

# Report of the Directors

The directors of the Company have pleasure in presenting their report together with the audited financial statements of the Group for the year ended 30 June 2006.

## 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 year include proprietary asset management, property development and investment, hospitality and leisure business, stock and commodity broking and investment advisory. The principal activities of the associates which materially affected the results of the Group during the year include banking and financing, insurance, fund management and stockbroking, property development as well as merchant banking.

The analysis of the principal activities and locations of operations of the Company and its subsidiaries during the year is set out in Note 19 on the financial statements.

## SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 19 on the financial statements.

## FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2006 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 55 to 144.

## DIVIDENDS

An interim dividend of HK\$1.00 (2005: HK\$0.80) per share totalling HK\$329,051,000 (2005: HK\$263,241,000) was paid on 6 March 2006. The directors are recommending payment of a final dividend of HK\$3.00 (2005: HK\$3.00) per share and a special dividend of HK\$1.00 (2005: Nil) per share in respect of the year ended 30 June 2006 totalling HK\$1,316,205,000 (2005:HK\$987,154,000).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11 October 2006 to 16 October 2006, both days inclusive, during which period no share transfers will be registered.

To qualify for the final dividend and the special 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 10 October 2006.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 30% of the total turnover of the Group. The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	<b>Percentage of the Group's total purchases</b>
The largest supplier	10.1%
Five largest suppliers in aggregate	34.8%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major suppliers.

# Report of the Directors

## CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US\$320,000 (2005: US\$162,000).

## SHARE CAPITAL, CONVERTIBLE SECURITIES AND WARRANTS

The Company did not issue any new shares during the year. Details of the share capital of the Company during the year are shown in Note 37 on the financial statements.

### GuocoLand Limited ("GLL", 63.9% controlled by the Company)

On 29 November 2002, GLL issued 101,671,676 4.5% Non-Redeemable Convertible Cumulative Preference Shares ("NCCPS 2005") which are convertible into ordinary shares of GLL based on one ordinary share for every one NCCPS 2005 held.

During the year, GLL issued 30,188 ordinary shares upon the conversion of 30,188 NCCPS 2005. On 29 November 2005, the mandatory conversion date of the NCCPS 2005, all the 78,127 outstanding NCCPS 2005 were automatically converted into ordinary shares of GLL.

### GuocoLand (Malaysia) Berhad ("GLM", 64.5% controlled by the Company)

On 7 September 1995, GLM issued 70,045,522 detachable warrants in conjunction with its issue of redeemable bank guaranteed bonds which had since expired in October 2000. The warrants are constituted by a deed poll and entitle the registered holder to subscribe for one ordinary share in GLM at an exercise price of RM3.05 per share for every warrant held. The original exercise period of the warrants which expired on 1 April 2000 was extended for a further 5.5 years.

During the year, GLM issued 100 ordinary shares pursuant to the exercise of 100 warrants. All remaining warrants had expired on 3 October 2005.

### Camerlin Group Berhad ("CGB", 69.1% controlled by the Company)

The irredeemable convertible unsecured loan stocks ("ICULS") issued by CGB in July 2002 have a maturity date of 15 July 2007 and carry a coupon rate of 5.5% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM1.00 each in CGB at any time from the date of issuance. The conversion price of the ICULS is RM1.16 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS or a combination of ICULS and cash, provided that at least RM1.00 nominal value of ICULS must be surrendered for every one share.

During the year, a total of 2,747,400 new ordinary shares of RM1.00 each were issued as a result of the conversion of RM2,747,400 nominal value of ICULS. There were RM29,671,000 ICULS outstanding as at 30 June 2006.

CGB had, on 25 July 1997, issued 59,162,371 detachable warrants pertaining to the US\$105 million Five-year Secured Floating Rate Notes 1997/2002. Each warrant entitles its registered holder to subscribe for one new ordinary share of RM1.00 each in CGB at the subscription price per share of RM2.00 which was adjusted to RM1.90 effective on 4 June 2002 in accordance with the provisions of the deed polls. The warrants may be exercised at any time commencing from 25 July 1997 but not later than 25 January 2002 (both dates inclusive). The subscription period for the outstanding warrants was subsequently extended for a further period of 5.5 years from the previous expiry date of 25 January 2002 to 25 July 2007.

No warrants had been converted into new ordinary shares during the year. There were 43,745,371 warrants outstanding as at 30 June 2006. Any warrants which have not been exercised at the date of maturity will lapse and cease to be valid for any purpose.

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

During the year, a wholly-owned subsidiary of the Company, as the trustee for a trust (the "Trust") set up for the purpose of acquiring existing shares of the Company to satisfy the exercise of options which may be granted under the share option plan adopted by the Company on 16 December 2002, purchased an aggregate of 3,006,862 shares of the Company (the "Relevant Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a total consideration of HK\$239,813,000. And, a subsidiary of the Company disposed of 2,261,862 shares of the Company on the Stock Exchange at a total consideration of HK\$176,799,000.

Save as above, during the year the Company had not redeemed any of its listed securities and neither the Company nor any of its other subsidiaries purchased or sold any of the Company's listed securities.

## TRANSFER TO RESERVES

Profit for the year, before dividend, of US\$778.9 million (2005 (restated): US\$443.2 million) has been transferred to reserves. Movements in the reserves of the Company and the Group during the year are set out in Note 37 on the financial statements.

## INTEREST CAPITALISED

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US\$12.0 million (2005: approximately US\$6.9 million).

## FIXED ASSETS

Movements in fixed assets during the year are set out in Note 16 on the financial statements.

## PROPERTIES

Particulars of the major development properties, properties held for sale and investment properties of the Group are shown on pages 145 to 148.

## PRE-EMPTIVE RIGHTS

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

## DIRECTORS

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

Quek Leng Chan – *Executive Chairman*

Kwek Leng Hai – *President, CEO*

Sat Pal Khattar\*\*

Kwek Leng San\*

Tan Lim Heng

Harry Richard Wilkinson\*\*

James Eng, Jr.

