

The directors of Asia Financial Holdings Limited (the “Company”) are pleased to present the Interim Report and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June		Change %
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	
<b>TURNOVER</b>	3	<b>431,426</b>	443,124	(2.6)
Other revenue	3	<b>37,649</b>	51,577	
Other net expenses	3	<b>(24,384)</b>	(31,337)	
Other operating expenses		<b>(409,310)</b>	(378,840)	
<b>PROFIT FROM OPERATING ACTIVITIES</b>	4	<b>35,381</b>	84,524	(58.1)
Share of results of:				
Jointly-controlled entities		<b>(4,463)</b>	(6,900)	
Associates		<b>1,644</b>	10	
<b>PROFIT BEFORE TAX</b>		<b>32,562</b>	77,634	
Tax	5	<b>(8,293)</b>	(14,161)	
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>24,269</b>	63,473	
Minority interests		<b>279</b>	(435)	
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>24,548</b>	63,038	(61.1)
<b>TRANSFER FROM/(TO) CAPITAL RESERVE</b>	6	<b>4,250</b>	(4,250)	
<b>INTERIM DIVIDEND</b>	7	<b>12,696</b>	19,027	
<b>EARNINGS PER SHARE – Basic</b>	8	<b>2.3</b>	6.1	(62.3)
<b>INTERIM DIVIDEND PER SHARE</b>	7	<b>1.2</b>	1.8	(33.3)

## CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2002

		<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
<b>ASSETS</b>			
Cash and short term funds	9	<b>3,371,172</b>	3,723,301
Placements with banks and other financial institutions maturing between one and twelve months	10	<b>1,222,012</b>	681,963
Amounts due from reinsurance companies		<b>22,528</b>	38,046
Premium receivables	11	<b>93,175</b>	83,041
Other investments	12	<b>300,222</b>	242,886
Certificates of deposit held	13	<b>293,803</b>	223,820
Held-to-maturity securities	14	<b>1,155,883</b>	1,185,345
Advances and other assets	15	<b>7,760,394</b>	8,169,031
Investment securities	16	<b>227,848</b>	237,072
Interests in jointly-controlled entities		<b>51,884</b>	56,347
Loans to jointly-controlled entities		<b>37,050</b>	37,050
Interests in associates		<b>8,014</b>	26,101
Due from associates		<b>450</b>	875
Intangible assets		<b>1,102</b>	1,174
Fixed assets		<b>418,433</b>	423,519
		<b><u>14,963,970</u></b>	<b><u>15,129,571</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		<b>1,058,021</b>	1,058,021
Reserves		<b>2,053,947</b>	2,042,095
Proposed dividend		<b>12,696</b>	10,580
		<b><u>3,124,664</u></b>	<b><u>3,110,696</u></b>
<b>LIABILITIES</b>			
Bank overdrafts, secured		–	60
Deposits and balances of banks and other financial institutions	17	<b>381,667</b>	254,528
Current, fixed, savings and other deposits of customers	18	<b>9,538,706</b>	9,944,521
Certificates of deposit issued	19	<b>1,275,000</b>	1,200,000
Accrued liabilities and other payables		<b>234,644</b>	202,597
Due to associates		–	18,569
Tax payable		<b>9,180</b>	4,484
Amounts due to reinsurance companies		<b>76,748</b>	96,156
Unearned premiums		<b>155,615</b>	131,051
Life and contingency reserves		<b>11,847</b>	11,236
Provisions for outstanding claims		<b>147,640</b>	142,149
Deferred tax		<b>3,240</b>	3,258
		<b><u>11,834,287</u></b>	<b><u>12,008,609</u></b>
<b>MINORITY INTERESTS</b>		<b>5,019</b>	10,266
		<b><u>14,963,970</u></b>	<b><u>15,129,571</u></b>

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Total equity at 1 Jan	3,110,696	3,126,215
Final dividend paid	(10,580)	(57,046)
Issue of shares in lieu of cash dividends	–	27,281
Net profit from ordinary activities attributable to shareholders	<u>24,548</u>	<u>63,038</u>
<b>Total equity at 30 Jun</b>	<b><u>3,124,664</u></b>	<b><u>3,159,488</u></b>

