total gross floor area of 738,000 sq.ft. are expected to be completed in early 2002.

24 Tung Chung Town Lot No. 1, No. 2 & No. 3

(Tung Chung Station Development – Package One) (Group's interest – 20.00%)

This development comprising 13 residential towers, a hotel, an office tower and a retail complex, has a total gross floor area of approximately 3,730,000 sq.ft.. The development will also provide 2,031 carparking spaces. The first 3 residential towers were completed in late 1998 and a total of 8 residential towers have now been completed. The whole development is expected to be completed in late 2001.

25 Fanling Sheung Shui Town Lot No. 189

(Group's interest – 45.00%)

The site is planned to be developed into two 38-storey residential towers over two levels of carpark podium. The development will have a total gross floor area of approximately 320,000 sq.ft. and 308 carparking spaces.

26 Yuen Long Town Lot No. 500

(Group's interest – 44.00%)

Ten 25-storey residential towers over a 2-level carparking podium, with a total gross floor area of approximately 1,141,000 sq.ft. and 964 carparking spaces, are planned to be built. Foundation work of seven towers is in progress and the first phase of the development is expected to be completed in late 2001.

The People's Republic of China

1 No. 2 Guan Dong Dian, Chao Yang Road, Chao Yang District, Beijing

(Group's interest – 39.79%)

Located within the Third Ring Road East and off Chao Yang Men, the site has an area of approximately 239,357 sq.ft.. The preliminary design proposes the development of two residential towers of 28 storeys and 37 storeys respectively on a 3-storey shopping podium. The estimated total gross floor area of the proposed development is 2,440,319 sq.ft. (including 380,300 sq.ft. of area below ground level). 85% of the gross floor area above ground level is planned for residential use and the remaining 15% for shop space. Construction work of the development is expected to start in late 2000.

2 The Grand Gateway, Lot E, Huashan Road, Xuhui District, Shanghai

(Group's interest – 14.71%)

The site has an area of approximately 546,682 sq.ft. and is planned to be developed into a commercial and residential complex comprising two 55-storey office towers, a 9-storey serviced apartment tower, two 34-storey residential towers, a shopping arcade and three levels of underground car parks, with an estimated total gross floor area of approximately 4,628,860 sq.ft.. The development is expected to be completed in phases, with the first phase to be completed in late 1999.

3 Lot 688, north of Nanjing Road West, Jingan District, Shanghai

(Group's interest – 48.31%)

The site has an area of approximately 110,342 sq.ft. and the proposed development comprises a 25-storey

Progress of Major Development Projects (cont'd)

residential tower and a 25-storey residential/office tower above a 3-storey retail podium, with an estimated total gross floor area of approximately 935,140 sq.ft.. Demolition work has been completed and the development is expected to be completed in 2003.

- 4 Lot 201, Lao Hu Tai Road, Zhabei District, Shanghai (Group's interest – 42.63%)
The site has an area of approximately 279,089 sq.ft. and is planned to be developed into a commercial and residential complex for domestic sales. The proposed development has an estimated total gross floor area of approximately 976,811 sq.ft. and is expected to be completed in phases, with the first phase to be completed in 2002.
- 5 Lot 251, Dongan Road, Xuhui District, Shanghai (Group's interest – 42.63%)
The site has an area of approximately 120,320 sq.ft. and is planned to be developed into a commercial and residential complex for domestic sales. The proposed development has an estimated total gross floor area of approximately 471,054 sq.ft. and is expected to be completed in phases, with the first phase to be completed in 2001.
- 6 Lot 1240, Si Ping Road, Yang Pu District, Shanghai (Group's interest – 42.63%)
The site has an area of approximately 180,146 sq.ft. and is planned to be developed into a commercial and residential complex for domestic sales. The development has an estimated total gross floor area of approximately 504,412 sq.ft. and is expected to be completed in phases, with the first phase to be completed in 2001.

- 7 Lot 130-2, Heng Feng Road, Zhabei District, Shanghai (Group's interest – 56.84%)
The site has an area of approximately 62,510 sq.ft. and is planned to be developed into a 23-storey office tower above a 4-storey retail podium and two levels of underground car parks. The proposed development has an estimated total gross floor area of approximately 508,911 sq.ft. and is expected to be completed in 2003.
- 8 River Pearl Plaza (Block A), Yanjiang Road West, Yuexiu District, Guangzhou (Group's interest – 38.88%)
River Pearl Plaza (Block B), Yanjiang Road West, Yuexiu District, Guangzhou (Group's interest – 35.24%)
River Pearl Plaza (Block C), Yanjiang Road West, Yuexiu District, Guangzhou (Group's interest – 40.92%)
The River Pearl Plaza (Blocks A, B and C) comprises 3 sites with an aggregate site area of approximately 256,581 sq.ft.. The project is planned for the development of an apartment, office and retail complex, with an estimated total gross floor area of approximately 3,911,648 sq.ft.. Demolition and site clearance works are in progress and the development is expected to be completed in phases, with the first phase to be completed in 2002.
- 9 Fortune Garden, Nanhua Road/Tongqing Road/Tongfu Road Central, Haizhu District, Guangzhou (Group's interest – 56.84%)
The site has an area of approximately 414,048 sq.ft. and is planned to be developed into a 32-storey office tower and eight 30-storey residential towers above a 3-storey retail podium, with an estimated total gross floor area of approximately 3,133,185 sq.ft..

Progress of Major Development Projects (cont'd)

Resettlement and site clearance works are in progress and the development is expected to be completed in phases, with the first phase to be completed in 2001.

- 10** Site on the south of Fangcun Avenue and the east and west sides of Cross Bridge over Huadi Avenue, Fangcun District, Guangzhou (Group's interest – 56.84%)

The site has an area of approximately 2,663,579 sq.ft. and is planned to be developed into 42 towers on several shopping podiums. The estimated total gross floor area of the proposed development is approximately 13,429,715 sq.ft.. The first phase comprises four residential towers on a 2-storey retail podium, with a total gross floor area of approximately 1,200,000 sq.ft.. Resettlement and site clearance works are in progress and the development is expected to be completed in phases, with the first phase to be completed in 2001.

- 11** 210 Fangcun Avenue, Fangcun District, Guangzhou (Group's interest – 51.16%)

The site has an area of approximately 396,115 sq.ft. and is planned to be developed into eight residential towers on a shopping podium. The proposed development has a total gross floor area of approximately 2,260,440 sq.ft. and is expected to be completed in phases, with the first phase to be completed in 2001.

- 12** Property development along the Guangzhou Metro Line One – Changshou Road Station HR-2 (Group's interest – 56.84%)

The site is located at Li Wan District and fronting three roads namely Bao Hua Road, Duo Bao Road and Bao Yuan Road. The site has an area of approximately 351,951 sq.ft. and is planned to be developed into 7

residential towers on a 4-storey podium consisting of shopping mall and carparking floors. Two passageways will be constructed to connect the shopping mall at basement levels one and two with the concourse of the metro station.

The development is expected to provide a total gross floor area of approximately 2,226,017 sq.ft.. Foundation work is in progress and the development is expected to be completed in phases, with the first phase to be completed in the first half of 2001.

- 13** Site on Yanjiang Avenue, Rongqi Town, Shunde, Guangdong Province (Group's interest – 18.76%)

In close proximity to the town's shopping centre on the south bank of De Sheng River, the site has an area of approximately 1,991,340 sq.ft.. A cluster of cottages and low-rise composite buildings now stand on the site. The development of a commercial and residential complex with an estimated total gross floor area of approximately 7,755,290 sq.ft. has been planned.

This development will be developed in four phases. Phase I comprises 13 residential towers on a two-storey retail podium. Phase II comprises 11 residential towers on a two-storey retail podium. Phase III comprises 18 residential towers on a two-storey retail podium and Phase IV comprises an office tower and a hotel on a four-storey retail podium. Site clearance and infrastructure works are in progress. Construction of the first stage of Phase I is scheduled to commence in mid-2001. The development is expected to be completed in phases, with the first phase to be completed in 2002.

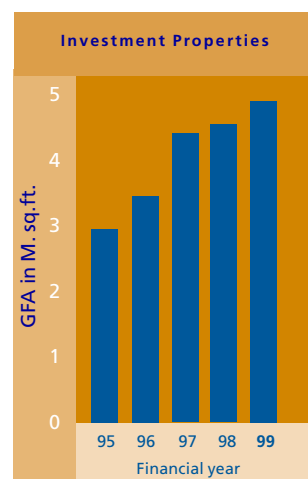
Wu Kai Sha Site in Shatin

Situate right opposite to the Lee On Terminal of the to-be-built Ma On Shan Line of Kowloon-Canton Railway Corporation, this farmland site has been approved by the Town Planning Board for conversion into a residential development with 1.5 max. plot ratio. The Group has submitted proposals to the Town Planning Board to increase the plot ratio of the project.



Investment Properties

Property	Purpose	Lease Term	Gross Floor Area (sq.ft.)	No. of Carpark	Group's Interest (%)
HONG KONG					
1 Eva Court, 36 MacDonnell Road, Mid-Levels, Hong Kong	Residential	999 years from 26th October, 1896	108,214	49	64.28
2 Golden Centre, 170-188 Des Voeux Road, Central, Hong Kong	Office Commercial	For a term of years to 6th March, 2050	134,450 21,842	—	100.00
3 East Asia Aetna Tower, 308-320 Des Voeux Road Central/ 98-116 Wing Lok Street, Hong Kong	Office Commercial	999 years from 26th December, 1866	182,373 31,987	—	100.00
4 On Loong Commercial Building, 276-278 Lockhart Road, Wanchai, Hong Kong (excluding 6/F-A & 21/F)	Office Commercial	99 years from 11th May, 1928	23,856 1,708	—	100.00
5 Joseph Yen Industrial Building, 24 Lee Chung Street, Chai Wan, Hong Kong	Industrial	75 years from 15th September, 1963 (renewable for 75 years)	114,300	10	100.00
6 Silver Fortune Plaza, Lower Ground Floor, Upper Ground Floor and First to Fourth Floors, 1 Wellington Street, Hong Kong	Commercial	924 years from 26th June, 1918	28,953	—	32.14
7 AIA Tower, 183 Electric Road, North Point, Hong Kong	Office Commercial	For a term of years to 30th June, 2047	490,072 22,338	256	94.56
8 One International Finance Centre, 1 Harbour View Street, Central, Hong Kong	Office Commercial	For a term of years to 30th June, 2047	784,480 131,138	355	35.69
9 CEF Life Tower, 248 Queen's Road East, Wanchai, Hong Kong	Office Commercial	999 years from 16th March, 1855	323,418 11,481	46	17.13



Investment Properties (cont'd)

Property	Purpose	Lease Term	Gross Floor Area (sq. ft.)	No. of Carpark	Group's Interest (%)
KOWLOON					
10 Hollywood Plaza, 610 Nathan Road, Mongkok, Kowloon	Office Commercial	For a term of years to 30th June, 2047	193,284 100,543	—	21.42
11 Kowloon Building, 555 Nathan Road, Mongkok, Kowloon	Office Commercial	75 years from 4th February, 1985	84,626 28,656	—	64.28
12 Righteous Centre, 585 Nathan Road, Mongkok, Kowloon	Office Commercial	150 years from 25th December, 1887	41,004 10,763	—	100.00
13 Winning Centre, 29 Tai Yau Street, San Po Kong, Kowloon	Industrial	For a term of years to 30th June, 2047	150,212	—	100.00
14 Well Tech Centre, 9 Pat Tat Street, San Po Kong, Kowloon	Office/Industrial	For a term of years to 30th June, 2047	162,000	49	64.28

CEF Life Tower

Completed in December, 1998, this 17.13%-owned 34-storey quality office building of approx. 334,900 sq. ft. in total G.F.A. is located on Queen's Road East, Wanchai, Hong Kong.



Investment Properties (cont'd)

Property	Purpose	Lease Term	Gross Floor Area (sq.ft.)	No. of Carpark	Group's Interest (%)
NEW TERRITORIES					
15 Fanling Centre, 33 San Wan Road, Fanling, New Territories	Commercial	For a term of years to 30th June, 2047	151,513	302	91.77
16 Flora Plaza, 88 Pak Wo Road, Fanling, New Territories	Commercial	For a term of years to 30th June, 2047	157,762	217	60.00
17 Block C, Hang Wai Industrial Centre, Pui To Road/Kin On Street/ Kin Wing Street/ Kin Tai Street, Tuen Mun, New Territories	Industrial	For a term of years to 30th June, 2047	292,264	182	64.28
18 The Trend Plaza, Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	Commercial	For a term of years to 30th June, 2047	195,280	78	64.28
19 Marina Cove, Lot No. 526 in D.D. No. 210, Sai Kung, New Territories	Commercial	For a term of years to 30th June, 2047	23,915 *	377	40.00
20 City Landmark II (formerly known as Town Square), 145-165 Castle Peak Road, Tsuen Wan, New Territories	Commercial	For a term of years to 30th June, 2047	155,022	127	90.71
21 Skyline 2000 88 Tai Ho Road, Tsuen Wan, New Territories	Commercial	For a term of years to 30th June, 2047	154,259	104	100.00
22 City Landmark I (formerly known as City Landmark), 68 Chung On Street, Tsuen Wan, New Territories	Office Commercial	For a term of years to 30th June, 2047	209,420 184,838	133	74.96
23 Shatin Centre, 2-16 Wang Pok Street, Sha Tin, New Territories	Commercial	For a term of years to 30th June, 2047	100,029	545	60.68
24 Shatin Plaza, 21-27 Shatin Centre Street, Sha Tin, New Territories	Commercial	For a term of years to 30th June, 2047	147,943	134	77.55

* There are also 303 pontoons and 75 hardstand spaces.

Investment Properties (cont'd)

Property	Purpose	Lease Term	Gross Floor Area (sq. ft.)	No. of Carpark	Group's Interest (%)
NEW TERRITORIES					
25 City One Plaza, Ngan Shing Shopping Centre, Wet Market and various shop units under residential towers, City One Shatin, New Territories	Commercial	For a term of years to 30th June, 2047	413,273	986	16.07
26 Blocks A & B, Sunshine City, 18 On Shing Street, Ma On Shan, New Territories	Commercial	For a term of years to 30th June, 2047	9,305	—	100.00
27 Blocks C & D, Sunshine City, 22 On Shing Street, Ma On Shan, New Territories	Commercial	For a term of years to 30th June, 2047	10,236	—	50.00
28 Blocks N, P, Q & R, Sunshine City, 8 On Shing Street, Ma On Shan, New Territories	Commercial	For a term of years to 30th June, 2047	58,881	196	100.00
29 Sunshine City Plaza, 18 On Luk Street, Ma On Shan, New Territories	Commercial	For a term of years to 30th June, 2047	532,637	831	100.00
30 Sunshine Bazaar, 628 Sai Sha Road, Ma On Shan, New Territories	Commercial	For a term of years to 30th June, 2047	79,642	234	100.00
31 Citimall, 1 Kau Yuk Road, Yuen Long, New Territories	Commercial	For a term of years to 30th June, 2047	140,341	51	100.00
32 La Cité Noble Shopping Arcade, 1 Ngan O Road, Tseung Kwan O, New Territories	Commercial	For a term of years to 30th June, 2047	35,186	—	100.00
33 Dawning Views Plaza, 23 Yat Ming Road, Fanling, New Territories	Commercial	For a term of years to 30th June, 2047	87,766	—	100.00

Shopping Arcade of One International Finance Centre

This photo shows the airline city check-in counters located within the 3-storey retail complex of One International Finance Centre situate right above the Airport Railway Hong Kong Station.



Commentary on Annual Results



Hong Kong Station Development

This project is 35.69% owned by the Group and is situated at the waterfront of the Victoria Harbour in Central District, Hong Kong. The entire development planned on this site, measuring 4,477,000 sq.ft. in G.F.A., consists of one 38-storey and one 88-storey office towers, two parallel-run retail shop podium blocks and two 4- to 5-star hotel/serviced apartment complexes. One International Finance Centre and Phase I of the retail complex were completed in late 1998 and the entire development is scheduled for completion in 2005.

