



Guoco Group Limited

國浩集團有限公司

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS

On 28 June 2002, Guoco entered into three separate conditional sale and purchase agreements with FCC for the following transactions:

- 1) the proposed disposal of Guoco's 55% interest in GPL together with GPL Shareholder's Loan;
- 2) the proposed disposal of Guoco's 30% interest in GHRH together with GHRH Shareholder's Loan; and
- 3) the proposed acquisition of approximately 9.6% interest in OUE.

FCC proposed on 28 June 2002 the Rights Issue of one Ordinary Rights Share and one New NCCPS at an issue price of S\$1.00 each for every four Ordinary Shares held in FCC. Guoco has undertaken to procure the subscription and payment for the Rights Shares under its entitlement and also for the Excess Shares not taken up under the Rights Issue.

The Rights Issue and the Proposed Disposals are inter-conditional and inter-dependent whilst the Proposed Acquisition is independent from the Proposed Disposals and the Rights Issue.

PROPOSED DISPOSALS

1) Transaction 1 — GPL Agreement dated 28 June 2002

Parties

Vendor: Guoco
Purchaser: FCC

Interest to be disposed

11,000,000 ordinary shares of US\$1.00 each, representing 55% of the issued share capital of GPL together with the GPL Shareholder's Loan.

FCC is entitled under the GPL Agreement to nominate a subsidiary company to take up the aforesaid interest in GPL.

GPL is a joint venture vehicle owned as to 55% by Guoco and 45% by FCC to undertake property investments in PRC.

Consideration

The aggregate of (i) 55% of the audited consolidated net tangible asset value of GPL as at 30 June 2002 adjusted for the open market valuations of its real properties by an international accredited independent valuer appointed by Guoco and FCC; and (ii) an amount equivalent to the GPL Shareholder's Loan.

For indication purpose, the estimated consideration based on the aggregate of (i) 55% of the unaudited consolidated net tangible asset value of GPL as at 30 April 2002 adjusted for the aforesaid open market valuations of its real properties; and (ii) all shareholder's loans owing by GPL and its subsidiaries to Guoco together with interest accrued thereon up to 30 April 2002 was approximately US\$76 million (approximately HK\$593 million).

2) Transaction 2 — GHRH Agreement dated 28 June 2002

Parties

Vendor: Guoco
Purchaser: FCC

Interest to be disposed

83,100,000 ordinary shares of RM1.00 each, representing 30% of the issued share capital of GHRH together with the GHRH Shareholder's Loan.

FCC is entitled under the GHRH Agreement to nominate a subsidiary company to take up the aforesaid interest in GHRH.

GHRH is owned as to 30% by Guoco and 70% by HLPB which is an associate (as defined under the Listing Rules) of HLCoM, a deemed substantial shareholder of Guoco. GHRH is an investment holding company. Its subsidiaries and associated companies are primarily engaged in investment holding, property development, letting of investment properties and hotel operations in Malaysia and Vietnam.

Consideration

The aggregate of (i) RM45 million (approximately HK\$92 million), and (ii) an amount equivalent to the GHRH Shareholder's Loan.

The consideration represents a discount of approximately 20% to Guoco's attributable interest in the unaudited consolidated net tangible asset value of GHRH as at 31 March 2002 adjusted for, amongst other things, the open market valuations of its real properties by international accredited independent valuers appointed by Guoco and FCC. For indication purpose, the amount of shareholder's loan owed by GHRH, its subsidiaries and associated companies to Guoco as at 31 March 2002 was approximately RM227,000 (approximately HK\$465,000).

Conditions Precedent for Transactions 1 and 2

The completion of Transactions 1 and 2 are conditional upon, amongst other things, the fulfillment of the following conditions precedent:

- (a) the approval of FCC shareholders for Proposed Disposals;
- (b) the approval of FCC shareholders for the Rights Issue and receipt by FCC of proceeds from the Rights Issue;
- (c) all necessary regulatory approvals for the Rights Issue including the approval of the SGX-ST and the lodgement of FCC's abridged prospectus for the Rights Issue with the MAS;
- (d) the memorandum and articles of association of FCC being amended to effect the increase of authorised share capital of FCC; and
- (e) all necessary approvals from the relevant governmental or regulatory authorities or any other party as may be applicable.

If the conditions precedent are not fulfilled by 30 April 2003, the agreements for Proposed Disposals shall cease to bind the parties.