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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash outflow from operating activities	<b>(303,389)</b>	(522,012)
Net cash outflow from investing activities	<b>(146,491)</b>	(169,268)
Net cash outflow from financing activities	<b>(10,580)</b>	(62,581)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(460,460)</b>	(753,861)
Cash and cash equivalents at beginning of period	<b>4,283,919</b>	4,718,778
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>3,823,459</u></b>	<u>3,964,917</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and balances with banks and other financial institutions	<b>423,339</b>	141,943
Money at call and short notice with original maturity within three months	<b>2,729,713</b>	3,542,170
Treasury bills including Exchange Fund Bills with original maturity within three months	<b>119,873</b>	49,938
Placements with banks and other financial institutions with original maturity within three months	<b>528,113</b>	536,336
Held-to-maturity securities with original maturity within three months	<b>404,088</b>	352,881
Deposits and balances of banks and other financial institutions with original maturity within three months	<b>(381,667)</b>	(654,953)
Pledged bank deposits (included in the balances and placements with banks and other financial institutions as presented above)	<b>—</b>	(3,398)
	<b><u>3,823,459</u></b>	<u>3,964,917</u>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No.25 “Interim Financial Reporting”. The accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 31 December 2001, except that the Group has adopted the revised SSAP 15 “Cash Flow Statements”, which become effective for the current accounting period. SSAP 15 (Revised) “Cash Flow Statements” prescribes the provision of information about the historical changes in cash and cash equivalents. The condensed consolidated cash flow statement for the current interim period and the comparative figures are presented in accordance with the revised SSAP.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

### 2. SEGMENT INFORMATION

#### Business segments

The following tables present revenue and results for the Group’s business segments.

	Banking HK\$’000	Insurance HK\$’000	Investment services HK\$’000	Corporate and other HK\$’000	Eliminations HK\$’000	Consolidated HK\$’000
<b>For the six months ended</b>						
<b>30 June 2002</b>						
<b>Segment revenue:</b>						
External customers	142,487	273,956	14,983	–	–	431,426
Inter-segment	141	1,559	922	–	(2,622)	–
<b>Total</b>	<b>142,628</b>	<b>275,515</b>	<b>15,905</b>	<b>–</b>	<b>(2,622)</b>	<b>431,426</b>
<b>Segment results</b>	<b>34,154</b>	<b>17,949</b>	<b>(14,276)</b>	<b>(2,446)</b>	<b>–</b>	<b>35,381</b>
<b>Share of results of:</b>						
Jointly-controlled entities	(4,500)	37	–	–	–	(4,463)
Associates	–	(158)	–	1,802	–	1,644
<b>Profit before tax</b>						<b>32,562</b>
<b>Tax</b>						<b>(8,293)</b>
<b>Profit before minority interests</b>						<b>24,269</b>
<b>Minority interests</b>						<b>279</b>
<b>Net profit from ordinary activities attributable to shareholders</b>						<b>24,548</b>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. SEGMENT INFORMATION (continued)

#### Business segments (continued)

	Banking HK\$'000	Insurance HK\$'000	Investment services HK\$'000	Corporate and other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2001						
Segment revenue:						
External customers	177,787	224,295	41,042	–	–	443,124
Inter-segment	(6,056)	5,486	1,064	–	(494)	–
Total	<u>171,731</u>	<u>229,781</u>	<u>42,106</u>	<u>–</u>	<u>(494)</u>	<u>443,124</u>
Segment results	<u>53,895</u>	<u>22,875</u>	<u>5,716</u>	<u>(10,695)</u>	<u>12,733</u>	84,524
Share of results of:						
Jointly-controlled entities	(6,900)	–	–	–	–	(6,900)
Associates	–	–	6	4	–	10
Profit before tax						77,634
Tax						(14,161)
Profit before minority interests						63,473
Minority interests						(435)
Net profit from ordinary activities attributable to shareholders						<u>63,038</u>

#### Geographical segments

Over 90% of the Group's revenue and results are derived from operations carried out in Hong Kong.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. TURNOVER AND REVENUE

Turnover represents the aggregate of gross premiums on fire, marine, general accident and life insurance, brokerage commission income for securities dealing, and net interest income from the provision of margin finance for securities dealing. Turnover also includes net interest income, commissions, fees and other revenue earned from the banking business.