The following comments should be read in conjunction with the Audited Consolidated Financial Statement of Accounts of Henderson Land Development Company Limited and the related notes on the accounts.

RESULTS OF OPERATIONS

COMPARISON OF FINANCIAL YEAR 1999 TO FINANCIAL YEAR 1998

Total turnover of the Group amounted to HK\$14,597 million in financial year 1999 representing an increase of 37% as compared to that achieved in the previous financial year and operating profit, together with profit arising from exceptional items and share of profits of associated companies and jointly controlled entities, increased by 4% to HK\$6,988 million over the corresponding period in financial year 1998. The contribution from exceptional items amounted to HK\$1,381 million comprising the provision for diminution in value of properties written back and diminution in value of listed securities written back, profit on disposal of long-term listed securities, all of which aggregated to the amount of HK\$1,513 million, and deducting the provisions for diminution in value of properties for HK\$132 million. Net earnings of the Group amounted to HK\$5,423 million, showing an increase of 10% as compared to that recorded in the previous financial year. Sale of properties continued to form as the largest part of the Group's turnover and profit constituting approximately 76% and 71% of total turnover and profit from operations respectively in financial year 1999.

During the financial year under review, the Group completed fourteen local development projects as well as two projects in the People's Republic of China which amounted to approximately 4,191,000 sq.ft. and 415,000 sq.ft. respectively in attributable floor area. Revenues from property development, which

Commentary on Annual Results (cont'd)

were mainly generated from sale of the Group's local development projects, totally amounted to HK\$11,036 million resulting in an increase of 53% over that recorded in financial year 1998. Operating profit from property sales decreased by 26% as compared to that of the previous year and was recorded at HK\$3,153 million for the financial year under review.

Gross rental income of the Group decreased by 16% to approximately HK\$1,355 million in financial year 1999 since two shopping podium investment properties for which the Group's interests were reduced during the previous financial year and due to lower rental levels prevailing after occurrence of the Asian currency crisis. The total gross rental income of the Group for the financial year under review was approx. 5% less than that recorded for the Group's comparable portfolio in the previous financial year. Fixed assets held by the Group were recorded at HK\$27,257 million representing an increase of 5% as compared to that recorded in the previous year mainly as a result of retention of additional retail shopping premises and commercial properties for rental purpose from the Group's development projects completed during this financial year, after taking into account of downward adjustments made in respect of revaluation of the Group's existing investment property portfolio.

The Group's share of profits from the three listed associated companies decreased by 4% from the level registered in the previous financial year and totally contributed HK\$1,038 million to the profit of the Group in financial year 1999. Also, arising from the initial public offering of Henderson China Holdings Limited in March, 1996, the resultant increase in the Group's share of value in net assets of Henderson China Holdings Limited deriving from the dilution of the Group's interests in Henderson China

Holdings Limited would be released to the Group's consolidated profit and loss account upon the issuance of completion certificates of the underlying properties and the amount so released to the Group's consolidated profit and loss account for the year ended 30th June, 1999 was approximately HK\$37 million. The Group's interest expenses incurred in financial year 1999 was reduced to HK\$1,374 million as compared with HK\$1,772 million recorded in the previous financial year.

FINANCIAL RESOURCES AND LIQUIDITY

As of 30th June, 1999, shareholders' funds of the Group amounted to HK\$49,874 million representing a 3% increase from the level recorded in the previous financial year primarily due to increase in retained profits. During financial year 1999, the Group issued 7.6% 1-year Guaranteed Notes in the amount of HK\$500 million and 8.0% 2-year Guaranteed Notes in the amount of HK\$500 million. Further in March 1999, the Group successfully concluded a HK\$2,500 million 3-Year Syndicated Loan to cater for its general corporate funding requirements. The Group's total net borrowing as at the end of financial year 1999 was recorded at HK\$14,060 million, reduced by around 10% from that recorded in the previous financial year, with the majority of the Group's external borrowings being obtained on a committed term basis. Current assets of the Group, which mainly comprised property projects under development, were recorded at HK\$30,143 million as compared to the Group's current liabilities of HK\$20,782 million. As of 30th June, 1999, there was cash at bank and in hand totally amounting to HK\$603 million. Capital of the Company together with profits retained by the Group will continue to be put to good use to finance the Group's operations. The Group has adequate sources of capital and abundant unutilised banking facilities for funding its ongoing operations.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited statement of accounts for the year ended 30th June, 1999.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries are property development and investment, project management, construction, property management, finance and investment holding in Hong Kong as well as property development in the People's Republic of China (the "PRC"). The turnover and major contribution to operating profit of the principal activities of the Group, excluding those from associated companies and jointly controlled entities, are set out below:—

	Turnover		Contribution to Operating Profit (before financial and other expenses)	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
1 Property Trading	11,035,717	7,196,693	3,153,304	4,240,540
2 Building Construction	609,828	544,735	26,939	38,888
3 Property Investment	1,355,246	1,615,980	872,614	1,073,503
4 Investment and Finance	809,595	666,694	809,595	666,694

No geographical analysis is shown as less than 10 per cent. of the Group's turnover and operating profit are derived from activities outside Hong Kong.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 30th June, 1999 are set out on pages 81 to 90.

Group Profit

The profit of the Group for the year ended 30th June, 1999 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 56 to 92.

Dividends

An interim dividend of HK\$0.70 per share was paid on 30th April, 1999. The Directors have recommended the payment of a final dividend of HK\$0.80 per share to shareholders whose names appear on the Register of Members of the Company on 1st December, 1999.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK\$3,785,000.

Fixed assets

Particulars of the movements in fixed assets during the year are set out in note 9 to the accounts on pages 68 and 69.

Bank Loans, Overdrafts and Other Borrowings

Particulars of bank loans, overdrafts and other borrowings of the Company and the Group as at 30th June, 1999 are set out in note 20 to the accounts on pages 73 and 74.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 30th June, 1999 is set out in note 3 to the accounts on pages 65 and 66.

Report of the Directors (cont'd)

Reserves

Particulars of the movements in reserves during the year are set out in notes 22 to 24 to the accounts on pages 75 and 76.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 53.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 16 to 30.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Paragraph 9(1)(q) of the Listing Agreement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 29 to the accounts on pages 79 and 80.

Directors

The Directors of the Company during the financial year and up to the date of this report are:—

EXECUTIVE DIRECTORS:

Lee Shau Kee
(Chairman and Managing Director)

Lee Ka Kit (Vice Chairman)

Colin Lam Ko Yin (Vice Chairman)

Lee King Yue

Fung Lee Woon King

Leung Sing

Eddie Lau Yum Chuen

Li Ning

Lee Ka Shing

Patrick Kwok Ping Ho

Ho Wing Fun

John Yip Ying Chee

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Lo Tak Shing (Vice Chairman)

Woo Po Shing

Leung Hay Man

Angelina Lee Pui Ling

Vincent Liang
(Alternate Director to Lo Tak Shing)

NON-EXECUTIVE DIRECTORS:

Lee Tat Man

Kan Fook Yee

Messrs. Lee Ka Kit, Lee Tat Man, Lee King Yue, Lee Ka Shing and Patrick Kwok Ping Ho and Mrs. Angelina Lee Pui Ling retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Lee Shau Kee, D.B.A.(Hon.), D.S.Sc.(Hon.), LL.D.(Hon.), aged 71, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1976 and has been engaged in property development in Hong Kong for more than 40 years. He is also the founder and the chairman and managing director of Henderson

Report of the Directors (cont'd)

Investment Limited, the chairman and president of Henderson China Holdings Limited, the chairman of The Hong Kong and China Gas Company Limited, the vice chairman of Sun Hung Kai Properties Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited, The Bank of East Asia, Limited and Miramar Hotel and Investment Company, Limited. The relationship of Dr. Lee Shau Kee and the companies which have discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance is stated in the notes of "Substantial Shareholders' Interests" under the section "Disclosure of Interests" in the Directors' Report. He is the brother of Mr. Lee Tat Man and Mrs. Fung Lee Woon King, the father of Ms. Lee Pui Man, Margaret, Mr. Lee Ka Kit and Mr. Lee Ka Shing and the father-in-law of Mr. Li Ning.

LEE Ka Kit, aged 36, National Committee Member of Political Consultative Conference, PRC., has been an Executive Director of the Company since 1985 and Vice Chairman since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the PRC business of Henderson Land Group since he joined the Company in 1985. Mr. Lee is also the vice chairman of Henderson Development Limited ("Henderson Development") and Henderson Investment Limited, the deputy chairman, vice president and managing director of Henderson China Holdings Limited as well as a director of The Hong Kong and China Gas Company Limited. Henderson Development has discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance. He is the son of Dr. Lee Shau Kee, the brother of Ms. Lee Pui Man, Margaret and Mr. Lee Ka Shing and the brother-in-law of Mr. Li Ning.

LAM Ko Yin, Colin, B.Sc., A.C.I.B., M.B.I.M., F.C.I.T., aged 48, joined the Company in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He holds a B.Sc. (Honours) degree from the University of Hong Kong and has over 26 years' experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited, an executive director of Henderson China Holdings Limited as well as a director of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited. Mr. Lam is a director of Believegood Limited, Henderson Development Limited, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited which have discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

LEE King Yue, aged 73, has been an Executive Director of the Company since 1976. He joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged with Chairman in property development for over 40 years. He is also an executive director of Henderson Investment Limited and Henderson China Holdings Limited. Mr. Lee is a director of Believegood Limited and Glorious Asia S.A. which have discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

FUNG LEE Woon King, aged 61, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the treasurer of Henderson Development

Tung Chung Station Development (Package One)

20%-owned by the Group, this development consists of 13 residential towers, one office tower, a hotel and a retail shopping facility built across the Northern Lantau Expressway, aggregating 3,730,000 sq. ft. in gross floor area. A total of 8 residential blocks built on Site 1 of the development have now been completed and the whole development is expected to be completed in late 2001.



Report of the Directors (cont'd)

Group, Henderson Land Group and Henderson Investment Group and Henderson China Group. Mrs. Fung is a director of Believegood Limited, Glorious Asia S.A., Henderson Development, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited which have discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance. She is the sister of Dr. Lee Shau Kee and Mr. Lee Tat Man.

LEUNG Sing, aged 62, has been an Executive Director of the Company since 1985. He has over 30 years' experience in property development. Mr. Leung is also an executive director of Henderson China Holdings Limited.

LAU Yum Chuen, Eddie, aged 53, has been an Executive Director of the Company since 1987. He has over 30 years' experience in banking, finance and investment. Mr. Lau is also an executive director of Henderson Investment Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

LI Ning, *B.Sc., M.B.A.*, aged 42, has been an Executive Director of the Company since 1992. He holds a B.Sc. degree from Babson College and a M.B.A. degree from the University of Southern California. Mr. Li is also an executive director of Henderson Investment Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited. He is the son-in-law of Dr. Lee Shau Kee, the spouse of Ms. Lee Pui Man, Margaret and the brother-in-law of Mr. Lee Ka Kit and Mr. Lee Ka Shing.

LEE Ka Shing, aged 28, has been an Executive Director of the Company since 1993. He was educated in Canada. He is also an executive director of Henderson Development Limited ("Henderson Development"), Henderson Investment Limited and Henderson China

Holdings Limited and a director of The Hong Kong and China Gas Company Limited. Mr. Lee is a director of Believegood Limited and Henderson Development which have discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance. He is the son of Dr. Lee Shau Kee, the brother of Ms. Lee Pui Man, Margaret and Mr. Lee Ka Kit and the brother-in-law of Mr. Li Ning.

KWOK Ping Ho, Patrick, *B.Sc., M.Sc., A.C.I.B.*, aged 47, joined the Company in 1987 and has been an Executive Director since 1993. He is an Associate Member of The Chartered Institute of Bankers and has previously worked in the banking field for more than 11 years with postings in the United Kingdom, the United States of America, Malaysia, Singapore as well as in Hong Kong. Mr. Kwok is also an executive director of Henderson Investment Limited and Henderson China Holdings Limited.

HO Wing Fun, aged 66, has been an Executive Director of the Company since 1997. He joined Henderson Development Limited in 1975 and has over 40 years' experience in operational management of property investment and development, specializing in accounting, auditing and taxation. Mr. Ho is also an executive director of Henderson Investment Limited and Henderson China Holdings Limited.

YIP Ying Chee, John, *LL.B., F.C.I.S.*, aged 50, joined the Company as Group Company Secretary in 1996 and has been an Executive Director of the Company since 1997. He graduated from the University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 20 years' experience in corporate finance, and corporate and investment management.

Report of the Directors (cont'd)

**Hong Kong & China Gas**

33.06% owned by a subsidiary of the Group. Currently servicing 1,350,000 customers and showing solid steady growth, this company is the oldest utility company operating as the sole supplier of piped gas in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Hon LO Tak Shing, G.B.M., J.P., aged 64, has been a Director and Vice Chairman of the Company since 1981. He is a solicitor and a director of a number of other listed companies in Hong Kong. He was the vice chairman of the Basic Law Consultative Committee and was the Committee Member of The Preparatory Committee of the Hong Kong Special Administrative Region.

Sir Po-shing WOO, Hon. LL.D., F.C.I.Arb., F.I.Mgt., F.Inst.D., aged 70, has been a Director of the Company since 1981. He is a solicitor and a Consultant of Woo, Kwan, Lee & Lo, Solicitors & Notaries. He is also a director of Henderson Investment Limited and Sun Hung Kai Properties Limited. He was awarded Hon. LL.D. by the City University of Hong Kong and is a Fellow of the King's College of London as well as Honorary Professor of Nankai University of Tianjin. He is also the founder of Woo Po Shing Medal in Law and Woo Po Shing Overseas Summer School Travelling Scholarship, both at the University of Hong Kong. Sir Po-shing is also the founder of the Woo Po Shing Professor (Chair) of Chinese and Comparative Law in City University. Sir Po-shing is a director of Henderson Development Limited which has discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

LEUNG Hay Man, F.R.I.C.S., F.C.I.Arb., F.H.K.I.S., aged 65, has been a Director of the Company since 1981. He is a Chartered Surveyor. He is also a director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited.

LEE Pui Ling, Angelina, J.P., LL.B., F.C.A., aged 50, has been a Director of the Company since 1996. She is a practising solicitor and a

director of a number of other listed companies in Hong Kong. Her current public commitments include membership on a number of Hong Kong Government advisory and appeal boards.

Vincent LIANG, aged 54, has been the Alternate Director to The Hon Lo Tak Shing, Director of the Company, since 1986. He is a solicitor.

NON-EXECUTIVE DIRECTORS

LEE Tat Man, aged 62, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 20 years and is also an executive director of Henderson Investment Limited. Mr. Lee is a director of Glorious Asia S.A., Henderson Development Limited, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited which have discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance. He is the brother of Dr. Lee Shau Kee and Mrs. Fung Lee Woon King.

KAN Fook Yee, F.H.K.I.S., F.R.I.C.S., F.C.I.Arb., aged 63, has been a Director of the Company since 1997. He is also an executive director of Henderson China Holdings Limited. Mr. Kan is a fellow member of The Hong Kong Institute of Surveyors, The Royal Institution of Chartered Surveyors and The Chartered Institute of Arbitrators. He is now chairman of the executive board of and consultant to Knight Frank and has over 35 years' experience in the field of property surveying.

SENIOR MANAGEMENT

YEN Ping Sei, Stephen, B.Sc., aged 54, joined the Company in 1977 and is presently the General Manager of Operations Department. He holds a B.Sc. (Honours) degree in Civil Engineering from the University of Hong Kong and has over 20 years' experience in the

Report of the Directors (cont'd)

operational management of property investment and development and property dealing. Mr. Yen is an executive director of Henderson Investment Limited and Henderson China Holdings Limited.

