

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the financial year include property development and investment; stock and commodity broking; insurance and fund management services, and treasury and investment management. The principal activities of the associates which materially affected the results of the Group during the year include banking and financing; insurance and stockbroking; property development and merchant banking.

The analysis of the principal activities and locations of operations of the Company and its subsidiaries during the financial year is set out in Note 13 on the financial statements.

FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2002 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 32 to 86.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases of the Group respectively.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US\$68,000 (2001: US\$188,000).

DIVIDENDS

An interim dividend of HK\$0.40 (2001: HK\$0.20) per share totalling HK\$129,633,000 (2001: HK\$85,326,000) was paid on 3 April 2002. The directors are recommending payment of a final dividend in respect of the year ended 30 June 2002 of HK\$0.70 (2001: HK\$0.60) per share totalling HK\$226,857,000 (2001: HK\$256,255,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18 November 2002 to 22 November 2002, both days inclusive, during which period no share transfers will be registered.

To qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong not later than 4:00 p.m. on 15 November 2002.

SHARE CAPITAL AND OPTIONS

Under an executive share option scheme ("ESOS") adopted by the Company on 30 July 1991, the directors of the Company may, subject to such conditions as they may think fit, offer to grant options to the eligible employees of the Group to subscribe at such price for such number of shares in the Company as they may determine.

REPORT OF THE DIRECTORS

SHARE CAPITAL AND OPTIONS (CONT'D)

There were 9,800,000 share options granted on 6 December 1999 which were exercisable at HK\$20.33 per ordinary share of the Company and 9,140,000 share options remained outstanding as at 1 July 2001. During the year, a total of 3,990,000 ordinary shares of US\$0.50 each in the capital of the Company were issued at a price of HK\$20.33 per share, as a result of exercise by certain grantees of options granted under the ESOS. 60,000 share options lapsed during the year as a result of the resignation of grantees. As at 30 June 2002, there were 5,090,000 share options outstanding granted under the ESOS which are exercisable during the period from 12 November 1999 to 12 February 2004. Apart from the options granted, the ESOS expired on 30 July 2001.

A new share option scheme was adopted by the Company on 29 November 2001. No option has been granted to any eligible person pursuant to this scheme.

Details of movement in the share capital of the Company during the year are shown in Note 29 on the financial statements.

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

On 26 November 2001, the Company repurchased 106,999,713 shares in the Company at HK\$50.00 per share pursuant to a conditional cash offer made by the Company.

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 14 on the financial statements.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 30 on the financial statements.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 15 on the financial statements.

DIRECTORS

The Board of Directors meets regularly and members of the Board receive information between meetings about the developments in the Company's business. The Board is responsible for devising and implementing the overall group strategy, acquisition and divestment policy, and the approval of major capital expenditure projects and consideration of significant financing matters. It regularly reviews the financial performance and business of the Group.

REPORT OF THE DIRECTORS

DIRECTORS (CONT'D)

The directors during the financial year and up to the date of this report were:

Quek Leng Chan - *Executive Chairman*

Kwek Leng Hai - *President, CEO*

Sat Pal Khattar**

Kwek Leng San*

Peter Anthony Wakefield*

Tan Lim Heng

Harry Richard Wilkinson**

Jamal Al-Babtain*

James Eng, Jr. (appointed on 23 July 2001)

Tung Hsi Hui, Frank** (appointed on 14 November 2001)

Randolph Gordon Sullivan (resigned on 23 July 2001)

* *Non-executive director*

** *Independent non-executive director*

In accordance with Clause 102(B) of the Company's Bye-Laws, Mr Tung Hsi Hui, Frank will retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Clause 99 of the Company's Bye-Laws, Messrs Tan Lim Heng and Jamal Al-Babtain will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation at annual general meetings in accordance with the Bye-Laws of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2002, the interests of the directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept 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 were as follows:

Interests in the shares of the Company

Director	Number of shares				
	Personal interest	Family interest	Corporate interest	Other interest	Total interests
Quek Leng Chan	456,325	—	137,374,315*	—	137,830,640
Kwek Leng Hai	570,775	—	—	—	570,775
Sat Pal Khattar	391,125	—	—	—	391,125
Kwek Leng San	89,120	—	—	—	89,120
Tan Lim Heng	159,230	—	—	—	159,230
James Eng, Jr.	165,443	—	—	—	165,443
Tung Hsi Hui, Frank	200	—	—	—	200

* These shares represented the interest of Guoline Overseas Limited (137,046,740 shares) and another company (327,575 shares) with respect to which Mr Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.