An analysis of the Group's turnover and revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Banking:		
Interest income relating to banking business	<b>207,459</b>	427,590
Interest expense relating to banking business	<b>(92,142)</b>	(274,484)
Net fees and commission income relating to banking business	<b>20,917</b>	18,223
Gains less losses arising from dealing in foreign currencies	<b>3,378</b>	3,523
Other operating income from banking business	<b>2,875</b>	2,935
	<b>142,487</b>	177,787
Insurance:		
Gross premiums written	<b>273,956</b>	224,295
Investment services:		
Brokerage commission income	<b>9,887</b>	31,069
Interest income relating to provision of margin finance business	<b>5,290</b>	10,618
Interest expense relating to provision of margin finance business	<b>(194)</b>	(645)
	<b>14,983</b>	41,042
Turnover	<b>431,426</b>	443,124
Reinsurance commission income	<b>16,220</b>	20,798
Dividend income from:		
Listed investments	<b>1,684</b>	1,638
Unlisted investments*	<b>1,692</b>	1,800
Interest income, excluding that relating to the banking and provision of margin finance business	<b>13,981</b>	23,416
Other income	<b>4,072</b>	3,925
Other revenue	<b>37,649</b>	51,577
	<b>469,075</b>	494,701

\* Excluding that relating to the banking business which is included in turnover.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. TURNOVER AND REVENUE (continued)

The other net income/(expenses) of the Group are analysed as follows:

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Increase in unearned premiums	(24,564)	(22,955)
Increase in life and contingency reserves	(610)	(4,058)
Gain/(loss) on disposal of other investments, net	1,917	(710)
Unrealised loss on other investments, net	(1,749)	(10,469)
Gain less loss on disposal of investment securities	392	145
Write back of impairment/ (impairment) of held-to-maturity securities and investment securities	(68)	3,350
Gain/(loss) on disposal of held-to maturity securities	(139)	4,212
Gain on disposal of subsidiaries	441	–
Loss on disposal of fixed assets, net	(4)	(852)
	<u>(24,384)</u>	<u>(31,337)</u>

### 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Reinsurance premiums ceded	110,206	89,302
Commission expenses for insurance business	59,610	48,976
Net claims after deducting recoveries from reinsurers	69,145	59,343
Commission expenses for investment service business	5,297	10,927
Auditors' remuneration	1,561	1,583
Depreciation charges	13,112	11,742
Fixed assets written off	2	–
Amortisation of intangible assets	72	72
Staff costs (including directors' remuneration)	88,544	83,752
Minimum lease payments under operating leases in respect of land and buildings	6,709	6,458
Provision against bad and doubtful debts	19,384	19,762
	<u>19,384</u>	<u>19,762</u>



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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. TAX

Hong Kong profits tax for the Group has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Hong Kong	6,967	12,827
Elsewhere	1,326	1,334
	<u>8,293</u>	<u>14,161</u>

### 6. TRANSFER FROM/(TO) CAPITAL RESERVE

During the period, Asia Financial Capital Limited (“AFCL”), a 85%-owned subsidiary of the Company was fully disposed of. Accordingly, an amount of HK\$4,250,000 in the non-distributable capital reserve which was previously transferred from retained profits as a result of the capitalisation upon issue of new ordinary shares of AFCL in 2001, was transferred back to the retained profits.

### 7. INTERIM DIVIDEND

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interim dividend: HK1.2 cents (2001: HK1.8 cents) per ordinary share	<u>12,696</u>	<u>19,027</u>

The directors have resolved to pay an interim dividend of HK1.2 cents per share, which will be paid in cash, for the six months ended 30 June 2002 (2001: HK1.8 cents per share) payable on 25 October 2002 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 18 October 2002.

Total interim dividend will be HK\$12,696,257 on the basis of 1,058,021,428 shares in issue during the period (2001: HK\$19,027,061 for 1,057,058,924 shares).

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK\$24,548,000 (2001: HK\$63,038,000) and the weighted average of 1,058,021,428 (2001: 1,038,184,927) ordinary shares in issue during the period.

Diluted earnings per share for each of the six months ended 30 June 2002 and 2001 has not been calculated as no diluting events existed during these periods.

