

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, 2003.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries are property development and investment, project management, property management, finance and investment holding in the People's Republic of China (the "PRC").

An analysis of the Group's turnover and profit from operations by business segment is set out in note 2 to the accounts on pages 46 and 47.

No geographical analysis is shown as less than 10 per cent. of the Group's turnover and profit from operations are outside the PRC.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 30th June, 2003 are set out on pages 66 to 70.

Group Result

The loss of the Group for the year ended 30th June, 2003 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 33 to 71.

Dividends

An interim dividend of HK\$0.03 per share was paid on 23rd April, 2003. The Directors have recommended the payment of a final dividend of HK\$0.03 per share to shareholders whose names appear on the Register of Members of the Company on 1st December, 2003.

Charitable Donation

Charitable donations made by the Group during the year amounted to HK\$3,885,000.

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 14 to the accounts on pages 53 and 54.

Bank Loans and Overdrafts

Particulars of bank loans and overdrafts of the Company and the Group as at 30th June, 2003 are set out in note 22 to the accounts on page 57.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 30th June, 2003 is set out in note 6 to the accounts on pages 49 and 50.

Reserves

Particulars of the movements in reserves during the year are set out in notes 26 to 28 to the accounts on pages 58 and 59.

Group Financial Summary

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

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 6 to 8.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to 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 36 to the accounts on pages 63 and 64.

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 Ka Kit (*Chairman and President*)
 Lee Shau Kee
 Colin Lam Ko Yin
 Lee King Yue
 Leung Sing
 Lee Ka Shing
 Patrick Kwok Ping Ho
 Ho Wing Fun
 Cheung Fong Ming
 Li Sek Yin

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Philip Yuen Pak Yiu
 Liang Shangli

NON-EXECUTIVE DIRECTORS:

Wong Ying Wai
 Kan Fook Yee (*appointed as Executive Director on 5th June, 1997 and became Non-executive Director on 15th February, 2003*)

Messrs. Lee Shau Kee, Ho Wing Fun, Cheung Fong Ming and Liang Shangli retire by rotation at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws and, being eligible, offer themselves for re-election.

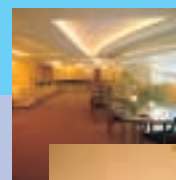
Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LEE Ka Kit, aged 40, National Committee Member of Political Consultative Conference, PRC, has been Deputy Chairman, Vice President and Managing Director of the Company since 1993 and the

Chairman and President since 1999. He was educated in the United Kingdom and has been primarily responsible for the development of the PRC business of Henderson Land Group since 1985. Mr. Lee is also the vice chairman of Henderson Development Limited ("Henderson Development"), Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, an executive director of Henderson Cyber Limited and a director of The Hong Kong and China Gas Company Limited. Mr. Lee is a director of Henderson Development and Henderson Land which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr. Lee Shau Kee and the brother of Mr. Lee Ka Shing.

Dr. Lee Shau Kee, *D.B.A. (Hon.), D.S.Sc. (Hon.), LL.D. (Hon.)*, aged 74, has been an Executive Director of the Company since 1993 and Chairman and President of the Company from 1993 to 1999. Dr. Lee 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 ("Henderson Land") and Henderson Investment Limited as well as 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 Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited. Dr. Lee is a director of Henderson Development Limited, Henderson Land, Brightland Enterprises Limited, Primeford Investment Limited, Timsland Limited and Quantum Overseas Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the father of Mr. Lee Ka Kit and Mr. Lee Ka Shing.