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Interests in the securities of associated corporations

Director	Name of Company	Number of shares				Total interests
		Personal interest	Family interest	Corporate interest	Other interest	
Quek Leng Chan	First Capital Corporation Ltd	662,261	—	201,660,299 <i>Note 1</i>	—	202,322,560
	First Capital Corporation Ltd (NCCPS**)	53,833	—	34,383,489 <i>Note 1</i>	—	34,437,322
	Hong Leong Credit Berhad	5,717,000	—	452,507,224 <i>Note 2</i>	—	458,224,224
	Prime Orion Philippines, Inc. (formerly known as "Guoco Holdings (Philippines), Inc.")	—	—	866,610,220 <i>Note 1</i>	—	866,610,220
Kwek Leng Hai	First Capital Corporation Ltd	1,180,261	—	—	—	1,180,261
	First Capital Corporation Ltd (NCCPS**)	53,833	—	—	—	53,833
	Hong Leong Credit Berhad	420,000	—	—	—	420,000
	Prime Orion Philippines, Inc. (formerly known as "Guoco Holdings (Philippines), Inc.")	5,000,000	—	—	—	5,000,000
Sat Pal Khattar	First Capital Corporation Ltd	—	—	100,000	—	100,000
	First Capital Corporation Ltd (NCCPS**)	—	—	3,494,908	—	3,494,908
Tan Lim Heng	Hong Leong Credit Berhad	136,500	—	—	—	136,500

Notes:

- (1) These shares represented the interest of the Company with respect to which Mr Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.
- (2) These shares represented the interest of the Company and other companies to which Mr Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.

** NCCPS - Non-redeemable convertible cumulative preference shares

Certain directors hold qualifying shares in certain subsidiaries in trust for other subsidiaries of the Company.

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Interests in share options granted by Hong Leong Credit Berhad ("HLCB")

Mr Quek Leng Chan was granted an option on 6 January 2000 by HLCB to subscribe for 400,000 shares in HLCB at the subscription price of RM5.19 per share exercisable during the period from 24 December 1999 to 23 December 2004. In addition, Mr Quek was also granted another option on 30 August 2001 by HLCB to subscribe for 20,000 shares in HLCB at the subscription price of RM4.94 per share exercisable during the period from 24 December 2000 to 23 December 2004. During the year, he did not exercise any option to acquire shares in HLCB.

Apart from the interests of directors in the securities and share options of the Company and its associated companies disclosed above and in the section "Share Option Scheme" below, as at 30 June 2002, there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Details of directors' interests under the share option schemes of the Company and its subsidiary, FCC, are set out in the section "Share Option Scheme" below.

SHARE OPTION SCHEME

The Company

The Company adopted the ESOS on 30 July 1991 to provide incentives to eligible employees including directors of the Company or any full-time employees in the service of the Company or a subsidiary of the Group and to reward their contribution and foster loyalty towards the Group. Pursuant to the terms of the ESOS, the directors of the Company may, subject to such conditions as they may think fit, offer to grant options to any eligible employee to subscribe for ordinary shares of US\$0.50 each in the capital of the Company. The exercise price per share shall not be less than 80% of the average of the last dealt prices of the shares on the Stock Exchange on the five business days immediately preceding the date of offer of such share options or the nominal value of the shares, whichever is higher. The aggregate number of shares issued and issuable upon the exercise of all share options shall not exceed 10% of the number of shares in issue from time to time. No share option may be granted to any one person, which, if exercised in full, would result in the total number of shares already issued and issuable to that person under all share options previously granted to him exceeding 25% of the maximum aggregate number of shares in respect of which share options may be granted under the ESOS.