### 9. CASH AND SHORT TERM FUNDS

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Cash in hand and balances with banks and other financial institutions	<b>423,339</b>	183,603
Money at call and short notice	<b>2,827,960</b>	3,370,327
Treasury bills including Exchange Fund Bills #	<b>119,873</b>	169,371
	<b><u>3,371,172</u></b>	<u>3,723,301</u>

# The treasury bills (including Exchange Fund Bills) are all unlisted debt securities issued by central governments and central banks. The maturity profile of which as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
With a residual maturity of:		
Three months or less	<b>119,873</b>	99,806
One year or less but over three months	–	69,565
	<b><u>119,873</u></b>	<u>169,371</u>

### 10. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND TWELVE MONTHS

The maturity profile of placements with banks and other financial institutions maturing between one and twelve months as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
With a residual maturity of:		
Three months or less	<b>763,914</b>	558,400
One year or less but over three months	<b>458,098</b>	123,563
	<b><u>1,222,012</u></b>	<u>681,963</u>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. PREMIUM RECEIVABLES

The ageing analysis of the Group's premium receivables as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Three months or less	<b>75,869</b>	65,526
Six months or less but over three months	<b>20,555</b>	16,204
One year or less but over six months	<b>2,060</b>	4,393
Over one year	<b>246</b>	2,473
	<b>98,730</b>	88,596
Less: Provision for bad and doubtful debts	<b>(5,555)</b>	(5,555)
	<b>93,175</b>	83,041

### 12. OTHER INVESTMENTS

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Listed equity, at market value		
– in Hong Kong	<b>100,474</b>	58,467
– outside Hong Kong	<b>37,392</b>	17,602
	<b>137,866</b>	76,069
Debt listed outside Hong Kong, at market value	<b>33,638</b>	16,685
Investment funds		
– listed in Hong Kong, at market value	<b>2,151</b>	2,978
– listed outside Hong Kong, at market value	<b>49,679</b>	59,664
– unlisted	<b>52,062</b>	79,545
	<b>103,892</b>	142,187
Equity-linked notes	<b>24,826</b>	7,945
	<b>300,222</b>	242,886

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. OTHER INVESTMENTS (continued)

The other investments analysed by the sector of the issuers as at the balance sheet date are as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Public sector entities	<b>13,211</b>	29,388
Banks and other financial institutions	<b>95,283</b>	6,218
Corporate entities	<b>191,728</b>	207,280
	<b><u>300,222</u></b>	<u>242,886</u>

### 13. CERTIFICATES OF DEPOSIT HELD

Certificates of deposit held by the Group are all unlisted debt securities.

The maturity profile of certificates of deposit held as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
With a residual maturity of:		
Three months or less	<b>109,981</b>	40,005
One year or less but over three months	<b>74,998</b>	104,915
Five years or less but over one year	<b>108,824</b>	78,900
	<b><u>293,803</u></b>	<u>223,820</u>

### 14. HELD-TO-MATURITY SECURITIES

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Listed debt		
– in Hong Kong	<b>25,002</b>	55,875
– outside Hong Kong	<b>321,984</b>	175,132
	<b>346,986</b>	231,007
Unlisted debt	<b>808,897</b>	954,338
	<b><u>1,155,883</u></b>	<u>1,185,345</u>
Market value of listed held-to-maturity securities	<b><u>354,744</u></b>	<u>236,269</u>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. HELD-TO-MATURITY SECURITIES (continued)

The held-to-maturity securities analysed by the sector of the issuers as at the balance sheet date are as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Public sector entities	<b>18,267</b>	7,448
Banks and other financial institutions	<b>539,662</b>	231,672
Corporate entities	<b>597,954</b>	946,225
	<b><u>1,155,883</u></b>	<u>1,185,345</u>

The maturity profile of held-to-maturity securities as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
With a residual maturity of:		
Three months or less	<b>606,105</b>	816,711
One year or less but over three months	<b>130,520</b>	8,020
Five years or less but over one year	<b>263,141</b>	227,256
Over five years	<b>156,117</b>	133,358
	<b><u>1,155,883</u></b>	<u>1,185,345</u>

