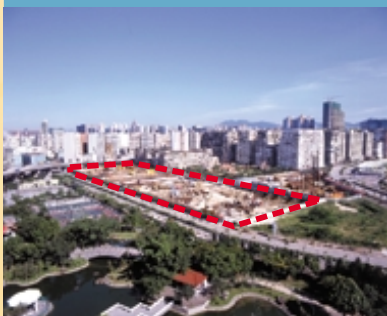


Listed Associates

Hong Kong Ferry (Holdings)

Hong Kong Ferry (Holdings) — Tai Kok Tsui Redevelopment Project



1999 : Site of a demolished Industrial property owned by Hong Kong Ferry



2000 to 2004 : Construction works in Progress

Hong Kong Ferry (Holdings)

30.98%-owned by the Group. Since this company discontinued its passenger ferry operation in early 2000, the property shown in the photo is one of the major property development projects undertaken by this company. Upon completion, this project provides a total G.F.A. of approximately 1.95 million sq. ft., comprising 1.71 million sq. ft. for residential and 240,000 sq. ft. for commercial use. It is located at the intersection of Tai Kok Tsui Road and Fuk Lee Street in Tai Kok Tsui, Kowloon, in close proximity to the Prince Edward Station and Olympic Station of the MTR as well as the Western Railway Terminal of KCRC.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 30th June, 2001.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries are property development and

investment, department store operation, hotel operation, security service, infrastructure, investment holding, information technology development and other services. An analysis of the Group's turnover and major contribution to operating profit by principal activity and geographical market, excluding those from associates and jointly controlled entities, is as below:

	Turnover		Contribution to Operating Profit (before financial costs)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
1. Sale of properties	8,825	25,613	2,265	18,039
2. Property investment	447,366	383,531	276,752	245,213
3. Hotel, department store operations and others	594,560	408,064	34,868	26,118
By geographical market:				
1. Hong Kong	881,116	817,208	217,464	289,370
2. Other regions in the People's Republic of China	169,635	—	96,421	—

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 30th June, 2001 are set out on pages 68 to 72.

Financial Statements

The profit of the Group for the year ended 30th June, 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 73.

Dividends

On 11th July, 2000, a special dividend was paid by way of distribution in specie of shares in

Henderson Cyber Limited ("Henderson Cyber Shares") to shareholders on the basis of 1 Henderson Cyber Share for every 200 shares in the Company held as at 11th July, 2000. Share certificates for the Henderson Cyber Shares were sent to the shareholders on 12th July, 2000.

An interim dividend of HK\$0.11 per share was paid on 25th April, 2001. The Directors have recommended the payment of a final dividend of HK\$0.12 per share to shareholders whose names appear on the Register of Members of the Company on 10th December, 2001.

Report of the Directors (cont'd)

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment during the year are set out in note 15 to the financial statements on pages 50 and 51.

Bank Loans, Overdrafts and Other Borrowings

Particulars of bank loans, overdrafts and other borrowings of the Company and the Group as at 30th June, 2001 are set out in note 25 to the financial statements on page 54.

Reserves

Particulars of the movements in reserves during the year are set out in note 28 to the financial statements on pages 56 and 57.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 29.

Investment Properties

Particulars of investment properties of the Group are set out on pages 7 and 8.

Share Options of Subsidiaries of the Company Granted During the Year

HENDERSON CYBER LIMITED ("HENDERSON CYBER")

Prior to the listing of Henderson Cyber, a subsidiary of the Company, on 14th July, 2000 on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, options for a total of 32,000,000 shares of Henderson Cyber's shares exercisable at HK\$1.25 per share were granted under the Pre-IPO Share Option Plan (the "Option Plan") approved by the shareholders on 28th June, 2000 to certain directors and employees of Henderson Cyber,

Henderson Cyber's holding companies, subsidiaries and fellow subsidiaries at a consideration of HK\$1.00 for each grant of options. Each of the grantees will be entitled to exercise (i) thirty per cent. of the options so granted at any time after the expiry of 12 months from 14th July, 2000, (ii) a further thirty per cent. of the options so granted at any time after the expiry of 24 months from 14th July, 2000 and (iii) the remaining options so granted at any time after the expiry of 36 months from 14th July, 2000 and, in each case, not later than four years from 14th July, 2000.