On 6 December 1999, share options for the exercise of an aggregate of 9,800,000 shares at HK\$20.33 per share were granted to certain directors of the Company and employees of the Group pursuant to the ESOS. The closing market price per share on that date was HK\$23.60. As at 30 June 2002, the number of shares issuable upon exercise of outstanding options were 5,090,000 which represented approximately 1.57% of the shares in issue of the Company. Details of the share options granted to directors and employees which remained outstanding during the year are as follows:

Grantee	No. of share options		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	as at 1 July 2001	as at 30 June 2002			
Quek Leng Chan	600,000	—	12 November 1999 to 12 February 2004	600,000	49.70
	600,000	—	12 November 2000 to 12 February 2004	600,000	49.70
	600,000	—	12 November 2001 to 12 February 2004	600,000	49.70
	600,000	600,000	12 November 2002 to 12 February 2004		
	600,000	600,000	12 November 2003 to 12 February 2004		
		<u>3,000,000</u>	<u>1,200,000</u>		

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SHARE OPTION SCHEME (CONT'D)

The Company (CONT'D)

Grantee	No. of share options		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	as at 1 July 2001	as at 30 June 2002			
Kwek Leng Hai	600,000	—	12 November 1999 to 12 February 2004	600,000	49.30
	600,000	450,000	12 November 2000 to 12 February 2004	150,000	49.30
	600,000	600,000	12 November 2001 to 12 February 2004		
	600,000	600,000	12 November 2002 to 12 February 2004		
	600,000	600,000	12 November 2003 to 12 February 2004		
	<u>3,000,000</u>	<u>2,250,000</u>			
Sat Pal Khattar	60,000	60,000	12 November 1999 to 12 February 2004	—	—
	60,000	60,000	12 November 2000 to 12 February 2004		
	60,000	60,000	12 November 2001 to 12 February 2004		
	60,000	60,000	12 November 2002 to 12 February 2004		
	60,000	60,000	12 November 2003 to 12 February 2004		
	<u>300,000</u>	<u>300,000</u>			
Kwek Leng San	60,000	—	12 November 1999 to 12 February 2004	60,000	50.00
	60,000	—	12 November 2000 to 12 February 2004	60,000	50.00
	60,000	—	12 November 2001 to 12 February 2004	60,000	50.00
	60,000	60,000	12 November 2002 to 12 February 2004		
	60,000	60,000	12 November 2003 to 12 February 2004		
	<u>300,000</u>	<u>120,000</u>			

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SHARE OPTION SCHEME (CONT'D)

The Company (CONT'D)

Grantee	No. of share options		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	as at 1 July 2001	as at 30 June 2002			
Tan Lim Heng	180,000	—	12 November 2000 to 12 February 2004	180,000	49.50
	200,000	—	12 November 2001 to 12 February 2004	200,000	49.50
	200,000	200,000	12 November 2002 to 12 February 2004		
	200,000	200,000	12 November 2003 to 12 February 2004		
	<u>780,000</u>	<u>400,000</u>			
Harry Richard Wilkinson	60,000	60,000	12 November 2001 to 12 February 2004	—	—
	60,000	60,000	12 November 2002 to 12 February 2004		
	60,000	60,000	12 November 2003 to 12 February 2004		
	<u>180,000</u>	<u>180,000</u>			
James Eng, Jr.	200,000	—	12 November 1999 to 12 February 2004	200,000	49.50
	200,000	—	12 November 2000 to 12 February 2004	200,000	49.50
	200,000	—	12 November 2001 to 12 February 2004	200,000	49.50
	200,000	200,000	12 November 2002 to 12 February 2004		
	200,000	200,000	12 November 2003 to 12 February 2004		
	<u>1,000,000</u>	<u>400,000</u>			

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SHARE OPTION SCHEME (CONT'D)

The Company (CONT'D)

Grantee	No. of share options		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	as at 1 July 2001	as at 30 June 2002			
Employees	120,000	—	12 November 2000 to 12 February 2004	120,000	48.80
	120,000	—	12 November 2001 to 12 February 2004	60,000	48.80
	120,000	120,000	12 November 2002 to 12 February 2004	60,000	49.90
	120,000	120,000	12 November 2003 to 12 February 2004		
	<u>480,000</u>	<u>240,000</u>			

Remark: Mr Randolph Gordon Sullivan resigned as a director of the Company on 23 July 2001. He exercised 40,000 share options on 12 July 2001. The outstanding 60,000 share options with an exercise price of HK\$20.33 per share lapsed following his resignation.

No option was granted during the year under the ESOS which had expired on 30 July 2001 other than those granted options.