LAU Chi Keung, F.R.I.C.S., F.H.K.I.S., A.C.I.Arb., aged 50, joined the Company in 1981 and is presently the General Manager of Project Management Department. He is a Fellow Member of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He is also an Authorised Person (List III) under the Buildings Ordinance and has over 27 years' experience in property development. Mr. Lau is an executive director of Henderson Investment Limited.

LEE Pui Man, Margaret, B.A., aged 38, joined the Company in 1984 and is presently the General Manager of Marketing Department since 1988. She holds a B.A. (Honours) degree from the University of London and has over 15 years' experience in marketing development. She is the daughter of Dr. Lee Shau Kee, the spouse of Mr. Li Ning and the sister of Mr. Lee Ka Kit and Mr. Lee Ka Shing.

CHEUNG Ping Keung, Donald, B.A., F.R.I.C.S., A.A.C.I., F.H.K.I.S., A.C.I.Arb. M.H.I.R.E.A., R.P.S., aged 44, joined the Company in 1992 and is presently the General Manager of Sales Department. He holds a B.A. (Honours) degree from the University of London and is a Chartered Valuation Surveyor and an Accredited Canadian Appraiser. He has over 20 years' experience in property development, professional general practice surveying and real estate agency in Hong Kong, China and Canada. Mr. Cheung is an executive director of Henderson Investment Limited.

Disclosure of Interests

DIRECTORS' INTERESTS

At 30th June, 1999, the interests of the Directors of the Company in the equity securities of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:—



Property Construction

Group's in-house construction arm which employs approx. 600 staff on average completed construction work of approx. 3 million sq.ft. in G.F.A. annually in recent years.

Report of the Directors (cont'd)

(a) Ordinary Shares (unless otherwise specified)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Henderson Land Development Company Limited	Lee Shau Kee				1,117,768,300 (Note 3)	1,117,768,300
	Lo Tak Shing	11,000				11,000
	Angelina Lee Pui Ling	30,000				30,000
	Lee Tat Man	858,000				858,000
	Lee King Yue	26,400	16,500	19,800 (Note 11)		62,700
	Fung Lee Woon King	1,020,000				1,020,000
	Leung Sing	106,500				106,500
	Kan Fook Yee		24,000			24,000
Henderson Investment Limited	Ho Wing Fun	100				100
	Lee Shau Kee	34,779,936			1,816,496,007 (Note 8)	1,851,275,943
	Lo Tak Shing	404,375				404,375
	Lee Tat Man	6,666				6,666
	Lee King Yue	959,028	117,711			1,076,739
	Colin Lam Ko Yin	11,000				11,000
Henderson China Holdings Limited	Leung Sing	150,000				150,000
	Ho Wing Fun	1,100				1,100
	Lee Shau Kee				282,378,977 (Note 15)	282,378,977
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	7,799,220			108,588,090 (Note 9)	116,387,310
	Colin Lam Ko Yin	150,000				150,000
	Leung Hay Man	2,250				2,250
	Fung Lee Woon King	465,100				465,100
The Hong Kong and China Gas Company Limited	Lee Shau Kee	2,423,873			1,620,599,393 (Note 10)	1,623,023,266
	Fung Lee Woon King	2,330,239				2,330,239
Miramar Hotel and Investment Company, Limited	Lee Shau Kee				200,734,250 (Note 13)	200,734,250
	Woo Po Shing	2,705,000		2,455,000 (Note 11)		5,160,000
	Kan Fook Yee		20,000			20,000
Drinkwater Investment Limited	Woo Po Shing			3,250 (Note 11)		3,250
	Leung Hay Man			5,000 (Note 11)		5,000

Newton Inn

Wholly-owned and operated by the Group, this newly completed hotel/serviced apartment complex located in North Point, Hong Kong, comprises 104 hotel rooms and 214 serviced apartments.



Report of the Directors (cont'd)

(a) Ordinary Shares (unless otherwise specified) (cont'd)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Henderson Development Limited	Lee Chau Kee				8,190 (Ordinary A Shares) (Note 4)	8,190 (Ordinary A Shares)
		35,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares) (Note 5)	50,000,000 (Non-voting Deferred Shares)
					3,510 (Non-voting B Shares) (Note 16)	3,510 (Non-voting B Shares)
					8,190 (Ordinary A Shares) (Note 6)	8,190 (Ordinary A Shares)
					8,190 (Ordinary A Shares) (Note 7)	8,190 (Ordinary A Shares)
	Lee Ka Kit				8,190 (Ordinary A Shares) (Note 6)	8,190 (Ordinary A Shares)
	Li Ning				8,190 (Ordinary A Shares) (Note 7)	8,190 (Ordinary A Shares)
	Lee Ka Shing				8,190 (Ordinary A Shares) (Note 12)	8,190 (Ordinary A Shares)
	Fung Lee Woon King	1				1
	Leung Sing	2				2
Fordley Investment Limited	Fung Lee Woon King	2,000				2,000
Angelfield Investment Limited	Colin Lam Ko Yin			1 (Note 11)		1
Pochette Investment Limited	Leung Hay Man			40 (Note 11)		40
Land Fortune Development Limited	Lo Tak Shing			1 (Note 11)		1
Jones Aim Investment Limited (In Members' Voluntary Liquidation)	Lee Ka Kit	1				1

Report of the Directors (cont'd)

(a) Ordinary Shares (unless otherwise specified) (cont'd)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Gain Base Development Limited	Fung Lee Woon King	50				50
Henfield Properties Limited	Lee Ka Kit			4,000 (Note 11)		4,000
Shellson International Limited	Lee Ka Kit			25 (Note 11)		25
Feswin Investment Limited	Lee Ka Kit			5,000 (Note 11)		5,000
Perlin Development Limited	Lee Ka Kit			5 (Note 11)		5
Quickcentre Properties Limited	Lee Ka Kit			1 (Note 11)		1
Techno Factor (Development) Limited	Lee Ka Kit	2,575,000				2,575,000
Amanwana Limited	Lee Ka Kit	5				5
Maxfine Development Limited	Lee Ka Kit			1,525 (Note 11)		1,525
Shanghai Henfield Properties Co., Ltd.	Lee Ka Kit			see (Note 14)		see (Note 14)

Report of the Directors (cont'd)

(b) Warrants

Name of Company/ Type of Warrants	Name of Director	Personal Interests (Nominal Amount)	Family Interests (Nominal Amount)	Corporate Interests (Nominal Amount)	Other Interests (Nominal Amount)	Total (Nominal Amount)
The Hong Kong and China Gas Company Limited – September 1999 Warrants	Lee Shau Kee	HK\$1,352,160.00		HK\$904,053,325.50 (Note 10)	HK\$905,405,485.50	

Save as disclosed above, the Company did not grant to any Director or Chief Executive or to the spouse or children under 18 years of age of any such Director or Chief Executive any right to subscribe for equity securities of the Company during the year under review.

Substantial Shareholders' Interests

At 30th June, 1999, the interests of substantial shareholders, other than Directors of the Company, in the ordinary shares of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:–

Name of Company	No. of shares in which interested
Rimmer (Cayman) Limited (Note 2)	1,110,384,700
Hopkins (Cayman) Limited (Note 2)	1,110,384,700
Henderson Development Limited (Note 1)	1,110,192,200
Glorious Asia S.A. (Note 1)	531,486,300
Believegood Limited (Note 1)	215,094,300

Notes:–

- 1 These shares were beneficially owned by Henderson Development Limited ("HD") and its subsidiaries. Glorious Asia S.A. ("Glorious"), a wholly-owned subsidiary of HD, together

with its subsidiaries beneficially owned 531,486,300 shares out of these shares. Believegood Limited, a wholly-owned subsidiary of Glorious, beneficially owned 215,094,300 shares.

- 2 Of these shares, 1,110,192,200 shares are duplicated in the interests described in Note 1. Rimmer (Cayman) Limited was the trustee of a discretionary trust which held the majority of units in a unit trust ("Unit Trust"). Hopkins (Cayman) Limited was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares which carry the voting rights in the share capitals of HD and Fu Sang Company Limited ("FS" and which beneficially owned 192,500 shares).
- 3 Of these shares, 1,110,384,700 shares are duplicated in the interests described in Note 1 and Note 2. Dr. Lee Shau Kee beneficially owned all the issued share capitals of Rimmer (Cayman) Limited and Hopkins (Cayman) Limited. In addition, 5,602,600 shares were beneficially owned by a subsidiary of The Hong Kong and China Gas Company Limited ("China Gas"). Dr. Lee Shau Kee was taken to be interested in China Gas as set out in Note 10 by virtue of the SDI Ordinance.

Miramar Hotel & Investment

34.78% owned by a subsidiary of the Group, the company owns and manages 525-room Hotel Miramar as well as the adjacent Miramar Tower of 696,000 sq.ft. and the Miramar Shopping Centre 350,000 sq.ft. in the busy shopping area on Nathan Road in Tsimshatsui.



Report of the Directors (cont'd)

- 4 Dr. Lee Shau Kee was taken to be interested in HD through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 2 and Note 3 by virtue of the SDI Ordinance.
- 5 These shares were beneficially owned by FS. Dr. Lee Shau Kee was taken to be interested in FS through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 2 and Note 3 by virtue of the SDI Ordinance.
- 6 These shares were beneficially owned by the Unit Trust. The units of the Unit Trust were owned by two discretionary trusts in which Mr. Lee Ka Kit was one of the discretionary beneficiaries.
- 7 These shares were beneficially owned by the Unit Trust. The units of the Unit Trust were owned by two discretionary trusts in which Mr. Li Ning's spouse was one of the discretionary beneficiaries.
- 8 These shares were beneficially owned by FS and certain subsidiaries of the Company. Dr. Lee Shau Kee was taken to be interested in FS and the Company as set out in Note 1, Note 2 and Note 3 by virtue of the SDI Ordinance.
- 9 These shares were beneficially owned by certain subsidiaries of Henderson Investment Limited ("HI"). Dr. Lee Shau Kee was taken to be interested in HI through FS and the Company as set out in Note 1, Note 2, Note 3 and Note 8 by virtue of the SDI Ordinance.
- 10 These shares/warrants were beneficially owned by certain subsidiaries of HI, FS and a subsidiary of HD. Dr. Lee Shau Kee was taken to be interested in HI, FS and HD as set out in Note 1, Note 2, Note 3 and Note 8 by virtue of the SDI Ordinance.
- 11 These shares were beneficially owned by a company in which the relevant director is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.
- 12 These shares were beneficially owned by the Unit Trust. The units of the Unit Trust were owned by two discretionary trusts in which Mr. Lee Ka Shing was one of the discretionary beneficiaries.
- 13 These shares were beneficially owned by certain subsidiaries of HI. Dr. Lee Shau Kee was taken to be interested in HI through FS and the Company as set out in Note 1, Note 2, Note 3 and Note 8 by virtue of the SDI Ordinance.
- 14 Shanghai Henfield Properties Co., Ltd. was an equity joint venture company in the PRC of which the registered capital was US\$27,000,000. Henfield Properties Limited ("Henfield") (owned as to 40 per cent. by a company controlled by Mr. Lee Ka Kit) and the PRC partner to the joint venture had entered into a joint venture contract under which Henfield and the PRC partner agreed to make contributions to the total amount of investment in the proportion of 99 per cent. and 1 per cent. respectively and to share the profits of the joint venture company in accordance with their equity interest in the joint venture company.
- 15 These shares were beneficially owned by certain subsidiaries of the Company. Dr. Lee Shau Kee was taken to be interested in the Company as set out in Note 3 by virtue of the SDI Ordinance.
- 16 These shares were beneficially owned by Hopkins (Cayman) Limited as trustee of the Unit Trust. Dr. Lee Shau Kee was taken to be interested in HD through the Unit Trust, Hopkins (Cayman) Limited and Rimmer

(Cayman) Limited as set out in Note 2 and Note 3 by virtue of the SDI Ordinance.

Interests in Contracts and Connected Transactions

During the year under review, your Group has entered into the following transactions and arrangements as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange").

- (1) (i) Under the terms of an agreement dated 15th March, 1996, the Group agreed to provide Henderson China Holdings Limited ("Henderson China") with finance, administration and accounting services as may be requested by Henderson China from time to time and the Group would be reimbursed by Henderson China in respect of such services at cost. For the year ended 30th June, 1999, payment made to the Group for the above services amounted to HK\$2 million.
- (ii) In relation to the spin-off of the Group's property development and property investment businesses in the PRC and the transfer of the Group's direct or indirect interests in certain PRC properties to Henderson China, the Group agreed to indemnify Henderson China in respect of any diminution in the value of Henderson China arising from, inter alia, PRC income tax and Land Appreciation Tax in accordance with an indemnity deed dated 15th March, 1996 between the Group and Henderson China. The maximum value of the tax indemnities in respect of PRC

income tax and Land Appreciation Tax had been estimated to be approximately HK\$2,583 million and HK\$1,921 million respectively. As at 30th June, 1999, an amount of approximately HK\$265.1 million in respect of the indemnities on income tax were accrued.

- (iii) Henderson Real Estate Agency Limited, a wholly-owned subsidiary of the Company made advances from time to time to Henderson Investment Finance Limited, a wholly-owned subsidiary of Henderson Investment Limited, with interest chargeable on the balances outstanding from time to time based on Hong Kong Inter-bank Offer Rate ("HIBOR") quoted by banks. As at 30th June, 1999, an amount of approximately HK\$49.2 million was due by Henderson Investment Finance Limited to Henderson Real Estate Agency Limited.
- (iv) Henderson Finance Company Limited, a wholly-owned subsidiary of Henderson Development Limited made advances from time to time to Henderson Investment Finance Limited with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 1999, there was no outstanding balance due by Henderson Investment Finance Limited to Henderson Finance Company Limited.
- (v) Henderson Finance Company Limited made advances from time to time to Henderson Real Estate Agency Limited, Choiform Limited, Jetkey Development Limited and Perfect Grand Development Limited, subsidiaries of

Report of the Directors (cont'd)

Property Management

Group's in-house property management subsidiaries which currently manage over 200 properties have recently been awarded ISO9002 Certificate for the provision of quality property management services.



the Company, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 1999, the amounts of approximately HK\$204.6 million, HK\$49.8 million, HK\$26.1 million and HK\$125.3 million were due by Henderson Real Estate Agency Limited, Choiform Limited, Jetkey Development Limited and Perfect Grand Development Limited respectively to Henderson Finance Company Limited, which have been included in the accounts under "Amounts due to fellow subsidiaries".

(vi) Henderson Real Estate Agency Limited made advances from time to time to Henderson (China) Finance Limited, a wholly-owned subsidiary of Henderson China, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 1999, an amount of approximately HK\$51.8 million was due by Henderson (China) Finance Limited to Henderson Real Estate Agency Limited.

(vii) Henderson Finance Company Limited made advances from time to time to Henderson (China) Finance Limited with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 1999, there was no outstanding balance due by Henderson (China) Finance Limited to Henderson Finance Company Limited.

(viii) Henderson Real Estate Agency Limited made advances from time to time to Shellson International Limited, a subsidiary of Henderson China, with interest chargeable on the balances

outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 1999, an amount of approximately HK\$181.4 million was due by Shellson International Limited to Henderson Real Estate Agency Limited.

(ix) Henderson Finance Company Limited made advances from time to time to Shellson International Limited with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 1999, an amount of approximately HK\$222.6 million was due by Shellson International Limited to Henderson Finance Company Limited, which has been included in the accounts under "Amounts due to fellow subsidiaries".

(x) The management agreements and the construction agreements for the management and development of the properties of the Henderson Development Limited Group and the Henderson Investment Limited Group entered into by both Henderson Development Limited and Henderson Investment Limited with each of Henderson Real Estate Agency Limited and E Man Construction Company Limited, two wholly-owned subsidiaries of the Company, still subsisted at the financial year end.