During the year, no share option was exercised by the option holders of Henderson Cyber under the Option Plan.

As at 30th June, 2001, share options granted by Henderson Cyber to subscribe for a total of 29,650,000 shares in Henderson Cyber remained outstanding under the Option Plan.

On 4th October, 2000, options to subscribe for an aggregate of 150,000 shares of Henderson Cyber at a consideration of HK\$1.00 for each grant of options were granted to certain employees of the Henderson Cyber group at the exercise price of HK\$0.89 per share under the share option scheme which was also approved by the shareholders of Henderson Cyber on 28th June, 2000. Each of the grantees will be entitled to exercise (i) thirty per cent. of the options so granted at any time after the expiry of 12 months from the date of acceptance of the options ("Date of Acceptance"), (ii) a further thirty per cent. of the options so granted at any time after the expiry of 24 months from the Date of Acceptance and (iii) the remaining options at any time after the expiry of 36 months from the Date of Acceptance and, in each case, not

Report of the Directors (cont'd)

later than four years from the Date of Acceptance.

During the year, no share option was exercised by the option holders of Henderson Cyber under the share option scheme.

As at 30th June, 2001, share options granted by Henderson Cyber to subscribe for a total of 100,000 shares in Henderson Cyber under the share option scheme remained outstanding.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Paragraph 24 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 8 to the financial statements on page 47.

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 Tat Man
- Lee King Yue
- Eddie Lau Yum Chuen
- Li Ning
- Lee Ka Shing
- Patrick Kwok Ping Ho
- Ho Wing Fun
- Lau Chi Keung
- Donald Cheung Ping Keung
- Augustine Wong Ho Ming
- Suen Kwok Lam
- Sit Pak Wing *(appointed on 11th May, 2001)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

- Woo Po Shing
- Philip Yuen Pak Yiu
- Leung Hay Man
- Jackson Woo Ka Biu
(Alternate Director to Woo Po Shing)
(appointed on 21st July, 2000)

Mr. Sit Pak Wing retires in accordance with Article 99 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Messrs. Lee Shau Kee, Woo Po Shing, Lee Tat Man, Lee King Yue and Patrick Kwok Ping Ho 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

EXECUTIVE DIRECTORS

Dr. Lee Shau Kee, *D.B.A.(Hon.), D.S.Sc.(Hon.), LL.D.(Hon.)*, aged 73, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1975 and has been engaged in property development in Hong Kong for more than 45 years. He is also the founder and the chairman and managing director of Henderson Land Development Company Limited, the chairman of The Hong Kong and China Gas Company Limited, Miramar Hotel and Investment Company, Limited and Henderson Cyber Limited, the vice chairman of Sun Hung Kai Properties Limited as well as a director of Henderson China Holdings Limited, Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited. The relationship of

Citistore, Tseung Kwan O



Conducting retailing business in the shopping centre of Metro City II, Tseung Kwan O, New Territories, this is the sixth Citistore outlet that was opened in late-2000.

Report of the Directors (cont'd)

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. Dr. Lee is the brother of Mr. Lee Tat Man, the father of Mr. Lee Ka Kit and Mr. Lee Ka Shing and the father-in-law of Mr. Li Ning.