Volker Stoeckel\*\*

\* *Non-executive director*

\*\* *Independent non-executive director*

# Report of the Directors

## DIRECTORS (Cont'd)

Pursuant to the Code of Corporate Governance Practices (the "CGP Code") under Appendix 14 to the Listing Rules, all directors should be subject to retirement by rotation at least once every three years. However, according to the Private Act of the Company enacted in 1990 (the "Act"), directors holding the office of executive chairman or managing director shall not be subject to retirement by rotation and the Bye-Laws also provide for the same. As the Company is bound by the provisions of the Act, the Bye-Laws cannot be amended to reflect the requirements of the CGP Code. In order for the Company to comply with the relevant provisions of the CGP Code, Messrs Quek Leng Chan (the Executive Chairman) and Kwek Leng Hai (the President and CEO) are willing to be subject to the retirement by rotation provisions as set out in the Bye-Laws.

Messrs Quek Leng Chan and Kwek Leng Hai will retire from office at the Annual General Meeting voluntarily and, being eligible, offer themselves for re-election.

And, Mr Harry Richard Wilkinson will retire from office at the Annual General Meeting pursuant to Bye-Law 99 but he would not offer himself for re-election due to personal reason.

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 Company received confirmation from each of the independent non-executive directors of independence for the year ended 30 June 2006 pursuant to Rule 3.13 of the Listing Rules. Up to and as at the date of this report, the Company considers the independent non-executive directors to be independent.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO 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 the Company ("Model Code") were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

### (A) The Company

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of the Company	
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	1,656,325	227,465,157	229,121,482	Note	69.63%
Kwek Leng Hai	3,670,775	–	3,670,775		1.12%
Sat Pal Khattar	691,125	–	691,125		0.21%
Kwek Leng San	209,120	–	209,120		0.06%
Tan Lim Heng	559,230	–	559,230		0.17%
James Eng, Jr.	565,443	–	565,443		0.17%
Harry Richard Wilkinson	5,000	–	5,000		0.00%

\* Ordinary shares unless otherwise specified in the Note

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (A) The Company (Cont'd)

Note:

The total interests of 229,121,482 shares/underlying shares comprised 221,262,634 ordinary shares of the Company and 7,858,848 underlying shares of other unlisted derivatives.

The corporate interests of 227,465,157 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
Guoinvest International Limited ("Guoinvest")	6,425,000
Asian Financial Common Wealth Limited ("AFCW")	4,026,862

AFCW was wholly owned by the Company which was in turn 65.52% owned by GOL. GOL and Guoinvest were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLCM was 49.11% owned by Mr Quek Leng Chan (2.43%) and HL Holdings Sdn Bhd (46.68%) which was in turn wholly owned by Mr Quek Leng Chan.

### (B) Associated Corporations

#### a) Hong Leong Company (Malaysia) Berhad ("HLCM")

Director	Number of *shares (Long Position)			Notes	Approx. % of the issued share capital of HLCM
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	390,000	7,487,100	7,877,100	Note	49.11%
Kwek Leng Hai	420,500	–	420,500		2.62%
Kwek Leng San	117,500	–	117,500		0.73%

\* Ordinary shares

Note:

The corporate interests of 7,487,100 shares were held by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

#### b) GuocoLand Limited ("GLL")

Director	Number of *shares (Long Position)			Notes	Approx. % of the issued share capital of GLL
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	15,047,224	469,407,229	484,454,453	1	72.78%
Kwek Leng Hai	19,851,140	–	19,851,140		2.98%
Sat Pal Khattar	5,000,000	5,392,362	10,392,362	2	1.56%
Tan Lim Heng	1,000,000	–	1,000,000		0.15%
Volker Stoeckel	822,000	–	822,000		0.12%
James Eng, Jr.	200,000	–	200,000		0.03%

\* Ordinary shares

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (B) Associated Corporations (Cont'd)

#### b) GuocoLand Limited ("GLL") (Cont'd)

Notes:

- The corporate interests of 469,407,229 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Consultancy Services Sdn Bhd ("HLCS")	44,045,989
Guoco Investment Pte Ltd ("GIPL")	425,361,240

GIPL was wholly owned by the Company. HLCS was wholly owned by HLCM Capital Sdn Bhd which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). The respective controlling shareholders of the Company and HLCM as well as their respective percentage controls are shown in the Note under Part (A) above.

- The corporate interests of 5,392,362 shares were directly held by Khattar Holdings Pte Ltd which was 0.61% owned by Mr Sat Pal Khattar and was accustomed to act according to his directions.

#### c) Hong Leong Credit Berhad ("HLC") (now renamed as "Hong Leong Financial Group Berhad")

#### Number of \*shares/underlying shares (Long Position)

Director	Personal interests	Corporate interests	Total interests	Notes	Approx. % of the issued share capital of HLC
Quek Leng Chan	4,989,600	827,540,998	832,530,598	1	80.00%
Kwek Leng Hai	2,316,800	–	2,316,800	2	0.22%
Kwek Leng San	600,000	–	600,000		0.06%
Tan Lim Heng	245,700	–	245,700		N/A

\* Ordinary shares unless otherwise specified in the Notes

Notes:

- The total interests of 832,530,598 shares/underlying shares comprised 824,813,898 ordinary shares of HLC and 7,716,700 underlying shares of other unlisted derivatives.

The corporate interests of 827,540,998 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,476,568
HLCM Capital Sdn Bhd ("HLCM Capital")	207,184
Hong Leong Share Registration Services Sdn Bhd ("HLSRS") (formerly known as Hong Leong Nominees Sendirian Berhad)	3,600
Guoinvest International Limited ("Guoinvest")	7,716,700
Guoco Assets Sdn Bhd ("GAS")	267,079,946
Soft Portfolio Sdn Bhd ("SPS")	6,057,000

GAS was wholly owned by the Company. HLSRS was wholly owned by HLCM Capital.

The respective controlling shareholders of the Company, HLCM and Guoinvest as well as their respective percentage controls are shown in the Note under Part (A) above.

The controlling shareholder of HLCM Capital and its percentage control are shown in the Note 1 under Part (B)(b) above.