(2) At the extraordinary general meeting of the Company held on 22nd June, 1998, an ordinary resolution was passed by the independent shareholders of the Company to approve, inter alia, the provision of leasing agency and property management services by the Group ("the Continuing Connected Transactions") in respect of the

commercial development and car parks of Metro City Plaza and Sheung Shui Centre, the property interests of which are represented by shares held by Champion York Limited, a wholly-owned subsidiary of Henderson Development Limited. The aggregate amount of the Continuing Connected Transactions as approved by the independent shareholders shall not exceed HK\$45 million per annum. For the year ended 30th June, 1999, the aggregate amount received by the Group in respect of the Continuing Connected Transactions which were based on normal commercial terms was HK\$40 million.

The Hong Kong Stock Exchange has granted a waiver to the Company from strict compliance with the connected transaction requirements under the Listing Rules applicable to the Continuing Connected Transactions on the basis that :-

- (i) (a) the Continuing Connected Transactions are entered into by the Group in the ordinary and usual course of its business and the aggregate amount received per annum by the Group thereunder will not exceed HK\$45 million;
- (b) the Continuing Connected Transactions are entered into on normal commercial terms that are fair and reasonable so far as the Independent Shareholders are concerned;
- (c) details of the Continuing Connected Transactions are to be disclosed in the Company's next and subsequent published annual report in accordance with Rule 14.25 (1)(A) to (D) of the Listing Rules;

- (ii) a Committee of the Independent Non-executive Directors of the Company shall review annually the Continuing Connected Transactions and confirm in the Company's annual report whether the Continuing Connected Transactions are conducted in the manner as stated in paragraph (i) above; and

- (iii) the Auditors of the Company shall review annually the Continuing Connected Transactions and provide the Directors with a letter, with a copy to the Hong Kong Stock Exchange, confirming that the Continuing Connected Transactions (a) have received approval from the Board; (b) have been transacted in accordance with the pricing policies as stated in the Company's annual report for the period; and (c) have been entered into in accordance with the terms of the agreement(s) governing the Continuing Connected Transactions or, where there is no agreement, on terms no less favourable than terms available to (or from, as appropriate) independent third parties.

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that the Continuing Connected Transactions have been entered into by the Group in accordance with the waiver conditions granted by the Hong Kong Stock Exchange as stated in paragraph (i) above.

The Auditors of the Company have also confirmed that the Continuing Connected Transactions have been conducted in the manner as stated in paragraph (iii) above.

Dr. Lee Shau Kee was taken to be interested in the transactions and contracts referred to in (1)

Report of the Directors (cont'd)

**Hong Kong Ferry (Holdings)**

30.48%-owned by a subsidiary of the Group. Photo above shows the reclaimed old shipyard site of the company in Tai Kok Tsui, Kowloon which will be redeveloped into a commercial-cum-residential complex of approx. 1.95 million sq.ft. in total G.F.A..

and (2) above as a director (and as more particularly described in the section "Disclosure of Interests" above) of the Company's subsidiaries, Henderson Investment Limited and Henderson China and the Company's ultimate holding company, Henderson Development Limited.

Mr. Lee Ka Kit was interested in the transactions referred to in (1)(viii) and (ix) above as a director and indirect shareholder of Shellson International Limited and a director of Henderson Development Limited and Henderson China.

(3) During the year, a subsidiary of Henderson Investment Limited made advances to Lucky Country Development Limited in which Mr. William Cheng Kai Man has a 50% interest. The remaining 50% interest is held by such subsidiary of Henderson Investment Limited. Dr. Lee Shau Kee, the Chairman of the Company, is the father-in-law of Mr. William Cheng Kai Man. Both the said subsidiary of Henderson Investment Limited and Mr. William Cheng Kai Man made advances in proportion to their equity interests in the company. All advances to the company are unsecured, repayable on demand and with interest on normal commercial terms.

(4) During the year, the Group made advances to the following non wholly-owned subsidiaries and associated companies as unsecured working capital repayable on demand:—

Best Homes Limited
Crown Truth Limited
Feswin Investment Limited
Gain Base Development Limited
Hang Seng Quarry Company Limited
Harvest Development Limited
Heyield Estate Limited

Henfield Properties Limited
Land Fortune Development Limited
Lane Success Development Limited
Perlin Development Limited
Quickcentre Properties Limited
Riunite Enterprises Inc.
Shellson International Limited

Certain Directors of the Company or its subsidiaries have interests in the above companies. Both the Group and such Directors' associates made advances in proportion to their equity interests in the companies. The advances by the Group and the Directors' associates to the individual companies listed above were either both interest-bearing on identical normal commercial terms or both without interest.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 30th June, 1999, the Company repurchased on the Hong Kong Stock Exchange a total of 100,000 shares of HK\$2 each in the share capital of the Company at an aggregate price of HK\$2,405,000 before expenses, the details of which were as follows:—

Month of Repurchase	Number of Shares Repurchased	Price per Share Highest HK\$	Price per Share Lowest HK\$	Aggregate Price Paid HK\$
August 1998	100,000	24.05	24.05	2,405,000

The Directors of the Company considered that the repurchase was made with a view to enhancing the net asset and earnings per share of the Company. These shares were cancelled upon repurchase and the issued share capital of the Company was correspondingly reduced.

Save as disclosed above, the Company or any of its subsidiaries had not repurchased, sold or redeemed any of the Company's listed securities during the year.

Share Capital

Particulars of the movements in the share capital of the Company during the year are set out in note 21 to the accounts on page 74.

Major Customers and Suppliers

For the financial year ended 30th June, 1999:—

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30 per cent. of the Group's total purchases.
- (b) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30 per cent. of the Group's total turnover.

Commentary on Annual Results

A commentary on the annual results is shown on pages 32 and 33.

Pension Scheme

The Group operates several defined contribution pension schemes for its eligible employees and participates in the state-organised pension scheme operated by the Government of the PRC.

Henderson Staff Provident Fund (the "Fund"), the principal defined contribution scheme of the Group, is funded by contributions from the employer and the employees. Each employee contributes 2% of the basic monthly salary. The employer's contribution is 4% of the employees' basic monthly salaries and is increased to 6% for those employees who have completed 5 years of service. Forfeited contributions cannot be utilised by the employer to reduce the employer's contributions. The Fund has been registered under the Occupational Retirement Schemes Ordinance in September 1996.

As for the other defined contribution schemes, contributions are either made by both the employer and the employees at the rate of 5% of the employee's basic monthly salary or are made by the employer at the rate of 5% of the employee's basic monthly salary without the employee making any contribution. In both cases, forfeited contributions can be applied towards reducing the amount of future contributions payable by the employer.

As to the participation in the state-organised pension scheme operated by the Government of the PRC, the Group contributes a certain percentage of the employees' covered payroll to fund the benefits.

Report of the Directors (cont'd)

**The Gracedale**

Located in Happy Valley, Hong Kong, this project was completed in June, 1999 with a 25-storey residential block measuring approx. 26,500 sq.ft. in total G.F.A.

The total amount contributed by the Group to these pension schemes and charged to the profit and loss account for the year ended 30th June, 1999 amounted to approximately HK\$21,058,000 (1998 - HK\$19,407,000).

Year 2000 Problem

The Year 2000 Problem, which is the result of computer programs being written using two digits rather than four to define the applicable year, means that the computer programs may interpret a date using "00" as the year 1900 instead of the year 2000.

The Company has adopted the definition of Year 2000 Conformity Requirements of the British Standards Institution which, in simple terms, means that neither performance nor functionality is affected by dates prior to, during and after the year 2000.

The Company has completed a comprehensive assessment in the 2nd quarter of 1998 which concluded that with modifications to the Group's software and conversion to new software the year 2000 will not pose any significant operational problems for the Company's computer systems.

The modification work to the mainframe computer systems has been completed at the end of 1998. The modifications of software systems operated by personal computers have also been completed. Extensive testings have been conducted to ensure that the computer systems are Year 2000 compliant.

The Group's total costs for the project are estimated to be approximately HK\$5 million. The costs will be expensed in the financial year in which they are incurred. The amount incurred and expensed in the financial year ended 30th June, 1999, was approximately HK\$3.3 million.

The Company does not foresee any major business interruptions arising from the Year 2000 Problem and has devised a set of contingency plans which include the use of backup systems to deal with any unforeseen problems that may arise.

Audit Committee

The Company has established an Audit Committee with written terms of reference in December 1998 in compliance with the Code of Best Practice of the Listing Rules. The Audit Committee comprises two Independent Non-executive Directors and reports to the Board of Directors. The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal controls.

Auditors

A resolution for the re-appointment of KPMG as Auditors of the Company is to be proposed at the forthcoming annual general meeting.

Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules on the Hong Kong Stock Exchange throughout the financial year ended 30th June, 1999 except that Non-executive Directors of the Company are 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 Article 116 of the Company's Articles of Association.

On behalf of the Board

Lee Shau Kee
Chairman

Hong Kong, 23rd September, 1999

Group Financial Summary

	1995 HK\$M	1996 HK\$M	1997 HK\$M	1998 HK\$M	1999 HK\$M
Balance Sheet					
Fixed assets	26,478	27,254	39,565	25,972	27,257
Investments and long term receivables	16,833	20,930	27,595	27,675	28,699
Properties held for development	6,714	6,640	6,301	6,702	6,755
Net current assets	7,411	11,910	14,591	14,848	9,362
	<u>57,436</u>	<u>66,734</u>	<u>88,052</u>	<u>75,197</u>	<u>72,073</u>
Share capital	3,192	3,288	3,464	3,444	3,444
Share premium and reserves	32,752	37,587	56,770	44,878	46,430
Shareholders' funds	35,944	40,875	60,234	48,322	49,874
Minority interests	7,380	9,786	14,944	13,699	13,688
Long term liabilities	14,112	16,073	12,874	13,176	8,511
	<u>57,436</u>	<u>66,734</u>	<u>88,052</u>	<u>75,197</u>	<u>72,073</u>
Profit and Loss Account					
Turnover	<u>11,171</u>	<u>15,276</u>	<u>18,967</u>	<u>10,629</u>	<u>14,597</u>
Profit after taxation	7,665	9,369	10,644	5,237	6,014
Minority interests	(637)	(1,007)	(1,028)	(312)	(591)
Profit attributable to shareholders	<u>7,028</u>	<u>8,362</u>	<u>9,616</u>	<u>4,925</u>	<u>5,423</u>
Per Share Basis					
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	4.40	5.16	5.66	2.85	3.15
Dividends per share	1.80	2.03	2.48	1.50	1.50
Special cash bonus	1.00	1.00	0.60	—	—
Net asset value per share (at book value)	22.52	24.86	34.77	28.06	28.96
Percentages					
Equity to capital employed	62.58%	61.25%	68.41%	64.26%	69.20%
Return on capital employed	16.24%	16.60%	13.83%	9.28%	10.00%

Consolidated Profit and Loss Account

for the year ended 30th June, 1999

	Notes	1999 HK\$'000	1998 HK\$'000
Turnover	2	<u>14,596,669</u>	<u>10,628,930</u>
Profit from operations	3	<u>4,425,399</u>	5,254,895
Exceptional items	4	<u>1,381,496</u>	<u>229,014</u>
		<u>5,806,895</u>	5,483,909
Share of profits less losses of associated companies	5	<u>1,073,879</u>	1,178,154
Share of profits less losses of jointly controlled entities		<u>107,081</u>	<u>29,612</u>
Profit from ordinary activities before taxation		<u>6,987,855</u>	6,691,675
Taxation — Company and subsidiaries	6(a)	<u>(792,307)</u>	(1,280,301)
— Associated companies	5	<u>(169,453)</u>	(172,934)
— Jointly controlled entities		<u>(11,759)</u>	<u>(1,523)</u>
Profit after taxation		<u>6,014,336</u>	5,236,917
Minority interests		<u>(591,360)</u>	<u>(311,590)</u>
Profit attributable to shareholders		<u>5,422,976</u>	4,925,327
Dividends	7	<u>(2,583,210)</u>	<u>(2,588,009)</u>
		<u>2,839,766</u>	2,337,318
Transfer to capital reserve	22	<u>(311)</u>	<u>(131)</u>
Retained profit for the year	24	<u>2,839,455</u>	<u>2,337,187</u>
Retained by:			
Company and subsidiaries		<u>2,592,381</u>	2,055,386
Associated companies		<u>184,468</u>	266,835
Jointly controlled entities		<u>62,606</u>	<u>14,966</u>
		<u>2,839,455</u>	<u>2,337,187</u>
Earnings per share	8	<u>\$3.15</u>	<u>\$2.85</u>

The notes on pages 61 to 92 form part of these accounts.

Balance Sheets

at 30th June, 1999

	Notes	The Group		The Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Assets employed:—					
Fixed assets	9	27,257,069	25,972,198	—	—
Interest in subsidiaries	10	—	—	36,424,376	33,942,494
Interest in associated companies	11	16,373,538	16,887,205	313,333	313,393
Interest in jointly controlled entities	12	5,101,299	4,734,539	101,055	104,391
Other investments	13	952,976	1,493,682	—	—
Properties held for development	14	6,755,390	6,702,462	—	—
Instalments receivable	15	4,162,767	3,135,764	—	—
Other receivables	16	2,108,503	1,423,851	—	—
		<u>62,711,542</u>	<u>60,349,701</u>	<u>36,838,764</u>	<u>34,360,278</u>
Current assets	17	30,142,855	33,863,572	25,919	937,198
Current liabilities	18	20,781,622	19,015,983	1,522,592	1,539,328
Net current assets/(liabilities)		<u>9,361,233</u>	<u>14,847,589</u>	<u>(1,496,673)</u>	<u>(602,130)</u>
		<u>72,072,775</u>	<u>75,197,290</u>	<u>35,342,091</u>	<u>33,758,148</u>
Long term liabilities	19	7,882,559	12,709,254	—	—
		<u>64,190,216</u>	<u>62,488,036</u>	<u>35,342,091</u>	<u>33,758,148</u>
Amounts due to fellow subsidiaries		628,376	466,768	—	—
Net assets		<u>63,561,840</u>	<u>62,021,268</u>	<u>35,342,091</u>	<u>33,758,148</u>
Representing:—					
Share capital	21	3,444,280	3,444,480	3,444,280	3,444,480
Share premium		8,387,915	8,387,915	8,387,915	8,387,915
Capital reserves	22	1,642,328	1,971,163	20,200	20,000
Investment property					
revaluation reserve	23	12,548,853	13,505,275	—	—
Retained profits	24	23,850,409	21,013,368	23,489,696	21,905,753
Shareholders' funds		<u>49,873,785</u>	<u>48,322,201</u>	<u>35,342,091</u>	<u>33,758,148</u>
Minority interests		<u>13,688,055</u>	<u>13,699,067</u>	—	—
		<u>63,561,840</u>	<u>62,021,268</u>	<u>35,342,091</u>	<u>33,758,148</u>

Approved by the Board of Directors on 23rd September, 1999.