Completion

Completion of the Proposed Disposals will take place 5 business days after the fulfillment or waiver of all the conditions precedent or such other date as the parties may agree. Transactions 1 and 2 shall be completed simultaneously.

The considerations for the Proposed Disposals will be paid by FCC in cash upon completion. As FCC has proposed the Rights Issue (as referred to below) to finance the Proposed Disposals, Guoco will be in effect applying the sale proceeds from the Proposed Disposals for subscription of the Rights Shares under its entitlement and under the Excess Undertaking.

Undertakings made by Guoco

On 28 June 2002, Guoco has undertaken to procure GIPL and AFICL to subscribe and pay for the Rights Shares under their respective entitlements. Guoco has also undertaken to subscribe and pay for or procure a wholly owned subsidiary or wholly owned subsidiaries to subscribe and pay for the Excess Shares by way of acceptance or excess rights applications.

Guoco currently has an aggregate interest of 201,660,299 Ordinary Shares and 34,383,489 Existing NCCPS held via GIPL and AFICL. Guoco has indicated to FCC that it intends to convert all the aforesaid Existing NCCPS into Ordinary Shares prior to Books Closure Date. Presuming the conversion of the 34,383,489 Existing NCCPS into Ordinary Shares before Books Closure Date, the Group will be entitled under the Rights Issue up to 59,010,947 Ordinary Rights Shares and up to 59,010,947 New NCCPS with the total subscription payable amounting to approximately S\$118 million (approximately HK\$522 million). As the Rights Issue is offered on pro-rata basis to the shareholders of FCC, Guoco's interest in FCC may decrease to approximately 54.29%, based on the enlarged share capital of FCC after the Rights Issue assuming that all the outstanding warrants, share options and Existing NCCPS of FCC are converted into Ordinary Shares before the Books Closure Date.

Assuming that all the outstanding warrants, share options and Existing NCCPS of FCC are being converted into Ordinary Shares before the Books Closure Date, the maximum number of Excess Shares undertaken by Guoco under the Excess Undertaking is approximately 59.4 million with the total subscription payable amounting to approximately S\$59.4 million (approximately HK\$263 million). Guoco's interest in FCC may increase up to approximately 59.75%, having taken up all the Excess Shares under the Excess Undertaking.

Conditions Precedent for Guoco's undertakings

Guoco's undertaking to take up the Rights Shares under its entitlement and the Excess Undertaking are conditional upon:-

- (i) the approval of FCC shareholders for the Rights Issue and the Proposed Disposals being obtained and the fulfillment of such conditions precedents relating to the Proposed Disposals (other than the receipt of Rights Issue proceeds);
- (ii) the lodgement of FCC's abridged prospectus in respect of the Rights Issue with the MAS;
- (iii) the approval in-principle of the SGX-ST for the Rights Shares to be admitted to the official list of the SGX-ST; and
- (iv) there being no variation to the principal terms of the Rights Issue without Guoco's prior consent.

Reason of the Excess Undertaking

The main reason of the Excess Undertaking is to provide support, if necessary, for the Rights Issue.

GENERAL

The principal activity of Guoco is investment holding. The principal activities of its subsidiaries include property development, investment and management; stock and commodity broking and financing; insurance and fund management. The principal activities of its associated companies include banking and finance, insurance and stock broking, property development and merchant banking.

The principal activities of FCC include investment holding, investment dealing, property development and investment. It is a subsidiary of Guoco owned as to 50% by GIPL and 4.69% by AFICL.

CONNECTED TRANSACTIONS

As FCC is a non-wholly owned subsidiary of Guoco and a substantial shareholder of GPL and HLPB, being the majority shareholder of GHRH, is an associate (as defined under the Listing Rules) of HLCoM, the deemed substantial shareholder of Guoco, the Proposed Transactions and the Excess Undertaking constitute connected transactions for Guoco under the Listing Rules. The Directors considered that the Proposed Transactions and the Excess Undertaking are on normal commercial terms and the terms and conditions are fair and reasonable to Guoco.

As the maximum possible subscription money payable under the Excess Undertaking is less than 3% of the latest unaudited consolidated net tangible assets of Guoco as at 31 December 2001, no shareholders' approval is required. Details of the Excess Undertaking will be included in the next published annual reports of Guoco pursuant to Rule 14.25(1) (A) to (D) of the Listing Rules.

The translations between:

1. Singapore dollars and Hong Kong dollars at S\$1 = HK\$4.42;
2. Malaysia dollars and Hong Kong dollars at RM1 = HK\$2.05; and
3. United States dollars and Hong Kong dollars at US\$1 = HK\$7.80

stated in this announcement are for reference purpose only.