### 15. ADVANCES AND OTHER ASSETS

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Advances to customers	<b>7,817,988</b>	8,177,405
Provision for bad and doubtful debts	<b>(187,621)</b>	(218,263)
	<b><u>7,630,367</u></b>	<u>7,959,142</u>
Accrued interest and other assets	<b>130,537</b>	209,409
Provision for bad and doubtful debts	<b>(1,291)</b>	(1,355)
Provision for impairment	<b>(700)</b>	(1,140)
	<b><u>128,546</u></b>	<u>206,914</u>
Dividends receivable	<b>522</b>	–
Tax recoverable	<b>959</b>	2,975
Total	<b><u>7,760,394</u></b>	<u>8,169,031</u>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. ADVANCES AND OTHER ASSETS (continued)

The maturity profile of advances to customers as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Repayable on demand	<b>749,360</b>	801,055
With a residual maturity of:		
Three months or less	<b>1,133,047</b>	920,509
One year or less but over three months	<b>643,147</b>	660,355
Five years or less but over one year	<b>2,208,723</b>	2,352,671
Over five years	<b>2,826,688</b>	3,182,987
Undated	<b>257,023</b>	259,828
	<b><u>7,817,988</u></b>	<u>8,177,405</u>

### 16. INVESTMENT SECURITIES

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Listed equity outside Hong Kong, at cost	<b>195,867</b>	204,005
Provision for impairment	<b>(26,333)</b>	(27,256)
	<b><u>169,534</u></b>	<u>176,749</u>
Unlisted		
– equity	<b>40,876</b>	41,149
– debt	<b>17,438</b>	19,174
	<b><u>58,314</u></b>	<u>60,323</u>
Total	<b><u>227,848</u></b>	<u>237,072</u>
Market value of listed investment securities	<b><u>155,607</u></b>	<u>108,550</u>

The directors are of the opinion that the decline in market value of the listed investment securities as at the balance sheet date, except for the amount of HK\$26,333,000 already provided for, is temporary in nature and, accordingly, no additional provision in respect of the carrying value thereof has been made in these financial statements.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. INVESTMENT SECURITIES (continued)

The investment securities analysed by the sector of the issuers as at the balance sheet date are as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Banks and other financial institutions	<b>130,266</b>	176,749
Corporate entities	<b>89,503</b>	57,448
Others	<b>8,079</b>	2,875
	<b><u>227,848</u></b>	<u>237,072</u>

The maturity profile of debt securities included in investment securities as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
With a residual maturity of five years or less but over one year	<b>3,468</b>	2,876
Undated	<b>13,970</b>	16,298
	<b><u>17,438</u></b>	<u>19,174</u>

### 17. DEPOSITS AND BALANCES OF BANKS AND OTHER FINANCIAL INSTITUTIONS

The maturity profile of deposits and balances of banks and other financial institutions as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Repayable on demand	<b>15,413</b>	16,967
With a residual maturity of three months or less	<b>366,254</b>	237,561
	<b><u>381,667</u></b>	<u>254,528</u>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. CURRENT, FIXED, SAVINGS AND OTHER DEPOSITS OF CUSTOMERS

The maturity profile of current, fixed, savings and other deposits of customers as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Repayable on demand	<b>1,511,672</b>	1,648,107
With a residual maturity of:		
Three months or less	<b>7,416,486</b>	7,940,639
One year or less but over three months	<b>604,216</b>	345,337
Five years or less but over one year	<b>6,332</b>	10,438
	<b><u>9,538,706</u></b>	<b><u>9,944,521</u></b>

### 19. CERTIFICATES OF DEPOSIT ISSUED

The maturity profile of certificates of deposit issued as at the balance sheet date is as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
With a residual maturity of:		
Three months or less	<b>500,000</b>	–
One year or less but over three months	<b>675,000</b>	600,000
Five years or less but over one year	<b>100,000</b>	600,000
	<b><u>1,275,000</u></b>	<b><u>1,200,000</u></b>

### 20. OFF-BALANCE SHEET EXPOSURES

#### (a) Contingent liabilities and commitments

The following is a summary of the contractual amount of each significant class of contingent liabilities and commitments of the Group (which are attributable to its banking business) which remained outstanding at the balance sheet date:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Direct credit substitutes	<b>43,016</b>	35,952
Transaction-related contingencies	<b>9,455</b>	9,076
Trade-related contingencies	<b>230,799</b>	175,820
Forward forward deposit placed	<b>59,971</b>	–
Other commitments with an original maturity of under one year or which are unconditionally cancellable	<b>2,924,663</b>	3,077,444
Other commitments with an original maturity of one year and over	<b>260,994</b>	325,534
	<b><u>3,528,898</u></b>	<b><u>3,623,826</u></b>