A new share option scheme (the "New Scheme") was adopted by the Company on 29 November 2001 for the purpose of providing any employee or director of the Company or any of its subsidiaries or associated companies (the "Eligible Employees") the opportunity of participating in the growth and success of the Group. The number of shares that may be issued upon exercise of all share options to be granted under the New Scheme shall not in aggregate exceed 32,408,137 which represents 10% of the shares in issue of the Company on the date of this report. The maximum entitlement for any Eligible Employee is that the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant does not exceed 1% of the shares of the Company in issue.

The option price per share payable upon exercise of any share option will be determined by the directors upon the grant of such a share option. It will not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option; and (c) the nominal value of a share.

A nominal value of HK\$1.00 is payable on acceptance of the share option within 21 days inclusive of, and from, the date of making such offer. No share option may be exercised later than ten years after it has been granted and no share option may be granted more than ten years after 29 November 2001, the date on which the New Scheme was adopted by the Company.

No option was granted to any Eligible Employees pursuant to the New Scheme during the year.

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SHARE OPTION SCHEME (CONT'D)

FCC

FCC's Executive Share Option Scheme (the "Option Scheme") was approved by the shareholders of FCC on 31 December 1998 and further approved by the shareholders of the Company on 1 February 1999. The Option Scheme provides an opportunity for the employees of FCC Group who have contributed to the growth and development of the FCC Group to participate in the equity of FCC.

A committee (the "Committee") comprising directors of FCC who are not participants of the Option Scheme shall select any full time employees of FCC Group and the executive directors of FCC ("FCC Employees") to become participants in the Option Scheme. The aggregate number of shares in FCC over which the Committee may grant options under the Option Scheme on any date shall not exceed 5% of the issued share capital of FCC on the day preceding that date. The maximum entitlement of any FCC Employee shall not exceed 25% in aggregate of the total number of FCC shares which have been issued and are to be issued by FCC pursuant to the exercise of options under the Option Scheme. The grant of option to an FCC Employee shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1.00 as consideration. The Option Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 15 years commencing on 31 December 1998.

The exercise price per share shall be the average of the closing prices of FCC's shares on Singapore Exchange Securities Trading Limited for each of the last five market days immediately prior to the date of grant of the option or the nominal value of the FCC shares, whichever is the higher. An option shall be exercisable on the date after (a) the second anniversary of the date of grant (for FCC Employees who have been employed for less than one year) and (b) the first anniversary of the date of grant (for all other FCC Employees) and to end on a date not later than 10 years after the date of grant.

5,380,000 options were granted on 27 April 1999 to FCC Employees including executive directors, which are exercisable at S\$2.28 per share. Of these 5,380,000 options granted, 1,270,000 options had lapsed, leaving outstanding balance of 4,110,000 options as at 1 July 2001. The date of expiration of the option is 26 April 2009. During the year, no additional options were granted pursuant to the Option Scheme and no FCC shares were issued as a result of the exercise of options. Therefore, the number of outstanding options as at 30 June 2002 remained at 4,110,000.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, those persons (other than the directors of the Company) having an interest of 10% or more in the Company's issued share capital as recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance or as otherwise known to the directors of the Company, were as follows:

Name	Number of shares held in the Company			Note
	Direct interest	Deemed interest	Total interests	
Guoline Overseas Limited ("GOL")	137,046,740	—	137,046,740	
Government of Kuwait Investment Authority Kuwait Investment Office	71,172,395	—	71,172,395	
Guoline Capital Assets Limited ("GCA")	—	137,046,740	137,046,740	1
Hong Leong Company (Malaysia) Berhad ("HLCM")	—	137,374,315	137,374,315	1 & 2
HL Holdings Sdn. Bhd.	—	137,374,315	137,374,315	3
Hong Leong Investment Holdings Pte Ltd	—	137,374,315	137,374,315	3
Kwek Holdings Pte Ltd	—	137,374,315	137,374,315	4

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SUBSTANTIAL SHAREHOLDERS (CONT'D)

Notes:

- (1) GOL is a wholly-owned subsidiary of GCA which in turn is a wholly-owned subsidiary of HLCM. By virtue of Section 8 of the SDI Ordinance, both GCA and HLCM are deemed to have an interest in 137,046,740 shares held by GOL in the Company.
- (2) The interests of HLCM represented the shares held by GOL and another company in which HLCM had a corporate interest pursuant to the SDI Ordinance.
- (3) HL Holdings Sdn. Bhd. and Hong Leong Investment Holdings Pte Ltd were deemed to have an interest in 137,374,315 shares in the Company with respect to their interests in HLCM pursuant to Section 8 of the SDI Ordinance.
- (4) Kwek Holdings Pte Ltd was deemed to have an interest in 137,374,315 shares in the Company with respect to its interest in Hong Leong Investment Holdings Pte Ltd pursuant to Section 8 of the SDI Ordinance.