Lee Shau Kee)
Directors
Lee Tat Man)

The notes on pages 61 to 92 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 30th June, 1999

	Notes	1999 HK\$'000	1998 HK\$'000
Net cash inflow from operating activities	(a)	<u>7,349,683</u>	<u>2,441,431</u>
Returns on investments and servicing of finance			
Interest received		423,189	422,387
Interest paid		(1,414,300)	(1,748,633)
Dividends received from associated companies		623,317	578,366
Dividends received from jointly controlled entities		23,000	3,750
Dividends received from other investments		3,562	7,230
Dividends and special cash bonus paid		(2,583,210)	(5,333,028)
Dividends paid to minority shareholders		(270,534)	(569,772)
Net cash outflow from returns on investments and servicing of finance		<u>(3,194,976)</u>	<u>(6,639,700)</u>
Taxation			
Hong Kong profits tax paid		(1,993,783)	(1,327,285)
Profits tax paid outside Hong Kong		(24,644)	(126,191)
Tax refund of Hong Kong profits tax received		148,920	—
Tax paid		<u>(1,869,507)</u>	<u>(1,453,476)</u>
Investing activities			
Proceeds from sale of fixed assets		6,136	2,544,816
Purchase of fixed assets		(587,132)	(529,250)
Investment in associated companies		(2,777)	(1,142,798)
Investment in jointly controlled entities		(20)	(20,000)
Advances to associated companies		(158,610)	(299,565)
(Advances to)/repayment from jointly controlled entities		(586,551)	4,236,681
Purchase of subsidiaries	(d)	—	—
Sale of a subsidiary	(e)	—	—
Proceeds from sale of interests in a subsidiary		14,627	—
Purchase of other investments		(24,331)	(1,648,516)
Purchase of additional shares in subsidiaries		—	(133,643)
Proceeds from sale of other investment		972,261	22,028
Net cash (outflow)/inflow from investing activities		<u>(366,397)</u>	<u>3,029,753</u>
Net cash inflow/(outflow) before financing		<u>1,918,803</u>	<u>(2,621,992)</u>
Financing	(c)		
Issue of shares to minority shareholders		748	1
(Repayment to)/contributions from minority shareholders		(91,589)	905,725
New other loans		1,000,000	1,586,682
New bank loans		7,500,478	5,151,720
Repayment of bank loans		(9,675,053)	(3,026,860)
Repayment of other loans		(3,708,262)	(1,750,652)
Repurchase of own shares		(2,414)	(251,132)
Net cash (outflow)/inflow from financing		<u>(4,976,092)</u>	<u>2,615,484</u>
Decrease in cash and cash equivalents		<u>(3,057,289)</u>	<u>(6,508)</u>
Cash and cash equivalents at 1st July		<u>2,667,710</u>	<u>2,674,218</u>
Cash and cash equivalents at 30th June	(b)	<u>(389,579)</u>	<u>2,667,710</u>

Consolidated Cash Flow Statement (cont'd)

for the year ended 30th June, 1999

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit from operations to net cash inflow from operating activities

	1999 HK\$'000	1998 HK\$'000
Profit from operations	4,425,399	5,254,895
Exceptional items	1,381,496	229,014
Interest income	(806,033)	(659,927)
Interest expense	219,876	287,200
Dividends from other investments	(3,562)	(6,767)
Amortisation and depreciation	59,466	64,189
Profit on disposal of interests in investment properties	—	(1,819,095)
Loss on disposal of fixed assets	356	3,654
Profit on disposal of interests in a subsidiary	(14,662)	—
Profit on disposal of a subsidiary	(120)	—
Profit on disposal of other investments	(173,563)	—
(Written back)/provision for diminution in value of other investments	(16,210)	7,200
Loss on winding up of associated companies	—	22,547
Goodwill written off	61	—
Release of capital reserve to profit and loss account	(36,566)	(47,031)
Exchange difference	(496)	4,691
Increase in other receivables	(558,846)	(1,402,539)
(Increase)/decrease in properties held for development	(223,846)	346,894
Increase in leasehold land	(31,345)	(1,175,852)
Decrease/(increase) in properties under development	1,601,821	(6,634,323)
Decrease in properties held for resale	562	196,248
(Increase)/decrease in completed properties for sale	(717,264)	937,413
Increase in inventories	(17,504)	(2,787)
Decrease in marketable securities	—	36,134
Decrease/(increase) in amounts due from customers for contract work	91,005	(28,290)
Decrease in deposits for acquisition of properties	37,379	242,172
Decrease/(increase) in debtors, prepayments and deposits	88,633	(187,978)
(Increase)/decrease in instalments receivable	(1,361,170)	1,351,009
Decrease/(increase) in cash held by stakeholders	267,088	(282,008)
Increase in forward sales deposits received	2,613,427	6,112,435
Increase/(decrease) in rental and other deposits	29,228	(9,506)
Increase/(decrease) in creditors and accrued expenses	594,716	(629,765)
Increase in amounts due to customers for contract work	7,462	—
(Decrease)/increase in amounts due to fellow subsidiaries	(107,105)	231,604
Net cash inflow from operating activities	<u>7,349,683</u>	<u>2,441,431</u>

(b) Analysis of the balances of cash and cash equivalents

	1999 HK\$'000	1998 HK\$'000
Cash at bank and in hand	393,593	3,489,261
Bank loans and overdrafts	(783,172)	(821,551)
	<u>(389,579)</u>	<u>2,667,710</u>

Consolidated Cash Flow Statement (cont'd)

for the year ended 30th June, 1999

(c) Analysis of changes in financing during the year

	Minority interests HK\$'000	Bank loans HK\$'000	Other loans HK\$'000	Share capital HK\$'000	Share premium HK\$'000
Balance at 1st July, 1998	13,699,067	11,778,386	6,981,412	3,444,480	8,387,915
Cash outflow from financing	(90,841)	(2,174,575)	(2,708,262)	—	—
Attributable profits less dividends paid	320,826	—	—	—	—
Revaluation reserve	(240,997)	—	—	—	—
Nominal value of own shares repurchased and cancelled (Note)	—	—	—	(200)	—
Amortisation of finance costs	—	—	2,753	—	—
Balance at 30th June, 1999	13,688,055	9,603,811	4,275,903	3,444,280	8,387,915

Note: Repurchase of own shares at a consideration of HK\$2,414,000 was paid out of retained profits.

(d) Purchase of subsidiaries

	1999 HK\$'000	1998 HK\$'000
Net assets acquired		
Interest in associated companies	50,454	—
Leasehold land	217,390	—
Debtors, prepayments and deposits	2,312	—
Creditors and accrued expenses	(1,513)	—
	268,643	—
Add: Goodwill	61	—
	268,704	—
Satisfied by amounts due to fellow subsidiaries	268,704	—

(e) Sale of a subsidiary

	1999 HK\$'000	1998 HK\$'000
Net assets disposed of		
Deposits for acquisition of properties	5,265	—
Debtors, prepayments and deposits	4,773	—
Creditors and accrued expenses	(9,159)	—
	879	—
Add: Profit on disposal	120	—
	999	—
Satisfied by increase in debtors, prepayments and deposits	999	—

Notes on the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

These accounts have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies is set out below:—

(a) Basis of consolidation

The consolidated accounts include the audited accounts of Henderson Land Development Company Limited and all of its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions are eliminated on consolidation.

Goodwill arising on consolidation represents the excess of the cost of investments in subsidiaries over the fair value of the net tangible assets at the respective dates of acquisition. Goodwill is written off on acquisition. The excess of the fair value of the net tangible assets of subsidiaries over the cost of investments is credited to capital reserve. On disposal of a subsidiary, the attributable amount of capital reserve is included in calculating the profit or loss on disposal.

(b) Interest in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost less provisions for permanent diminution in value as determined by the directors.

(c) Associated companies

An associated company is a company in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence, but not control or joint control, in its management, including participation in financial and operating policy decisions.

In the consolidated balance sheet, investments in associated companies are stated at the Group's share of their net assets. The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associated companies for the year.

The results of associated companies are included in the Company's profit and loss account to the extent of dividends received and receivable. In the Company's balance sheet, investments in associated companies are classified as long-term investments, stated at cost less provisions for permanent diminution in value as determined by the directors.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the Group or Company and at least one other party undertake an economic activity which is subject to joint control and none of the parties involved unilaterally has control over the economic activity.

Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for in the consolidated accounts under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the jointly controlled entities. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of operations of the jointly controlled entities for the year.

The results of jointly controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. In the Company's balance sheet, interests in jointly controlled entities are classified as long-term investments, stated at cost less provisions for permanent diminution in value as determined by the directors.

Notes on the Accounts (cont'd)

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(e) Investments

(i) Other investments

Other investments are long-term investments in companies which are not subsidiaries, associated companies or joint ventures. Such investments are stated at cost less provisions, if necessary, for any permanent diminution in value. Results of these companies are accounted for on the basis of dividends and income received and receivable during the year.

(ii) Marketable securities

Listed investments held for short-term trading purposes are stated at the lower of cost and market value determined on an individual basis.

(f) Recognition of revenue

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Sales of properties

Revenue arising from the development of properties for sale together with the interest earned on the instalment sales of properties are recognised upon the sale of properties or the issue of an occupation permit or a completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits received.

(ii) Rental income

Rental income under operating leases are accounted for on a straight line basis over the periods of the respective leases.

(iii) Interest income

Interest earned on loans and advances to customers and from bank deposits are accrued on a time apportioned basis on the principal outstanding and at the rate applicable.

(iv) Income from construction contracts

When the outcome of the construction contract can be estimated reliably:

Revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

Revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(g) Valuation of properties

(i) Investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which are assessed annually by qualified valuer of the Group and at least every three years by external qualified valuers. Surpluses arising on revaluations on a portfolio basis are credited to the investment property revaluation reserve; deficits arising on revaluations are firstly set-off against any previous revaluation surpluses and thereafter taken to the profit and loss account.

On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the profit and loss account for the year.

(ii) Hotel properties are stated at their open market value based on an annual professional valuation.

(iii) Other land and buildings are stated at cost less accumulated depreciation.

Notes on the Accounts (cont'd)

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

- (iv) Properties held for resale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.
- (v) Completed properties remaining unsold at the year end are valued at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions.
- (vi) Properties held for and under development are stated in the balance sheet at cost less provision for anticipated losses, where appropriate.
- (vii) Leasehold land acquired by exchange of land exchange entitlements is stated at cost which represents the cost of land exchange entitlements surrendered, and the premium, if any, payable to the Government of the Hong Kong Special Administrative Region less provision, where appropriate.
- (viii) Other leasehold land is stated at cost less provision, where appropriate.
- (ix) Upon transfer of assets between categories of assets due to change in use or intended use, the cost of such an asset on transfer is deemed to be the carrying value of the asset as stated under its original classification. On the retirement or disposal of the asset, any previous revaluation reserve on the asset is transferred directly to retained profits.

(h) Development expenditure

Construction and other costs, including borrowing costs and expenses relating to the marketing and sale of development properties prior to the issue of an occupation permit in Hong Kong are included as part of properties under development and, prior to the issue of a completion certificate in the People's Republic of China ("PRC"), are included as part of properties held for/under development in other areas of the PRC.

Borrowing costs payable on loans relating to properties under development and properties held for development are capitalised up to the date of completion of the properties.

(i) Valuation of construction contracts in progress

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Amounts due from customers for contract work" as an asset or the "Amounts due to customers for contract work" as a liability, as applicable.

(j) Amortisation and depreciation of fixed assets

(i) Investment properties

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation.

(ii) Hotel properties

No depreciation is provided on hotel properties held on lease of more than 20 years. The directors consider that the value of the hotels do not diminish, due to the fact that hotels are maintained in a continuous state of proper repair and improvements thereto from time to time.

(iii) Other land and buildings

Leasehold land under other land and buildings is amortised, using the straight line method, over the unexpired terms of the leases.

Buildings are depreciated on a straight line basis over the remaining terms of the respective leases or 40 years if shorter.

Notes on the Accounts (cont'd)

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(iv) Properties held for and under development

No depreciation is provided on properties held for and under development.

(v) Other fixed assets

Other fixed assets are stated at cost, less depreciation. Depreciation is provided on a straight line basis over their estimated useful lives as follows:—

Leasehold improvements, furniture and fixtures	— 5 years
Plant, machinery, yacht and motor vehicles	— 4 to 5 years

(k) Translation of foreign currencies

Foreign currency transactions, inclusive of those entered into by the Company's subsidiaries, associated companies and jointly controlled entities established outside Hong Kong, the operations and cash flows of which have a direct impact upon those of the Company, during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the market rates of exchange ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account.

The accounts of other subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising thereon are dealt with as a movement in reserves.

(l) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(m) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to construction which necessarily take a substantial period of time to get ready for their intended use or sale.

(n) Related parties

For the purpose of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence.

Notes on the Accounts (cont'd)

2 TURNOVER

Turnover of the Group represents proceeds from the sale of properties, rental and interest income, income from construction contracts earned from third parties, income from hotel operations, proceeds from retail sales, and others including management and sales commission, dividends from other investments and property management and security services income.

Major items are analysed as follows:—

	1999 HK\$'000	1998 HK\$'000
Sale of properties	11,035,717	7,196,693
Rental income	1,355,246	1,615,980
Interest income	806,033	659,927
Building construction	609,828	544,735
Hotel operation	97,101	113,262
Retail sales	228,590	202,405
Others	464,154	295,928
	<u>14,596,669</u>	<u>10,628,930</u>

3 PROFIT FROM OPERATIONS

The consolidated profit from operations for the year is arrived at after charging and crediting the following items:—

	1999 HK\$'000	1998 HK\$'000
Charging:—		
Bank interest	818,800	981,021
Interest on loans wholly repayable within five years	555,289	790,717
Other borrowing costs	211,388	206,587
	<u>1,585,477</u>	<u>1,978,325</u>
Less: Amount capitalised*		
— interest	1,154,213	1,484,538
— other borrowing costs	197,253	201,266
	<u>234,011</u>	<u>292,521</u>
* The borrowing costs have been capitalised at rates ranging from 6.83% to 9.00% (1998 — from 7.12% to 11.78%) per annum.		
Amortisation and depreciation	65,016	65,736
Less: Amount capitalised	5,550	1,547
	<u>59,466</u>	<u>64,189</u>
Cost of sales		
— completed properties for sale	7,519,322	2,622,471
— inventories	121,650	82,019
Auditors' remuneration	9,670	11,001

Notes on the Accounts (cont'd)

3 PROFIT FROM OPERATIONS (cont'd)

	1999 HK\$'000	1998 HK\$'000
Crediting:—		
Interest income	806,033	659,927
Rentals receivable from investment properties net of outgoings of HK\$434,858,000 (1998 — HK\$480,405,000)	763,203	912,827
Other rental income less outgoings	109,411	160,676
Dividends from other investments		
— listed	3,562	5,374
— unlisted	—	1,393
	<u>1,679,209</u>	<u>1,730,627</u>

Note: The consolidated net profit after taxation includes an amount of HK\$4,169,567,000 (1998 — HK\$6,967,037,000) which has been dealt with in the accounts of the Company.

4 EXCEPTIONAL ITEMS

	The Group 1999 HK\$'000	1998 HK\$'000
Provision for diminution in value of properties written back	1,323,074	—
Profit on disposal of long-term listed securities	173,563	—
Provision for diminution in value of listed securities written back	16,210	—
Provision for diminution in value of properties	(131,351)	(1,466,464)
Profit on disposal of interests in investment properties	—	1,819,095
Provision for diminution in value of listed securities	—	(123,617)
	<u>1,381,496</u>	<u>229,014</u>

5 SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES

	The Group 1999 HK\$'000	1998 HK\$'000
Share of net profits before taxation:—		
Listed associated companies	1,038,030	1,078,828
Unlisted associated companies	35,849	99,326
	<u>1,073,879</u>	<u>1,178,154</u>
Attributable taxation	(169,453)	(172,934)
	<u>904,426</u>	<u>1,005,220</u>

Notes on the Accounts (cont'd)

6 TAXATION

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

	The Group	
	1999 HK\$'000	1998 HK\$'000
Provision for Hong Kong profits tax for the year	646,080	630,154
Underprovision in respect of prior years	294,770	636,856
Tax refund relating to prior year	(150,832)	—
	790,018	1,267,010
Provision for taxation outside Hong Kong	2,289	13,291
	<u>792,307</u>	<u>1,280,301</u>

Provision for Hong Kong profits tax has been made at 16% on the estimated assessable profits for the year.

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

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

7 DIVIDENDS

	The Company	
	1999 HK\$'000	1998 HK\$'000
Interim dividend at HK\$0.70 per share (1998 — HK\$0.70 per share)	1,205,498	1,210,297
Proposed final dividend at HK\$0.80 per share (1998 — HK\$0.80 per share)	<u>1,377,712</u>	<u>1,377,712</u>
	<u>2,583,210</u>	<u>2,588,009</u>

8 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$5,422,976,000 (1998 — HK\$4,925,327,000) and on the weighted average of 1,722,155,616 ordinary shares (1998 weighted average of ordinary shares in issue — 1,730,366,295) in issue during the year. There was no potential dilution of earnings per share during 1998 and 1999.

