

Listed Associate

Hong Kong Ferry (Holdings)

- 30.98% owned by the Group
- The company had run a passenger ferry operation in Hong Kong for 80 years until 1999 when the ferry franchise expired
- An old repair shipyard site owned by this company had been successfully converted for development purpose
- Currently this company is jointly developing with the Group its first large-scale residential-cum-commercial project, namely, the Metro Harbour View, in Tai Kok Tsui, Kowloon



The Metro Harbour View Development Project

- This project is planned to be developed in two phases from a former shipyard site of the company
- The entire project comprises 10 residential towers with over 3,500 residential units sitting on a common commercial podium
- Provides a total G.F.A. of approximately 1,950,000 sq.ft. comprising 1,710,000 sq.ft. of residential accommodation and 240,000 sq.ft. for commercial use
- Successfully launched the pre-sale of the project in November, 2001
- Scheduled for completion in late 2002 for Phase I and in late 2003 for Phase II

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, 2002.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries are property development and investment, investment holding, infrastructure, department store operation, security guard services, hotel operation and information technology development.

An analysis of the Group's revenue and segment result by principal activity and geographical market is set out in note 5 to the financial statements on pages 49 to 53.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 30th June, 2002 are set out on pages 75 to 79.

Financial Statements

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 financial statements on pages 37 to 87.

Dividends

An interim dividend of HK\$0.11 per share was paid on 24th April, 2002. The Directors have recommended the payment of a final dividend of HK\$0.11 per share to shareholders whose names appear on the Register of Members of the Company on 18th December, 2002.

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment during the year are set out in note 16 to the financial statements on pages 58 and 59.

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 26 to the financial statements on page 63.

Reserves

Particulars of the movements in reserves during the year are set out in note 29 to the financial statements on pages 65 and 66.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 33.

Investment Properties

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

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 10 to the financial statements on page 55.

Report of the Directors (cont'd)

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

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Woo Po Shing

Philip Yuen Pak Yiu

Leung Hay Man

Jackson Woo Ka Biu

(Alternate Director to Woo Po Shing)

Messrs. Lee Ka Kit, Philip Yuen Pak Yiu, Eddie Lau Yum Chuen, Li Ning, Lee Ka Shing and Suen Kwok Lam 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 74, 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 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 39, 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

Citistores



The Group operates six Citistores that are respectively located in Tseung Kwan O, Tsuen Wan, Tuen Mun, Yuen Long, Ma On Shan and Tsimshatsui. Shown in the pictures are the outside views of the Citistores located at Ma On Shan and City Landmark in Tuen Mun, N.T.

Report of the Directors (cont'd)

(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.L.T.*, aged 51, 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 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 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 65, 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 76, 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 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 56, 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 45, 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.

Report of the Directors (cont'd)

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 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 50, 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 69, 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 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 53, 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 30 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 47, 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, *M.Sc., F.H.K.I.S., M.R.I.C.S., M.C.I.Arb., R.P.S. (G.P.)*, aged 41, 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 18 years' experience in property appraisal, dealing and development.

Report of the Directors (cont'd)

SUEN Kwok Lam, *H.I.R.E.A.*, aged 55, has been an Executive Director of the Company since July 1999. He joined Henderson Land Group in 1997. He is also an executive director of Henderson Land Development Company 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.

SIT Pak Wing, *A.C.I.S., F.H.I.R.E.A.* aged 54, 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 73, 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 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 66, 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 68, 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 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.

i-Care



iCare, a subsidiary of Henderson Cyber, has launched its retail stores, namely "iCare Hotspot", in Causeway Bay, Tsuen Wan, Tsimshatsui and Tseung Kwan O to promote its brand identity in Hong Kong.