SPS was 99% owned by Mr Quek Leng Chan.

- The total interests of 2,316,800 shares/underlying shares comprised 2,156,000 ordinary shares of HLC and 160,800 underlying shares of listed physically settled options issued by HLC.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (B) Associated Corporations (Cont'd)

d) *GuocoLand (Malaysia) Berhad ("GLM")*

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of GLM	
	Personal Interests	Corporate interests	Total interests		
Quek Leng Chan	3,266,280	458,480,676	461,746,956	Note	65.92%
Kwek Leng Hai	226,800	–	226,800		0.03%
Sat Pal Khattar	152,700	–	152,700		0.02%
Tan Lim Heng	73,710	–	73,710		0.01%

\* Ordinary shares unless otherwise specified in the Note

Note:

Based on the additional information disclosed under the SFO subsequent to the year end date, the total interests of 461,746,956 shares/underlying shares comprised 460,086,996 ordinary shares of GLM and 1,659,960 underlying shares of other unlisted derivatives.

The corporate interests of 458,480,676 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Guoinvest International Limited ("Guoinvest")	1,659,960
GLL (Malaysia) Pte Ltd ("GLLM")	451,564,220
HLCM Capital Sdn Bhd ("HLCM Capital")	62,723
Hume Plastics (Malaysia) Sdn Berhad ("HPM")	3,005,273
Hong Leong Industries Berhad ("HLI")	2,188,500

GLLM was wholly owned by GuocoLand Limited ("GLL") which was in turn 63.90% owned by Guoco Investment Pte Ltd ("GIPL"). GIPL was wholly owned by the Company. HLI was 60.86% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HPM was wholly owned by Hume Industries (Malaysia) Berhad which was in turn 64.56% owned by HLCM.

The respective controlling shareholders of the Company, Guoinvest and HLCM as well as their respective percentage controls are shown in the Note under Part (A) above.

The controlling shareholder of HLCM Capital and its percentage control are shown in the Note 1 under Part (B)(b) above.

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (B) Associated Corporations (Cont'd)

e) *Hong Leong Industries Berhad ("HLI")*

Director	Number of *shares/underlying shares (Long Position)/ Amount of Debentures			Notes	Approx. % of the issued share capital of HLI
	Personal interests	Corporate interests	Total interests		
Kwek Leng Hai	215,312	–	215,312	1	0.10%
	RM165,000	–	RM165,000	2	N/A
Sat Pal Khattar	208,580	–	208,580	3	0.10%
	RM171,000	–	RM171,000	2	N/A
Kwek Leng San	2,220,000	–	2,220,000	4	1.02%
	RM2,604,000	–	RM2,604,000	2	N/A

\* *Ordinary shares unless otherwise specified in the Notes*

Notes:

1. The total interests of 215,312 shares/underlying shares comprised 163,200 ordinary shares of HLI and 52,112 underlying shares of listed physically settled options issued by HLI.
2. These debentures were freely transferable and convertible into shares of HLI.
3. The total interests of 208,580 shares/underlying shares comprised 171,000 ordinary shares of HLI and 37,580 underlying shares of listed physically settled options issued by HLI.
4. The total interests of 2,220,000 shares/underlying shares comprised 1,800,000 ordinary shares of HLI and 420,000 underlying shares of listed physically settled options issued by HLI.

f) *Hong Leong Bank Berhad ("HLB")*

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLB
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	3,955,700	–	3,955,700	0.26%
Sat Pal Khattar	294,000	–	294,000	0.02%
Kwek Leng San	385,000	–	385,000	0.03%

\* *Ordinary shares*

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (B) Associated Corporations (Cont'd)

g) HLG Capital Berhad ("HLGC")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLGC
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	500,000	–	500,000	0.41%
Kwek Leng San	119,000	–	119,000	0.10%

\* Ordinary shares

h) Malaysian Pacific Industries Berhad ("MPI")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of MPI
	Personal interests	Corporate interests	Total interests	
Sat Pal Khattar	210,000	–	210,000	0.11%
Kwek Leng San	315,000	–	315,000	0.16%

\* Ordinary shares

i) Hume Industries (Malaysia) Berhad ("HIM")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HIM	
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	2,000,000	120,144,828	122,144,828	Note	66.77%
Sat Pal Khattar	200,000	–	200,000		0.11%

\* Ordinary shares

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (B) Associated Corporations (Cont'd)

i) *Hume Industries (Malaysia) Berhad ("HIM") (Cont'd)*

Note:

The corporate interests of 120,144,828 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	116,937,027
HLCM Capital Sdn Bhd ("HLCM Capital")	19,401
Hong Leong Assurance Berhad ("HLA")	1,154,400
Soft Portfolio Sdn Bhd ("SPS")	2,034,000

HLA was wholly owned by Hong Leong Credit Berhad (now renamed as "Hong Leong Financial Group Berhad") which was in turn wholly owned by HLCM.

The controlling shareholders of HLCM and their percentage controls are shown in the Note under Part (A) above.

The controlling shareholder of HLCM Capital and its percentage control are shown in the Note 1 under Part (B)(b) above.

The controlling shareholder of SPS and its percentage control are shown in the Note 1 under Part (B)(c) above.

j) *Narra Industries Berhad ("NI")*

Director	Number of *shares (Long Position)			Note	Approx. % of the issued share capital of NI
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	8,170,200	38,304,000	46,474,200		74.73%

\* *Ordinary shares*

Note:

The corporate interests of 38,304,000 shares were directly held by Hume Industries (Malaysia) Berhad ("HIM"). The controlling shareholder of HIM and its percentage control are shown in the Note under Part (B)(d) above.

k) *Lam Soon (Hong Kong) Limited ("LSHK")*

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of LSHK
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	2,300,000	–	2,300,000	0.95%
Tan Lim Heng	274,000	–	274,000	0.11%
James Eng, Jr.	619,000	–	619,000	0.25%

\* *Ordinary shares*

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (B) Associated Corporations (Cont'd)

l) *BIL International Limited ("BIL")*

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of BIL
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	150,000	830,739,543	830,889,543	60.73%

\* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 830,889,543 shares/underlying shares comprised 697,042,043 ordinary shares of BIL, 75,000,000 underlying shares of unlisted cash settled options issued by BIL and 58,847,500 underlying shares of other unlisted derivatives.

