

## **Report of the Directors**

The Directors present their report together with the audited financial statements for the year ended 31st December, 2001.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Its subsidiaries and associates are principally engaged in investment holding, property investment and development, food businesses, fund management, underwriting, insurance, corporate finance, securities broking, securities investment, treasury investment and money lending. During the year, its subsidiaries and associates were also engaged in the provision of commercial banking, retail banking and other related financial services. The activities and other particulars of the principal subsidiaries and those of the principal associates are set out in the financial statements on pages 90 to 98 and pages 99 to 100, respectively.

There were no significant changes in the nature of these activities during the year.

### **SEGMENT INFORMATION**

An analysis of the Group's turnover and results by principal activity and geographical area for the year ended 31st December, 2001 is set out in Note 5 to the financial statements.

### **RESULTS AND DIVIDENDS**

The results and details of cash flows of the Group for the year ended 31st December, 2001 and the state of affairs of the Group and the Company as at 31st December, 2001 are set out in the financial statements on pages 23 to 100.

No interim dividend was declared (2000 – Nil) and the Directors have resolved not to recommend the payment of any final dividend for the year ended 31st December, 2001 (2000 – Nil).

### **SUMMARY OF FINANCIAL INFORMATION**

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31st December, 2001 is set out on page 105.

### **FIXED ASSETS**

Details of movements in fixed assets during the year are set out in Note 17 to the financial statements.

### **INVESTMENT PROPERTIES**

Details of movements in investment properties during the year are set out in Note 18 to the financial statements.

### **BANK LOANS**

Details of bank loans are summarised in Note 31 to the financial statements.

## Report of the Directors

### SHARE CAPITAL AND WARRANTS

Details of the share capital and warrants of the Company are set out in Note 29 to the financial statements.

There are no provisions for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### SHARE OPTION SCHEMES

Details of the Share Option Scheme of the Company are set out below.

Pursuant to the Share Option Scheme for Employees of the Company (the "Scheme") approved and adopted by its shareholders on 2nd May, 1994 (the "Adoption Date"), the Directors of the Company may, at their discretion, grant to any employees (including Directors) of the Company and its subsidiaries options to subscribe for shares in the Company. The purpose of the adoption of the Scheme was to provide an incentive scheme to the employees of the Company and its subsidiaries. Under the rules of the Scheme, no more options can be granted from the tenth anniversary of the Adoption Date. The options can be exercisable after two months from the date on which the options are deemed to be granted and accepted and prior to the expiry of ten years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10 per cent. of the number of issued shares of the Company from time to time, excluding the aggregate number of shares issued on exercise of options, and the maximum number of shares in respect of which options may be granted under the Scheme in any one financial year shall not exceed 5 per cent. of the total number of issued shares of the Company from time to time. In addition, the maximum number of shares in respect of which options may be granted under the Scheme to any grantee shall not exceed 25 per cent. of the number of shares subject to the Scheme at the time of grant. The exercise price for the share under the Scheme will be determined by the Directors of the Company at their absolute discretion but in any event shall not be less than 80 per cent. of the average of the closing price of the shares of the Company as stated on daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares of the Company, whichever is the greater. The consideration for the grant is HK\$1.00 per grantee which must be paid on acceptance to the Company by the grantee within 28 days after the date of offer of the option.

The following is a summary of movement in share options of the Company during the year:

Date of grant	Exercise price per share	Period during which share options are exercisable	Quantity of share options outstanding at 1st January, 2001	Quantity of share options exercised/ lapsed during the year	Quantity of share options outstanding at 31st December, 2001
23rd June, 1997	HK\$0.883	August 1997 to June 2007	5,800,000	–	5,800,000
			5,800,000	–	5,800,000

## Report of the Directors

### SHARE OPTION SCHEMES *(continued)*

Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each share option is entitled to subscribe for six shares of HK\$0.10 each in the Company in cash at the above exercise price per share which is subject to adjustment.