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. OFF-BALANCE SHEET EXPOSURES (continued)

(b) Derivatives

The following is a summary of the contractual amount of each significant class of derivatives entered into by the Group (which are attributable to its banking business) which remained outstanding at the balance sheet date:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Exchange rate contracts	<b><u>2,912,760</u></b>	<u>2,836,286</u>

(c) The aggregate replacement costs and credit risk weighted amounts of the above off-balance sheet exposures, which do not take into account the effects of bilateral netting arrangements, are:

	<b>At 30 June 2002</b>		At 31 December 2001	
	<b>Replacement cost (Unaudited) HK\$'000</b>	<b>Credit risk weighted amount (Unaudited) HK\$'000</b>	Replacement cost (Audited) HK\$'000	Credit risk weighted amount (Audited) HK\$'000
Contingent liabilities and commitments	–	<b>212,997</b>	–	217,523
Exchange rate contracts	<b><u>6,404</u></b>	<b><u>5,888</u></b>	<u>6,330</u>	<u>5,683</u>
	<b><u>6,404</u></b>	<b><u>218,885</u></b>	<u>6,330</u>	<u>223,206</u>

### 21. OTHER COMMITMENTS

(a) At the balance sheet date, the Group had capital commitments as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Contracted, but not provided for	<b><u>3,120</u></b>	<u>6,044</u>

The Company did not have any significant capital commitments as at the balance sheet date.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 21. OTHER COMMITMENTS (continued)

- (b) The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Audited) HK\$'000
Within one year	<b>8,751</b>	6,950
In the second to fifth years, inclusive	<b>5,505</b>	4,597
	<b><u>14,256</u></b>	<u>11,547</u>

The Company did not have any significant commitments under non-cancellable operating leases.

### 22. RELATED PARTY TRANSACTIONS

	<b>At 30 June 2002</b>		At 31 December 2001	
	<b>Directors and key management personnel (Unaudited) HK\$'000</b>	<b>Enterprises and individuals related to directors and key management personnel (Unaudited) HK\$'000</b>	Directors and key management personnel (Audited) HK\$'000	Enterprises and individuals related to directors and key management personnel (Audited) HK\$'000
Loans and advances granted:				
Aggregate balance at balance sheet date	<b>11,831</b>	<b>29,628</b>	11,954	20,576
Deposits received:				
Aggregate balance at balance sheet date	<b>109,861</b>	<b>331,234</b>	110,184	300,411
Interbank activities:				
Deposits placed	–	<b>486,448</b>	–	339,866
Deposits received	–	<b>5,872</b>	–	1,282
Standby credit facilities available to the Group	<b>–</b>	<b>624,000</b>	<b>–</b>	<u>623,784</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 22. RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 June 2002		Six months ended 30 June 2001	
	Directors and key management personnel (Unaudited) HK\$'000	Enterprises and individuals related to directors and key management personnel (Unaudited) HK\$'000	Directors and key management personnel (Unaudited) HK\$'000	Enterprises and individuals related to directors and key management personnel (Unaudited) HK\$'000
Loans and advances granted:				
Interest income received and receivable	182	178	349	858
Deposits received:				
Interest expenses paid and payable	865	3,469	2,607	7,098
Interbank activities:				
Interest income	–	1,793	–	5,142
Interest expenses	–	27	–	623
Premium income:				
Gross premiums written	100	3,196	79	535
Reinsurance premium ceded	–	27,227	–	8,245
Commission income, net	–	3,762	7	694
Rental expenses	–	96	–	132

In addition, the Group had the following transactions with jointly-controlled entities during the year:

	At 30 June 2002 (Unaudited) HK\$'000	At 31 December 2001 (Audited) HK\$'000
Loans and advances granted:		
Aggregate balance at balance sheet date	–	16,880
Deposits received:		
Aggregate balance at balance sheet date	173,329	137,813
	<b>Six months ended 30 June 2002 (Unaudited) HK\$'000</b>	<b>2001 (Unaudited) HK\$'000</b>
Loans and advances granted:		
Interest income received and receivable	–	340
Deposits received:		
Interest expenses paid and payable	1,241	2,213
Reinsurance premiums ceded	2	–
Service fees paid	4,187	2,580

All the above transactions were carried out within the scope of the normal business of the Group under normal commercial terms and conditions, except for certain loans which were granted to key management personnel under the Staff Housing Loan Policy of the Group.