LAM Ko Yin, Colin, *B.Sc., A.C.I.B., M.B.I.M., F.C.I.L.T.*, aged 52, has been an Executive Director of the Company since 1993. He holds a B.Sc. (Honours) degree from the University of Hong Kong and has over 30 years' experience in banking and property development. He joined Henderson Land Group in 1982 and is at present the vice chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited as well as an executive director of Henderson Cyber Limited. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, a director of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited. Mr. Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land, Brightland Enterprises Limited, Primeford Investment Limited, Timsland Limited and Quantum Overseas Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE King Yue, aged 77, has been an Executive Director of the Company since 1995. He joined Henderson Development Limited, the ultimate parent 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 Investment Limited. Mr. Lee is a director of Henderson Land, Brightland Enterprises Limited, Primeford Investment Limited, Timsland Limited and Quantum Overseas Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEUNG Sing, aged 66, has been an Executive Director of the Company since 1995. He has over 35 years' experience in property development. Mr. Leung is also an executive director of Henderson Land Development Company Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Shing, aged 32, a Committee Member of the 9th Guangxi Zhuangzu Zizhiqu Committee of Political Consultative Conference, PRC, has been an Executive Director of the Company since 1995. He was educated in Canada and joined Henderson Land Group in 1993. Mr. Lee is an executive director of Henderson Development Limited ("Henderson Development"), Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment 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 Henderson Development, Henderson Land and Timsland Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr. Lee Shau Kee and the brother of Mr. Lee Ka Kit.

KWOK Ping Ho, Patrick, *B.Sc., M.Sc., Post-Graduate Diploma in Surveying, A.C.I.B.*, aged 51, has been an Executive Director since 1995. 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 Investment Limited. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Report of the Directors (cont'd)

HO Wing Fun, aged 70, has been an Executive Director of the Company since 1993. 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 Investment Limited. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

CHEUNG Fong Ming, aged 72, has been an Executive Director of the Company since 1993. He holds a degree in Economics from Peking Qinghua University and has completed post-graduate studies in Business Management at the Foreign Economics Department of Peking University. He has over 30 years' working and teaching experience in the Ministry of Foreign Trade, PRC and the University of Beijing Foreign Economic and Trade since late 1950's up to early 1980's. Mr. Cheung joined Henderson Land Group in 1991 having previously been a director and deputy general manager of CITIC (HK) Ltd. and vice president of CITIC Development Corporation, Beijing.

LI Sek Yin, *B.Sc., M.Sc., P.E.*, aged 54, has been an Executive Director of the Company since 1997. He holds B.Sc. degree from University of Texas, M.Sc. degree from Texas Tech University and the certification of Texas Real Estate Commission courses. He is the registered Professional Engineer in Texas, registered Professional Sanitarian, Texas Department of Health, and holder of Real Estate Broker License, Texas, United States. He has over 27 years' experience in land/property development, building construction, consulting engineering in civil and structural design, property acquisition/leasing, mortgage/finance, property investment, brokerage, commercial/residential property management and asset management in China, Hong Kong and the United States.

INDEPENDENT NON-EXECUTIVE DIRECTORS

YUEN Pak Yiu, Philip, aged 67, has been a Director of the Company since 1993. 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 Investment Limited.

LIANG Shangli, aged 82, has been a Director of the Company since 1993. He is the chairman of the Bai Hui Group Company Limited. Mr. Liang is also a member of CPPCC All China Standing Committee, vice chairman of the All China Federation of Industry & Commerce and a member of the First Government Selection Committee of The People's Republic of China Hong Kong Special Administrative Region. He holds a degree from Guangzhou University.

NON-EXECUTIVE DIRECTORS

WONG Ying Wai, *J.P., B.Soc.Sc., MPA*, aged 50, has been a Director of the Company since November 1999. He became a Non-executive Director as from August 2000. He was educated at Harvard University, Oxford University, the University of Hong Kong and the Chinese University of Hong Kong. Mr. Wong is a Deputy to The Tenth National People's Congress, vice chairman of Shui On Holdings Limited, president of China Investment Group Limited, chairman of Social Welfare Advisory Committee and deputy chairman of the Court and Council of Hong Kong Baptist University.

