

The Directors have pleasure in submitting to shareholders their annual report together with the audited statement of accounts for the year ended 30th June, 2004.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were 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 3 to the accounts on pages 55 and 56.

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, 2004 are set out on pages 78 to 82.

Group Results

The profit of the Group for the year ended 30th June, 2004 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 41 to 83.

Dividends

An interim dividend of HK\$0.03 per share was paid on 22nd April, 2004. 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 6th December, 2004.

Charitable Donation

Charitable donations made by the Group during the year amounted to HK\$432,000 (2003: HK\$3,885,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 13 to the accounts on pages 62 and 63.

Share Capital

Details of movements in the Company's share capital during the year together with the reasons therefor, are set out in note 27 to the accounts on page 69.

Bank Loans and Overdrafts

Particulars of bank loans and overdrafts of the Company and the Group as at 30th June, 2004 are set out in note 23 to the accounts on page 66.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 30th June, 2004 is set out in note 7 to the accounts on pages 58 and 59.

Reserves

Particulars of the movements in reserves during the year are set out in notes 29 to 31 to the accounts on pages 70 and 71.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 37.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 6 and 7.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 39 to the accounts on pages 76 and 77. The Directors' fees shall be subject to shareholders' approval at general meetings. Other emoluments are to be determined by the Board of Directors of the Company with reference to Directors' duties, responsibilities and performance and the results of the Group.

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*)

Dr. 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 (*resigned on 5th March, 2004*)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Philip Yuen Pak Yiu

Liang Shangli

Gordon Kwong Che Keung

(*appointed on 19th August, 2004*)

Dr. Alex Wu Shu Chih

(*appointed on 19th August, 2004*)

NON-EXECUTIVE DIRECTORS:

Wong Ying Wai

Kan Fook Yee

Mr. Gordon Kwong Che Keung and Dr. Alex Wu Shu Chih retire in accordance with Bye-law 86(2) of the Company's Bye-laws and, being eligible, offer themselves for re-election.

Mr. Philip Yuen Pak Yiu, Mr. Lee Ka Shing, Mr. Kan Fook Yee and Mr. Wong Ying Wai 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.

The Company has received confirmation of independence from Mr. Liang Shangli, Mr. Gordon Kwong Che Keung and Dr. Alex Wu Shu Chih, and considers them to be independent.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LEE Ka Kit, aged 41, 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 75, 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 Shau Kee 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 53, 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 31 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 was appointed a Director of The University of Hong Kong Foundation for Educational Development and Research Limited in October 2003. 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 78, 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 of Henderson Land Development Company Limited ("Henderson Land") in property development for over 45 years. He is also an executive director of 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 67, 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 33, 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 Chau 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 52, 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.

HO Wing Fun, aged 71, 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 73, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

YUEN Pak Yiu, Philip, aged 68, 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 83, 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.

KWONG Che Keung, Gordon, *F.C.A.*, aged 55, has been an independent non-executive director of the Company since 19th August, 2004. He graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998. He is a non-executive director of COSCO Pacific Limited and COSCO International Holdings Limited and also serves as an independent non-executive director of Henderson Land Development Company Limited, Henderson Investment Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Vision Century Corporation Limited, NWS Holdings Limited, China Oilfield Services Limited, Concepta Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Ping An Insurance (Group) Company of China, Ltd., Quam Limited, Tom Online Inc. and New World Mobile Holdings Limited. He was an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997.

Dr. WU Shu Chih, Alex, *C.B.E., LL.D., J.P.*, aged 83, has been an independent non-executive director of the Company since 19th August, 2004. He was a member of the Legislative Council, the Vice-Chairman of The Hong Kong Stock Exchange and a member of the Advisory Committee of the Securities and Futures Commission. He is the Chairman of Fidelity Management Limited and an independent non-executive director of a number of listed companies including Henderson Land Development Company Limited, Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited, Hong Kong Aircraft Engineering Company Limited, National Electronics Holdings Limited, Paliburg Holdings Limited, Hung Hing Printing Group Limited, K. Wah International Holdings Limited, Regal Hotels International Holdings Limited and Alpha General

(Holdings) Limited. He is also the Life Honorary President of The Hong Kong Printers Association. Dr. Wu was appointed a Hong Kong Affairs Adviser in April 1995 and a member of The Selection Committee for the First Government of the Hong Kong Special Administrative Region in November 1996. Dr. Wu is also the Founding Chairman of the Hong Kong Academy for Performing Arts.