BOARD AUDIT COMMITTEE

The Board Audit Committee comprises Messrs Harry Richard Wilkinson (Chairman), Sat Pal Khattar and Kwek Leng Hai. Messrs Harry Richard Wilkinson and Sat Pal Khattar are independent non-executive directors. The Board Audit Committee oversees the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls.

The Board Audit Committee meets with the Company's external auditors and the internal auditor, and reviews the audit plans, the internal audit programme, the results of their examinations and their evaluations of the system of internal controls. It also reviews interests in contracts and connected transactions. The Board Audit Committee reviews the financial statements of the Company and the consolidated financial statements of the Group and the auditors' report thereon and submits its news to the Board of Directors. Three Board Audit Committee meetings were held during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

INTEREST CAPITALISED

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US\$20.8 million (2001: approximately US\$28.1 million).

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Services agreement

On 21 August 2001, the Company entered into a services agreement (the "Services Agreement") with Hong Leong Overseas (H.K.) Limited ("HLO") for the provision of certain services by HLO to the Company, its subsidiaries and associated companies from time to time. The services to be provided under the Services Agreement include formulation of strategy and planning, overview of investment and financial management, treasury and risk management services and technical assistance with respect to operating practices and procedures, accounting and other services. The consideration for the services provided was fixed at HK\$100,000 per month (or such other amount as may be agreed from time to time between HLO and the Company) and an annual fee equal to three per cent of the annual consolidated profits before tax of the Group for each financial year, which amounted to HK\$44,943,000 for the year ended 30 June 2002. The Services Agreement is for a term of one year and shall be automatically renewable, on the same terms, for additional, consecutive terms of one year each unless either party provides written notice of at least six months.

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INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

Services agreement (CONT'D)

The Services Agreement replaced the previous services agreements between HLO and certain operating subsidiaries of the Group. The Services Agreement was entered into in the ordinary course of business of the Company and the terms of the agreement were determined on an arms-length basis and were fair and reasonable so far as the shareholders of the Company are concerned.

HLO is an indirect wholly-owned subsidiary of HLCM, a substantial shareholder of the Company. Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors and have an interest in the Services Agreement as shareholders and directors of HLCM.

The Company applied for a waiver from strict compliance with the connected transaction requirements as set out in Chapter 14 of the Listing Rules in respect of the future connected transactions arising from the renewal of the Services Agreement (the "Transactions"). The Stock Exchange granted a conditional waiver to the Company from strict compliance with the disclosure requirements as stipulated under Rule 14.25(1) of the Listing Rules on each occasion that the Transactions arise.

The independent non-executive directors of the Company reviewed the Transactions during the year and confirm that:

1. the Transactions were:
 - i) entered into by the Company in the ordinary and usual course of its business;
 - ii) conducted on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and
 - iii) entered into in accordance with the terms of the agreements governing such Transactions;
2. the aggregate amount of the Transactions was HK\$45,943,000 for the year ended 30 June 2002 and did not exceed the cap amount of 3% of the book value of the audited net tangible assets of the Company and its subsidiaries as at 30 June 2002.