Notes on the Accounts (cont'd)

9 FIXED ASSETS

The Group:

	Investment properties HK\$'000	Hotel properties HK\$'000	Other land & buildings HK\$'000	Properties held for/under development HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost or valuation:						
At 1st July, 1998	22,326,013	980,000	480,571	2,082,433	421,498	26,290,515
Additions	40,957	—	—	575,212	53,539	669,708
Transfer from/(to) properties under development	861,866	479,743	—	(556,556)	—	785,053
Disposals	—	—	(5,254)	—	(5,715)	(10,969)
Deficits on revaluation	(18,663)	(79,743)	—	—	—	(98,406)
At 30th June, 1999	<u>23,210,173</u>	<u>1,380,000</u>	<u>475,317</u>	<u>2,101,089</u>	<u>469,322</u>	<u>27,635,901</u>
Amortisation and depreciation:						
At 1st July, 1998	—	—	29,084	—	289,233	318,317
Charge for the year	—	—	6,460	—	58,556	65,016
Written back on disposal	—	—	(591)	—	(3,910)	(4,501)
At 30th June, 1999	<u>—</u>	<u>—</u>	<u>34,953</u>	<u>—</u>	<u>343,879</u>	<u>378,832</u>
Net book value:						
At 30th June, 1999	<u>23,210,173</u>	<u>1,380,000</u>	<u>440,364</u>	<u>2,101,089</u>	<u>125,443</u>	<u>27,257,069</u>
At 30th June, 1998	<u>22,326,013</u>	<u>980,000</u>	<u>451,487</u>	<u>2,082,433</u>	<u>132,265</u>	<u>25,972,198</u>
Cost or valuation at 30th June, 1999 representing:						
Cost	—	—	409,237	1,953,089	469,322	2,831,648
Valuation						
— 30th June, 1992	—	—	20,110	—	—	20,110
— 30th June, 1994	—	—	45,970	—	—	45,970
— 30th June, 1997	—	—	—	148,000	—	148,000
— 30th June, 1999	<u>23,210,173</u>	<u>1,380,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>24,590,173</u>
	<u>23,210,173</u>	<u>1,380,000</u>	<u>475,317</u>	<u>2,101,089</u>	<u>469,322</u>	<u>27,635,901</u>

Notes on the Accounts (cont'd)

9 FIXED ASSETS (cont'd)

The analysis of net book value of properties is as follows:—

	The Group	
	1999	1998
	HK\$'000	HK\$'000
In Hong Kong		
under long leases	5,522,715	5,090,086
under medium-term leases	19,114,039	18,484,942
	<u>24,636,754</u>	<u>23,575,028</u>
Outside Hong Kong		
under long leases	4,726	9,603
under medium-term leases	2,490,146	2,255,302
	<u>2,494,872</u>	<u>2,264,905</u>
	<u>27,131,626</u>	<u>25,839,933</u>

The Group's investment properties and hotel properties were revalued as at 30th June, 1999 by C.Y. Leung & Company Limited, external professional valuer and Mr. Augustine Wong, FHKIS, ARICS, RPS (GP); ACI Arb, the Group's professional valuer on an open market value basis.

In the opinion of the directors, any capital gains arising on disposal of the revalued leasehold properties in Hong Kong at their carrying value will not be subject to any tax liability. The contingent liabilities in respect of Land Appreciation Tax and PRC Income Tax arising on disposal of certain revalued properties in other areas of the PRC are disclosed in note 27(g) on the accounts.

10 INTEREST IN SUBSIDIARIES

	The Company	
	1999	1998
	HK\$'000	HK\$'000
Unlisted shares, at cost	2,316,488	2,316,488
Amounts due from subsidiaries	42,500,093	34,894,787
	<u>44,816,581</u>	<u>37,211,275</u>
Less: Provision	(83,000)	(83,000)
	<u>44,733,581</u>	<u>37,128,275</u>
Amounts due to subsidiaries	(8,309,205)	(3,185,781)
	<u>36,424,376</u>	<u>33,942,494</u>

Details of principal subsidiaries are shown on pages 81 to 90.

Notes on the Accounts (cont'd)

11 INTEREST IN ASSOCIATED COMPANIES

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted				
Shares, at cost	—	—	355,061	359,061
Share of net assets	1,812,221	1,903,948	—	—
Amounts due from associated companies	3,325,999	2,933,912	80,748	76,819
	5,138,220	4,837,860	435,809	435,880
Less: Provision	—	—	(122,100)	(122,100)
	5,138,220	4,837,860	313,709	313,780
Amounts due to associated companies	(338,085)	(363,025)	(376)	(387)
	4,800,135	4,474,835	313,333	313,393
Listed in Hong Kong (Note)				
Share of net assets	11,573,403	12,412,370	—	—
	16,373,538	16,887,205	313,333	313,393
Note: Market value of listed shares	20,565,585	14,420,983	—	—

Details of principal associated companies are shown on page 91.

12 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	—	—	62	62
Share of net assets	903,805	973,007	—	—
Amounts due from jointly controlled entities	4,223,688	3,779,167	114,909	115,037
	5,127,493	4,752,174	114,971	115,099
Amounts due to jointly controlled entities	(26,194)	(17,635)	(13,916)	(10,708)
	5,101,299	4,734,539	101,055	104,391

Details of principal jointly controlled entities are shown on page 92.

Notes on the Accounts (cont'd)

13 OTHER INVESTMENTS

	The Group	
	1999 HK\$'000	1998 HK\$'000
Unlisted shares, at cost	<u>145,303</u>	<u>120,102</u>
Listed shares (Note)		
In Hong Kong	<u>793,021</u>	<u>1,373,580</u>
In other areas of the PRC	<u>14,652</u>	<u>—</u>
	<u>807,673</u>	<u>1,373,580</u>
	<u>952,976</u>	<u>1,493,682</u>
Note: Market value of listed shares		
In Hong Kong	<u>1,369,246</u>	<u>1,565,145</u>
In other areas of the PRC	<u>17,913</u>	<u>—</u>

14 PROPERTIES HELD FOR DEVELOPMENT

	The Group	
	1999 HK\$'000	1998 HK\$'000
In Hong Kong	<u>3,668,151</u>	<u>3,536,021</u>
In other areas of the PRC	<u>3,087,239</u>	<u>3,166,441</u>
	<u>6,755,390</u>	<u>6,702,462</u>

15 INSTALMENTS RECEIVABLE

This represents the principal content of instalments receivable from the sale of flats after twelve months from the balance sheet date. The amounts receivable within twelve months from the balance sheet date are included under current assets.

16 OTHER RECEIVABLES

These represent amounts paid for funding certain property development projects in Hong Kong and in other areas of the PRC. These receivables are interest bearing and not to be repayable within one year.

Notes on the Accounts (cont'd)

17 CURRENT ASSETS

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Leasehold land	3,393,605	3,144,870	—	—
Properties under development:				
In Hong Kong	19,688,920	21,172,586	—	—
In other areas of the PRC	1,432,953	1,112,614	—	—
Properties held for resale	56,752	57,314	—	—
Completed properties for sale (note a)	2,698,200	1,980,936	—	—
Inventories (note b)	49,930	32,426	—	—
Marketable securities (note c)				
In Hong Kong	—	205,386	—	—
In other areas of the PRC	—	11,195	—	—
Amounts due from customers for contract work (note d)	50,028	141,033	—	—
Deposits for acquisition of properties	80,177	122,821	—	—
Debtors, prepayments and deposits	1,431,947	1,593,459	24,910	25,521
Instalments receivable	657,713	323,546	—	—
Cash at bank and in hand (note e)	602,630	3,965,386	1,009	911,677
	<u>30,142,855</u>	<u>33,863,572</u>	<u>25,919</u>	<u>937,198</u>

(a) Completed properties for sale include properties of HK\$256,837,000 (1998 — HK\$241,338,000) carried at net realisable value.

(b) Inventories of HK\$503,000 (1998 — Nil) are carried at net realisable value.

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(c) Market value of marketable securities:				
In Hong Kong	—	205,386	—	—
In other areas of the PRC	—	12,495	—	—
(d) Contracts in progress at the balance sheet date:				
Contract costs incurred plus recognised profits less recognised losses	350,557	268,112	—	—
Progress billings	(307,991)	(127,079)	—	—
Net contract work	<u>42,566</u>	<u>141,033</u>	<u>—</u>	<u>—</u>
Represented by:				
Amounts due from customers for contract work included in current assets	50,028	141,033	—	—
Amounts due to customers for contract work included in current liabilities (note 18)	(7,462)	—	—	—
	<u>42,566</u>	<u>141,033</u>	<u>—</u>	<u>—</u>
(e) Including cash held by stakeholders	<u>209,037</u>	<u>476,125</u>	<u>—</u>	<u>—</u>

Notes on the Accounts (cont'd)

18 CURRENT LIABILITIES

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans and overdrafts				
— unsecured (note 20(a))	3,961,983	3,596,604	—	—
Other loans				
— unsecured (note 20(b))	2,818,362	3,275,509	—	—
Forward sales deposits received	8,727,664	6,114,237	—	—
Rental and other deposits	325,946	296,718	—	—
Creditors and accrued expenses	2,378,090	2,093,600	144,880	161,616
Amounts due to customers for contract work (note 17(d))	7,462	—	—	—
Taxation	1,184,403	2,261,603	—	—
Proposed dividend (note 7)	1,377,712	1,377,712	1,377,712	1,377,712
	<u>20,781,622</u>	<u>19,015,983</u>	<u>1,522,592</u>	<u>1,539,328</u>

19 LONG TERM LIABILITIES

	The Group	
	1999	1998
	HK\$'000	HK\$'000
Bank loans – unsecured (note 20(a))	6,425,000	9,003,333
Other loans – unsecured (note 20(b))	1,457,541	3,705,903
Land premium	18	18
	<u>7,882,559</u>	<u>12,709,254</u>

20 BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

	The Group	
	1999	1998
	HK\$'000	HK\$'000
Bank loans and overdrafts (note a)	10,386,983	12,599,937
Other loans (note b)	4,275,903	6,981,412
	<u>14,662,886</u>	<u>19,581,349</u>
(a) Bank loans and overdrafts are repayable as follows:—		
Within 1 year and included in current liabilities (note 18)	3,961,983	3,596,604
After 1 year and included in long term liabilities (note 19)		
After 1 year but within 2 years	2,875,000	1,403,333
After 2 years but within 5 years	3,550,000	7,600,000
	<u>6,425,000</u>	<u>9,003,333</u>
	<u>10,386,983</u>	<u>12,599,937</u>

Notes on the Accounts (cont'd)

20 BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS (cont'd)

	The Group	
	1999 HK\$'000	1998 HK\$'000
(b) Other loans are repayable as follows:—		
Within 1 year and included in current liabilities (note 18)	<u>2,818,362</u>	<u>3,275,509</u>
After 1 year and included in long term liabilities (note 19)		
After 1 year but within 2 years	<u>700,000</u>	<u>2,748,362</u>
After 2 years but within 5 years	<u>757,541</u>	<u>957,541</u>
	<u>1,457,541</u>	<u>3,705,903</u>
	<u>4,275,903</u>	<u>6,981,412</u>

The above other loans included foreign currency loans amounting to HK\$3,049,583,000 (1998 — HK\$5,368,410,000) stated at rates fixed under currency swap arrangements with banks.

21 SHARE CAPITAL

	No. of shares		Nominal value	
	1999 '000	1998 '000	1999 HK\$'000	1998 HK\$'000
Authorised				
Ordinary shares of HK\$2.00 each	<u>1,800,000</u>	<u>1,800,000</u>	<u>3,600,000</u>	<u>3,600,000</u>
Issued and fully paid				
Ordinary shares of HK\$2.00 each	<u>1,722,140</u>	<u>1,722,240</u>	<u>3,444,280</u>	<u>3,444,480</u>

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited 100,000 shares of HK\$2.00 each of the Company at a consideration of HK\$2,405,000, before expenses. These shares were subsequently cancelled. The nominal value of the cancelled shares was credited to capital redemption reserve and the consideration was paid out of the retained profits.

Notes on the Accounts (cont'd)

22 CAPITAL RESERVES

The Group:

	Other properties revaluation reserve HK\$'000	Reserve on consolidation HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 1st July, 1998	646,327	1,302,395	20,000	437	2,004	1,971,163
Deficits on revaluation of other properties	(79,743)	—	—	—	—	(79,743)
Share of revaluation deficits in associated companies	(210,731)	—	—	—	—	(210,731)
Capital reserve arising on consolidation	—	3,050	—	—	—	3,050
Realised to profit and loss account (Note)	—	(36,566)	—	—	—	(36,566)
Exchange differences arising from investment in a foreign subsidiary company	—	—	—	(5,356)	—	(5,356)
Repurchase of own shares	—	—	200	—	—	200
Transfer from profit and loss account	—	—	—	—	311	311
At 30th June, 1999	<u>355,853</u>	<u>1,268,879</u>	<u>20,200</u>	<u>(4,919)</u>	<u>2,315</u>	<u>1,642,328</u>
Dealt with by:						
Company and subsidiaries	345,624	1,268,879	20,200	—	2,315	1,637,018
Associated companies	<u>10,229</u>	<u>—</u>	<u>—</u>	<u>(4,919)</u>	<u>—</u>	<u>5,310</u>
	<u>355,853</u>	<u>1,268,879</u>	<u>20,200</u>	<u>(4,919)</u>	<u>2,315</u>	<u>1,642,328</u>

Note: On dilution of interest in a subsidiary, the gain arising therefrom was included in capital reserve and the amount to be released to the profit and loss account each period under profit from operations is based on the issue of completion certificate of the underlying properties of the subsidiary.

The Company:

	Capital redemption reserve HK\$'000
At 1st July, 1998	20,000
Repurchase of own shares	<u>200</u>
At 30th June, 1999	<u>20,200</u>

Notes on the Accounts (cont'd)

23 INVESTMENT PROPERTY REVALUATION RESERVE

	The Group	
	1999 HK\$'000	1998 HK\$'000
At 1st July	13,505,275	27,051,882
Deficits on revaluation	(283,298)	(10,711,693)
Share of revaluation deficits in associated companies	(563,273)	(929,191)
Share of revaluation deficits in jointly controlled entities	(109,851)	(5,000)
Realised upon disposal of interests in properties	—	(1,900,723)
At 30th June	12,548,853	13,505,275
Dealt with by:		
Company and subsidiaries	11,454,590	11,737,888
Associated companies	1,152,716	1,715,989
Jointly controlled entities	(58,453)	51,398
	12,548,853	13,505,275

24 RETAINED PROFITS

	The Group		The Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
At 1st July	21,013,368	18,927,313	21,905,753	17,777,857
Retained profit for the year	2,839,455	2,337,187	1,586,357	4,379,028
Less: repurchase of own shares	(2,414)	(251,132)	(2,414)	(251,132)
At 30th June	23,850,409	21,013,368	23,489,696	21,905,753
Retained by:				
Company and subsidiaries	21,693,195	19,104,046		
Associated companies	2,079,411	1,894,125		
Jointly controlled entities	77,803	15,197		
	23,850,409	21,013,368		

25 DISTRIBUTABLE RESERVES

The distributable reserves of the Company at 30th June, 1999 amounted to HK\$23,489,696,000 (1998 — HK\$21,905,753,000).