The corporate interests of 830,739,543 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Guoinvest International Limited ("Guoinvest")	11,027,000
GuoLine Overseas Limited ("GOL")	47,820,500
Checkenden Limited ("Checkenden")	25,000,000
First Capital Assets (BVI) Ltd ("FCA(BVI)")	75,000,000
Camerlin Group Berhad ("CGB")	31,845,810
Camerlin Holdings Sdn Bhd ("CHS")	269,742,547
Camerlin Investments Limited ("CIL")	2,972,850
High Glory Investments Limited ("HGIL")	367,330,836

The respective controlling shareholders of Guoinvest and GOL as well as their respective percentage controls are shown in the Note under Part (A) above.

Checkenden and FCA(BVI) were wholly owned by GuocoLand Limited ("GLL"). The controlling shareholder of GLL and its percentage control are shown in the Note under Part (B)(d) above.

CHS and CIL were wholly owned by CGB. CGB was 69.12% owned by Brightspring Holdings Limited which was in turn wholly owned by the Company. HGIL was wholly owned by the Company. The controlling shareholder of the Company and its percentage control are shown in the Note under Part (A) above.

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (C) Others

Associated Corporations in which Mr Quek Leng Chan was deemed to be interested solely through his deemed controlling interest in HLCM and/or its subsidiaries:

Guoman Hotel & Resort Holdings Sdn Bhd	RZA Logistics Sdn Bhd
Luck Hock Venture Holdings, Inc.	Lam Soon (Hong Kong) Limited
Hong Leong Industries Berhad	LS Golden Oils & Fats Limited
Hong Leong Bank Berhad	Kwok Wah Hong Flour Company Limited
Malaysian Pacific Industries Berhad	M.C. Packaging Offshore Limited
Carsem (M) Sdn Bhd	Lam Soon Ball Yamamura Incorporation
Carter Realty Sdn Bhd	Camerlin Group Berhad
Guolene Packaging Industries Berhad	HLG Capital Berhad
Guocera Tile Industries (Meru) Sdn Bhd	Global Roaming Communications Sdn Bhd
Guocera Tile Industries (Labuan) Sdn Bhd	Hong Leong Tokio Marine Takaful Berhad
Hong Leong Fund Management Sdn Bhd	Guangzhou Lam Soon Food Products Limited
Hong Leong Yamaha Distributors Sdn Bhd	Shenzhen Lam Soon Edible Oils Company Limited
Hong Leong Yamaha Motor Sdn Bhd	Shekou Lam Soon Silo Company Limited
MEHY Sdn Bhd	

The Company applied for and the Stock Exchange granted a waiver from full compliance with the disclosure requirements in respect of details of the deemed interests of Mr Quek Leng Chan in the above associated corporations under Rule 13 of Appendix 16 to the Listing Rules.

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

Save as disclosed above, as at 30 June 2006, none of the directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules.

## SHARE OPTIONS

### The Company

#### *Share Option Scheme*

A share option scheme (the "Share Option Scheme") was adopted by the Company on 29 November 2001 for the purpose of providing the employees or directors 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 Share Option Scheme shall not in aggregate exceed 32,905,137 which represents 10% of the shares in issue of the Company on the date of this report. The maximum entitlement for any Eligible Employee in respect of 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 at any date of grant.

The option price per share payable upon exercise of any share option will be determined by the directors upon the grant of the 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.

## SHARE OPTIONS (Cont'd)

### The Company (Cont'd)

#### *Share Option Scheme (Cont'd)*

A nominal consideration of HK\$1 is payable on acceptance of the share option within 21 days inclusive of, and from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant in respect of such offer. No share option may be granted more than ten years after 29 November 2001, the date on which the Share Option Scheme was adopted by the Company.

No option has ever been granted to any Eligible Employee pursuant to the Share Option Scheme up to 30 June 2006.

#### *Share Option Plan*

On 16 December 2002, the Company adopted a share option plan (the "Share Option Plan") for the purpose of motivating the employees and directors of the group companies and the employees of associated companies (the "Participants") and allowing them to participate in the growth of the Company through the grant of options over existing shares.

Unlike a traditional employee share option scheme, the Share Option Plan does not involve options over newly issued shares of the Company and thereby avoids the uncertainty for the shareholders of potential dilutionary effect on the Company's issued share capital from time to time. A trust (the "Trust") has been set up for the purpose of acquiring existing shares of the Company from time to time to satisfy the exercise of options which may be granted under the Share Option Plan while a wholly-owned subsidiary of the Company as the trustee is responsible for administering the Trust.

The number of shares that may be transferred upon exercise of all share options to be granted under the Share Option Plan shall not in aggregate exceed 32,905,137 which represents 10% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Participant in respect of the total number of shares transferred and to be transferred upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant will not exceed 1% of the shares of the Company in issue at any date of grant.

The exercise price per share of an option for the purchase of a share 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, which must be a business day; and (c) the nominal value of a share.

A nominal consideration of HK\$1 is payable on acceptance of the share option within 21 days from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant of such option. No share option may be granted more than ten years after 16 December 2002, the date on which the Share Option Plan was adopted by the Company.

No option has ever been granted to any Participant pursuant to the Share Option Plan up to 30 June 2006.

### GuocoLand Limited ("GLL")

The GuocoLand Limited Executives' Share Option Scheme (the "ESOS") was approved by the shareholders of GLL on 31 December 1998 and further approved by the shareholders of the Company on 1 February 1999.

In October 2004, the approvals of shareholders of GLL and the Company were sought to effect various amendments to the rules of the ESOS (the "Rules") to, inter alia, allow grant of options over both newly issued and existing shares of GLL and to align the Rules with Chapter 17 of the Listing Rules (the "Modified ESOS").