Connected transactions

1. On 3 April 2002, FCC executed a sale and purchase agreement for the acquisition of a 20% interest in Fasidon Holdings Pte Ltd ("Fasidon") from its joint venture partner, HLL Overseas Limited ("HLLO"), at a consideration of S\$4.4 million. Fasidon was previously owned as to 80% by FCC and 20% by HLLO. It undertakes the development of a condominium project at No. 16 Nathan Road, Singapore. HLLO's ultimate holding company is HLCM. The consideration was negotiated at an arm's-length and on a willing buyer and willing seller basis and was based on 20% of the adjusted net tangible assets of Fasidon as at 28 February 2002 taking into account the value of the development site.
2. On 28 June 2002, FCC proposed a rights issue (the "Rights Issue") of one ordinary rights share and one non-redeemable convertible cumulative preference share at an issue price of S\$1.00 each for every four existing ordinary shares held in FCC. The Company has undertaken to procure the subscription and payment for the rights shares under its entitlement and also for the excess shares ("Excess Shares") not taken up under the Rights Issue (the "Excess Undertaking"). The Excess Undertaking is conditional on, inter alia, the approval of the shareholders of FCC in general meeting on the Rights Issue and acquisitions of a 55% interest in Guoco Properties Limited and a 30% interest in Guoman Hotel & Resort Holdings Sdn Bhd from the Company, which were obtained on 7 October 2002. As at 15 October 2002, the maximum number of Excess Shares undertaken by the Company was approximately 47.3 million with the total subscription payable amounting to approximately S\$47.3 million (equivalent to approximately US\$26.8 million).

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INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

Loans to subsidiaries and associated companies

As at 30 June 2002, the Company and FCC had made interest free advances, for general funding purposes and on a pro rata basis, to GPL (a subsidiary which is 55% owned by the Company and 45% owned by FCC) in the aggregate amounts of US\$81.5 million and US\$66.8 million respectively.

As at 30 June 2002, GPL had made interest free advances, for general funding purposes, in the sums of US\$4.5 million, US\$6.7 million, US\$12.1 million and US\$8.5 million to its 90% owned subsidiaries, China Fine Development Limited, Top Known International Limited, Eagleman Development Limited and Superwell Properties Limited respectively. The balance of the share capital of these subsidiaries was held by a party not related to the Group.

As at 30 June 2002, GPL had made interest free advances of US\$31.1 million to its 75% owned subsidiary, Beijing Minghua Property Development Co., Ltd. ("BMPD"). The balance of the share capital of BMPD was held by a party not related to the Group.

Others

The Hong Leong Bank Berhad ("HLBB") group has, from time to time, provided services to the Company and its connected persons (as defined in the Listing Rules) in the ordinary course of its banking business including, inter alia, loan advances, deposits, cheque clearing, remittance, the provision of account services in a variety of currencies, nominee and custodian services and occasionally short term credit accommodation. All services provided by HLBB group are in the ordinary course of business and on normal commercial terms.

The Group regularly conducts investment, insurance, stockbroking and other activities in the ordinary course of business and on normal commercial terms with subsidiaries of, and companies related to, HLCM. Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors and have an interest in such transactions as shareholders and directors of HLCM.

Apart from the above, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company operates the ESOS to enable Eligible Employees, including directors of the Company, to acquire shares in the Company. Messrs Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar, Kwek Leng San, Tan Lim Heng, James Eng, Jr., Harry Richard Wilkinson and the Company's former director, Mr Randolph Gordon Sullivan were granted options to subscribe for shares in the Company pursuant to the Scheme. During the year, Messrs Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar, Kwek Leng San, Tan Lim Heng, James Eng, Jr. and Randolph Gordon Sullivan acquired shares in the Company by exercising the options. Apart from the options granted, the ESOS expired on 30 July 2001.

A new share option scheme was adopted by the Company on 29 November 2001. No option has been granted to the directors and employees pursuant to this scheme.

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are also directors of HLCM, a substantial shareholder of the Company, which is one of the largest conglomerates based in Malaysia and is engaged in a diverse range of business, including financial services, manufacturing, property investment and development.

Mr Tan Lim Heng is also non-executive director and shareholder of imGO Limited (the name of which has been changed to "Shanghai Land Holdings Limited") which is engaged in property investment and development in the PRC. imGO Limited ceased to be an associated company of the Company on 24 June 2002.

The above directors are considered as having interests in business apart from the Group's business, which is likely to compete, directly or indirectly, with the Group's business under paragraph 8.10 of the Listing Rules.

PROPERTIES

Particulars of the major development properties and investment properties of the Group are shown on pages 87 to 88.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda.

INVESTOR RELATIONS

The Company encourages two-way communication with both its institutional and private investors. Extensive information about the Company's activities is provided in the Annual Report and the Interim Report which are sent to shareholders. There is regular dialogue with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcome and are dealt with in an informative and timely manner.

In order to promote effective communication, the Company maintains its website on which financial and other information relating to the Group and its business are disclosed.

AUDITORS

A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Kwek Leng Hai
President, CEO

Hong Kong, 17 October 2002