Notes on the Accounts (cont'd)

26 COMMITMENTS

(a) At 30th June, 1999, the Group had commitments not provided for in these accounts as follows:—

	The Group	
	1999	1998
	HK\$'000	HK\$'000
(i) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	1,452,118	1,577,097
(ii) Contracted commitments for acquisition of further interest in joint venture in the PRC	229,403	236,154
(iii) Contracted obligations to fund the subsidiaries and associated companies established outside Hong Kong	3,456,952	3,424,369
(iv) Contracted obligations for funding property development project	6,550,000	7,000,000
(v) Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	4,000,037	5,631,983
	<u>15,688,510</u>	<u>17,869,603</u>

Based on information available at the balance sheet date, the directors estimate that the Group's commitments disclosed above are payable as follows:—

	The Group	
	1999	1998
	HK\$'000	HK\$'000
Within 1 year	9,501,690	7,530,965
After 1 year but within 2 years	1,815,622	5,477,187
After 2 years	4,371,198	4,861,451
	<u>15,688,510</u>	<u>17,869,603</u>

(b) At 30th June, 1999, the Group had commitments under operating leases to make payments in the next year as follows:—

	The Group	
	1999	1998
	HK\$'000	HK\$'000
Property leases expiring:—		
Within 1 year	3,901	11,747
After 1 year but within 5 years	8,000	10,756
	<u>11,901</u>	<u>22,503</u>

Notes on the Accounts (cont'd)

27 CONTINGENT LIABILITIES

At 30th June, 1999, contingent liabilities of the Group and of the Company were as follows:—

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Guarantees given by the Company and its subsidiaries to financial institutions on behalf of purchasers of flats	187,719	206,371	13,970	16,584
(b) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	—	—	7,311,134	9,136,806
(c) Guarantee given by the Company to a bank to secure banking facilities of a jointly controlled entity	286,760	556,200	286,760	556,200
(d) Guarantees given by the Company to holders of bonds or guaranteed notes issued by certain subsidiaries	—	—	4,077,068	5,481,792
(e) Guarantee given by the Company to a bank to secure banking facilities of an investment	—	6,720	—	6,720
	<u>474,479</u>	<u>769,291</u>	<u>11,688,932</u>	<u>15,198,102</u>

(f) The Company has given guarantees to third parties in respect of contracted commitments of its subsidiaries to provide attributable portion of capital to joint property development project and funding of property development project. At 30th June, 1999, the Company had contingent liabilities of HK\$6,856 million (1998 — HK\$7,275 million) in relation to the said guarantees.

(g) Pursuant to an indemnity deed dated 15th March, 1996 signed between the Company and a subsidiary, the Company, under certain conditions, has undertaken to indemnify the subsidiary in respect of any PRC Income Tax and Land Appreciation Tax ("LAT") payable in consequence of the disposal by the subsidiary of its property interests owned as at 31st December, 1995. As at 30th June, 1999, the Company had contingent PRC Income Tax and LAT liabilities of HK\$78 million (1998 — HK\$54 million) and HK\$101 million (1998 — HK\$70 million) respectively in relation to certain investment properties of the subsidiary upon a revaluation of these properties at 30th June, 1999. However, the directors of the subsidiary have no current intention to dispose of these properties.

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with fellow subsidiaries:

- (i) Pursuant to shareholders agreements of certain jointly controlled entities of the Group, the subsidiaries of the Company shall finance or procure to finance these entities in accordance with the percentage of their equity interest. Total financing cost amounting to HK\$172 million was paid to a fellow subsidiary in respect of providing interest free advances to these jointly controlled entities during the year.
- (ii) The amounts due to fellow subsidiaries at 30th June, 1999 are shown in the balance sheet.

Notes on the Accounts (cont'd)

28 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(b) Transactions with associated companies and jointly controlled entities:

- (i) Interest income received on advances by the Group to the associated companies and jointly controlled entities of the Group during the year amounting to HK\$139 million and HK\$70 million respectively.
- (ii) The amounts due to/from the associated companies and jointly controlled entities at the year end are set out in notes 11 and 12 respectively.

In the opinion of the directors of the Company, the transactions with the above related parties were carried out on normal commercial terms and in the ordinary course of business.

The Group has taken advantage of the transitional provisions set out in paragraph 28 of the Statement of Standard Accounting Practice 20 "Related party disclosures" issued by the Hong Kong Society of Accountants which provides exemption from the need to present comparative information for prior periods when this statement is first adopted and such information is not available.

29 DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to section 161 of the Companies Ordinance is as follows:—

	The Group	
	1999 HK\$'000	1998 HK\$'000
Executive directors		
Fees	960	960
Other emoluments:		
Basic salaries, housing and other allowances and benefits in kind	39,713	37,803
Pension scheme contributions	1,175	1,182
Discretionary bonuses	16,299	15,750
	<u>58,147</u>	<u>55,695</u>
Non-executive directors		
Fees	140	140
Other emoluments:		
Basic salaries, housing and other allowances and benefits in kind	3,000	3,000
	<u>3,140</u>	<u>3,140</u>
Independent non-executive directors		
Fees	<u>260</u>	<u>260</u>

Notes on the Accounts (cont'd)

29 DIRECTORS' REMUNERATION (cont'd)

(b) The number of directors whose remuneration fell within designated bands are as follows:—

Remuneration bands:	The Group	
	1999 Number of Directors	1998 Number of Directors
HK\$		
Nil — 1,000,000	5	6
1,500,001 — 2,000,000	1	1
2,500,001 — 3,000,000	1	1
3,000,001 — 3,500,000	2	2
3,500,001 — 4,000,000	—	1
4,000,001 — 4,500,000	2	2
4,500,001 — 5,000,000	3	1
5,000,001 — 5,500,000	1	2
5,500,001 — 6,000,000	1	1
6,000,001 — 6,500,000	—	1
8,000,001 — 8,500,000	1	1
9,000,001 — 9,500,000	1	—

(c) The five highest paid individuals for the years 1998 and 1999 are all directors of the Company and their remuneration are reflected in the analysis presented above.

30 ULTIMATE HOLDING COMPANY

The directors consider that the ultimate holding company at 30th June, 1999 was Henderson Development Limited, incorporated in Hong Kong.

31 COMPARATIVE FIGURES

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

Principal Subsidiaries

at 30th June, 1999

All principal subsidiaries are incorporated and operate in Hong Kong unless otherwise stated. Details of principal subsidiaries are as follows:—

	Particulars of issued shares		% of shares held by	
	Number of ordinary shares	Par value HK\$	The Company	Subsidiaries
(A) PROPERTY DEVELOPMENT				
(i) Incorporated and operates in Hong Kong				
Avion Investment Limited	3,000,000	1	100	—
Bauer Investment Limited	500	100	100	—
Billion Joy Development Limited	10,000	1	100	—
Billion Nice Development Limited	2	1	—	100
Billion Talent Development Limited	2	1	—	100
Bothluck Development Limited	10,000	1	100	—
Bottcher Investment Limited	20,000	100	—	100
* Bright Trade Development Limited	1,000	1	—	100
* Camleigh Investment Limited	100,000*	10	100	—
* Camleigh Investment Limited	2**	10	—	—
* Camleigh Investment Limited	40,000***	100	100	—
* Camus Investment Limited	1,000	100	100	—
* Capital Leader Development Limited	2	1	—	100
Cheerbest Development Limited	2	1	—	100
Chest Point Development Limited	2	1	—	100
* Citigood Development Limited	2	1	—	100
Cititeam Development Limited	2	1	—	100
Crown Truth Limited	100	1	—	80
* Daren International Limited	2	1	—	100
Dashtrend Investment Limited	2	1	—	100
* Dili Investment Limited	500	100	100	—
* Dragon Pacific Development Limited	10	1	—	70
Dupple Investment Limited	30,000	100	100	—
Easy Ring Limited	2	1	—	100
* Egeria Investment Limited	100,000	100	100	—
* Evercot Enterprise Company, Limited	500*	100	100	—
* Evercot Enterprise Company, Limited	2**	100	—	—
Fairich Development Limited	2	1	—	100
Fleetman Investment Limited	1,000	1	—	70
Fordwise Development Limited	1,000	1	—	100
Ford World Development Limited	2	1	—	100
* Fordmax Development Limited	2	1	100	—
Fordtrade Development Limited	2	1	—	100
Fortune Base Development Limited	10,000	1	100	—
Fortune Jet Development Limited	1,000	1	—	100
Fortune Year Development Limited	2	1	—	100
Full Gain Investment Limited	2	1	—	100
Gain Base Development Limited	1,000	1	—	75
* Gain Glory Development Limited	10,000	1	—	100
* Gain Million Development Limited	2	1	—	100
Gallund Investment Limited	20,000	100	—	100
Gentfair Development Limited	10,000	1	100	—
Gentworld Development Limited	1,000	1	—	100

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Particulars of issued shares		% of shares held by	
	Number of ordinary shares	Par value HK\$	The Company	Subsidiaries
(A) PROPERTY DEVELOPMENT (cont'd)				
Gesund Investment Company Limited	2	100	—	100
Glory Hero Development Limited	3,000,000	1	—	100
Glory Jade Development Limited	1,000	1	—	100
* Good Extend Development Limited	2	1	—	100
Grand Max Development Limited	10,000	1	100	—
* Grand Talent Development Limited	2	1	100	—
Great Chase Development Limited	2	1	—	100
Harchain Limited	2	1	100	—
* Harvest Rise Development Limited	2	1	—	100
* Heyield Estate Limited	100	1	—	80
* Hintmax Development Limited	2	1	—	100
* Join Fortune Development Limited	100+	1	100	—
* Join Fortune Development Limited	2++	1	—	—
Jonesworld Investment Limited	2	1	—	100
Juliyam Limited	2	1	—	100
Kinsan Development Limited	1,000	1	—	100
* Kleener Investment Limited	2	1	100	—
* Kowatex Investment Limited	10,000	1	—	100
* Kwong Kay Investment Company Limited	2	1	100	—
* Kwong Kay Investment Company Limited	10,000**	100	100	—
Land Profit Development Limited	1,000	1	—	100
Landrise Development Limited	2	1	—	100
Liketon Investments Limited	100	1	—	100
* Long Gain Development Limited	1,000	1	—	100
Long Honest Development Limited	1,000	1	—	100
* Lucky Million Development Limited	2	1	—	100
Luxmark Investment Limited	1,000	1	—	100
Main Choice Development Limited	1,000	1	—	100
Main Plan Development Limited	2	1	—	100
* Man Woo Development Company, Limited	30,000	100	100	—
Max Choice Development Limited	2	1	—	100
Mightymount Investment Limited	10,000	1	100	—
* Millap Limited	2	1	100	—
Million Land Development Limited	2	1	—	100
Ming Dragon Limited	1,000	1	—	51.75
Nasmyth Investment Limited	2	1	100	—
* Nation Million Development Limited	2	1	—	100
* New Cheer Development Limited	1,000	1	—	100
Newteam Development Limited	2	1	—	100
New Market Development Limited	2	1	—	100
Niceform Development Limited	10,000	1	100	—
* Ohtori Investment Limited	2	1	100	—
* Onfine Development Limited	2	1	—	100
Pettystar Investment Limited	4,050	1	75	—
* Pioneer Land Development Limited	1,000	1	—	100
* Pittcorn Investment Limited	10,000	1	100	—
Profit Max Development Limited	2	1	—	100

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Particulars of issued shares		% of shares held by	
	Number of ordinary shares	Par value HK\$	The Company	Subsidiaries
(A) PROPERTY DEVELOPMENT (cont'd)				
* Profit System Development Limited	2	1	—	100
Profit Top Development Limited	1,000	1	—	100
* Quanley Investment Limited	10,000	100	100	—
Racine Investment Limited	4	100	—	75
Reeltack Investment Limited	30,000	100	—	100
* Rich Chase Development Limited	2	1	—	100
Rich Silver Development Limited	2	1	—	100
Rightlane Investment Limited	2	1	100	—
Rise Top Development Limited	2	1	—	100
Saxophon Limited	3,000,000	1	—	100
Scanbright Investment Limited	1,000	1	—	100
Sereal Investment Limited	10,000	1	100	—
Sharon Development Limited	2	1	—	100
* Shung King Development Company Limited	2 ⁺	1	100	—
* Shung King Development Company Limited	20,000 ⁺	100	100	—
* Shung King Development Company Limited	2 ⁺⁺	1	—	—
* Smart Bright Development Limited	100	1	—	60
Smart Fortune Development Limited	10,000	1	—	100
* Smart Gain Development Limited	2	1	—	100
Spreadfaith Investment Limited	10,000	1	100	—
Star Flight Company Limited	2	1	—	100
Success Century Development Limited	2	1	—	100
Success Crown Development Limited	2	1	—	100
* Success Path Development Limited	2	1	—	100
* Super Asset Development Limited	2	1	—	100
* System Link Development Limited	2	1	—	100
* Team Glory Development Limited	10	1	—	80
Topline Development Limited	10,000	1	100	—
Top Castle Properties Limited	100	1	—	100
* Top Mighty Development Limited	3,000,000	1	—	100
* Ugray Investment Limited	1,000	100	100	—
Victory Well Development Limited	2	1	—	100
Vignette Investment Limited	2	1	—	100
* Wealth Team Development Limited	1,000	1	—	90.10
Widetrend Development Limited	10,000	1	100	—
Win Target Development Limited	100	1	—	60
(ii) Established and operates in the PRC				
	Issued/contributed registered capital		% of equity interest held by	
			The Company	Subsidiaries
* Beijing Gaoyi Property Development Co., Ltd.	US\$8,400,000		—	70 [®]
* Beijing Henderson Properties Co., Ltd.	RMB655,000,000		—	100 [®]
* Boham Estate (Shenzhen) Co., Ltd.	US\$9,560,000		—	100
* Dongguan Heng Jun Plaza Development Ltd.	HK\$15,429,190		—	70 [®]

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Issued/contributed registered capital	% of equity interest held by	
		The Company	Subsidiaries
(A) PROPERTY DEVELOPMENT (cont'd)			
* Dongguan Zhangheng Commercial Housing Development Co., Ltd.	RMB19,069,725	—	70
** Fangcun Henderson Property Development Ltd.	RMB211,650,140	—	100 [@]
* Gain Year Development Real Estate (Shanghai) Co., Ltd.	US\$12,000,000	—	100
** Guangzhou Guang An Property Development Ltd.	US\$17,947,550	—	62 [@]
** Guangzhou Guang Heng Property Development Ltd.	US\$16,393,165	—	72 [@]
* Guangzhou Guang Nam Property Development Limited	RMB125,969,120	—	68.40 [@]
* Guangzhou Hengguo Real Estate Development Co., Ltd.	HK\$67,299,250	—	90
** Guangzhou Jian Heng Property Development Ltd.	US\$17,000,000	—	100 [@]
** Guangzhou Jiejun Real Estate Development Co., Ltd.	HK\$310,000,000	—	100 [@]
** Guangzhou Jietong Real Estate Development Co., Ltd.	HK\$184,000,000	—	95 [@]
* Jetgood Development Real Estate (Shanghai) Co., Ltd.	US\$12,000,000	—	100
* Jonescorp Estate (Shenzhen) Ltd.	US\$4,360,000	—	100
* Perfect Top Development Real Estate (Shanghai) Co., Ltd.	US\$12,000,000	—	100
* Shanghai Henfield Properties Co., Ltd.	US\$26,843,216	—	99
* Shanghai Heng Cheng Real Estate Development Co., Ltd.	US\$33,340,000	—	85
* Shanghai Hengji Real Estate Development Co., Ltd.	US\$3,734,015	—	75 [@]
* Shanghai Henglong Real Estate Development Co., Ltd.	US\$1,652,071	—	75 [@]
* Shanghai Hengping Real Estate Development Co., Ltd.	US\$3,393,525	—	75 [@]
* Shanghai Hengrui Real Estate Development Co., Ltd.	US\$1,795,219	—	75 [@]
* Shanghai Hengtai Real Estate Development Co., Ltd.	US\$6,540,401	—	75 [@]
* Shanghai Hengwan Real Estate Development Co., Ltd.	US\$5,653,580	—	75 [@]
* Tianjin Jinji Housing Development Co., Ltd.	US\$12,000,000	—	—◆

The company name in English is a direct translation of its registered name in Chinese.

@ These represent the profit sharing percentage in the respective subsidiaries.

♦ This company is excluded from consolidation as the directors are of the opinion that the Group does not have effective control over its operations.