Definitions

"AFICL"	Asia Fountain Investment Company Limited, a limited company incorporated in Hong Kong and a wholly owned subsidiary of Guoco
"Books Closure Date"	The books closure date for the purposes of determining FCC shareholders' entitlements under the Rights Issue
"Directors"	The directors of Guoco
"Excess Shares"	Rights Shares which have not been subscribed and paid and which have not been taken up pursuant to the terms of the Rights Issue but after the FCC Directors' Undertaking

PROPOSED ACQUISITION

Transaction 3 — OUE Agreement dated 28 June 2002

Parties

Vendor: FCC
Purchaser: Guoco

Interest to be acquired

The OUE Shares, representing approximately 9.6% of the issued share capital of OUE.

Guoco is entitled under the OUE Agreement to specify a nominee to take up the aforesaid interest in OUE.

OUE is listed on the Main Board of the SGX-ST. Its principal activities include hotel operations and management in Singapore, Malaysia, PRC and Turkey, investment in commercial offices and shopping arcades in Singapore, Malaysia and Australia as well as investment holding.

Consideration

A cash consideration of approximately S\$118.6 million (approximately HK\$524 million), based on the simple average of the closing share prices of OUE shares quoted on the SGX-ST for the 30 trading days prior to the date of the OUE Agreement. The consideration will be financed by internal resources of Guoco.

Conditions Precedents for the Proposed Acquisition

The obligations of FCC and Guoco to complete the Proposed Acquisition are conditional upon the approval of FCC shareholders being obtained. If such approval is not obtained by 31 October 2002 or such other date as the parties may agree, the OUE Agreement shall cease to bind the parties.

In the event that, on or before completion of the Proposed Acquisition, there is an announcement of a general offer for the OUE Shares under the Singapore Code on Takeovers and Mergers including an offer made pursuant to a scheme of arrangement, reverse takeover, partial offer or otherwise, either party shall be entitled to terminate the OUE Agreement. Upon such termination, none of Guoco and FCC shall have any claim against the other for costs, damages, compensation or otherwise.

Completion

Completion of the Proposed Acquisition will take place 2 business days after the fulfillment or waiver of all conditions precedent or such other date as the parties may agree.

TERMS OF THE PROPOSED TRANSACTIONS

The respective considerations of the Proposed Transactions and the terms of the respective agreements were negotiated by the parties at arm's length and on a willing buyer willing seller basis and are considered by the Directors to be fair and reasonable to Guoco.

The Rights Issue and the Proposed Disposals are inter-conditional and inter-dependent whilst the Proposed Acquisition is independent from the Proposed Disposals and the Rights Issue.

REASONS FOR THE PROPOSED TRANSACTIONS

The Proposed Transactions are collectively a restructure exercise within the Group for strategic purposes. By the Proposed Disposals, Guoco's property related investments in Asia, except Hong Kong, will be consolidated in FCC. The Directors believe that such restructure exercise will enhance management efficiency of the Group's property business with FCC's knowledge and expertise given its continued focus on the property industry. Guoco will in turn benefit through its interest in FCC. The Proposed Acquisition will enhance Guoco's investment portfolio under its treasury, fund and investment management activities and is in line with FCC's programme to divest quoted securities in its equity trading portfolio.

RIGHTS ISSUE BY FCC

FCC proposes the Rights Issue on a renounceable basis of one Ordinary Rights Share and one New NCCPS at an issue price of S\$1.00 each for every four Ordinary Shares held as at Books Closure Date.

Terms of the Rights Issue

The Ordinary Rights Shares will be issued at the par value of S\$1.00 which represents a premium of approximately 4.7% from the last transacted price of S\$0.955 per Ordinary Share on the Main Board of the SGX-ST preceding the date of this announcement. The Ordinary Rights Shares, upon allotment and issue, will rank pari passu on all respects with the Ordinary Shares then in issue.

The New NCCPS will be issued at S\$1.00 each which represents a premium of S\$0.99 to its par value of S\$0.01. Principal Terms of New NCCPS are as follows:

Tenure : 3 years from issue date
Dividend : 4.5% p.a. payable semi-annually in arrears, ranking in priority over the other class of shares (other than the Existing NCCPS)
Conversion : Each New NCCPS may be converted into one Ordinary Share at any time during the tenure. At the third anniversary of the issue date, all outstanding New NCCPS will be converted into Ordinary Shares at the prevailing conversion ratio

Use of Proceeds by FCC

The net proceeds of the Rights Issue will be utilised by FCC as to approximately S\$155 million (approximately HK\$685 million) to finance the Proposed Disposals and the balance to repay bank borrowings, for working capital and new investments mainly in Singapore and PRC.