The Modified ESOS provides an opportunity for the employees of the GLL Group who have contributed to the growth and development of the GLL Group to participate in the equity of GLL.

# Report of the Directors

## SHARE OPTIONS (Cont'd)

### GuocoLand Limited ("GLL") (Cont'd)

A committee (the "ESOS Committee") comprising directors of GLL who are presently not participants of the Modified ESOS shall select confirmed employees of the GLL Group and the executive directors of GLL ("GLL Employees") to become participants in the Modified ESOS.

The aggregate number of GLL shares over which the ESOS Committee may grant options under the Modified ESOS on any date shall not exceed 5% of the issued share capital of GLL on the day preceding that date, provided that the maximum aggregate number of GLL shares over which the ESOS Committee may grant shall not exceed 10% of the issued share capital of GLL as at 29 October 2004, i.e. 66,552,415. Accordingly, the total number of GLL shares over which options under the Modified ESOS may be granted is 66,552,415 which represents approximately 10% of the issued share capital of GLL at the date of this report.

The maximum entitlement of any GLL Employee shall not exceed 1% of the share capital of GLL in issue in respect of the total number of GLL shares issued or to be issued upon the exercise of options granted in any 12-month period. The grant of option to a GLL Employee shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1 as consideration. The Modified ESOS shall continue to be in force at the discretion of the ESOS Committee, subject to a maximum period of 10 years commencing on 31 December 1998.

The exercise price per GLL share shall be the average of the closing prices of GLL 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 GLL shares, whichever is the higher. An option shall be exercisable on the date after (a) the second anniversary of the date of grant (for GLL Employees who have been employed for less than one year) and (b) the first anniversary of the date of grant (for all other GLL Employees) and to end on a date not later than 10 years after the date of grant.

As at 1 July 2005, there were 18,500,000 outstanding options granted to selected key executives of GLL pursuant to the Modified ESOS, particulars of which are as follows:

<b>Date of Grant</b>	<b>No. of GLL Shares comprised in Options</b>	<b>Exercise Price per GLL Share</b>	<i>Notes</i>
1 November 2004	12,500,000	S\$1.19	1
30 May 2005	6,000,000	S\$1.32	2

*Notes:*

1. Subject to certain financial and performance targets being met by the grantees during the performance period for the financial years 2004/05 to 2006/07, the grantees may, at any time after 1 July 2007 or, at such other time as may be prescribed by the ESOS Committee at its sole discretion, be notified ("Date of Notification") of the vesting of the options and the number of GLL shares comprised in the vested options. Thereafter, the grantees shall have an exercise period of up to two years from the Date of Notification, or such other period as may be prescribed by the ESOS Committee at its sole discretion, to exercise the vested options in accordance with the terms of their grant.
2. Under the terms of the grant, a first tranche of 2,000,000 GLL shares may be exercised at any time within one year from the first anniversary of the date of grant, i.e. 30 May 2006. Subject to certain financial and performance targets being met by the grantee during the performance period for the financial years 2005/06 to 2006/07, the grantee shall have an exercise period of up to two years from the date of vesting, or such other period as may be prescribed by the ESOS Committee at its sole discretion, to exercise the vested option of up to the remaining 4,000,000 GLL shares in accordance with the terms of the grant.

During the year, no options were vested or exercised nor had lapsed, and no new options were granted pursuant to the Modified ESOS. Accordingly, the number of outstanding options remained at 18,500,000 as at 30 June 2006.

## SHARE OPTIONS (Cont'd)

### BIL International Limited ("BIL", subsidiary of the Company since 21 October 2005)

#### *The BIL International Share Option Plan (the "BIL Plan")*

The BIL Plan was approved by the shareholders of BIL in 2001 to allow the grant of options over newly issued shares of BIL to eligible participants including employees and executive and non-executive directors of BIL and its subsidiaries (the "BIL Group") who are not controlling shareholders of BIL.

There were no outstanding options pursuant to the BIL Plan as at 1 July 2005 and 30 June 2006, and no option has been granted to any eligible participants pursuant to the BIL Plan during the year.

#### *The BIL Value Creation Incentive Share Scheme (the "BIL Scheme")*

The BIL Scheme is a share incentive scheme and was approved by the board of directors of BIL in 2003. Under the BIL Scheme, options over existing shares of BIL may be issued to eligible participants including employees and executive directors of the BIL Group.

As at 1 July 2005, 7,600,000 options at an exercise price of S\$0.47 per BIL share were outstanding (the "Relevant Options"), which were granted on 12 May 2003. Out of the Relevant Options, 1,250,000 options lapsed during the year. Details of the balancing 6,350,000 Relevant Options are as follows:

No. of options	Exercise period	No. of options exercised during the year	Exercise date	Weighted average closing price immediately before the date of exercise S\$
2,550,000	6 September 2005 to 5 September 2006	2,550,000	13 September 2005	1.24
2,280,000	29 October 2005 to 28 October 2006	2,220,000 60,000	13 September 2005* 29 October 2005	1.24 1.27
1,520,000	28 April 2006 to 27 April 2007	1,480,000 40,000	13 September 2005* 28 April 2006	1.24 1.24

\* A resolution was passed by the remuneration committee of BIL on 6 September 2005 to allow exercise of all remaining vested options for a director.

During the year, a total of 6,350,000 options were exercised. No new options were granted pursuant to the BIL Scheme during the year and there were no outstanding options as at 30 June 2006.

### GuocoLand (Malaysia) Berhad ("GLM", subsidiary of the Company since 3 May 2006)

#### *Executive Share Option Scheme (the "GLM ESOS")*

The GLM ESOS as approved by the shareholders of GLM, was established in January 2006. Under the GLM ESOS, options over both newly issued and existing shares of GLM may be granted to eligible participants being executives or directors (executive or non-executive) of GLM and its subsidiaries.

Since the establishment up to 30 June 2006, no options had been granted pursuant to the GLM ESOS.