LEE Ka Kit, aged 38, National Committee Member of Political Consultative Conference, the People's Republic of China, has been an Executive Director and Vice Chairman of the Company since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People's Republic of China since 1985. Mr. Lee is also the chairman and president of Henderson China Holdings Limited, the vice chairman of Henderson Development Limited ("Henderson Development") and Henderson Land Development Company Limited ("Henderson Land"), an executive director of Henderson Cyber Limited as well as a director of The Hong Kong and China Gas Company Limited. Henderson Land and Henderson Development 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 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 50, has been an Executive Director of the Company since 1988 and Vice Chairman since 1993. He holds a B.Sc. (Honours) degree from the University of Hong Kong and has over 28 years' experience in banking and property

development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Land Development Company Limited ("Henderson Land"), an executive director of Henderson China Holdings Limited and Henderson Cyber 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 Markshing Investment Limited, Banshing Investment Limited, Covite Investment Limited, Henderson Land, 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 Tat Man, aged 64, has been an Executive Director of the Company since 1972. He has been engaged in property development in Hong Kong for more than 25 years and is also a director of Henderson Land Development Company Limited ("Henderson Land"). Mr. Lee is a director of Kingslee S.A., Henderson Land, 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.

LEE King Yue, aged 75, has been an Executive Director of the Company since 1972. He joined Henderson Development Limited, the ultimate holding company of the Company on its incorporation in 1973 and has been engaged with the Chairman in property development for over 45 years. He is also an executive director of Henderson Land Development Company Limited ("Henderson Land") and

Report of the Directors (cont'd)

Henderson Cyber



Henderson Cyber provides a comprehensive range of telecommunications, information and Internet services to customers.

Henderson China Holdings Limited. Mr. Lee is a director of Markshing Investment Limited, Banshing Investment Limited, Covite Investment Limited, Kingslee S.A. and Henderson Land which have discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

LAU Yum Chuen, Eddie, aged 55, has been an Executive Director of the Company since 1988. He has over 30 years' experience in banking, finance and investment. Mr. Lau is also an executive director of Henderson Land Development Company Limited ("Henderson Land") as well as a director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. Henderson Land has discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

LI Ning, *B.Sc., M.B.A.*, aged 44, has been an Executive Director of the Company since 1990. 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 Land Development Company Limited ("Henderson Land") as well as a director of Hong Kong Ferry (Holdings) Company Limited. Henderson Land has discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance. He is the son-in-law of Dr. Lee Shau Kee and the brother-in-law of Mr. Lee Ka Kit and Mr. Lee Ka Shing.

LEE Ka Shing, aged 30, 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 Land

Development Company Limited ("Henderson Land"), Henderson China Holdings Limited and Henderson Cyber Limited as well as a director of The Hong Kong and China Gas Company Limited. Mr. Lee is a director of Markshing Investment Limited, Banshing Investment Limited, Covite Investment Limited, Henderson Land 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 Mr. Lee Ka Kit and the brother-in-law of Mr. Li Ning.

KWOK Ping Ho, Patrick, *B.Sc., M.Sc., Post-Graduate Diploma in Surveying, A.C.I.B.*, aged 49, has been an Executive Director since 1988. He holds a B.Sc. (Engineering) degree as well as a M.Sc. (Administrative Sciences) degree and he is also a holder of the Post-Graduate Diploma in Surveying (Real Estate Development). Mr. Kwok is an Associate Member of The Chartered Institute of Bankers of the United Kingdom and he had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company. He is also an executive director of Henderson Land Development Company Limited ("Henderson Land") and Henderson China Holdings Limited. Henderson Land has discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

HO Wing Fun, aged 68, has been an Executive Director of the Company since 1995. He joined Henderson Development Limited in 1975 and has over 45 years' experience in operational management of property investment and development, specializing in accounting, auditing and taxation. Mr. Ho is also an

Report of the Directors (cont'd)

executive director of Henderson Land Development Company Limited ("Henderson Land") and Henderson China Holdings Limited. Henderson Land has discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

LAU Chi Keung, *J.P., F.R.I.C.S., F.H.K.I.S., A.C.I.Arb.*, aged 52, has been an Executive Director of the Company since 1995. He joined Henderson Land Group in 1981. 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 29 years' experience in property development. Mr. Lau is appointed as Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2001.