KAN Fook Yee, *SBS., F.H.K.I.S., F.R.I.C.S., F.C.I.Arb.*, aged 67, has been a Director of the Company since 1997. He was an Executive Director of the Company from June 1997 until February 2003, when he became a Non-executive Director. He is also a director of Henderson Land Development Company Limited ("Henderson Land"). In addition to his being a barrister-at-law, Mr. Kan is also a fellow member of The Hong Kong Institute of Surveyors, The Royal Institution of Chartered Surveyors and The Chartered

Institute of Arbitrators. He has many years' experience in the field of property surveying. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

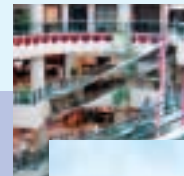
SENIOR MANAGEMENT

LI Ming Pei, aged 68, is the Vice President of Property Development Department. He holds a degree in Civil Engineering from South China Polytechnic, Guangzhou. Mr. Li joined the Group in 1994 and has over 37 years' experience in construction supervision for Hong Kong and PRC projects.

CHEN Ru Yee, *B.F.A., M.B.A.*, aged 54, is the Executive Vice President, Strategic & Corporate Planning. She holds a Bachelor of Fine Arts in Interior Architecture from the University of Hawaii and a Master of Business Administration from Keller Graduate School of Management, Chicago. She has more than 20 years of experience in the real estate field having worked in New York, Los Angeles, Singapore and Hong Kong. She started to get involved in the China market in 1992 and advised several US blue chip companies on their real estate investment strategy in China. Ms. Chen joined the Company in August 2002. Before joining the Company she was the Executive Director of GRA, Singapore, a subsidiary of Prudential Real Estate Investment managing a real estate fund with investments across Asia.

Skycity, Zhabei District, Shanghai

Total G.F.A. : approx. 1,224,000 sq.ft.;
37.5% owned by the Group.
Situates close to the Shanghai Zhabei Railway Station, this completed project comprises two 25-storey residential/office towers, a 26-storey office block and a 4-level retail shop podium.



Report of the Directors (cont'd)

Disclosure of Interests

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2003, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company 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)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson China Holdings Limited	Lee Shau Kee	1			325,133,977		325,133,977	65.45
	Lee Ka Kit	1				325,133,977	325,133,977	65.45
	Lee Ka Shing	1				325,133,977	325,133,977	65.45
Henderson Land Development Company Limited	Lee Shau Kee	2			1,122,938,300		1,122,938,300	65.21
	Lee Ka Kit	2				1,122,938,300	1,122,938,300	65.21
	Lee Ka Shing	2				1,122,938,300	1,122,938,300	65.21
	Kan Fook Yee	3		24,000			24,000	0.00
	Lee King Yue	4	26,400	16,500	19,800		62,700	0.00
	Leung Sing		85,600				85,600	0.00
	Ho Wing Fun		100				100	0.00
Henderson Investment Limited	Lee Shau Kee	5	34,779,936		2,075,859,007		2,110,638,943	74.92
	Lee Ka Kit	5				2,075,859,007	2,075,859,007	73.68
	Lee Ka Shing	5				2,075,859,007	2,075,859,007	73.68
	Lee King Yue	6	959,028	42,711			1,001,739	0.04
	Leung Sing		150,000				150,000	0.01
	Ho Wing Fun		1,100				1,100	0.00
Henderson Cyber Limited	Lee Shau Kee	7	173,898		4,244,996,094		4,245,169,992	84.90
	Lee Ka Kit	7				4,244,996,094	4,244,996,094	84.90
	Lee Ka Shing	7				4,244,996,094	4,244,996,094	84.90
	Lam Ko Yin, Colin		55				55	0.00
	Lee King Yue	8	4,795	588			5,383	0.00
	Leung Sing		750				750	0.00
	Ho Wing Fun		5				5	0.00

Report of the Directors (cont'd)

