

# 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, 2002.

## Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries are property development, property leasing, finance, building construction, infrastructure business, hotel operation, department store operation, project management, property management and investment holding.

An analysis of the Group's turnover and contribution from operations by business segment and geographical segment, is set out in note 13 to the accounts on pages 94 to 96.

## Subsidiaries

Particulars of the principal subsidiaries of the Company as at 30th June, 2002 are set out on pages 116 to 125.

## Group Profit

The profit of the Group for the year ended 30th June, 2002 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 73 to 127.

## Dividends

An interim dividend of HK\$0.35 per share was paid on 25th April, 2002. The Directors have recommended the payment of a final dividend of HK\$0.45 per share to shareholders whose names appear on the Register of Members of the Company on 18th December, 2002.

## Charitable Donations

Charitable donations made by the Group during the year amounted to HK\$2,290,000 (2001-HK\$51,245,000).

## Fixed assets

Particulars of the movements in fixed assets during the year are set out in note 14 to the accounts on pages 97 to 99.

## Bank Loans, Overdrafts and Other Borrowings

Particulars of bank loans, overdrafts and other borrowings of the Company and the Group as at 30th June, 2002 are set out in note 28 to the accounts on page 104.

## Interest Capitalised

The amount of interest capitalised by the Group during the year ended 30th June, 2002 is set out in note 6(a) to the accounts on page 90.

## Reserves

Particulars of the movements in reserves during the year are set out in notes 34 to 36 to the accounts on pages 106 to 108.

## Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 69.

## Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 18 to 36.

## Report of the Directors (cont'd)

### 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 42 to the accounts on page 114.

### 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  
 Suen Kwok Lam  
 (*appointed on 18th January, 2002*)

#### 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*)

### Non-executive Directors:

Lee Tat Man  
 Kan Fook Yee

Mr. Suen Kwok Lam 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 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 74, 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

## Report of the Directors (cont'd)

"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 39, 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.

**LAM Ko Yin, Colin, B.Sc., A.C.I.B., M.B.I.M., F.C.I.L.T.**, aged 51, 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 29 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 76, 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 64, 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.

## Report of the Directors (cont'd)

**LEUNG Sing**, aged 65, 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 56, 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 45, 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 Chau 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 31, 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 Chau 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 50, 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 69, 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 53, 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 25 years' experience in corporate finance, and corporate and investment management.

### E Man Construction



This is a well experienced in-house construction arm of the Group that completed construction work averaging from 2 to 3 million sq.ft. in G.F.A. annually in recent years.

## Report of the Directors (cont'd)

**SUEN Kwok Lam, H.I.R.E.A.**, aged 55, joined the Company in 1997 and has been an Executive Director of the Company since January 2002. He is also an executive director of Henderson Investment Limited. 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.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**The Hon LO Tak Shing, G.B.M., J.P.**, aged 67, was awarded the Grand Bauhinia Medal in July 1997, 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, a committee member of the Preliminary Committee of the Preparatory Committee from July 1993 and a committee member of The Preparatory Committee of the Hong Kong Special Administrative Region from December 1995.

**Sir Po-shing WOO, Hon. LL.D., F.C.I.Arb., F.I.Mgt., F.Inst.D., F.H.K.M.A.**, aged 73, 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 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 Bui, Jackson.

**LEUNG Hay Man, F.R.I.C.S., F.C.I.Arb., F.H.K.I.S.**, aged 68, 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 53, 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 57, has been the Alternate Director to The Hon Lo Tak Shing, Director of the Company, since 1986. He is a solicitor.

**WOO Ka Bui, Jackson, MA(Oxon)**, aged 40, has been the Alternate Director to Sir Po-shing Woo, Director of the Company, since July 2000. Mr. Woo is also an Independent Non-Executive Director of Henderson Cyber Limited. He 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.

## Report of the Directors (cont'd)

### NON-EXECUTIVE DIRECTORS

**LEE Tat Man**, aged 65, 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 66, 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 38 years' experience in the field of property surveying.