As at 31st December, 2001, save for Mr. John Luen Wai Lee, a Director of the Company, and Mr. David Yeh, a former Director of the Company, each of them held 1,500,000 options, none of the Directors, chief executive or substantial shareholders of the Company or their respective associates had any interests in options to subscribe for shares of the Company. The remaining 2,800,000 share options are held by directors of the Company's subsidiaries or employees of the Company or its subsidiaries.

As at the date of this report, the total number of shares available for issue under the Scheme is 920,108,871 shares of HK\$0.10 each, representing approximately 10 per cent. of the issued share capital of the Company. The exercise in full of the 5,800,000 share options would, under the present capital structure of the Company, result in the issue of 34,800,000 shares of HK\$0.10 each, representing 0.38 per cent. of the issued share capital of the Company.

Since no share options were granted under the Scheme during the year, no value of the share options granted has been disclosed.

On 1st September, 2001, Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was amended whereby if the Company wishes to continue to grant share options under the Scheme on or after 1st September, 2001, it must also comply with the new requirements set out therein.

Further details of the Scheme are set out in Note 29 to the financial statements.

Details of the share option schemes of the subsidiaries of the Company are set out below.

- (a) Pursuant to the Share Option Scheme for Employees (the "HKCL Scheme") approved and adopted by the shareholders of Hongkong Chinese Limited ("HKCL", formerly known as The HKCB Bank Holding Company Limited), a listed subsidiary of the Company, on 21st September, 1992 (the "HKCL Adoption Date"), the directors of HKCL may, at their discretion, grant to any full time employees of HKCL and its subsidiaries ("HKCL Group"), including full time executive directors, options to subscribe for shares in HKCL. The purpose of the adoption of the HKCL Scheme was to motivate the employees of the HKCL Group. Under the rules of the HKCL Scheme, no more options can be granted from the tenth anniversary of the HKCL Adoption Date. The share options vest after six months and are exercisable for a period expiring on the tenth anniversary date after the options were granted and accepted.

## Report of the Directors

### SHARE OPTION SCHEMES *(continued)*

The maximum number of shares in respect of which options may be granted under the HKCL Scheme shall not exceed 10 per cent. of the number of issued shares of HKCL from time to time, excluding the aggregate number of shares which were issued pursuant to the HKCL Scheme, and the maximum number of shares in respect of which options may be granted in any one financial year shall not exceed 5 per cent. of the total number of issued shares of HKCL from time to time. In addition, the maximum number of shares in respect of which options may be granted under the HKCL Scheme to any grantee shall not exceed 25 per cent. of the number of shares of HKCL subject to the HKCL Scheme at the time of grant. The exercise price of options was determined by the board of directors of HKCL and shall not be less than the higher of the nominal value of the shares of HKCL and 80 per cent. of the average closing prices of the shares of HKCL on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. The consideration for the grant is HK\$1.00 per grantee which must be paid on acceptance to HKCL by the grantee within 28 days after the date of offer of the options.

The following is a summary of movement in share options of HKCL during the year:

Date of grant	Exercise price per share	Period during which share options are exercisable	Quantity of share options outstanding at 1st January, 2001	Quantity of share options lapsed during the year	Quantity of share options outstanding at 31st December, 2001
9th March, 1994	HK\$2.59	September 1994 to March 2004	1,010,000	520,000	490,000
4th August, 1999	HK\$2.40	February 2000 to August 2009	100,000	–	100,000
			1,110,000	520,000	590,000

The holder of each share option is entitled to subscribe for one share of HK\$1.00 in HKCL in cash at the above exercise price per share which is subject to adjustment. No options were exercised during the year.

As at 31st December, 2001, none of the Directors, chief executive or substantial shareholders of the Company or their respective associates had any interests in options to subscribe for shares of HKCL. The above interests in options to subscribe for shares of HKCL were held by the employees of the HKCL Group.

As at the date of this report, the total number of shares available for issue under the HKCL Scheme is 67,576,854 shares of HK\$1.00 each, representing approximately 5 per cent. of the issued share capital of HKCL.