# Report of the Directors

## SHARE OPTIONS (Cont'd)

### GuocoLand (Malaysia) Berhad ("GLM", subsidiary of the Company since 3 May 2006) (Cont'd)

#### Executive Share Option Scheme (the "GLM ESOS") (Cont'd)

Save for above, certain other subsidiaries of Hong Leong Company (Malaysia) Berhad maintain share option schemes or plans which subsisted at the end of the year or at any time during the year, under which eligible directors of the Company may be granted share options for acquisition of shares of respective companies concerned. No person, being a director of the Company during the year, held shares acquired in pursuance of certain aforesaid share option schemes or plans.

Apart from the above, at no time during the year was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements 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.

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2006, other than the interests and short positions of the directors of the Company disclosed above, the persons who had interests or short positions in the shares and underlying shares of 5% or more in the Company's issued share capital as recorded in the register maintained by the Company under Section 336 of the SFO are as follows:

Shareholders	Capacity	Number of shares/underlying shares (Long Position)	Notes	Approx. % of the issued share capital
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	227,465,157	1	69.13%
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	227,465,157	2 & 3	69.13%
Hong Leong Investment Holdings Pte Ltd ("HLInv")	Interest of controlled corporations	227,465,157	2 & 4	69.13%
Kwek Holdings Pte Ltd ("KH")	Interest of controlled corporations	227,465,157	2 & 5	69.13%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	227,465,157	2 & 6	69.13%
Kwek Leng Kee ("KLK")	Interest of controlled corporations	227,465,157	2 & 7	69.13%
Third Avenue Management LLC	Investment Manager	16,535,300		5.03%

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS (Cont'd)

### Notes:

- These interests comprised 219,606,309 ordinary shares of the Company and 7,858,848 underlying shares of unlisted cash settled derivatives.

These interests comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
Guoinvest International Limited ("Guoinvest")	6,425,000
Asian Financial Common Wealth Limited ("AFCW")	4,026,862

AFCW was wholly owned by the Company which was in turn 65.52% owned by GOL. GOL and Guoinvest were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by HLCM.

- The interests of HLCM, HLH, HLIInv, KH, Davos and KLK are duplicated.
- HLH was deemed to be interested in these interests through its controlling interests in HLCM which was 49.11% owned by HLH (46.68%) and Mr Quek Leng Chan (2.43%).
- HLIInv was deemed to be interested in these interests through its controlling interests of 34.49% in HLCM.
- KH was deemed to be interested in these interests through its controlling interests of 49.00% in HLIInv.
- Davos was deemed to be interested in these interests through its controlling interests of 33.59% in HLIInv.
- KLK was deemed to be interested in these interests through his controlling interests of 41.92% in Davos.

Save as disclosed above, as at 30 June 2006, the Company had not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to the Part XV of the SFO or as recorded in the register maintained by the Company under Section 336 of the SFO.

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

### Services Agreements

- Services Agreement between the Company and GOMC Limited*

On 21 August 2001, the Company entered into a services agreement (the "GOMC Services Agreement") with Hong Leong Overseas (H.K.) Limited, which was renamed as GOMC Limited ("GOMC"), for the provision of certain services by GOMC to the Company and its subsidiaries and associated companies from time to time. The services agreed to be provided under the GOMC Services Agreement include formulation of strategy and planning, overseeing 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 GOMC and the Company) and an annual fee equal to 3% of the annual consolidated profits before tax of the Group for each financial year. The GOMC 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.

# Report of the Directors

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

### Services Agreements (Cont'd)

#### 1. *Services Agreement between the Company and GOMC Limited (Cont'd)*

On 31 August 2005, the Company and GOMC entered into a supplemental services agreement (the "Supplemental GOMC Services Agreement") to amend and supplement the GOMC Services Agreement with effect from 1 July 2005. The Supplemental GOMC Services Agreement amended the duration of the GOMC Services Agreement to three years ending on 30 June 2008 and introduced an annual cap of HK\$224 million ("Annual Cap") to the consideration under the agreement for each of the financial years ending 30 June 2008. In the event that the consideration payable by the Company under the GOMC Services Agreement as amended together with the total fees otherwise paid or payable to the Hong Leong Group by any subsidiary of the Company in respect of similar services, if any, would exceed the Annual Cap for any of the three years of its term, the Company will seek the approval of independent shareholders pursuant to the Listing Rules.

GOMC is an indirect wholly-owned subsidiary of Hong Leong Company (Malaysia) Berhad ("HLCM"), the ultimate holding company of the Company and thus GOMC is a connected person of the Company under the Listing Rules.

As Mr Quek Leng Chan and his associate own 5% or more of the issued shares of HLCM, he is deemed materially interested in the GOMC Services Agreement pursuant to the Bye-Laws of the Company.

The independent non-executive directors of the Company had reviewed the transactions under the GOMC Services Agreement as amended by the Supplemental GOMC Services Agreement (the "GOMC Transactions") during the year and confirmed that:

- a) the GOMC Transactions were entered into:
  - i) in the ordinary and usual course of business of the Company;
  - ii) on terms no less favourable to the Company than the terms available from independent third parties;
  - iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- b) the aggregate amount of the GOMC Transactions paid and payable by the Company was approximately HK\$171,476,000 for the year ended 30 June 2006, which together with the total fees paid or payable to Hong Leong Group by any subsidiary of the Company in respect of similar services did not exceed the Annual Cap for the year.

#### 2. *Services Agreements between BIL International Limited and Thistle Hotels Limited with GIMC Limited*

On 12 April 2004, BIL International Limited ("BIL") entered into a services agreement (the "BIL Services Agreement") with GIMC Limited ("GIMC") for the provision of certain services by GIMC to BIL and its subsidiaries and associated companies ("BIL Group") from time to time (excluding Thistle Hotels Limited ("Thistle") and its subsidiaries and associated companies ("Thistle Group")).

On the even day, Thistle (a wholly owned subsidiary of BIL) also entered into a services agreement (the "Thistle Services Agreement") with GIMC for the provision of certain services by GIMC to the Thistle Group.

The services agreed to be provided under both agreements include formulation of strategy and planning, overseeing investment and financial management, treasury and risk management services and technical assistance with respect to operating practices and procedures, accounting and other services.