Report of the Directors (cont'd)

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:

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			2,075,859,007	2,110,638,943
					(Note 3)	
	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
	Ho Wing Fun	1,100				1,100
Henderson Land Development Company Limited	Lee Chau Kee				1,122,938,300	1,122,938,300
					(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 Chau Kee				325,133,977	325,133,977
					(Note 15)	
	Jackson Woo Ka Biu	544,802				544,802
Henderson Cyber Limited	Lee Chau 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

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
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	7,799,220			110,363,090 (Note 7)	118,162,310
	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	3,226,174			2,157,017,776 (Note 8)	2,160,243,950
Miramar Hotel and Investment Company, Limited	Lee Shau Kee				252,105,250 (Note 13)	252,105,250
	Woo Po Shing	2,705,000		2,455,000 (Note 9)		5,160,000
Drinkwater Investment Limited	Woo Po Shing			3,250 (Note 9)		3,250
	Leung Hay Man			5,000 (Note 9)		5,000
Henderson Development Limited	Lee Shau 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 11)	8,190 (Ordinary A Shares)

Shatin Centre, Shatin



94.40% owned by the Group, this shopping centre is located at the heart of one of Hong Kong's earliest satellite cities in the New Territories, the podium has approx. 100,000 sq.ft. in G.F.A.

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
	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
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

Eva Court, Mid-Levels



This luxurious residential apartment building has a total G.F.A. of approx. 108,000 sq.ft.

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
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)

Share Option Schemes

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.

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:

Report of the Directors (cont'd)

- (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 of the 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.

Arrangements to Purchase Shares or Debentures

(I) OPTIONS TO SUBSCRIBE FOR SHARES IN 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
Patrick Kwok Ping Ho	600,000	—	600,000
Li Ning	400,000 (Note 18)	—	400,000
Ho Wing Fun	400,000	—	400,000
Lau Chi Keung	400,000	—	400,000
Augustine Wong Ho Ming	400,000	—	400,000
Suen Kwok Lam	400,000	—	400,000
Sit Pak Wing	400,000	—	400,000
Donald Cheung Ping Keung	200,000	—	200,000

Report of the Directors (cont'd)

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

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	19,150,000	—	1,850,000	17,300,000

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.

Report of the Directors (cont'd)

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.

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
Henderson Cyber Option Plan		
Directors	12	9,200,000
Employees	3	1,250,000
Other participants	40	17,300,000
	55	27,750,000
Henderson Cyber Share Option Scheme		
Employee	1	100,000

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.

Kowloon Building, Mongkok



This 23-storey office-cum-retail shop building has a total G.F.A. of approx. 113,000 sq.ft.

Report of the Directors (cont'd)

(II) OPTIONS TO SUBSCRIBE FOR SHARES IN 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 Holdings Limited, an associated corporation of the Company:

Name of Director	Number of share options	Exercisable Period
Colin Lam Ko Yin	1,500,000	21/08/2001 – 20/08/2004
Lee Ka Kit	1,500,000	02/11/2001 – 01/11/2004

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.

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.

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)	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

The Trend Plaza, Tuen Mun



This shopping podium of approx. 195,000 sq.ft. in attributable G.F.A. enjoys a high occupancy rate of 97%.

Report of the Directors (cont'd)

Notes:

- 1 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").
- 2 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).
- 3 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.
- 4 Dr. Lee Shau Kee was taken to be interested in HD through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 2 and Note 3 by virtue of the SDI Ordinance.
- 5 These shares were beneficially owned by FS. Dr. Lee Shau Kee was taken to be interested in FS through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 2 and Note 3 by virtue of the SDI Ordinance.
- 6 Of these shares, 1,117,335,700 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.
- 7 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.
- 8 These shares were beneficially owned by certain 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.

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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”):

- (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 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.
- (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, 2002, 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 per cent. interest. The remaining 50 per

Report of the Directors (cont'd)

cent. 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.

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. As those companies which might have competing businesses with the Group were involved in the investment and development 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 10 to 13.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group's employees are shown in note 39 to the financial statements on page 72.

Well Tech Centre,
San Po Kong



This 30-storey industrial and commercial building has a total G.F.A. of approx. 162,000 sq.ft. and 49 car parking spaces.

Report of the Directors (cont'd)

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, 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 Shau Kee
Chairman

Hong Kong, 3rd October, 2002

Megastrength Security Service Company Limited



Wholly-owned by the Group, this company has been in operation for seven years. It is licensed to perform Type I (Guarding Services) and Type III (Security Consultancy Work) security services recognized by the Hong Kong Security and Guarding Services Industry Authority.