### SENIOR MANAGEMENT

**LAU Chi Keung**, *J.P., F.R.I.C.S., F.H.K.I.S., A.C.I.Arb.*, aged 53, 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 30 years' experience in property development. Mr. Lau is an executive director of Henderson Investment Limited. He is appointed as Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2001.

**LEE Pui Man, Margaret**, *B.A. (Hons)*, aged 41, 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 18 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.

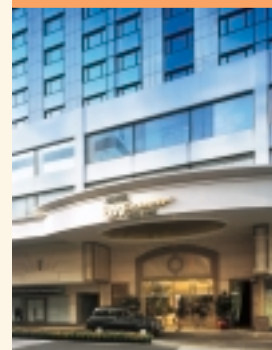
**CHEUNG Ping Keung, Donald**, *B.A., F.R.I.C.S., A.A.C.I., F.H.K.I.S., M.H.I.R.E.A., R.P.S.*, aged 47, joined the Company in 1992 and is presently the General Manager of Sales Department. He holds a B.A. (Honours) degree from the University of London and is a Chartered Valuation Surveyor and an Accredited Canadian Appraiser. He has over 25 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 IN SHARES

As at 30th June, 2002, 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:

### Miramar Hotel & Investment



43.67% owned by a subsidiary of the Group, this company owns and manages the 525-room Hotel Miramar as well as the adjacent Miramar Tower with G.F.A. of 696,000 sq.ft. and the Miramar shopping Centre of 350,000 sq.ft in G.F.A. in the busy commercial district on Nathan Road in Tsimshatsui.

## Report of the Directors (cont'd)

## 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				1,122,938,300 (Note 3)	1,122,938,300
	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	1,000,000				1,000,000
	Leung Sing	85,600				85,600
	Kan Fook Yee		24,000			24,000
	Ho Wing Fun	100				100
	Jackson Woo Ka Bui		2,000			2,000
Henderson Investment Limited	Lee Shau Kee	34,779,936			2,075,859,007 (Note 8)	2,110,638,943
	Lo Tak Shing	404,375				404,375
	Lee Tat Man	6,666				6,666
	Lee King Yue	959,028	42,711			1,001,739
	Colin Lam Ko Yin	11,000				11,000
	Leung Sing	150,000				150,000
	Ho Wing Fun	1,100				1,100
Henderson China Holdings Limited	Lee Shau Kee				325,133,977 (Note 15)	325,133,977
	Jackson Woo Ka Bui	544,802				544,802
Henderson Cyber Limited	Lee Shau Kee	173,898			4,244,996,094 (Note 17)	4,245,169,992
	Lo Tak Shing	2,021				2,021
	Lee Tat Man	33				33
	Lee King Yue	4,795	588			5,383
	Colin Lam Ko Yin	55				55
	Leung Sing	750				750
	Ho Wing Fun	5				5
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	7,799,220			110,363,090 (Note 9)	118,162,310
	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	3,226,174			2,157,017,776 (Note 10)	2,160,243,950

## 14-16 Shipyard Lane, Quarry Bay



This site is planned for the development of a residential block over a level of shops and a 3-storey carpark, with a total G.F.A. of approx 85,000 sq.ft. Foundation work has been completed and the development is expected to be completed in late 2003.

## 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
Miramar Hotel and Investment Company, Limited	Lee Chau Kee				252,105,250 (Note 13)	252,105,250
	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
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)	
	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)	
Zenger Investment Limited	Fung Lee Woon King	1				1
	Leung Sing	2				2
Fordley Investment Limited	Fung Lee Woon King	2,000				2,000



## 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
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
Gain Base Development Limited	Fung Lee Woon King	50				50
China Investment Group Limited	Jackson Woo Ka Bui			16,000 (Note 11)		16,000
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

## Henderson Cyber



66.67% owned by a subsidiary of the Group, Henderson Cyber provides a comprehensive range of telecommunications, information and Internet services to meet market demand.