CHEUNG Ping Keung, Donald, *B.A., F.R.I.C.S., A.A.C.I., F.H.K.I.S., M.H.I.R.E.A., R.P.S.*, aged 46, has been an Executive Director of the Company since 1997. He joined Henderson Land Group in 1992. 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 25 years' experience in property development, professional general practice surveying and real estate agency in Hong Kong, China and Canada.

WONG Ho Ming, Augustine, *F.H.K.I.S., M.R.I.C.S., M.C.I.Arb., R.P.S. (G.P.)*, aged 40, has been an Executive Director of the Company since 1997. He joined Henderson Land Group in 1996. He is a registered professional surveyor and has over 17 years' experience in property appraisal, dealing and development.

SUEN Kwok Lam, *H.I.R.E.A.*, aged 54, has been an Executive Director of the Company since July 1999. He joined Henderson Land Group in 1997. He is a Council Member of Hong Kong Institute of Real Estate Administration and an individual Member of The Real Estate Developers Association of Hong Kong. He has over 30 years' experience in property management.

SIT Pak Wing, *A.C.I.S., F.H.I.R.E.A.*, aged 53, has been an Executive Director of the Company since May 2001. He joined Henderson Land Group in 1991. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administration and an individual Member of The Real Estate Developers Association of Hong Kong. He has over 25 years' experience in marketing development, leasing and property management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sir Po-shing WOO, *Hon. LL.D., F.C.I.Arb., F.I.Mgt., F.Inst.D., F.H.K.M.A.*, aged 72, has been a Director of the Company since 1972. He is a solicitor and a Consultant of Woo, Kwan, Lee & Lo, Solicitors & Notaries. He is also a director of Henderson Land Development Company Limited ("Henderson Land") and Sun Hung Kai Properties Limited. He was awarded Hon. LL.D. by the City University of Hong Kong and is a Fellow of King's College of London as well as Honorary Professor of Nankai University of Tianjin. Sir Po-shing Woo became Fellow of The Hong Kong Management Association in 2000. 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 Woo is also the founder of the Woo Po Shing Professor (Chair) of Chinese and Comparative Law in City University. Sir Po-shing Woo is a

Report of the Directors (cont'd)

director of Henderson Land and Henderson Development Limited which have discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance. He is the father of Mr. Woo Ka Biu, Jackson.

YUEN Pak Yiu, Philip, aged 65, has been a Director of the Company since 1981. He is a solicitor of The Supreme Court of England and Wales and of Hong Kong and a partner of the firm of Yung, Yu, Yuen & Co. He has over 35 years' experience in legal practice both in Hong Kong and the PRC. Mr. Yuen is also a director of Henderson China Holdings Limited.

LEUNG Hay Man, *F.R.I.C.S., F.C.I.Arb., F.H.K.I.S.*, aged 67, has been a Director of the Company since 1977. He is a Chartered Surveyor. He is also a director of Henderson Land Development Company Limited ("Henderson Land"), Hong Kong Ferry (Holdings) Company Limited and

The Hong Kong and China Gas Company Limited. Henderson Land has discloseable interests in the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance.

WOO Ka Biu, Jackson, *MA(Oxon)*, aged 39, has been the Alternate Director to Sir Po-shing Woo, Director of the Company, since July 2000. Mr. Woo is a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"), and has responsibility for the investment banking business of Rothschild for North Asia. He holds a MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. Prior to joining Rothschild, Mr. Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo and is now a consultant of Woo, Kwan, Lee & Lo. He is the son of Sir Po-shing Woo.