## Report of the Directors

### SHARE OPTION SCHEMES *(continued)*

Subsequent to the balance sheet date, all the above outstanding options lapsed in January 2002 in accordance with the rules of the HKCL Scheme as the holders of the options were no longer the employees of the HKCL Group.

Since no share options were granted under the HKCL Scheme during the year, no value of the share options granted has been disclosed.

On 1st September, 2001, Chapter 17 of the Listing Rules was amended whereby if HKCL wishes to continue to grant options under the HKCL Scheme on or after 1st September, 2001, it must also comply with the new requirement set out therein.

- (b) Pursuant to the Executives' Share Option Scheme of Auric Pacific Group Limited ("Auric"), a listed subsidiary of the Company in Singapore, approved by the shareholders of Auric on 17th December, 1992 (the "Auric Scheme"), the directors of Auric may, at their discretion, grant to any employees of Auric or any of its subsidiaries ("Auric Group") options to subscribe for shares in Auric. The purpose of the adoption of the Auric Scheme was to provide opportunities for full-time senior executives of the Auric Group of the rank of manager and above (including full time executive directors of Auric) who have contributed to the growth and prosperity of the Auric Group to participate in the equity of Auric. The Auric Scheme will continue in operation for a period of ten years from the date of adoption, that is, 17th December, 1992 and will expire after 16th December, 2002 unless extended with the approval of the shareholders at a general meeting of Auric. The share options should be held for one year from the date of grant before they can be exercised.

The total number of shares in respect of which Auric may grant options shall at no time exceed 5 per cent. of the total issued share capital of Auric (the "Issue Limit"). The total number of shares for which Auric may grant options in any one financial year shall not exceed 10 per cent. of the Issue Limit (the "Annual Limit") provided that any part of the Annual Limit not utilized may, subject to any necessary approvals, be carried forward to succeeding financial years and for this purpose, the unutilized Annual Limit of a financial year shall be added to and form part of the Annual Limit of the next succeeding year. The maximum number of shares of Auric in respect of which options may be granted to any single executive for the entire duration of the Auric Scheme shall not in aggregate exceed 1,000,000 shares of Auric. The maximum entitlement of each participant under the Auric Scheme is as follows:

<b>Category</b>	<b>Maximum entitlement of shares of Auric</b>
Chief Executive Officer	200,000
Chief Financial Officer	100,000
Divisional Directors	100,000
General Managers	30,000
Assistant General Managers	20,000
Business Managers	15,000

## Report of the Directors

### SHARE OPTION SCHEMES *(continued)*

The exercise price for the share under the Auric Scheme will be an amount equal to the greater of the nominal value of the shares of Auric and the average of the last transacted prices of the shares of Auric for the five consecutive market days on which dealings in shares took place on the Singapore Exchange Securities Trading Limited immediately preceding the date on which the share options were offered. The consideration for the grant is S\$1.00 per grantee which must be paid on acceptance to Auric within 30 days after the date of offer of the options.

The following is a summary of movements in share options of Auric during the year:

Date of grant	Exercise price per share	Period during which share options are exercisable	Quantity of share options outstanding at 1st January, 2001	Quantity of share options exercised during the year	Quantity of share options lapsed during the year	Quantity of share options outstanding at 31st December, 2001
25th March, 1998	S\$1.02	March 1999 to March 2003	90,000	15,000	–	75,000
27th April, 1999	S\$1.53	April 2000 to April 2004	150,000	–	15,000	135,000
			240,000	15,000	15,000	210,000

The holder of each share option is entitled to subscribe for one share of S\$0.50 in Auric in cash at the above exercise price per share which is subject to adjustment. During the year, 15,000 options were exercised at a price of S\$1.02 per share. The closing price of the shares of Auric immediately before the date on which the options were exercised was S\$1.12 per share.

As at 31st December, 2001, none of the Directors, chief executive or substantial shareholders of the Company or their respective associates had any interests in options to subscribe for shares of Auric. The above interests in options to subscribe for shares of Auric were held by the employees of the Auric Group.