## 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
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)

### Share Option Schemes

#### (i) HENDERSON CYBER LIMITED

At an extraordinary general meeting held on 4th December, 2000, the shareholders of the Company approved the Pre-IPO Share Option Plan ("Henderson Cyber Option Plan") and the Share Option Scheme ("Henderson Cyber Share Option Scheme") (collectively referred to as the "Henderson Cyber Schemes") of Henderson Cyber Limited ("Henderson Cyber"), a subsidiary of the Company. A summary of the Henderson Cyber Schemes is as below:

##### (1) Purpose

The purpose of the Henderson Cyber Option Plan is to recognise the contribution of the participants of the Henderson Cyber Option Plan to the growth of the Henderson Cyber Group and/or to the listing of shares of Henderson Cyber ("Henderson Cyber Shares") on the Growth Enterprise Market ("GEM") of The

Stock Exchange of Hong Kong Limited ("Stock Exchange").

The purpose of the Henderson Cyber Share Option Scheme is to assist in the recruitment and retention of high calibre executives and employees by providing them with incentives of share options.

##### (2) Participants

Options to subscribe for 32,000,000 Henderson Cyber Shares under the Henderson Cyber Option Plan were granted on 28th June, 2000, immediately prior to the listing of the Henderson Cyber Shares on GEM on 14th July, 2000 ("IPO Date").

Henderson Cyber may grant options to subscribe for Henderson Cyber Shares under the Henderson Cyber Share Option Scheme to any executive directors and full time employees of the Henderson Cyber Group.

## Report of the Directors (cont'd)

### (3) Maximum number of Henderson Cyber Shares available for subscription

Pursuant to the Henderson Cyber Option Plan, options to subscribe for the maximum number of 32,000,000 Henderson Cyber Shares were granted of which options to subscribe for 4,250,000 Henderson Cyber Shares had lapsed. No further options may be granted under the Henderson Cyber Option Plan after the IPO Date.

The maximum number of Henderson Cyber Shares in respect of which options may be granted under the Henderson Cyber Share Option Scheme and any other share option schemes of Henderson Cyber in issue shall not exceed 30 per cent. of the total number of Henderson Cyber Shares in issue from time to time (excluding (i) any Henderson Cyber Shares issued pursuant to the Henderson Cyber Share Option Scheme and any other share option schemes of Henderson Cyber; and (ii) any pro rata entitlements to further Henderson Cyber Shares issued in respect of those Henderson Cyber Shares mentioned in (i)).

### (4) Maximum entitlement of each participant

Pursuant to the Henderson Cyber Schemes, no participant may be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25 per cent. of the aggregate number of Henderson

Cyber Shares for the time being issued and issuable under the Henderson Cyber Schemes.

### (5) Minimum and maximum periods for the exercise of options

Pursuant to the Henderson Cyber Schemes, an option may be exercised in accordance with the terms of the respective Henderson Cyber Schemes at any time during such period or periods to be notified by the Board of Directors of Henderson Cyber to each grantee provided that the period within which the option may be exercised shall be not less than 3 years and not more than 10 years from the date on which an offer of the grant of the option is accepted.

### (6) Payment on acceptance of option

Pursuant to the Henderson Cyber Schemes, HK\$1.00 is payable to Henderson Cyber by the grantee on acceptance of the grant of an option within 28 days from the date of offer of the grant of the option ("Offer Date").

### (7) Basis of determining the subscription price

The subscription price per Henderson Cyber Share under the Henderson Cyber Option Plan is HK\$1.25, being the price per Henderson Cyber Share at which the Henderson Cyber Shares were offered for subscription by the public at the initial public offering of the Henderson Cyber Shares.

## Report of the Directors (cont'd)

The subscription price per Henderson Cyber Share under the Henderson Cyber Share Option Scheme is determined by the Board of Directors of Henderson Cyber and shall be the highest of:

- (i) the closing price per Henderson Cyber Share as stated in the daily quotation sheets issued by the Stock Exchange on the Offer Date, which must be a business day;
- (ii) the average closing price per Henderson Cyber Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value per Henderson Cyber Share.

### (8) Remaining life of the Henderson Cyber Schemes

No further options shall be granted under the Henderson Cyber Option Plan after the IPO Date. Henderson Cyber Shares granted under the Henderson Cyber Option Plan on or prior to the IPO Date can be exercised not later than four years from the IPO Date.

