

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, 2001.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries are property development and investment, property management, construction, project management, department store operation, hotel operation, finance, investment holding and infrastructure business. The turnover and major contribution to operating profit of the principal activities of the Group, excluding those from associates and jointly controlled entities, are set out below:

Group Profit

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 accounts on pages 61 to 104.

Dividends

An interim dividend of HK\$0.55 per share was paid on 26th April, 2001. The Directors have recommended the payment of a final dividend of HK\$0.55 per share to shareholders whose names appear on the Register of Members of the Company on 10th December, 2001.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK\$51,245,200 (2000 – HK\$1,034,000).

	Turnover		Contribution to Operating Profit (before financial expenses)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
1. Property trading	4,997,855	13,398,008	1,461,933	6,257,135
2. Building construction	367,105	584,075	15,637	30,390
3. Property investment	1,959,693	1,537,030	1,303,063	1,019,093
4. Investment and finance	709,025	712,482	709,025	712,482
5. Infrastructure	160,926	—	107,730	—
6. Hotel operation	136,716	127,987	47,640	31,804
7. Department store operation	188,252	217,891	71,207	99,392

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, 2001 are set out on pages 93 to 102.

Fixed assets

Particulars of the movements in fixed assets during the year are set out in note 11 to the accounts on pages 77 and 78.

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 accounts on page 82.

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Interest Capitalised

The amount of interest capitalised by the Group during the year ended 30th June, 2001 is set out in note 6 to the accounts on page 75.

Reserves

Particulars of the movements in reserves during the year are set out in notes 31 to 33 to the accounts on pages 84 to 86.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 57.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 14 to 32.

Share Options of Subsidiaries of the Company Granted During the Year

(i) Henderson China Holdings Limited ("Henderson China")

Pursuant to a resolution passed at an extraordinary general meeting of Henderson China, a subsidiary of the Company, held on 15th March, 1996, a share option scheme was approved and adopted by Henderson China under which the directors are authorised to grant options to subscribe for shares of Henderson China not exceeding in total 10% of Henderson China's issued share capital from time to time. Consideration of HK\$1.00 per grant of options is payable by each grantee.

Details of options granted to subscribe for shares of Henderson China during the year were as follows:

Date of grant	Number of shares options granted	Exercise price per share HK\$	Exercisable period – 3 years commencing on	Number of shares options lapsed/ exercised	Number of share options outstanding at 30th June, 2001
12/12/2000	1,000,000	4.00	18/06/2001	1,000,000 (lapsed)	—
12/12/2000	1,000,000	4.00	28/06/2001	—	1,000,000
21/02/2001	1,500,000	4.00	21/08/2001	—	1,500,000
02/05/2001	1,500,000	4.00	02/11/2001	—	1,500,000

(ii) 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.

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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 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 Hong Kong 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 39 to the accounts on page 91.

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

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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*)
 Jackson Woo Ka Biu
 (*Alternate Director to Woo Po Shing*)
 (*appointed on 21st July, 2000*)

NON-EXECUTIVE DIRECTORS:

Lee Tat Man
 Kan Fook Yee

Messrs. Lee Shau Kee, Lo Tak Shing, Woo Po Shing, Leung Hay Man and Li Ning and Madam Fung Lee Woon King 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 73, 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 45 years. He is also the founder and the chairman and managing director of Henderson Investment 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 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 Madam 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 38, 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 chairman and president of Henderson China Holdings Limited, the vice chairman of Henderson Development Limited ("Henderson Development") and Henderson Investment Limited, an executive director of Henderson Cyber 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.

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LAM Ko Yin, Colin, B.Sc., A.C.I.B., M.B.I.M., F.C.I.T., aged 50, 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 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 Investment Limited, 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 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 75, 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 45 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 63, 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 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 64, has been an Executive Director of the Company since 1985. He has over 35 years' experience in property development. Mr. Leung is also an executive director of Henderson China Holdings Limited.

LAU Yum Chuen, Eddie, aged 55, 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 44, 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.

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E Man Construction



This is a well experienced in-house construction arm of the Group that completed construction work averaging approx. 3 million sq.ft. in G.F.A. annually in recent years.

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 Investment Limited, 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 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., Post-Graduate Diploma in Surveying, A.C.I.B.*, aged 49, joined the Company in 1987 and has been an Executive Director since 1993. 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 Investment Limited and Henderson China Holdings Limited.

HO Wing Fun, aged 68, has been an Executive Director of the Company since 1997. 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 executive director of Henderson Investment Limited and Henderson China Holdings Limited.

YIP Ying Chee, John, *LL.B., F.C.I.S.*, aged 52, joined the Company as Group Company Secretary in 1996 and has been an Executive Director of the Company since 1997. Mr. Yip is also an executive director of Henderson Cyber Limited. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Hon LO Tak Shing, *G.B.M., J.P.*, aged 66, has been a Director and Vice Chairman of the Company since 1981. He is a solicitor and a director of Swire Pacific Limited. 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., F.H.K.M.A.*, aged 72, 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. 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

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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 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. He is the father of Mr. Woo Ka Biu, Jackson.

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 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 52, 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 56, has been the Alternate Director to The Hon Lo Tak Shing, Director of the Company, since 1986. He is a solicitor.

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.

NON-EXECUTIVE DIRECTORS

LEE Tat Man, aged 64, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 25 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 65, 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 has over 37 years' experience in the field of property surveying.

King's Park Hill



This 61%-owned project of the Group was completed in early 2000 with a total G.F.A. of 241,000 sq.ft.. It provides 42 luxurious garden houses and 7 low-rise apartment blocks right in one of the rare elite districts in Kowloon.