As at the date of this report, the total number of shares available for issue under the Auric Scheme is 2,041,500 shares of S\$0.50 each (provided further options for such shares are granted), representing approximately 1.62 per cent. of the issued share capital of Auric.

Subsequent to the balance sheet date, 45,000 options lapsed in accordance with the rules of the Auric Scheme as the holders were no longer the employees of the Auric Group. The exercise in full of the remaining options which had been granted would, under the present capital structure of Auric, result in the issue of 165,000 shares of S\$0.50 each, representing approximately 0.13 per cent. of the issued share capital of Auric.

Since no share options were granted under the Auric Scheme during the year, no value of the share options granted has been disclosed.

## **Report of the Directors**

### **RESERVES AND DISTRIBUTABLE RESERVES**

Details of movements in reserves during the year and details of the distributable reserves are set out in Note 30 to the financial statements.

### **LOAN NOTE**

Details of the loan note are set out in Note 32 to the financial statements.

### **SUBSEQUENT EVENTS**

Details of the significant subsequent events of the Group are set out in Note 41 to the financial statements.

### **SUBSIDIARIES**

Particulars of the Company's principal subsidiaries are set out in the financial statements on pages 90 to 98.

### **INTEREST CAPITALISED**

Interest expenses of HK\$4,000 (2000 – HK\$122,000) were capitalised during the year in respect of the Group's properties under development.

### **DONATIONS**

Charitable and other donations made by the Group during the year amounted to HK\$22,042,000 (2000 – HK\$1,738,000).

### **DIRECTORS**

The Directors of the Company during the year were:

Dr. Mochtar Riady (*Honorary Chairman*)

Mr. James Riady (*Chairman*)

Mr. Stephen Riady (*Deputy Chairman and Managing Director*)

Mr. Ning Gaoning

Mr. John Luen Wai Lee

Mr. Seng Huang Lee

Mr. Leon Nim Leung Chan\*

Mr. David T. Yeh (resigned on 6th September, 2001)

Mr. Hugh Moss Gerald Forsgate, C.B.E., J.P.\* (deceased on 21st October, 2001)

\* *independent non-executive Directors*

## Report of the Directors

### DIRECTORS *(continued)*

Subsequent to the balance sheet date, on 8th March, 2002, Mr. Edwin Neo was appointed an independent non-executive Director of the Company.

In accordance with Article 89 of the Company's Articles of Association, Mr. Edwin Neo will retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Ning Gaoning and Mr. John Luen Wai Lee will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

### BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Dr. Mochtar Riady** (also known as Dr. Lee Man Tjin), aged 72, is the founder and the Chairman of the group of companies controlled by the Riady family. Dr. Riady is the father of Messrs. James Riady and Stephen Riady. Dr. Riady has over 30 years' banking and financial institution experience in Indonesia, Hong Kong, Singapore, Taiwan and the United States of America. He was appointed the Honorary Chairman of the Company in 1992. He is also the Honorary Chairman of Lippo Limited ("Lippo"), the Chairman of Hongkong Chinese Limited ("HKCL", formerly known as The HKCB Bank Holding Company Limited) and a director of Lippo Cayman Limited ("Lippo Cayman") and Lippo Capital Limited ("Lippo Capital"). Details of the interests of Dr. Mochtar Riady in the Company are disclosed in the section headed "Directors' interests in the securities of the Company and associated corporations".

**Mr. James Riady**, aged 45, is the Deputy Chairman of the group of companies controlled by the Riady family. Mr. Riady is a son of Dr. Mochtar Riady and a brother of Mr. Stephen Riady. He holds a Bachelor of Commerce degree from the University of Melbourne, Australia. He was appointed the Chairman of the Company in 1992. He is also the Chairman of Auric Pacific Group Limited ("Auric") and a director of HKCL. Details of the interests of Mr. James Riady in the Company are disclosed in the section headed "Directors' interests in the securities of the Company and associated corporations".