The Henderson Cyber Share Option Scheme shall be valid and effective for a period of 10 years commencing on 28th June, 2000, after which no further options will be granted.

### (ii) HENDERSON CHINA HOLDINGS LIMITED

At a special general meeting of the shareholders of Henderson China Holdings Limited ("Henderson China"), a subsidiary of the Company, held on 15th March, 1996, the Share Option Scheme of Henderson China ("Henderson China Share Option Scheme") was approved and adopted. A summary of the Henderson China Share Option Scheme is as below:

#### (1) Purpose

The purpose of the Henderson China Share Option Scheme is to provide the executive directors and employees of the Henderson China Group with incentives of share options.

#### (2) Participants

Henderson China may grant options to subscribe for shares in Henderson China ("Henderson China Shares") under the Henderson China Share Option Scheme to executive directors and employees of the Henderson China Group.

## Report of the Directors (cont'd)

### (3) Maximum number of Henderson China Shares available for subscription

The maximum number of Henderson China Shares in respect of which options may be granted (including Henderson China Shares issued pursuant to options exercised and Henderson China Shares in respect of which any options remain outstanding) under the Henderson China Share Option Scheme and any other share option schemes of Henderson China shall not exceed 10 per cent. of the issued share capital of Henderson China from time to time excluding Henderson China Shares issued pursuant to the Henderson China Share Option Scheme.

### (4) Maximum entitlement of each participant

No participant may be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25 per cent. of the aggregate number of Henderson China Shares for the time being issued and issuable under the Henderson China Share Option Scheme.

### (5) Minimum and Maximum periods for the exercise of options

An option may be exercised in accordance with the terms of the Henderson China Share Option Scheme at any time during such period or periods to be notified by the Board of Directors of Henderson China to each grantee. The option

may be exercised on the expiry of 6 months after the date on which the grant of an option is accepted (the "Commencement Date") and not later than a period of 3 years after the Commencement Date or 14th March, 2006, whichever is the earlier.

### (6) Payment on acceptance of option

HK\$1.00 is payable to Henderson China by the grantee on acceptance of an option within 28 days from the date of offer of the grant of an option ("Offer Date").

### (7) Basis of determining the subscription price

The subscription price per Henderson China Share is determined by the Board of Directors of Henderson China and shall be the higher of:

- (i) a price being not less than 80 per cent. of the average closing price per Henderson China Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Offer Date; and
- (ii) the nominal value per Henderson China Share.

### (8) Remaining life

The Henderson China Share Option Scheme shall be valid and effective for a period of 10 years commencing on 15th March, 1996, after which no further options will be granted.

## Report of the Directors (cont'd)

### Arrangements to Purchase Shares or Debentures

#### OPTIONS TO SUBSCRIBE FOR SHARES IN SUBSIDIARIES

##### (i) Henderson Cyber Limited

As at 30th June, 2002, the following Directors of the Company had interests in options to subscribe for shares in Henderson Cyber, which were granted on 28th June, 2000 under the Henderson Cyber Option Plan:

Name of Director	Number of share options at 1st July, 2001	Number of share options granted during the year	Number of share options outstanding at 30th June, 2002
Lee Shau Kee	2,400,000	—	2,400,000
Colin Lam Ko Yin	1,200,000	—	1,200,000
Lee Ka Kit	1,200,000	—	1,200,000
Lee Ka Shing	1,200,000	—	1,200,000
John Yip Ying Chee	1,200,000	—	1,200,000
Patrick Kwok Ping Ho	600,000	—	600,000
Li Ning	400,000 (Note 18)	—	400,000
Ho Wing Fun	400,000	—	400,000
Suen Kwok Lam	400,000	—	400,000

Particulars of outstanding share options of employees of Henderson Cyber under the Henderson Cyber Option Plan are as follows:

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the year	Number of share options lapsed during the year	Aggregate number of share options outstanding at 30th June, 2002
28/06/2000	1,300,000	—	50,000	1,250,000

IFC Mall (South), Central



This shopping mall of One International Finance Centre provides approx. 131,000 sq.ft. of retail space and has become one of the favourite shopping and dining spots in the Central District.