NON-EXECUTIVE DIRECTORS

WONG Ying Wai, *J.P., B.Soc.Sc., M.P.A.*, aged 51, 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, Chairman of Hong Kong International Film Festival Society and deputy chairman of the Court and Council of Hong Kong Baptist University.

KAN Fook Yee, *S.B.S., F.H.K.I.S., F.R.I.C.S., F.C.I.Arb.*, aged 68, 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 69, 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 38 years' experience in construction supervision for Hong Kong and PRC projects.

CHEN Ru Yee, *B.F.A., M.B.A.*, aged 55, 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.

CHAN Lin Kam, *B.A., A.C.C.A., C.P.A.*, aged 42, joined the Henderson Land Group in 2001 and was appointed Qualified Accountant of the Company in March, 2004. She holds the degree of Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

**Phase VIII of Lexi New City
(Fanghua Garden — Luotao South Zone Villa)
Shajiao Island, Panyu, Guangdong**

Total G.F.A.: approx. 2,576,000 sq.ft.; 25% owned by the Group.
This project was completed in December 2001.



Disclosure of Interests

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2004, 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	65.32
	Lee Ka Kit	1				325,133,977	325,133,977	65.32
	Lee Ka Shing	1				325,133,977	325,133,977	65.32
Henderson Land Development Company Limited	Lee Shau Kee	2			1,122,938,300		1,122,938,300	61.88
	Lee Ka Kit	2				1,122,938,300	1,122,938,300	61.88
	Lee Ka Shing	2				1,122,938,300	1,122,938,300	61.88
	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	5	85,600				85,600	0.00
	Ho Wing Fun	6	100				100	0.00
Henderson Investment Limited	Lee Shau Kee	7	34,779,936		2,075,859,007		2,110,638,943	74.92
	Lee Ka Kit	7				2,075,859,007	2,075,859,007	73.68
	Lee Ka Shing	7				2,075,859,007	2,075,859,007	73.68
	Lee King Yue	8	959,028	42,711			1,001,739	0.04
	Leung Sing	9	150,000				150,000	0.01
	Ho Wing Fun	10	1,100				1,100	0.00
Henderson Cyber Limited	Lee Shau Kee	11	173,898		4,244,996,094		4,245,169,992	84.90
	Lee Ka Kit	11				4,244,996,094	4,244,996,094	84.90
	Lee Ka Shing	11				4,244,996,094	4,244,996,094	84.90
	Lam Ko Yin, Colin	12	55				55	0.00
	Lee King Yue	13	4,795	588			5,383	0.00
	Leung Sing	14	750				750	0.00
	Ho Wing Fun	15	5				5	0.00

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	16			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Chau Kee	17			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Chau Kee	18	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	16				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	17				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	18				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	16				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	17				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	18				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
Feswin Investment Limited	Lee Ka Kit	19			5,000	5,000	10,000	100.00
Henfield Properties Limited	Lee Ka Kit	20			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Chau Kee	21			100		100	100.00
	Lee Ka Kit	21				100	100	100.00
	Lee Ka Shing	21				100	100	100.00
Maxfine Development Limited	Lee Ka Kit	22			3,050 *	3,050 *	3,050	33.33

* relate to the same shares

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	23			5	5	10	100.00
Pettystar Investment Limited	Lee Chau Kee	24			3,240		3,240	80.00
	Lee Ka Kit	24				3,240	3,240	80.00
	Lee Ka Shing	24				3,240	3,240	80.00
Quickcentre Properties Limited	Lee Ka Kit	25			1	1	2	100.00
Shellson International Limited	Lee Ka Kit	26			25	75	100	100.00
Zenger Investment Limited	Leung Sing	27	2				2	10.00

**Phase IX of Lexi New City
(Green Island House)
Shajiao Island, Panyu, Guangdong**

Total G.F.A.: approx. 683,000 sq.ft.; 25% owned by the Group.
This project was completed in February 2002.



Share Option Scheme

The Company once adopted a share option scheme on 15th March, 1996 (“Henderson China Share Option Scheme”). The Company by ordinary resolution passed at its special general meeting held on 1st December, 2003 adopted a new share option scheme (the “New Scheme”) and terminated Henderson China Share Option Scheme in order to comply with the new requirements under the revised Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). No further options may be offered under Henderson China Share Option Scheme. However, the outstanding options granted under Henderson China Share Option Scheme shall continue to be subject to the provisions of Henderson China Share Option Scheme and the revised provisions of Chapter 17 of the Listing Rules. No share options have been granted under the New Scheme to any persons since its adoption. A summary of the Henderson China Share Option Scheme and the New 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.