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

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Chau Kee	9			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Chau Kee	10			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Chau Kee	11	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	9				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	10				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	11				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	9				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	10				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	11				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
Angelfield Investment Limited	Lam Ko Yin, Colin	12			1		1	50.00
Feswin Investment Limited	Lee Ka Kit	13			5,000	5,000	10,000	100.00
Henfield Properties Limited	Lee Ka Kit	14			4,000	6,000	10,000	100.00
Heyfield Estate Limited	Lee Chau Kee	15			100		100	100.00
	Lee Ka Kit	15				100	100	100.00
	Lee Ka Shing	15				100	100	100.00
Maxfine Development Limited	Lee Ka Kit	16			3,050*	3,050*	3,050	33.33

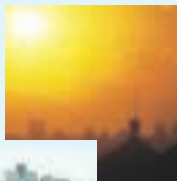
* relate to the same shares

Report of the Directors (cont'd)

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

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Perlin Development Limited	Lee Ka Kit	17			5	5	10	100.00
Pettystar Investment Limited	Lee Shau Kee Lee Ka Kit Lee Ka Shing	18 18 18			3,240	3,240 3,240	3,240 3,240	80.00 80.00
Quickcentre Properties Limited	Lee Ka Kit	19			1	1	2	100.00
Shellson International Limited	Lee Ka Kit	20			25	75	100	100.00
Zenger Investment Limited	Leung Sing		2				2	10.00

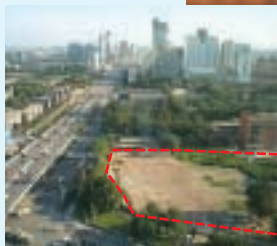


No. 2 Guan Dong Dian, Chao Yang District, Beijing

Total Planned G.F.A.: approx. 2,660,000 sq.ft.
(including approx. 596,000 sq.ft. below ground level);

70% owned by the Group.

This site is located within the Third Ring Road East in Beijing and off Chao Yang Men. The revised design proposes the development of two 23-storey office towers. Construction work of the development is expected to commence in late 2003.



Share Option Scheme

At a special general meeting of the shareholders of the Company held on 15th March, 1996, the Share Option Scheme of the Company ("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 Group with incentives of share options.

(2) PARTICIPANTS

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

(3) MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

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

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

- (ii) the nominal value per 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

(I) OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

As at 30th June, 2003, the following Directors of the Company had interests in options to subscribe for shares in the Company which were granted at the consideration of HK\$1.00 for each grant of options under the Share Option Scheme of the Company ("Henderson China Share Option Scheme"):

Name of Director	Date of Grant	Number of share options at 1st July, 2002	Exercisable Period	Number of share options granted during the year	Number of share options lapsed during the year	Number of share options outstanding at 30th June, 2003
Li Sek Yin	12/12/2000	1,000,000	28/06/2001 — 27/06/2004	—	—	1,000,000
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

Subject to the terms and conditions of the Henderson China Share Option Scheme, the above Directors of the Company 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, 2003, share options granted under the Henderson China Share Option Scheme for a total of 4,000,000 shares in the Company remained outstanding, representing in aggregate approximately 0.8 per cent. of the existing issued share capital of the Company. These share options were granted to the following category of grantees:

Category of Grantees	Number of Grantees	Number of share options
Directors	3	4,000,000

No share options under the Henderson China Share Option Scheme had been granted, exercised, cancelled or lapsed during the year ended 30th June, 2003.

Report of the Directors (cont'd)

Heng Bao Garden, Li Wan District, Guangzhou

Total G.F.A. : approx. 2,191,000 sq.ft.
100% owned by the Group.
Situates right above the Changshou Road Station along the Guangzhou Metro Line One, this large-scale development project was completed in June 2001 with 7 residential towers built on top of a 5-storey shopping podium with carparking facilities. Approx. 955,000 sq.ft. shopping space and carpark are retained by the Group for rental purpose.