## Report of the Directors (cont'd)

Particulars of outstanding share options of all other participants under the Henderson Cyber Option Plan are as follows:

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the year	Number of share options lapsed during the year	Aggregate number of share options outstanding at 30th June, 2002
28/06/2000	19,750,000*	—	1,850,000	17,500,000

\* This included 400,000 share options granted to Mr. Suen Kwok Lam who was subsequently appointed a director of the Company on 18th January, 2002. Mr. Suen Kwok Lam's share options were accordingly re-grouped under the category of "Directors" as at 30th June, 2002.

Each of the above Directors, employees and other participants 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.

Particulars of outstanding share options of the employee of Henderson Cyber under the Henderson Cyber Share Option Scheme are as follows:

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the year	Aggregate number of share options outstanding at 30th June, 2002
04/10/2000	100,000	—	100,000

The employee of Henderson Cyber will be entitled to exercise at the price of HK\$0.89 per share (i) thirty per cent. of the share options so granted at any time after the expiry of 12 months from 16th October, 2000 (the date of acceptance of the share options), (ii) a further thirty per cent. of the share options so granted at any time after the expiry of 24 months from 16th October, 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 16th October, 2000 and in each case, not later than four years from 16th October, 2000.

3 Kwong Wa Street,  
Mongkok



Being one of the Urban Renewal Authority projects participated by private property developers, this site is being developed by the Group into a 34-storey residential tower over a podium consisting of 4-levels of shops and 4-carparking levels. Total G.F.A. is approx. 160,000 sq.ft. and it is planned to be completed in mid-2003.

## Report of the Directors (cont'd)

As at 30th June, 2002, share options for a total of 27,750,000 shares in Henderson Cyber under the Henderson Cyber Option Plan and 100,000 shares in Henderson Cyber under the Henderson Cyber Share Option Scheme remained outstanding, representing in aggregate approximately 0.6 per cent. of the existing issued share capital of Henderson Cyber. These share options were granted to the following categories of grantees:

Categories of Grantees	Number of Grantees	Number of share options
<b>Henderson Cyber Option Plan</b>		
Directors	9	9,000,000
Employees	3	1,250,000
Other participants	43	17,500,000
	<u>55</u>	<u>27,750,000</u>
<b>Henderson Cyber Share Option Scheme</b>		
Employee	<u>1</u>	<u>100,000</u>

Save as disclosed above, no share options under the Henderson Cyber Option Plan and the Henderson Cyber Share Option Scheme had been granted, exercised, cancelled or lapsed during the year ended 30th June, 2002.

## (ii) Henderson China Holdings Limited

As at 30th June, 2002, the following Directors of the Company had interests in options to subscribe for shares in Henderson China under the Henderson China Share Option Scheme:

Name of Director	Date of Grant	Number of share options at 1st July, 2001	Exercisable Period	Number of share options granted during the year	Number of share options outstanding at 30th June, 2002
Colin Lam Ko Yin	21/02/2001	1,500,000	21/08/2001 - 20/08/2004	—	1,500,000
Lee Ka Kit	02/05/2001	1,500,000	02/11/2001 - 01/11/2004	—	1,500,000



## Report of the Directors (cont'd)

Particulars of outstanding share options of the employee of Henderson China under the Henderson China Share Option Scheme are as follows:

Date of Grant	Aggregate number of share options at 1st July, 2001	Exercisable Period	Number of share options granted during the year	Aggregate number of share options outstanding at 30th June, 2002
12/12/2000	1,000,000	28/06/2001 - 27/06/2004	—	1,000,000

The above Directors and the employee of Henderson China 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.

As at 30th June, 2002, share options granted under the Henderson China Share Option Scheme for a total of 4,000,000 shares in Henderson China remained outstanding, representing in aggregate approximately 0.8 per cent. of the existing issued share capital of Henderson China. These share options were granted to the following categories of grantees:

Categories of Grantees	Number of Grantees	Number of share options
Directors	2	3,000,000
Employee	1	1,000,000
	<u>3</u>	<u>4,000,000</u>

No share options under the Henderson China Share Option Scheme had been granted, exercised, cancelled or lapsed during the year ended 30th June, 2002.