Disclosure of Interests

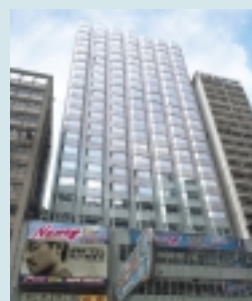
DIRECTORS' INTERESTS

As at 30th June, 2001, 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:

Ordinary Shares (unless otherwise specified)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Henderson Investment Limited	Lee Chau Kee	34,779,936			2,071,859,007	2,106,638,943
	Lee Tat Man	6,666			(Note 3)	6,666
	Lee King Yue	959,028	117,711			1,076,739
	Colin Lam Ko Yin	11,000				11,000
	Ho Wing Fun	1,100				1,100

Kowloon Building



Conveniently located in Mongkok, Kowloon, this 23-storey office-cum-retail shop building has a total G.F.A. of approx. 113,000 sq.ft. that is held by the Group for long term investment purpose.

Report of the Directors (cont'd)

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Henderson Land Development Company Limited	Lee Shau Kee				1,120,352,300	1,120,352,300
					(Note 6)	
	Lee Tat Man	858,000				858,000
	Lee King Yue	26,400	16,500	19,800		62,700
				(Note 9)		
	Ho Wing Fun	100				100
	Lau Chi Keung	2,200				2,200
	Jackson Woo Ka Biu		2,000			2,000
Henderson China Holdings Limited	Lee Shau Kee				290,748,477	290,748,477
					(Note 15)	
	Jackson Woo Ka Biu	544,802				544,802
Henderson Cyber Limited	Lee Shau Kee	173,898			4,244,996,094	4,245,169,992
					(Note 17)	
	Lee Tat Man	33				33
	Lee King Yue	4,795	588			5,383
	Colin Lam Ko Yin	55				55
	Ho Wing Fun	5				5
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	7,799,220			110,363,090	118,162,310
					(Note 7)	
	Colin Lam Ko Yin	150,000				150,000
	Leung Hay Man	2,250				2,250
The Hong Kong and China Gas Company Limited	Lee Shau Kee	2,932,886			1,960,925,256	1,963,858,142
					(Note 8)	
Miramar Hotel and Investment Company, Limited	Lee Shau Kee				228,201,250	228,201,250
					(Note 13)	
	Woo Po Shing	2,705,000		2,455,000		5,160,000
				(Note 9)		
Drinkwater Investment Limited	Woo Po Shing			3,250		3,250
				(Note 9)		
	Leung Hay Man			5,000		5,000
				(Note 9)		

Report of the Directors (cont'd)

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 11)	8,190 (Ordinary A Shares)
	Lee Ka Kit				8,190 (Ordinary A Shares) (Note 11)	8,190 (Ordinary A Shares)
	Li Ning				8,190 (Ordinary A Shares) (Note 10)	8,190 (Ordinary A Shares)
	Lee Ka Shing				8,190 (Ordinary A Shares) (Note 12)	8,190 (Ordinary A Shares)
Angelfield Investment Limited	Colin Lam Ko Yin			1 (Note 9)		1
Pochette Investment Limited	Leung Hay Man			40 (Note 9)		40
China Investment Group Limited	Jackson Woo Ka Biu			16,000 (Note 9)		16,000
Henfield Properties Limited	Lee Ka Kit			4,000 (Note 9)		4,000

Eva Court, Mid-Levels



This luxurious residential apartment building located at Mid-Levels, Hong Kong which has a total G.F.A. of approx. 108,000 sq.ft. is mainly held for rental purpose.