(II) OPTIONS TO SUBSCRIBE FOR SHARES IN ASSOCIATED CORPORATION

As at 30th June, 2003, the following Directors of the Company had interests in options to subscribe for shares in Henderson Cyber Limited, an associated corporation of the Company:

Name of Director	Number of share options
Lee Shau Kee	2,400,000
Colin Lam Ko Yin	1,200,000
Lee Ka Kit	1,200,000
Lee Ka Shing	1,200,000
Patrick Kwok Ping Ho	600,000
Ho Wing Fun	400,000

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

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, 2003, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

Name of Company	No. of shares in which interested	% Interest
Rimmer (Cayman) Limited (Note 1)	325,133,977	65.45
Riddick (Cayman) Limited (Note 1)	325,133,977	65.45
Hopkins (Cayman) Limited (Note 1)	325,133,977	65.45
Henderson Development Limited (Note 1)	325,133,977	65.45
Henderson Land Development Company Limited (Note 1)	325,133,977	65.45
Brightland Enterprises Limited (Note 1)	325,133,977	65.45
Primeford Investment Limited	175,000,000	35.23
Timsland Limited	75,233,977	15.14
Quantum Overseas Limited	74,900,000	15.08

Report of the Directors (cont'd)

Notes:

- 1 Of these shares, 175,000,000 shares, 75,233,977 shares and 74,900,000 shares were respectively owned by Primeford Investment Limited, Timsland Limited and Quantum Overseas Limited, all of which were wholly-owned subsidiaries of Brightland Enterprises Limited which was 100% held by Henderson Land Development Company Limited ("HL") which in turn was 65.19% held by Henderson Development Limited ("HD"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang Company Limited ("Fu Sang"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau Kee. Dr. Lee Shau Kee was taken to be interested in these shares by virtue of the Securities and Futures Ordinance ("SFO"). As directors of the Company and discretionary beneficiaries of two discretionary trusts holding trusts in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
- 2 Of these shares, (i) 570,743,800 shares were owned by HD; (ii) 7,092,000 shares and 870,100 shares were respectively owned by Sandra Investment Limited and Mightygarden Limited, both of which were wholly-owned subsidiaries of HD; (iii) 222,045,300 shares, 145,090,000 shares, 61,302,000 shares, 55,000,000 shares and 55,000,000 shares were respectively owned by Believegood Limited, Cameron Enterprise Inc., Prosglass Investment Limited, Fancy Eye Limited and Spreadral Limited, all of which were wholly-owned subsidiaries of Glorious Asia S.A. which in turn was 100% held by HD; (iv) 5,602,600 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 36.72% held by Henderson Investment Limited ("HI"). HI was 73.48% held by HL which in turn was 65.19% held by HD; and (v) 192,500 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HD and Fu Sang as set out in Note 1, China Gas and HL by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding trusts in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
- 3 These shares were owned by the wife of Mr. Kan Fook Yee.
- 4 These 16,500 shares were owned by the wife of Mr. Lee King Yue and 19,800 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr. Lee King Yue and his wife.
- 5 Of these 2,075,859,007 shares, (i) 802,854,200 shares, 602,168,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 5,615,148 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HL and Fu Sang as set out in Notes 1 and 2 and HI by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding trusts in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
- 6 These 42,711 shares were owned by the wife of Mr. Lee King Yue.
- 7 Of these 4,244,996,094 shares, (i) 902,700,000 shares were owned by Technology Capitalization Limited, a wholly-owned subsidiary of Towngas Investment Company Limited which in turn was 100% held by China Gas; 3,333,213,616 shares were owned by Felix Technology Limited, a wholly-owned subsidiary of Best Selection Investments Limited which in turn was 100% held by HI; (iii) 4,014,271 shares, 1,816,644 shares, 1,714,027 shares, 1,086,250 shares and 423,211 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (iv) 28,075 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in China Gas, HI, HL and Fu Sang as set out in Notes 1, 2 and 5 and Henderson Cyber Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding trusts in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
- 8 These 588 shares were owned by the wife of Mr. Lee King Yue.
- 9 These shares were held by Hopkins as trustee of the Unit Trust.
- 10 These shares were held by Hopkins as trustee of the Unit Trust.
- 11 These 15,000,000 shares were owned by Fu Sang.
- 12 The 1 share was held by Flourish Land Company Limited which was 99% owned by Mr. Lam Ko Yin, Colin.
- 13 Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by HC.