Except for the above, at no time during the year was the Company or any of its holding companies, subsidiary companies 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)

### Substantial Shareholders' Interests

As at 30th June, 2002, 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)	534,039,300
Believegood Limited (Note 1)	215,094,300

#### Notes:

- |   |  |
|---|--|
| <p><b>1</b> 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 534,039,300 shares out of these shares. Believegood Limited, a wholly-owned subsidiary of Glorious, beneficially owned 215,094,300 shares.</p>   | <p><b>4</b> 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.</p>   |
| <p><b>2</b> 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).</p> | <p><b>5</b> 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.</p> |
| <p><b>3</b> 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.</p>       | <p><b>6</b> 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.</p>   |
|   | <p><b>7</b> 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.</p>                                       |
|   | <p><b>8</b> 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.</p>              |

## Report of the Directors (cont'd)

- 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 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.
- 17** These shares were beneficially owned by a subsidiary of HI, FS, certain subsidiaries of the Company and a subsidiary of China Gas. Dr. Lee Shau Kee was taken to be interested in HI, FS, the Company and China Gas as set out in Note 1, Note 2, Note 3, Note 8 and Note 10 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.

## Report of the Directors (cont'd)

### 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, 2002, payment made to the Group for the above services amounted to approximately 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, 2002, approximately HK\$291.6 million and HK\$0.9 million in respect of the indemnities on income tax and Land Appreciation Tax respectively 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, 2002, an amount of approximately HK\$159 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, 2002, there was no outstanding balance due by Henderson Investment Finance Limited to Henderson Finance Company Limited.

## Report of the Directors (cont'd)

The Beverly Hills, Tai Po



This development project is planned to be developed by phases into 549 luxurious houses with total G.F.A. of 1,164,000 sq.ft. The first two phases comprising 372 house were completed in mid-2002.

- (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 the Company, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 2002, the amounts of approximately HK\$774.1 million, HK\$41 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) Glorious Asia S.A., a wholly-owned subsidiary of Henderson Development Limited made advances from time to time to West Chelsea Holdings Co. Limited, a wholly-owned subsidiary of the Company, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 2002, an amount of approximately HK\$2,487.4 million was due by West Chelsea Holdings Co. Limited to Glorious Asia S.A., which has been included in the accounts under "Amounts due to fellow subsidiaries".
- (vii) 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, 2002, an amount of approximately HK\$165.6 million was due by Henderson (China) Finance Limited to Henderson Real Estate Agency Limited.
- (viii) West Chelsea Holdings Co. Limited made advances from time to time to Hiram Assets 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, 2002, an amount of approximately HK\$8.7 million was due by Hiram Assets Limited to West Chelsea Holdings Co. Limited.
- (ix) 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, 2002, an amount of approximately HK\$33.2 million was due by Henderson (China) Finance Limited to Henderson Finance Company Limited, which has been included in the accounts under "Amounts due to fellow subsidiaries".

## Report of the Directors (cont'd)

- (x) Glorious Asia S.A., made advances from time to time to Hiram Assets Limited with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 30th June, 2002, an amount of approximately HK\$5.8 million was due by Hiram Assets Limited to Glorious Asia S.A., which has been included in the accounts under "Amounts due to fellow subsidiaries".
- (xi) 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, 2002, an amount of approximately HK\$181.4 million was due by Shellson International Limited to Henderson Real Estate Agency Limited.
- (xii) 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, 2002, 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".
- (xiii) 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, 2002, the aggregate amount received by the Group in respect of the Continuing Connected Transactions which were based on normal commercial terms was approximately HK\$33 million.

## Property Management



The Group's two in-house property management subsidiaries, namely, Hang Yick Properties Management Limited and Well Born Real Estate Management Limited, currently manage over 200 properties and estates primarily developed by the Group in Hong Kong. Both of these companies have received numerous top performance awards for providing high quality property management services from time to time.