Report of the Directors (cont'd)

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Shellson International Limited	Lee Ka Kit			25 (Note 9)		25
Feswin Investment Limited	Lee Ka Kit			5,000 (Note 9)		5,000
Perlin Development Limited	Lee Ka Kit			5 (Note 9)		5
Quickcentre Properties Limited	Lee Ka Kit			1 (Note 9)		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 9)		1,525
Shanghai Henfield Properties Co., Ltd.	Lee Ka Kit			see (Note 14)		see (Note 14)

Report of the Directors (cont'd)

Directors' Rights to Acquire Shares

(i) As at 30th June, 2001, the following Directors of the Company had interests in options to subscribe for shares ("Share Options") in Henderson Cyber Limited, a subsidiary of the Company:

Name of Director	Number of Share Options
Lee Shau Kee	2,400,000
Colin Lam Ko Yin	1,200,000
Lee Ka Kit	1,200,000
Lee Ka Shing	1,200,000
Patrick Kwok Ping Ho	600,000
Li Ning	400,000 (Note 18)
Ho Wing Fun	400,000
Lau Chi Keung	400,000
Augustine Wong Ho Ming	400,000
Suen Kwok Lam	400,000
Sit Pak Wing	400,000
Donald Cheung Ping Keung	200,000

Each of the above Directors will be entitled to exercise at the price of HK\$1.25 per share (i) thirty per cent. of the Share Options so granted at any time after the expiry of 12 months from 14th July, 2000, (ii) a further thirty per cent. of the Share Options so granted at any time after the expiry of 24 months from 14th July, 2000 and (iii) the remaining Share Options at any time after the expiry of 36 months from 14th July, 2000 and, in each case, not later than four years from 14th July, 2000.

(ii) As at 30th June, 2001, the following Directors of the Company had interests in options to subscribe for shares in Henderson China Holdings Limited, an associated corporation of the Company:

Name of Director	Number of share options	Exercisable Period – 3 years commencing on
Colin Lam Ko Yin	1,500,000	21/08/2001
Lee Ka Kit	1,500,000	02/11/2001

The above Directors will be entitled to exercise the share options in whole or in part at the price of HK\$4.00 per share at any time during the respective exercisable periods.

Save as disclosed above, the Company or any of its associated corporations 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 or any of its associated corporations during the year under review.

The Trend Plaza, Tuen Mun



This shopping podium of approx. 195,000 sq.ft. in attributable G.F.A. situates amidst numerous densely populated housing estates in Tuen Mun, N.T.

Report of the Directors (cont'd)

Substantial Shareholders' Interests

As at 30th June, 2001, 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)	2,064,227,007
Hopkins (Cayman) Limited (Note 2)	2,064,227,007
Henderson Development Limited (Note 1)	2,058,611,859
Henderson Land Development Company Limited (Note 1)	2,058,611,859
Kingslee S.A. (Note 1)	2,058,611,859
Covite Investment Limited (Note 1)	363,328,900
Banshing Investment Limited (Note 1)	802,854,200
Markshing Investment Limited (Note 1)	594,168,418

Notes:

- These shares were beneficially owned by the subsidiaries of Kingslee S.A. including Covite Investment Limited, Banshing Investment Limited and Markshing Investment Limited. Kingslee S.A. was a subsidiary of Henderson Land Development Company Limited ("HL") which was a subsidiary of Henderson Development Limited ("HD").
- These shares are duplicated in the interests described in Note 1 and Note 3. 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 as trustee of the Unit Trust 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 5,615,148 shares).
- Of these shares, 2,064,227,007 shares are duplicated in the interests described in Note 1 and Note 2. Dr. Lee Shau Kee beneficially owned all the issued capitals of Rimmer (Cayman) Limited and Hopkins (Cayman) Limited.
- 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.
- 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.
- Of these shares, 1,114,749,700 shares were beneficially owned by FS, HD and certain subsidiaries of HD. Dr. Lee Shau Kee was taken to be interested in FS and HD as set out in Note 2 and Note 3 by virtue of the SDI Ordinance. 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 8 by virtue of the SDI Ordinance.
- These shares were beneficially owned by certain subsidiaries of the Company. Dr. Lee Shau Kee was taken to be interested in the Company through FS and HL as set out in Note 1, Note 2, Note 3 and Note 6 by virtue of the SDI Ordinance.
- These shares were beneficially owned by certain

Report of the Directors (cont'd)

subsidiaries of the Company, FS and a subsidiary of HD. Dr. Lee Shau Kee was taken to be interested in the Company, FS and HD as set out in Note 1, Note 2, Note 3 and Note 6 by virtue of the SDI Ordinance.