- 14 Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.
- 15 Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, both of which were wholly-owned subsidiaries of Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr. Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.
- 16 These shares were owned by Quickcentre Properties Limited which was 50% each owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit and Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.
- 17 Of these shares, (i) 5 shares were owned by Heleken Development Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 5 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.
- 18 Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, both of which were wholly-owned subsidiaries of Jetwin International Limited.
- 19 Of these shares, (i) 1 share was owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 1 share was owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.
- 20 Of these shares, (i) 25 shares were owned by Shine King International Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 75 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.

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) Under the terms of an agreement dated 15th March, 1996, Henderson Land Development Company Limited ("Henderson Land") and its subsidiaries (together the "Henderson Land Group") agreed to provide the Group with finance, administration and accounting services as may be requested by the Directors from time to time and the Henderson Land Group would be reimbursed by the Company in respect of such services at cost. For the year ended 30th June, 2003, payment made to the Henderson Land Group for the above services amounted to approximately HK\$2 million.
- (ii) In relation to the spin-off of Henderson Land's property development and property investment businesses in the PRC and the transfer of Henderson Land's direct or indirect interests in certain PRC properties to the Group, Henderson Land agreed to indemnify the Group in respect of any diminution in the value of the Group arising from, inter alia, PRC income tax and Land Appreciation Tax in accordance with an indemnity deed dated 15th March, 1996 between Henderson Land and the Company. 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.

Report of the Directors (cont'd)

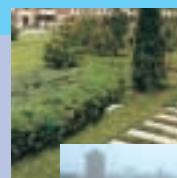
As at 30th June, 2003, approximately HK\$291.6 million and HK\$1.4 million in respect of the indemnities on income tax and Land Appreciation Tax respectively were accrued.

- (2) (i) Henderson Real Estate Agency Limited, a wholly-owned subsidiary of Henderson Land made advances from time to time to Henderson (China) 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, 2003, an amount of approximately HK\$638.7 million was due by Henderson (China) Finance Limited to Henderson Real Estate Agency Limited.
- (ii) West Chelsea Holdings Co. Limited, a wholly-owned subsidiary of Henderson Land made advances from time to time to Hiram Assets 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, 2003, an amount of approximately HK\$8.8 million was due by Hiram Assets Limited to West Chelsea Holdings Co. Limited.
- (iii) Henderson Finance Company Limited, a wholly-owned subsidiary of Henderson Development 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, 2003, an amount of approximately HK\$71.0 million was due by Henderson (China) Finance Limited to Henderson Finance Company Limited.
- (iv) Glorious Asia S.A., a wholly-owned subsidiary of Henderson Development Limited 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, 2003, an amount of approximately HK\$5.9 million was due by Hiram Assets Limited to Glorious Asia S.A..
- (v) Henderson Real Estate Agency Limited made advances from time to time to Shellson International Limited, a non 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, 2003, an amount of approximately HK\$181.4 million was due by Shellson International Limited to Henderson Real Estate Agency Limited.
- (vi) Henderson Finance Company Limited made advances from time to time to Shellson International Limited, with interest chargeable from time to time based on HIBOR quoted by banks except for an interest free loan of HK\$200 million. As at 30th June, 2003, an amount of approximately HK\$222.6 million was due by Shellson International Limited to Henderson Finance Company Limited.

Dr. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the transactions and contracts referred to in (1) and (2) above as directors (and as more particularly described in the section "Disclosure of Interests" above) of Henderson Development Limited and Henderson Land. Mr. Lee Ka Kit was further interested in the transactions referred to in (2)(v) and (vi) above as a director and indirect shareholder of Shellson International Limited.