**Mr. Stephen Riady**, aged 41, has been the Deputy Chairman and Managing Director of the Company since 1992. Mr. Riady is a son of Dr. Mochtar Riady and a brother of Mr. James Riady. He is also the Chairman of Lippo, the Group Managing Director of Auric and a director of HKCL, Lanius Limited, Lippo Cayman, Lippo Capital, First Tower Corporation ("First Tower") and Skyscraper Realty Limited. He is a graduate of the University of Southern California and holds an Honorary Degree of Doctor of Business Administration from Napier University in the United Kingdom. Mr. Riady is a banker by profession, with over 15 years' experience in retail, commercial and merchant banking in North America and in the Southeast Asian region. Details of the interests of Mr. Stephen Riady in the Company are disclosed in the section headed "Directors' interests in the securities of the Company and associated corporations".

**Mr. Ning Gaoning**, aged 43, was appointed a Director of the Company in December 1998. He has a Bachelor of Arts degree in Economics from Shandong University in China and a Master of Business Administration degree in Finance from the University of Pittsburgh in the United States of America. Mr. Ning is the Vice Chairman and President of China Resources (Holdings) Company Limited and China Resources National Corporation as well as the Chairman of China Resources Enterprise, Limited, a Hang Seng Index Constituent Stock, whose focus is on the distribution of consumer and industrial products in Hong Kong and the mainland. He is also the Chairman of The Hong Kong Building and Loan Agency Limited ("HKBLA").



## Report of the Directors

### BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

**Mr. John Luen Wai Lee**, aged 53, was appointed a Director of the Company in 1992. Mr. Lee is also the Managing Director of Lippo and a director of HKCL, First Tower and Auric. He is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital market.

**Mr. Seng Huang Lee**, aged 27, was appointed a Director of the Company in April 1999. Mr. Lee was educated in Australia and has had previous experience in corporate administration in Malaysia and within the region. He is also an executive director of Sun Hung Kai & Co. Limited and a director of Lippo and Auric.

**Mr. Leon Nim Leung Chan**, aged 46, was appointed an independent non-executive Director of the Company in 1997. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and is a member of the Solicitors Disciplinary Tribunal. Mr. Chan was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He is also an independent non-executive director of Lippo, HKCL and HKBLA.

**Mr. Edwin Neo**, aged 52, was appointed an independent non-executive Director of the Company in March 2002. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1976 and of the Supreme Court of England and Wales in 1993. Mr. Neo is a practising lawyer and a notary public and is presently the sole proprietor of Hoosenally & Neo, Solicitors & Notaries. He is also an independent non-executive director of Lippo.

### DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December, 2001, the interests of the Directors of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as set out below.

#### The Company

Name	Type of interest	Number of shares of HK\$0.10 each in the Company	Amount of warrants to subscribe for shares of HK\$0.10 each
			in the Company*
Mochtar Riady	Notes (i) and (ii)	6,141,720,389	HK\$233,423,940.75
James Riady	Notes (i) and (ii)	6,141,720,389	HK\$233,423,940.75
Stephen Riady	Notes (i) and (ii)	6,141,720,389	HK\$233,423,940.75

\* Details of the warrants are set out in Note 29 to the financial statements.

## Report of the Directors

### DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

#### Lippo Limited ("Lippo")

Name	Type of interest	Number of shares of HK\$0.10 each in Lippo
Mochtar Riady	Note (i)	248,297,776
James Riady	Note (i)	248,297,776
Stephen Riady	Note (i)	248,297,776
John Luen Wai Lee	Personal	825,000

#### Hongkong Chinese Limited ("HKCL", formerly known as The HKCB Bank Holding Company Limited)

Name	Type of interest	Number of shares of HK\$1.00 each in HKCL
Mochtar Riady	Notes (i), (ii) and (iii)	794,428,440
James Riady	Notes (i), (ii) and (iii)	794,428,440
Stephen Riady	Notes (i), (ii) and (iii)	794,428,440
John Luen Wai Lee	Personal	200
	Family	200