FCC Directors' Undertaking

Messrs. Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar and Quek Chee Hoon, directors of FCC, have undertaken to subscribe and pay for their respective entitlements under the Rights Issue and to apply for an aggregate of 20,000,000 Ordinary Rights Shares and 20,000,000 New NCCPS not subscribed and paid for and not taken up pursuant to the Rights Issue before satisfying excess applications by Guoco pursuant to the Excess Undertaking.

"Excess Undertaking"	The undertaking by Guoco to subscribe and pay for or procure a wholly owned subsidiary to subscribe and pay for the Excess Shares by way of acceptance or excess rights applications
"Existing NCCPS"	Non-redeemable convertible cumulative preference shares of S\$0.01 par value issued by FCC in 1999
"FCC"	First Capital Corporation Ltd, a company incorporated in Singapore and listed on the Main Board of the SGX-ST
"FCC Directors' Undertaking"	Undertaking by Messrs. Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar and Quek Chee Hoon, directors of FCC, to subscribe and pay for their respective entitlements under the Rights Issue and to apply for an aggregate of 20,000,000 Ordinary Rights Shares and 20,000,000 New NCCPS not subscribed and paid for pursuant to the Rights Issue before satisfying excess applications by Guoco pursuant to the Excess Undertaking
"GHRH"	Guoman Hotel & Resort Holdings Sdn Bhd, a limited company incorporated in Malaysia
"GHRH Agreement"	The conditional agreement relating to the sale and purchase of 83,100,000 ordinary shares of RM1.00 each in GHRH entered between Guoco and FCC
"GHRH Shareholder's Loan"	All amounts owed by GHRH, its subsidiaries and associated companies to Guoco together with the interest accrued thereon up to the date of completion
"GIPL"	Guoco Investment Pte Ltd, a limited company incorporated in Singapore and a wholly owned subsidiary of Guoco
"GPL"	Guoco Properties Limited, a limited company incorporated in Bermuda
"GPL Agreement"	The conditional agreement relating to the sale and purchase of the 11,000,000 ordinary shares of US\$1.00 each in GPL entered between Guoco and FCC
"GPL Shareholder's Loan"	All amounts owed by GPL and its subsidiaries to Guoco together with the interest accrued thereon up to the date of completion
"Group"	Guoco and its subsidiaries
"Guoco"	Guoco Group Limited, a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange
"HK\$"	Hong Kong dollars
"HLPB"	Hong Leong Properties Berhad
"HLCoM"	Hong Leong Company (Malaysia) Berhad
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"MAS"	Monetary Authority of Singapore
"New NCCPS"	New non-redeemable convertible cumulative preference shares of S\$0.01 par value to be issued by FCC under the Rights Issue
"Ordinary Rights Share"	New ordinary shares of S\$1.00 each in the capital of FCC to be issued by FCC pursuant to the Rights Issue
"Ordinary Share"	Fully-paid ordinary shares of S\$1.00 each in the capital of FCC
"OUE"	Overseas Union Enterprise Limited, a company incorporated in Singapore
"OUE Agreement"	The conditional agreement relating to the sale and purchase of the OUE Shares
"OUE Shares"	16,994,000 ordinary shares of par value S\$1.00 of OUE
"PRC"	The People's Republic of China
"Proposed Acquisition" or "Transaction 3"	The proposed transaction contemplated under the OUE Agreement
"Proposed Disposals"	Transactions 1 and 2
"Proposed Transactions"	Collectively referring to Transaction 1, Transaction 2 and Transaction 3
"Rights Issue"	Rights Issue proposed by FCC on a renounceable basis of one Ordinary Rights Share and one New NCCPS at an issue price of S\$1.00 each for every four Ordinary Shares held as at the Books Closure Date
"Rights Shares"	Ordinary Rights Share and New NCCPS, and "Rights Share" means any of them
"RM"	Malaysia Ringgits
"S\$"	Singapore dollars
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction 1"	The proposed transaction contemplated under the GPL Agreement
"Transaction 2"	The proposed transaction contemplated under the GHRH Agreement
"US\$"	United States dollars

By order of the Board
Guoco Group Limited
Stella Lo Sze Man
Company Secretary

Hong Kong, 28 June 2002

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Journal.