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

### Services Agreements (Cont'd)

#### 2. *Services Agreements between BIL International Limited and Thistle Hotels Limited with GIMC Limited (Cont'd)*

The consideration for the services provided under the BIL Services Agreement was fixed at S\$20,000 per month (or such other amount as may be agreed from time to time between BIL and GIMC) and an annual fee equal to 3% of the annual consolidated profits before tax of the BIL Group (excluding the profit before tax of the Thistle Group) for each financial year.

The consideration for the services provided under the Thistle Services Agreement was fixed at US\$20,000 per month (or such other amount as may be agreed from time to time between Thistle and GIMC) and an annual fee equal to 3% of the annual profits before tax of Thistle for each financial year.

GIMC is an indirect wholly-owned subsidiary of Hong Leong Company (Malaysia) Berhad ("HLCM"), the ultimate holding company of the Company and thus GIMC is a connected person of the Company under the Listing Rules.

As Mr Quek Leng Chan and his associate own 5% or more of the issued shares of HLCM, he is deemed materially interested in both agreements pursuant to the Bye-Laws of the Company.

Further to the close of the mandatory general offer on the securities of BIL, BIL and thus Thistle have become subsidiaries of the Company since 21 October 2005. The BIL Services Agreement and the Thistle Services Agreement constitute continuing connected transactions for the Company.

During the period from 21 October 2005 up to 30 June 2006, the total fees paid and payable by BIL and Thistle under the aforesaid agreements were approximately HK\$9,840,000.

#### 3. *Services Agreement between GuocoLand (Malaysia) Berhad and HL Management Co Sdn Bhd*

On 3 January 2005, GuocoLand (Malaysia) Berhad ("GLM") entered into a services agreement (the "GLM Services Agreement") with HL Management Co Sdn Bhd ("HL Mgt") for the provision of certain services by HL Mgt to GLM from time to time.

The services agreed to be provided under the GLM Services Agreement include formulation of strategy and planning, overseeing 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 under the GLM Services Agreement comprises a monthly charge as may be agreed from time to time between GLM and HL Mgt (currently, RM10,000 per month) and an annual fee equal to 3% of the annual profits before tax of GLM for each financial year.

HL Mgt is an indirect wholly-owned subsidiary of Hong Leong Company (Malaysia) Berhad ("HLCM"), the ultimate holding company of the Company and thus HL Mgt is a connected person of the Company under the Listing Rules.

# Report of the Directors

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

### Services Agreements (Cont'd)

#### 3. *Services Agreement between GuocoLand (Malaysia) Berhad and HL Management Co Sdn Bhd (Cont'd)*

As Mr Quek Leng Chan and his associate own 5% or more of the issued shares of HLCM, he is deemed materially interested in the agreement pursuant to the Bye-Laws of the Company.

GLM has become a subsidiary of the Company since 3 May 2006 and thus the GLM Services Agreement constitute continuing connected transactions for the Company since then.

During the period from 3 May 2006 to 30 June 2006, the total fees paid and payable by GLM under the agreement were approximately HK\$243,000.

The aggregate of (i) the service fees of approximately HK\$171,476,000 paid and payable by the Company under the GOMC Services Agreement for the year ended 30 June 2006 and (ii) the total service fees of approximately HK\$10,083,000 paid or payable to the Hong Leong Group by any subsidiary of GGL in respect of similar services, including service fees paid and payable by BIL and Thistle under the BIL Services Agreement and the Thistle Services Agreement in respect of the period from 21 October 2005 to 30 June 2006 and by GLM under the GLM Services Agreement in respect of the period from 3 May 2006 to 30 June 2006, amounted to approximately HK\$181,559,000 which did not exceed the annual cap of HK\$224 million.

#### 4. *Services Agreement between the Company and GuocoLand Limited*

On 6 June 2003, the Company entered into a services agreement (the "GLL Services Agreement") with GuocoLand Limited ("GLL") for the provision of certain services by the Company to GLL and its subsidiaries and associated companies from time to time. The services agreed to be provided under the GLL Services Agreement include overseeing GLL's corporate strategies and planning and investment and financial management disciplines, treasury and risk management, human resource and management development, development of quality and productivity programmes and other operating practices and procedures. The consideration for the services provided was fixed at HK\$50,000 per month (or such other amount as may be agreed from time to time between GLL and the Company) and an annual fee equal to 3% of the annual consolidated profits before tax of GLL for each financial year. The GLL Services Agreement is for a term of six months up to 30 June 2003 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.

On 31 August 2005, the Company and GLL entered into a supplemental services agreement (the "Supplemental GLL Services Agreement") to amend and supplement the GLL Services Agreement with effect from 1 July 2005. The Supplemental GLL Services Agreement amends the duration of the GLL Services Agreement to three years ending on 30 June 2008 and introduced an annual cap of HK\$51 million (the "Annual Cap") to the consideration under the agreement for each of the financial year ending 30 June 2008. In the event that the consideration receivable by the Company under the GLL Services Agreement as amended would exceed the Annual Cap for any of the three years of its term, the Company will seek the approval of independent shareholders pursuant to the Listing Rules. Save for the said changes, there are no further substantial amendments to the GLL Services Agreement.

GLL is an indirect 63.9% subsidiary of the Company. A subsidiary of HLCM and other directors of the Company together holds 10% or more interests in GLL and thus GLL is regarded as a connected person of the Company under the Listing Rules.

As Mr Quek Leng Chan and his associate own 5% or more of the issued shares of GLL, he is deemed materially interested in the GLL Services Agreement pursuant to the Bye-Laws of the Company.

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

### Services Agreements (Cont'd)

#### 4. *Services Agreement between the Company and GuocoLand Limited (Cont'd)*

The independent non-executive directors of the Company had reviewed the transactions under the GLL Services Agreement as amended by the Supplemental GLL Services Agreement (the "GLL Transactions") during the year and confirmed that:

- a) the GLL Transactions were entered into:
  - i) in the ordinary and usual course of business of the Company;
  - ii) on terms no less favourable to the Company than the terms available to independent third parties;
  - iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- b) the aggregate amount of the GLL Transactions received and receivable by the Company was approximately HK\$24,910,000 for the year ended 30 June 2006, which did not exceed the Annual Cap for the year.