*Note:*

- (i) As at 31st December, 2001, Lippo Cayman Limited ("Lippo Cayman"), and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,297,776 shares of HK\$0.10 each in, representing approximately 56.7 per cent. of, the issued share capital of Lippo. Lippo Cayman is wholly owned by Lanius Limited, the trustee of a trust, the beneficiaries of which include Dr. Mochtar Riady, Mr. James Riady, Mr. Stephen Riady and their respective family members.
- (ii) As at 31st December, 2001, Lippo was indirectly interested in 6,141,720,389 shares of HK\$0.10 each in, representing approximately 66.7 per cent. of, the issued share capital of the Company, and warrants of the Company with an aggregate subscription value of HK\$233,423,940.75.
- (iii) As at 31st December, 2001, the Company was indirectly interested in 794,428,440 shares of HK\$1.00 each in, representing approximately 58.8 per cent. of, the issued share capital of HKCL. Subsequent to the balance sheet date, on 17th January, 2002, the Company acquired 78,890,000 shares of HK\$1.00 each in, representing approximately 5.8 per cent. of, the issued share capital of HKCL. Following the above acquisition, the Company is directly and indirectly interested in an aggregate of 873,318,440 shares of HK\$1.00 each in, representing approximately 64.6 per cent. of, the issued share capital of HKCL.
- (iv) As at 31st December, 2001, the Company, through its wholly-owned subsidiary, HKCB Corporation Limited, and its then subsidiary, The Hongkong Chinese Bank, Limited ("HKCB"), was indirectly interested in an aggregate of 168,746,038 shares of HK\$1.00 each in, representing approximately 75 per cent. of, the issued share capital of The Hong Kong Building and Loan Agency Limited ("HKBLA"). Subsequent to the balance sheet date, on 17th January, 2002, HKCL, a subsidiary of the Company, disposed of the entire issued share capital of HKCB, which owns 11,250,000 shares of HK\$1.00 each in, representing 5 per cent. of, the issued share capital of HKBLA. Following the above disposal, the Company is indirectly interested in 157,496,038 shares of HK\$1.00 each in, representing approximately 70 per cent. of, the issued share capital of HKBLA.

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### DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

- (v) As at 31st December, 2001, Dr. Mochtar Riady, Mr. James Riady and Mr. Stephen Riady were deemed to be interested in 3,901,769,218 shares of HK\$0.10 each in AcrossAsia Multimedia Limited ("AAM"), an associated corporation (within the meaning of the SDI Ordinance) of the Company. Subsequent to the balance sheet date, on 19th April, 2002, their deemed interests in AAM were reduced to 3,481,769,218 shares of HK\$0.10 each.
- (vi) As at 31st December, 2001, Mr. John Luen Wai Lee was interested in 230,000 shares of HK\$0.10 each in AAM and was deemed to be interested in 300,000 shares of US\$1.00 each in KeyTrend Technology Holdings Limited, an associate of AAM.
- (vii) Dr. Mochtar Riady, Mr. James Riady and Mr. Stephen Riady were also deemed to be interested in the share capital of the associated corporations (within the meaning of the SDI Ordinance) of the Company held through Lippo Cayman under the provisions of the SDI Ordinance.
- (viii) Certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Group solely for the purpose of holding the requisite qualifying shares.

Save as disclosed herein, as at 31st December, 2001, none of the Directors or the chief executive of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which are required to be recorded in the register kept under Section 29 of the SDI Ordinance or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at 31st December, 2001, the following Director of the Company held the options, as stated below:

Name	Number of shares of HK\$0.10 each in the Company in respect of which options have been granted*
John Luen Wai Lee	9,000,000

- \* The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees adopted by the Company (the "Scheme"). Such options can be exercised on or before 23rd June, 2007 in accordance with the rules of the Scheme to subscribe for shares in the Company at an initial exercise price of HK\$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six shares of HK\$0.10 each in the Company at an exercise price of HK\$0.883 per share (subject to adjustment). None of the options were exercised by the above Director during the year.