9. 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.
10. 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.
11. 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.
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 the Company. Dr. Lee Shau Kee was taken to be interested in the Company through FS and HL as set out in Note 1, Note 2, Note 3 and Note 6 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 HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 6 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.
17. These shares were beneficially owned by a subsidiary of the Company, FS, certain subsidiaries of HL and a subsidiary of China Gas. Dr. Lee Shau Kee was taken to be interested in the Company, FS, HL and China Gas as set out in Note 1, Note 2, Note 3, Note 6 and Note 8 by virtue of the SDI Ordinance.
18. The number of Share Options offered and accepted included the option to subscribe for 200,000 shares in Henderson Cyber Limited granted to the spouse of Mr. Li Ning.

City One Plaza, Shatin



This shopping centre located in City One Shatin is 25% owned by the Group and provides rental space of approx. 100,000 sq.ft. in attributable G.F.A.

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 on The Stock Exchange of Hong Kong Limited.

- (1) (i) Henderson Real Estate Agency Limited, a wholly-owned subsidiary of Henderson Land Development Company Limited made advances from time to time to Henderson Investment Finance Limited, a wholly-owned subsidiary of the Company, with interest chargeable on the balances

Report of the Directors (cont'd)

outstanding from time to time based on Hong Kong Inter-bank Offer Rate ("HIBOR") quoted by banks. As at 30th June, 2001, an amount of approximately HK\$221 million was due by Henderson Investment Finance Limited to Henderson Real Estate Agency Limited.

(ii) 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, 2001, there was no outstanding balance due by Henderson Investment Finance Limited to Henderson Finance Company Limited.

(iii) The management agreements and the construction agreements for the management and development of the Group's properties previously entered into between the Company and certain subsidiaries of Henderson Land Development Company Limited still subsisted at the financial year end.

Dr. Lee Shau Kee was taken to be interested in the above transactions and contracts as a director (and as more particularly described in the section "Disclosure of Interests" above) of the Company's holding company, Henderson Land Development Company Limited and the Company's ultimate holding company, Henderson Development Limited.

(2) During the year, the Group 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 the Group. Dr. Lee Shau Kee, the Chairman of the Company, is the father-in-law of Mr. William Cheng Kai Man. Both the Group 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.

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

Other than the Directors' rights to acquire shares in Henderson Cyber Limited and Henderson China Holdings Limited as disclosed above, 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.

Report of the Directors (cont'd)

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

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

Major Customers and Suppliers

For the financial year ended 30th June, 2001:

- (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 annual results is shown on pages 10 to 12.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group's employees are shown in note 36 to the financial statements on page 62.

Employees

As at 30th June, 2001, the number of employees of the Group was about 1,900. The remuneration packages to employees were commensurable to the market trend and level of pay in the industry. Discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement schemes, training programmes and educational subsidies.

Audit Committee

The Audit Committee was established in December 1998. The members of the Audit Committee are Mr. Leung Hay Man (Chairman) and Mr. Philip Yuen Pak Yiu, both of whom are Independent Non-executive Directors. The Audit Committee Members have reviewed the interim and annual reports of the Group for the financial year under review and Audit Committee meetings were held twice during the financial year.

Auditors

A resolution for the re-appointment of Deloitte Touche Tohmatsu 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the financial year ended 30th June, 2001 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, 4th October, 2001

Megastrength Security Service Company Limited



Wholly-owned by the Group, this company was established in Hong Kong in 1995. It is licensed to perform Type I (Guarding Services) and Type III (Security Consultancy Work) recognized by the Hong Kong Security and Guarding Services Industry Authority.