### Share Option Plan

#### 1. *Executives' Share Option Scheme of GuocoLand Limited*

GuocoLand Limited ("GLL") obtained shareholders' approval in October 2004 to modify its Executives' Share Option Scheme (the "ESOS") to provide for the satisfaction of the exercise of options through issue of new GLL shares or transfer of existing GLL shares or both. A trust for the ESOS (the "ESOS Trust") was also established in October 2004 pursuant to a trust deed (the "Trust Deed") between GLL and a trustee of the Trust (the "Trustee" which is a trust company unrelated to GLL) to acquire existing GLL shares for the purpose of the ESOS. GLL or its subsidiaries will make loans to the ESOS Trust from time to time to enable the ESOS Trust to acquire the existing GLL shares for the purpose of the ESOS.

Participants of the ESOS include executive directors of GLL Group who are deemed to be connected persons of the Company under the Listing Rules.

The grant of options to connected persons pursuant to the ESOS and the grant of loans to the ESOS Trust from time to time (the "GLL ESOS Transactions") constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company had reviewed the GLL ESOS Transactions during the year and confirmed that:

- a) there was no further grant of options under the ESOS during the year and the total number of GLL shares over which options were granted to directors of GLL Group, being connected persons of the Company under the Listing Rules, remained as 18,500,000 as at 30 June 2006;
- b) GLL granted loans amounting to S\$66,000,000 (approximately HK\$322,694,000) to the Trust for the year ended 30 June 2006 (the "Grant of Loans"). The maximum subsisting amount of loans outstanding during the year ended 30 June 2006 was S\$86,440,000 (approximately HK\$422,632,000) which did not exceed the cap amount of HK\$926,000,000 or its equivalent amount in other currencies (i.e. less than 2.5% of the value of the total assets based on the published audited accounts of the Company for the year ended 30 June 2004); and

# Report of the Directors

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

### Share Option Plan (Cont'd)

#### 1. *Executives' Share Option Scheme of GuocoLand Limited (Cont'd)*

- c) the Grant of Loans were entered into:
  - i) in the ordinary and usual course of business of the Company;
  - ii) on normal commercial terms; and
  - iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

#### 2. *The BIL Value Creation Incentive Share Scheme (the "BIL Scheme") of BIL International Limited*

The BIL Scheme is a share incentive scheme and was approved by the board of directors of BIL in 2003.

Under the BIL Scheme, options over existing shares of BIL may be issued to eligible participants including employees and executive directors of the BIL Group. The purpose of the BIL Scheme is to enable the participants to have an opportunity to have a personal equity interest in BIL and help to align their interests with that of the shareholders of BIL.

A trust for the BIL Scheme (the "BIL Trust") was established pursuant to a trust deed (the "BIL Trust Deed") between BIL and a trustee of the BIL Trust (the "BIL Trustee" which is a trust company unrelated to BIL) to acquire existing BIL shares for the purpose of the BIL Scheme. The BIL Group will provide finances to the BIL Trust from time to time to enable the BIL Trust to acquire existing BIL shares for the purpose of the BIL Scheme.

As BIL has become a subsidiary of the Company since 21 October 2005, participants of the BIL Scheme include executive directors of the BIL Group who are deemed to be connected persons of the Company under the Listing Rules. The grant of options to connected persons pursuant to the BIL Scheme and the provision of finances to the BIL Trust from time to time (the "BIL Scheme Transactions") constitute continuing connected transactions under Chapter 14A of the Listing Rules. For the purpose of complying with the Listing Rules, a cap of S\$60 million was set as the maximum aggregate value of finances to be provided by the BIL Group for the purchase of BIL shares for the purpose of the BIL Scheme.

The independent non-executive directors of the Company had reviewed the BIL Scheme Transactions during the period from 21 October 2005 to 30 June 2006 (the "Period") and confirmed that:

- a) there was no grant of options under the BIL Scheme for the Period; and
- b) during the Period, provision of finances amounting to approximately S\$22,035,000 was made by the BIL Group to the BIL Trust and the maximum subsisting amount of such finances was approximately S\$28,173,000 which did not exceed the cap amount of S\$60 million, the applicable percentage ratios of which are less than 2.5% under the Listing Rules. The provision of such finances were entered into:
  - i) in the ordinary and usual course of business of the Company;
  - ii) on normal commercial terms; and
  - iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

### Others

1. The Hong Leong Bank Berhad Group ("HLB Group") has, from time to time, provided services to the Group (including GLM in respect of the period from 3 May 2006 to 30 June 2006) in the ordinary course of its banking business including, inter alia, deposits, cheque clearing, remittance and the provision of account services in a variety of currencies. All services provided by HLB Group are in the ordinary course of business and on normal commercial terms.

HLB is an indirect subsidiary of HLCM, the ultimate holding company of the Company and thus HLB is a connected person of the Company pursuant to the Listing Rules.

2. During the year, the Group (including GLM in respect of the period from 3 May 2006 to 30 June 2006) regularly conducts investment, insurance, stockbroking, nominee, custodian, share registration, lease of premises and other activities in the ordinary course of business and on normal commercial terms with subsidiaries of, and companies related to, HLCM.

As Mr Quek Leng Chan and his associate own 5% or more of the issued shares of HLCM, he is deemed materially interested in the aforesaid transactions pursuant to the Bye-Laws of the Company.

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' INTERESTS IN COMPETING BUSINESS

Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are 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, distribution and property development and investment.

Mr Tan Lim Heng is a non-executive director and a shareholder of Shanghai Land Holdings Limited, a former associated company of the Company, which once engaged in property development and investment in the PRC and is now in voluntary liquidation.

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.

## SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company maintained sufficient public float at all times during the year.

## AUDITORS

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

By Order of the Board

**Kwek Leng Hai**

*President, CEO*

Hong Kong, 15 September 2006