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Particulars of issued shares		% of shares held by	
	Number of ordinary shares	Par value HK\$	The Company	Subsidiaries
(B) PROPERTY INVESTMENT				
* Bloomark Investment Limited	2	1	—	100
* Bour Investment Limited	2	100	—	100
* Bour Investment Limited	1,000**	100	—	100
* Brilliant Wealth Investment Limited	1,000	1	—	100
* Capital Way Investment Limited	10,000	1	—	100
Century Nice Development Limited	2	1	—	100
* Chinacore Industrial Limited	10	1	—	100
* Choiform Limited	10,000	1	72.80	—
* Choiform Limited	10,000**	1	72.80	—
* Citiluck Development Limited	1,000	1	—	100
Conradion Limited	3,000,000	1	—	100
Daily Crown Development Limited	2	1	—	100
* Davenport Investment Limited	2	1	100	—
Dekker Investment Limited	2	1	—	100
Dekker Investment Limited	2**	1	—	100
* Deland Investment Limited	2	100	100	—
* Dillinger Investment Limited	2	1	—	100
* Dillinger Investment Limited	2**	1	—	100
Dragon Court Estate Limited	2	1	—	100
* Ease Success Development Limited	2	1	100	—
Easefine Development Limited	2	1	—	100
Easeluck Development Limited	2	1	—	100
Faith Limited	2	1	—	100
* Gain Global Development Limited	1,000	1	—	100
Genato Investment Limited	2	1	—	100
Glory Good Development Limited	1,000	1	—	100
Golden Dragon Development Company, Limited	12,200	100	—	100
Harzone Limited	1,000	1	100	—
Hung Shun Investment Company Limited	20,000	100	—	100
Isherwood Investment Limited	2	1	—	100
Jekyll Investment Limited	2	1	—	100
* Landrich Development Limited	1,000	1	—	100
Lucky Crystal Development Limited	2	1	100	—
Quentin Investment Limited	10,000	1	—	100
Strong Bright Technology Limited	10,000	1	—	100
Tech Fortune Development Limited	1,000	1	—	100
Union Fortune Development Limited	10,000	1	—	94.40
Vansittart Investment Limited	2	1	—	100
* Wichita Investment Limited	1,000	1	—	100
* Winjoy Development Limited	2	1	100	—
Winner Top Development Limited	2	1	100	—

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Particulars of issued shares		% of shares held by	
	Number of ordinary shares	Par value HK\$	The Company	Subsidiaries
(C) FINANCE				
* China Property Finance Limited	2	1	—	100
Claymore Finance Limited (incorporated and operates in the British Virgin Islands)	1	US\$1	—	100
Hardon International Finance Limited	10	1	—	60
* Henderson (China) Finance Limited	10,000	1	—	100
Henderson International Finance Limited	250,000	100	100	—
Henderson Investment Capital Limited	5,000	10	—	100
Henderson Investment Credit Limited	2	1	—	100
Henderson Investment Credit (1995) Limited	2	1	—	100
Henderson Investment Finance Limited	1,000	100	—	100
Henderson Investment Funding (1995) Limited	2	1	—	100
Henderson Investment Credit (1997) Limited	2	1	—	100
Henderson Land Credit (1995) Limited	2	1	100	—
Henderson Land Credit (1997) Limited	2	1	100	—
Henderson Land Credit (1999) Limited	2	1	100	—
* Henderson Land Finance (Cayman Islands) Limited (incorporated and operates in the Cayman Islands)	2	US\$1	100	—
Henderson Land Funding (1994) Limited	2	1	100	—
Henderson Land Funding (1995) Limited	2	1	100	—
* Henderson Land International Credit (Cayman Islands) Limited (incorporated and operates in the Cayman Islands)	2	US\$1	100	—
* Henderson Land International Credit (Cayman Islands) Limited (incorporated and operates in the Cayman Islands)	—	HK\$1,000,000,000 (Note a)	—	—
* Henderson Land Treasury (Cayman Islands) Limited (incorporated and operates in the Cayman Islands)	2	US\$1	100	—
* Henderson Land Treasury (Cayman Islands) Limited (incorporated and operates in the Cayman Islands)	—	JPY40,000,000,000 (Note b)	—	—
Henderson Property Finance Limited	2	1	100	—
* Henderson Real Estate Finance Limited	2	1	100	—
* Henland Finance Limited	2	1	100	—
* Hiram Assets Limited (incorporated and operates in the British Virgin Islands)	1	US\$1	—	100
Kurtwood Limited (incorporated and operates in the British Virgin Islands)	1	US\$1	—	100
Lantern Limited (incorporated and operates in the Cook Islands)	1	US\$1	—	100
Oryx Finance Limited (incorporated and operates in the British Virgin Islands)	1	US\$1	—	100

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Particulars of issued shares Number of ordinary shares	Par value HK\$	% of shares held by	
			The Company	Subsidiaries
(C) FINANCE (cont'd)				
Portillo Limited (incorporated and operates in the Cook Islands)	1	US\$1	—	100
Post East Finance Company Limited	2	1	100	—
Reneco International Limited	2	1	—	100
Sinogood Finance Company Limited	100	1	—	90
Sunbelt Resources Finance Company Limited	5,000	10	—	100
Wealth Prospect Finance Limited	100,000	1	—	100
West Chelsea Holdings Co. Limited (incorporated and operates in the British Virgin Islands)	2	US\$1	100	—
West Chelsea Holdings Co. Limited (incorporated and operates in the British Virgin Islands)	126,677,935***	US\$1	100	—
Note:				
(a) This represents the principal amount of two series of guaranteed notes bearing interest at 7.6% and 8% due 2000 and 2001 respectively.				
(b) This represents the principal amount of three series of guaranteed bonds bearing interest ranges from 2.1% to 4.8% and redeemable during 1999 to 2002 respectively.				
(D) CONSTRUCTION				
E Man Construction Company Limited	50,000	100	100	—
Heng Tat Construction Company Limited	2	100	100	—
(E) PROPERTY MANAGEMENT				
Beverly Hill (Estate Management) Limited	2	1	—	100
Fanling Centre (Management) Limited	2	1	—	100
Flora Plaza Management Limited	10	1	—	60
Goodwill Management Limited	2	1	—	100
Hang On Estate Management Limited	2	1	—	100
Hang Yick Properties Management Limited	1,000	100	100	—
* Hansen (China) Property Management Company Limited (incorporated in Hong Kong and operates in the PRC)	2	1	—	100
Metro City Management Limited	2	1	—	100
Sheung Shui Centre Management Limited	2	1	—	100
Sunshine City Property Management Limited	2	1	—	100
Well Born Real Estate Management Limited	2	1	100	—

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Particulars of issued shares		% of shares held by	
	Number of ordinary shares	Par value HK\$	The Company	Subsidiaries
(F) INVESTMENT HOLDING				
(i) Incorporated and operates in Hong Kong				
Ace Winner Development Limited	2	1	—	100
Capital Gold Development Limited	2	1	—	100
Citiright Development Limited	2	1	100	—
Disralei Investment Limited	2	1	—	100
Disralei Investment Limited	1,000**	1	—	100
Goodmark Development Limited	2	1	—	100
Graf Investment Limited	2	1	—	100
Graf Investment Limited	2**	100	—	100
Henderson Investment Limited	2,817,327,395	0.20	—	64.28
Linden Development Limited	10,000	1	85	—
Macrostar Investment Limited	2	1	—	100
Medley Investment Limited	2	1	—	100
Medley Investment Limited	2**	100	—	100
Mount Sherpa Limited	2	1	—	100
Mount Sherpa Limited	2**	10	—	100
Nation Team Development Limited	2	1	—	80
Paillard Investment Limited	2	1	—	100
Paillard Investment Limited	2**	100	—	100
Shiu Kien Development Company Limited	1,500	1	—	94.40
Shiu Kien Development Company Limited	150,000**	100	—	94.40
Uniland Development Limited	2	1	—	100
Winner Glory Development Limited	2	1	—	100
Wiselin Investment Limited	2	1	—	100
(ii) Incorporated and operates in the British Virgin Islands				
Higgins Holdings Limited	1	US\$1	—	100
Kingsview International Limited	1	US\$1	—	100
Multiglade Holdings Limited	1	US\$1	—	100
Parson Investment Limited	1	US\$1	—	100
Podar Limited	1	US\$1	—	100
Ranko Investment Limited	1	US\$1	—	100
Rejoice Investments Limited	1	US\$1	—	100
St. Helena Holdings Co. Limited	3	US\$1	—	100
Threadwell Limited	1	US\$1	—	100
(iii) Incorporated in Singapore and operates in the PRC				
Sin Cheng Holdings Pte Ltd	1,200,000	S\$1	—	66
(iv) Incorporated in Bermuda and operates in the PRC				
* Henderson China Holdings Limited	496,776,205	1	—	56.84

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Particulars of issued shares		% of shares held by	
	Number of ordinary shares	Par value HK\$	The Company	Subsidiaries
(F) INVESTMENT HOLDING (cont'd)				
(v) Incorporated in Hong Kong and operates in the PRC				
* Hang Seng Quarry Company Limited	10,000	1	64	—
* Harbour Alliance Limited	10,000	1	—	55
* Henfield Properties Limited	10,000	1	—	60
* Ranki Development Limited	2	1	—	100
* Shellson International Limited	100	1	—	75
(G) RETAILING				
Puretech Investment Limited	2	1	—	100
(H) HOTEL AND SERVICE APARTMENT MANAGEMENT AND OPERATION				
Gold Eagle Management Limited	2	1	—	100
* Hector Investment Limited	1,000	100	100	—
Henderson Hotel Management Limited	2	1	—	100
Newton Hotel Hong Kong Limited	2	1	—	100
Newton Hotel Kowloon Limited	2	1	—	100
(I) PROFESSIONAL SERVICE				
GKS (China) Investment & Consultancy Company Limited	10,000	1	—	60
Megastrength Security Services Company Limited	10,000	1	—	100
Megastrength Security Services Company Limited	400 ⁺⁺⁺	1	—	—
(J) MANAGEMENT AND AGENCY SERVICES				
* Henderson (China) Real Estate Agency Limited	2	1	—	100
* Henderson Real Estate Agency Limited	2	100	100	—
* Sheenlex Development Limited	2	1	—	100

Principal Subsidiaries (cont'd)

at 30th June, 1999

	Particulars of issued shares		% of shares held by	
	Number of ordinary shares	Par value HK\$	The Company	Subsidiaries
(K) INFRASTRUCTURE				
* Benson Industries Limited	2	1	—	100
Winsic Development Limited	2	1	—	100
* Companies audited by KPMG				
** Non-voting deferred shares				
+ A Shares				
++ B Shares				
+++ Preference Shares				

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Associated Companies

at 30th June, 1999

Details of principal associated companies are incorporated and operate in Hong Kong unless otherwise stated, are as follows:—

	% of equity interest held by		Principal activities
	The Company	Subsidiaries	
Listed			
The Hong Kong and China Gas Company Limited	—	33.06	Towngas supply
Hong Kong Ferry (Holdings) Company Limited	—	30.48	Ferry operation
Miramar Hotel and Investment Company, Limited	—	34.78	Hotel operation
Unlisted			
Best Homes Limited	40	—	Property development
Booneville Company Limited	50	—	Operation of restaurants
China Investment Group Limited	—	44.06	Investment holding
Country Link Enterprises Limited	—	28.75	Investment holding
Feswin Investment Limited	—	50	Investment holding
Harvest Development Limited	—	50	Property development
Lane Success Development Limited	—	50	Property development
Lucky Country Development Limited	—	50	Property investment
Mandy Investment Company Limited	—	50	Property development
Maxon Investment Limited	—	25	Property investment
Nantong Xingang International Container Terminal Co., Ltd. (established and operates in the PRC)	—	49	Container Terminals
Nantong Tongheng Storehouse & Transfer Co., Ltd. (established and operates in the PRC)	—	49	Storehouse
Perlin Development Limited	—	50	Investment holding
Quickcentre Properties Limited (incorporated and operates in the British Virgin Islands)	—	50	Investment holding
Shanghai Heng Chang Real Estate Development Co., Ltd. (established and operates in the PRC)	—	49	Property development
Shinning Worldwide Limited (incorporated and operates in the British Virgin Islands)	—	45	Investment holding
Shunde Xinshungi Real Estate Co., Ltd. (established and operates in the PRC)	—	33	Property development
Star Play Development Limited	—	33.33	Property investment
Sweet View Properties Limited	—	20	Property investment
Triple Wide Company Limited	—	33.33	Investment holding
UEX Beijing Holding Co. Limited	—	44.45	Investment holding
Win Harbour Investment Limited	33.33	—	Investment holding

The above list gives the principal associated companies of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Jointly Controlled Entities

at 30th June, 1999

Details of principal jointly controlled entities are incorporated and operate in Hong Kong unless otherwise stated, are as follows:—

	% of equity interest held by		Principal activities
	The Company	Subsidiaries	
Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre (established and operates in the PRC)	—	50	Retailing
Billion Ventures Limited (incorporated and operates in the British Virgin Islands)	—	50	Investment holding
Cheuk Kwan Company Limited	—	50	Property development
Central Waterfront Property Investment Holdings Limited (incorporated and operates in the British Virgin Islands)	—	50	Investment holding
Daily Win Development Limited	—	25	Property investment
Everise (H.K.) Limited	—	50	Investment holding
Hangzhou Henderson Qianjiang Third Bridge Co., Ltd. (established and operates in the PRC)	—	60	Operation of toll bridge
Happy Profit Investment Limited	—	50	Property development
Jade Land Resources Limited	—	25	Property development
Lucky Gain Development Limited	50	—	Property development
NSW (Holdings) Limited (incorporated and operates in the British Virgin Islands)	—	50	Investment holding
Newfoundworld Holdings Limited	—	20	Property development
Pacific Jumbo Development Limited	—	50	Property development
Perfect Luck Enterprises Limited	—	50	Property development
Prime Champ Limited	—	50	Property development
Pure Jade Limited	—	20	Property development
Sichuan Jialing Electric Power Co., Ltd. (established and operates in the PRC)	—	51	Development of coal-fired electric generation facility
Sky Fair Limited	—	50	Property development
Topcycle Development Limited	—	50	Property development
Waldorf Realty Limited	25	—	Property development

The above list gives the principal jointly controlled entities of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Report of the Auditors



TO THE SHAREHOLDERS OF HENDERSON LAND DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 56 to 92 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 30th June, 1999 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 23rd September, 1999

Group Financial Summary

	1990 HK\$1M	1991 HK\$1M	1992 HK\$1M	1993 HK\$1M	1994 HK\$1M
Balance sheet					
Fixed assets	3,933	4,712	6,171	9,945	18,897
Investments and loan term receivables	3,455	4,117	4,377	6,521	14,948
Property held for development	934	761	592	1,741	5,518
Net current assets/(liabilities)	3,452	3,624	6,008	3,266	6,753
	<u>11,774</u>	<u>13,214</u>	<u>17,148</u>	<u>21,473</u>	<u>46,116</u>
Share capital	3,192	3,192	3,192	3,192	3,192
Share premium and reserves	6,108	7,961	10,706	14,562	25,407
Shareholders' funds	<u>9,300</u>	<u>11,153</u>	<u>13,898</u>	<u>17,754</u>	<u>28,599</u>
Minority interests	1,452	1,554	1,947	2,816	7,171
Long term liabilities	1,022	507	1,303	903	10,346
	<u>11,774</u>	<u>13,214</u>	<u>17,148</u>	<u>21,473</u>	<u>46,116</u>
Profit and loss account					
Turnover	<u>4,018</u>	<u>3,800</u>	<u>4,158</u>	<u>6,114</u>	<u>9,968</u>
Profit after taxation	1,981	2,203	2,667	4,289	6,455
Minority interests	<u>(237)</u>	<u>(200)</u>	<u>(230)</u>	<u>(282)</u>	<u>(417)</u>
Profit attributable to shareholders	<u>1,744</u>	<u>2,003</u>	<u>2,437</u>	<u>4,007</u>	<u>6,038</u>
Per share basis					
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share	1.09	1.26	1.53	2.51	3.78
Dividends per share	0.35	0.40	0.51	1.10	1.60
Special cash bonus	—	—	—	1.00	1.00
Net asset value per share (at book value)	5.83	6.99	8.71	11.12	17.92
Percentages					
Equity to capital employed	79.07%	84.42%	81.07%	82.68%	62.02%
Return on capital employed	22.66%	20.59%	18.21%	22.90%	16.33%