The purpose of the New Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the executive directors, non-executive directors, employees and consultants of the Group and for such other purposes as the Board of Directors may approve from time to time.

(2) PARTICIPANTS

The Company may grant:

- (i) options to subscribe for shares in the Company (“Shares”) under the Henderson China Share Option Scheme to executive directors and employees of the Group; and
- (ii) options to subscribe for Shares under the New Scheme to executive directors, non-executive directors, employees and consultants 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.

The total number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme unless the Company obtains a fresh approval from its shareholders.

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company (including Henderson China Share Option Scheme) shall not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under any schemes of the Company (or the subsidiary of the Company) if this will result in the limit being exceeded.

(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.

The maximum entitlement for any one participant is that the total number of Shares issued and to be issued upon exercise of the options granted to each participant under the New Scheme and any other option schemes (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(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.

In respect of any particular option granted under the New Scheme, the period during which an option may be exercised, and unless the Board of the Directors shall otherwise resolve in relation to any particular option at the time of the grant, is (i) the period commencing after the expiry of 1 year after the date of grant in respect of the first 30% of an option granted at any time to any grantee; and (ii) the period commencing after the expiry of 2 years after the date of grant in respect of a further 30% of such option; and (iii) the period commencing after the expiry of 3 years from the date of grant in respect of the remaining 40% of such option; and in any event each of such periods shall expire after 6 years from the date of grant. The Board of the Directors may also provide restrictions on the exercise of such option during the period an option may be exercised.

(6) PAYMENT ON ACCEPTANCE OF OPTION

HK\$1.00 is payable to the Company by the grantee on acceptance of an option under the Henderson China Share Option Scheme and the New Scheme 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 under the Henderson China Share Option Scheme 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 5 business days immediately preceding the Offer Date; and
- (ii) the nominal value per Share.

The subscription price for Shares in the Company under the New Scheme shall be a price solely determined by the Board of the Directors and shall be at least the higher of:

- (i) the closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the Offer Date;

- (ii) a price being the average closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and

- (iii) the nominal value of a Share.

(8) REMAINING LIFE

The Henderson China Share Option Scheme terminated on 1st December, 2003 and no further options may be offered under the Henderson China Share Option Scheme.

The New Scheme shall remain in force for a period of 10 years commencing on 1st December, 2003, after which period no further options will be issued but in all other respects the provisions of the New Scheme shall remain in full force and effect.

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.



Arrangements to Purchase Shares or Debentures

(I) OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

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 Henderson China Share Option Scheme and the options granted to Mr. Colin Lam Ko Yin lapsed on 21st August, 2004:

Name of Director	Date of Grant	Number of share options at 1st July, 2003	Exercisable Period	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at 30th June, 2004
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 Henderson China Share Option Scheme, the above Directors of the Company had been 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.

During the year, 1,000,000 ordinary shares of HK\$1.00 each in the capital of the Company were issued upon the exercise of the share options under Henderson China Share Option Scheme by Mr. Li Sek Yin at the exercise price of HK\$4.00 per Share. The proceeds received by the Company from the exercise amounted to HK\$4,000,000. The weighted average closing price of the 1,000,000 Shares issued in respect of the exercise of these share options immediately before the dates on which these share options were exercised was approximately HK\$4.62.

As at 30th June, 2004, share options granted under Henderson China Share Option Scheme for a total of 3,000,000 shares in the Company remained outstanding, representing in aggregate approximately 0.6 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	2	3,000,000

Save as disclosed above, no share options under Henderson China Share Option Scheme and the New Scheme had been granted, exercised, cancelled or lapsed during the year ended 30th June, 2004.

(II) OPTIONS TO SUBSCRIBE FOR SHARES IN ASSOCIATED CORPORATION

As at 30th June, 2004, the following Directors of the Company had interests in options to subscribe for shares in Henderson Cyber Limited, an associated corporation of the Company and these options lapsed on 14th July, 2004:

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 had been 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' and Others' Interests

As at 30th June, 2004, 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	65.32
Riddick (Cayman) Limited (Note 1)	325,133,977	65.32
Hopkins (Cayman) Limited (Note 1)	325,133,977	65.32
Henderson Development Limited (Note 1)	325,133,977	65.32
Henderson Land Development Company Limited (Note 1)	325,133,977	65.32
Brightland Enterprises Limited (Note 1)	325,133,977	65.32
Primeford Investment Limited (Note 1)	175,000,000	35.16
Timsland Limited (Note 1)	75,233,977	15.11
Quantum Overseas Limited (Note 1)	74,900,000	15.05