As at 1st January, 2001, Dr. Mochtar Riady had an option to subscribe for 8,273,000 shares of HK\$0.10 each in AAM at an exercise price of HK\$3.28 per share. Due to his resignation as a director of AAM, Dr. Mochtar Riady's option to subscribe for 6,618,400 shares in AAM lapsed on 14th May, 2001 with the remaining option to subscribe for 1,654,600 shares in AAM lapsed on 14th November, 2001. Dr. Mochtar Riady had not exercised such option during the year.

## Report of the Directors

### DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

Save as disclosed herein, as at 31st December, 2001, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age was granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

### ARRANGEMENTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director 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

As at 31st December, 2001, according to the register of interests kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the persons who were, directly or indirectly, beneficially interested in 10 per cent. or more in the issued share capital of the Company were as set out below.

<b>Name</b>	<b>Number of shares of HK\$0.10 each</b>	<b>Approximate percentage</b>
Skyscraper Realty Limited ("Skyscraper")	6,141,720,389	66.7
First Tower Corporation ("First Tower")	6,141,720,389	66.7
Lippo Limited ("Lippo")	6,141,720,389	66.7
Lippo Capital Limited ("Lippo Capital")	6,141,720,389	66.7
Lippo Cayman Limited ("Lippo Cayman")	6,141,720,389	66.7
Lanius Limited ("Lanius")	6,141,720,389	66.7

*Note:*

- (i) By virtue of Section 8 of the SDI Ordinance, Lanius, Lippo Cayman, Lippo Capital, Lippo and First Tower were deemed to have the same beneficial interests in the shares of the Company as Skyscraper.
- (ii) As at 31st December, 2001, Lippo Cayman had, under a share mortgage, charged 49 per cent. of its interest in Lippo Capital to Ranbridge Finance Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("SHK"). AP Emerald Limited ("AP Emerald") holds more than one-third of the issued share capital of SHK. AP Emerald is a wholly-owned subsidiary of Grace Crown Limited which in turn is a wholly-owned subsidiary of Allied Properties (H.K.) Limited ("APL"). APL is a subsidiary of Allied Group Limited.
- (iii) The above interests are the same as the interests of Dr. Mochtar Riady, Mr. James Riady and Mr. Stephen Riady as disclosed in the section headed "Directors' interests in the securities of the Company and associated corporations".

## **Report of the Directors**

### **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS**

Save as disclosed in Note 40 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the year and up to the date of this report, the following Director is considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as set out below.

Mr. Seng Huang Lee is also a Director of Sun Hung Kai & Co. Limited which, through its subsidiaries, is partly engaged in the businesses of securities broking, securities trading and the provision of financial, insurance consultancy and other related services.

As the Board of Directors of the Company is independent from the board of the aforesaid company and the above Director does not control the Board of the Company, the Group is capable of carrying its businesses independently and at arm's length from the businesses of such company.

### **SERVICE CONTRACTS OF DIRECTORS**

None of the Directors of the Company has a service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS**

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Notes 8 and 9 to the financial statements, respectively.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## Report of the Directors

### MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined were less than 30 per cent. of the Group's aggregate purchases and sales respectively.

### RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's retirement benefit costs charged to the consolidated profit and loss account for the year are set out in Note 10 to the financial statements.

### AUDITORS

The financial statements for the year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year, except that non-executive Directors 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 the Company's Articles of Association. Mr. Hugh Moss Gerald Forsgate, the independent non-executive Director of the Company, passed away on 21st October, 2001. Mr. Edwin Neo was appointed an independent non-executive Director of the Company to take the place of the late Mr. Forsgate on 8th March, 2002.

The Company has established an audit committee (the "Committee") in accordance with paragraph 14 of the Code and the members of the Committee were Messrs. Hugh Moss Gerald Forsgate and Leon Nim Leung Chan, independent non-executive Directors of the Company. As Mr. Hugh Moss Gerald Forsgate passed away on 21st October, 2001, Mr. Edwin Neo, who was appointed an independent non-executive Director, was appointed as a member of the Committee to take the place of the late Mr. Forsgate. The Committee met regularly during the year.

On behalf of the Board

**John Luen Wai Lee**

*Director*

Hong Kong, 25th April, 2002