**210 Fangcun Avenue,
Fangcun District, Guangzhou**

Total Planned G.F.A. : approx. 2,540,000 sq.ft.;
80% owned by the Group.
This development project is planned to build nine
residential towers on a shopping podia. Demolition
work is at final stage and the development is
expected to be commenced in early 2004.



(3) Mr. Lee Ka Kit, through companies owned or controlled by him, has interests in five companies in which the Company is interested and through which the Company 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 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 the Company and Mr. Lee Ka Kit on 15th March, 1996 provided that all existing and future advances made by the Company 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, 2003, the advances made by Mr. Lee Ka Kit to the Group's non wholly-owned subsidiaries and associates amounted to approximately HK\$414.4 million and HK\$664.3 million respectively and interest payable on the advances made by Mr. Lee Ka Kit totalled approximately HK\$17.9 million for the year ended 30th June, 2003. From 1st January to 30th June, 2003, no interest on the advances made by Mr. Lee Ka Kit to the associates was charged.

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that the transactions (1) and (3) referred

to above are (a) in accordance with the terms of the agreement relating to the transaction in question; (b) in the ordinary and usual course of business of each of those companies; (c) on normal commercial terms or on terms no less favourable than terms available to (or from) independent third parties; and (d) fair and reasonable so far as the shareholders of the Company are concerned.

The Auditors of the Company have also confirmed that for the year ended 30th June, 2003 the transactions (1) and (3) referred to above received the approval of the Company's Board of Directors and that the transactions have been entered into in accordance with the terms of the agreement governing the transactions or where there is no such agreement, on terms no less favourable than terms available to (or from) independent third parties.

(4) During the year, the Group made advances to the following non wholly-owned subsidiaries and associates in proportion to its equity interests in these companies as unsecured working capital repayable on demand:

- Feswin Investment Limited
- Henfield Properties Limited
- Perlin Development Limited
- Quickcentre Properties Limited
- Shellson International Limited

Mr. Lee Ka Kit has interests in the above companies as set out in (3) above.

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.

Report of the Directors (cont'd)

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, 2003 and as at 30th June, 2003 were as follows:

Mr. Lee Ka Kit, the Chairman of the Company, has interests and/or directorships in companies engaged in property development in Mainland China. Dr. Lee Shau Kee and Mr. Lee Ka Shing, Directors of the Company, have deemed interests 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 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.

Mr. Wong Ying Wai, a Director of the Company, is vice chairman of Shui On Holdings Limited, the businesses of which include property development and investment, property management and construction in Mainland China. Mr. Wong is a non-executive director of the Company and is not involved in the day-to-day management and operations of the Group.

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).

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

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, 2003:

- (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 9 to 11.

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 schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Schemes 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 employees' basic monthly salaries. The portion of employer's 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. No employees of the Group were eligible to join the Fund on or after 1st December, 2000.

Employees of the Group who are not members of the Fund 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 amount forfeited in the year ended 30th June, 2003 was not utilised (2002: Nil) and the balance available to be utilised as at 30th June, 2003 was HK\$280,000 (2002: HK\$144,000).

The Group also participates in the state-organised pension scheme operated by the Government of the People's Republic of China (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 for the year ended 30th June, 2003 were HK\$1,636,000 (2002: HK\$1,735,000), of which the amount of HK\$850,000 was capitalised (2002: HK\$1,441,000) and the amount of HK\$786,000 was charged to the profit and loss account (2002: HK\$294,000).

Audit Committee

The Audit Committee was established in December 1998. The members of the Audit Committee are Mr. Philip Yuen Pak Yiu (Chairman) and Mr. Liang Shangli, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the financial year ended 30th June, 2003 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 Bye-law 87 of the Company's Bye-laws.

On behalf of the Board

Lee Ka Kit
Chairman

Hong Kong, 2nd October, 2003