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 61.87% 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 61.87% 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 Of these shares, Mr. Lee King Yue was the beneficial owner of 26,400 shares, and for the remaining 36,300 shares, (i) 16,500 shares were owned by his wife; and (ii) 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 Mr. Leung Sing was the beneficial owner of these shares.
- 6 Mr. Ho Wing Fun was the beneficial owner of these shares.
- 7 Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and for the remaining 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.
- 8 Of these shares, Mr. Lee King Yue was the beneficial owner of 959,028 shares, and the remaining 42,711 shares were owned by his wife.
- 9 Mr. Leung Sing was the beneficial owner of these shares.
- 10 Mr. Ho Wing Fun was the beneficial owner of these shares.
- 11 Of these shares, Dr. Lee Shau Kee was the beneficial owner of 173,898 shares, and for the remaining 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; (ii) 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 7 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.

- 12 Mr. Lam Ko Yin, Colin was the beneficial owner of these shares.
- 13 Of these shares, Mr. Lee King Yue was the beneficial owner of 4,795 shares, and the remaining 588 shares were owned by his wife.
- 14 Mr. Leung Sing was the beneficial owner of these shares.
- 15 Mr. Ho Wing Fun was the beneficial owner of these shares.
- 16 These shares were held by Hopkins as trustee of the Unit Trust.
- 17 These shares were held by Hopkins as trustee of the Unit Trust.
- 18 Of these shares, Dr. Lee Shau Kee was the beneficial owner of 35,000,000 shares, and the remaining 15,000,000 shares were owned by Fu Sang.
- 19 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 Andco Limited which was wholly-owned by HC.
- 20 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.
- 21 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.
- 22 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.
- 23 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.
- 24 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.
- 25 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.
- 26 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.
- 27 Mr. Leung Sing was the beneficial owner of these shares.

Interests in Contracts and Connected Transactions

During the year under review, the 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, 2004, 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. As at 30th June, 2004, approximately HK\$291.6 million and HK\$1.42 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, 2004, an amount of approximately HK\$486.9 million was due by Henderson (China) Finance Limited to Henderson Real Estate Agency Limited.
- (ii) 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, 2004, an amount of approximately HK\$181.4 million was due by Shellson International Limited to Henderson Real Estate Agency Limited.

- (iii) 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, 2004, an amount of approximately HK\$222.6 million was due by Shellson International Limited to Henderson Finance Company Limited.
- (3) As disclosed in the Company's announcement dated 2nd April, 2004, Beijing Henderson Properties Co., Ltd., in which the Company has an attributable 75% interest, has on 30th March, 2004 entered into a tenancy agreement with Beijing Henderson Yansha Department Store Limited Company (the "Tenant"), in which Mr. Li Siu Nam has an 80% interest, for the leasing of certain shop premises from 1st floor to 3rd floor of the shopping mall of Henderson Centre in Beijing, the People's Republic of China, for a term of three years at the monthly rent being an amount equal to 8% of the Tenant's monthly turnover. Under the tenancy agreement, Beijing Henderson Yansha Department Store Limited Company was entitled to a rent-free period of 6 months. Mr. Li Siu Nam is the brother of Dr. Lee Shau Kee, a director of the Company. As Mr. Li Siu Nam is a connected person of the Company, the tenancy agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As a result of the rent-free period to which Beijing Henderson Yansha Department Store Limited Company was entitled, there was no rental income receivable by Beijing Henderson Properties Co., Ltd. in respect of this property from the commencement of the lease on 1st April, 2004 to the end of the financial year.

The Directors (including Independent Non-executive Directors) of the Company considered that the tenancy agreement was negotiated on an arm's length basis and was entered into on normal commercial terms and in the ordinary course of business of Beijing Henderson Properties Co., Ltd. and Beijing Henderson Yansha Department Store Limited Company and the terms of the tenancy agreement are fair and reasonable for Beijing Henderson Properties Co., Ltd.

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)(ii) and (iii) above as a director and indirect shareholder of Shellson International Limited.

(4) 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, 2004, the advances made by Mr. Lee Ka Kit to the Group's non wholly-owned subsidiaries and associates amounted to approximately HK\$470.5 million and HK\$586.8 million respectively. From 1st January, 2003 to 30th June, 2004, 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), (3) and (4) 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, 2004 the transactions (1), (3) and (4) 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.