## Report of the Directors (cont'd)

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; and
  - (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) 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.

## Report of the Directors (cont'd)

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

- (3) Mr. Lee Ka Kit, through companies owned or controlled by him, has interests in five companies in which Henderson China is interested and through which Henderson China holds interests in five projects. Mr. Lee has 25 per cent. interest in Shellson International Limited holding the Beijing Henderson Centre, 50 per cent. interest in Perlin Development Limited holding the Shanghai Skycity, 50 per cent. interest in Quickcentre Properties Limited holding Lot 433 of Yanan Road West, 50 per cent. interest in Feswin Investment Limited holding Lot 470 of Wanping Road South and 40 per cent. interest in Henfield Properties Limited holding Lots 406-2, 406-3 and 406-4 of Hengfeng Road, with the remaining interests owned by members of the Henderson China Group. Mr. Lee Ka Kit is a Director of the Company.

Mr. Lee Ka Kit agreed to provide and has provided finance in the form of advances to these companies in proportion to his equity interests in these companies. An agreement entered into between Henderson China and Mr. Lee Ka Kit on 15th March, 1996 provided that all existing and future advances made by Henderson China and Mr. Lee Ka Kit to these companies would be unsecured, on the same basis and at the same interest rate or without interest. As at 30th June, 2002, the advances made by Mr. Lee Ka Kit to the Henderson China Group's non wholly-owned subsidiaries and associates amounted to approximately HK\$410.2 million and HK\$646.1 million respectively and interest payable on the advances

made by Mr. Lee Ka Kit totalled approximately HK\$39.6 million for the year ended 30th June, 2002.

- (4) 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 a 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.
- (5) During the year, the Group made advances to the following non wholly-owned subsidiaries and associates as unsecured working capital repayable on demand:

Best Homes Limited  
 Choiform Limited  
 Feswin Investment Limited  
 Gain Base Development Limited  
 Hang Seng Quarry Company Limited  
 Harvest Development Limited  
 Harvest Ocean Investment Limited  
 Linden Development Limited  
 Lucky Country Development Limited  
 Ostino Limited  
 Henfield Properties Limited  
 Perlin Development Limited  
 Quickcentre Properties Limited  
 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



## Report of the Directors (cont'd)

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.

### Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of directors of the Company in businesses which might compete with the Group during the year ended 30th June, 2002 and as at 30th June, 2002 were as follows:

Dr. Lee Shau Kee, the Chairman of the Company, has deemed interests and/or held directorships in companies engaged in the businesses of property investment and development in Hong Kong and Mainland China. Mr. Lee Ka Kit, the Vice-Chairman of the Company, has interests and/or directorships in companies engaged in property development in Mainland China. As those companies which might have competing businesses with the Group were involved in the development and investment of properties of different types and/or in different locations, the Group has been operating independently of, and at arm's length from, the businesses of those companies.

### 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).

### 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, 2002:

- (1) 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.
- (2) 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.

### Management Discussion and Analysis

A management discussion and analysis of the Group's annual results is shown on pages 38 to 42.

### Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the

## Report of the Directors (cont'd)

employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. The amount of forfeited contributions of the Scheme utilised during the year was HK\$951,000 (2001: HK\$785,000). As at 30th June, 2002, the amount of forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme totalled HK\$20,000 (2001: HK\$311,000).

No employees of the Group were eligible to join the Fund or the Scheme on or after 1st December, 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised in the year ended 30th June, 2002 was HK\$292,000 (2001: HK\$9,000) and the balance available to be utilised as at 30th June 2002 was HK\$574,000 (2001: HK\$70,000).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the year ended 30th June, 2002 were HK\$30,301,000 (2001: HK\$24,596,000).

### Audit Committee

The Audit Committee was established in December 1998. The members of the Audit Committee are Mr. Leung Hay Man (Chairman) and Mrs. Angelina Lee Pui Ling, 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 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, 2002, 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 Chau Kee**  
Chairman

Hong Kong, 3rd October, 2002