(5) 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 (4) above.

- (6) The material related party transactions set out in note 38 to the accounts on pages 75 and 76 constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

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, 2004 and as at 30th June, 2004 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 of a duration exceeding three years or 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

Except for shares issued by the Company resulting from the exercise by an option holder of the subscription right of certain options, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Major Customers and Suppliers

For the financial year ended 30th June, 2004:

- (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 8 to 10.

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, 2004 was HK\$315,000 (2003: Nil) and the balance available to be utilised as at 30th June, 2004 was HK\$Nil (2003: HK\$280,000).

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, 2004 were HK\$2,119,000 (2003: HK\$1,636,000), of which the amount of HK\$776,000 was capitalised (2003: HK\$850,000) and the amount of HK\$1,343,000 was charged to the profit and loss account (2003: HK\$786,000).

River Pearl Plaza — Blocks A, B & C, Yuexiu District, Guangzhou

Total Planned G.F.A.: approx. 4,041,000 sq.ft.; Respectively 68.4%, 62.0% and 72.0% owned by the Group.

This project comprises 3 sites and is planned for the development of a mixed-use complex. Demolition and site clearance works are still in progress.



Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

LOANS TO ENTITIES

As at 30th June, 2004, the issued share capital of the Company comprised 497,776,205 shares. Based on the average closing price of the Company's shares of HK\$3.71 per share by reference to The Stock Exchange of Hong Kong Limited's daily quotation sheets for the trading days from 23rd June, 2004 to 29th June, 2004 (both days inclusive) being the five business days immediately preceding 30th June, 2004, the total market capitalisation of the Company was approximately HK\$1,847 million (the "Market Capitalisation") as at 30th June, 2004.

Details of the advances made by the Group to the following entities as at 30th June, 2004, which individually exceeded 8% of the Market Capitalisation and are required to be disclosed in the annual report of the Company under Rule 13.20 of the Listing Rules, are as follows:

Name of the Entities	Percentage of equity interest held by		Advances as at 30th June, 2004 (Note 2)	
	The Company	Subsidiaries	Non-interest bearing HK\$ million	Total HK\$ million
Perlin Development Limited (Note 1)	—	50%	438.14	438.14
Shanghai Heng Chang Real Estate Development Co., Ltd. (Note 1)	—	49%	203.67	203.67

Notes:

- (1) The advances were funding contributions to enable the entity to pay for the land and development costs.
- (2) These advances are unsecured and have no fixed term of repayment.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

As at 30th June, 2004, the Group had provided financial assistance to certain affiliated companies (including Perlin Development Limited and Shanghai Heng Chang Real Estate Development Co., Ltd.) amounting to HK\$820.36 million in aggregate exceeding 8% of the Market Capitalisation. Details of such financial assistance were disclosed in the announcement of the Company dated 14th June, 2004. In accordance with Rule 13.22 of the Listing Rules, the proforma combined balance sheet of and the Group's attributable interest in these affiliated companies as at 30th June, 2004 are set out as follows:

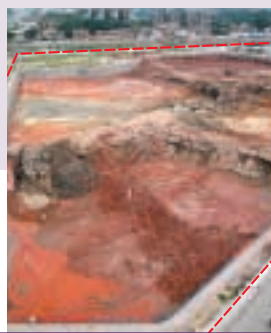
	Combined HK\$ million	The Group's attributable interest HK\$ million
Non-current assets	754	372
Current assets	459	194
Current liabilities	(99)	(40)
Net current assets	360	154
Total assets less current liabilities	1,114	526
Non-current liabilities	(1,803)	(884)
Net liabilities	(689)	(358)

210 Fangcun Avenue, Fangcun District, Guangzhou

Total Planned G.F.A. : approx. 2,602,000 sq.ft.; 80% owned by the Group.

This development project is planned to build nine residential towers on a shopping podia.

Foundation work will commence in the near future.



Audit Committee

The Audit Committee was established in December 1998. The members of the Audit Committee are Mr. Philip Yuen Pak Yiu (Chairman), Mr. Liang Shangli, Mr. Gordon Kwong Che Keung and Dr. Alex Wu Shu Chih, all 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.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

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 and Model Code

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules on the Hong Kong Stock Exchange throughout the financial year ended 30th June, 2004, 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.

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Code.

On behalf of the Board

Lee Ka Kit
Chairman

Hong Kong, 23rd September, 2004