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## SUPPLEMENTARY FINANCIAL INFORMATION

### Gross advances to customers by industry sectors

	<b>At 30 June 2002 (Unaudited) HK\$'000</b>	At 31 December 2001 (Unaudited) HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
Property development	<b>190,142</b>	170,745
Property investment	<b>963,221</b>	1,068,852
Financial concerns	<b>147,303</b>	139,660
Stockbrokers	<b>61,694</b>	89,102
Wholesale and retail trade	<b>12,686</b>	14,196
Manufacturing	<b>193,833</b>	200,699
Transport and transport equipment	<b>283,517</b>	280,037
Others	<b>931,211</b>	893,620
Individuals:		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	<b>593,975</b>	642,956
Loans for the purchase of other residential properties	<b>2,946,857</b>	3,157,031
Credit Card advances	<b>37,195</b>	44,727
Others	<b>336,182</b>	370,535
Trade finance	<b>783,218</b>	759,637
Loans for use outside Hong Kong	<b>336,954</b>	345,608
	<b><u>7,817,988</u></b>	<u>8,177,405</u>

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## SUPPLEMENTARY FINANCIAL INFORMATION (continued)

### Risk management

The Group has established policies and procedures for identifying, evaluating, monitoring and controlling the various types of risks pertaining to the Group's business. The key risks include credit risk, liquidity risk, capital management risk, market risk, interest rate risk, foreign exchange risk and operational risk.

The overall internal control environment and the management policies for major types of risks are as follows:

(1) *Internal control environment*

The internal control framework of the Group comprises comprehensive control policies and standards. The areas of responsibility of each business and operational unit are clearly defined. Internal control procedures have been established based on the risk inherent in the individual business unit.

The internal audit department plays an important role in the Group's internal control framework. It ensures the effectiveness of the internal control procedures and monitors compliance with the policies and standards across the whole Group. A direct reporting line to the Audit Committee under the Board of Directors safeguards its independence. The Audit Committee meets periodically to review and discuss financial performance, internal control and compliance issues and matters raised by the external auditors to ensure that all audit recommendations are implemented.

(2) *Credit risk management*

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the lending, trade finance, treasury and other activities undertaken by the Group.

The Group has a credit risk management process to measure, monitor and control credit risks. The Credit Policy Manual defines the credit extension and measurement criteria, the credit review, approval and monitoring processes, and the loan classification and provisioning systems. The Group has a hierarchy of credit authority which approves credit in compliance with the Group's credit policy; exposures are monitored against credit limits and other control limits (such as large exposures and concentration limits); segregation of duties in key credit functions is in place to ensure separate credit control and monitoring; and management and recovery of problem credits are handled by an independent work-out team.

The Group manages its credit risk within a conservative framework. Its credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and the Group's capital resources.

Credit and compliance audits are periodically performed to evaluate the effectiveness of the credit process and to test the compliance of the established credit policies and procedures.

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## SUPPLEMENTARY FINANCIAL INFORMATION (continued)

### Risk management (continued)

#### (3) *Liquidity risk management*

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. To manage liquidity risk, the Group has established liquidity management policies that are pertinent to the operations of the major business units. The policies are reviewed by the Asset and Liability Management Committee (“ALCO”) of the business unit and approved by the directors.

The Group measures and monitors its liquidity through the maintenance of prudent ratios and limits that are laid down in the liquidity policies. These include the liquidity structure of the Group’s assets, liabilities and commitments, statutory liquidity ratios, loan-to-deposit ratios, interest rate gaps, maturity mismatch positions and net asset positions.

The Group also maintains a prudent level of high quality liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. In addition, standby facilities are established to provide contingency liquidity support.

#### (4) *Capital management risk*

The Group’s policy is to maintain a strong capital base to support the development of the Group’s business and to meet the statutory capital or solvency margin requirements. Capital is allocated to the various activities of the Group depending on the risk reward criteria and regulatory capital requirements.

The banking subsidiary is required to maintain minimum capital subject to the Hong Kong Monetary Authority’s capital requirement regulations and supervision process. The securities and investment services subsidiaries are regulated by the Securities & Futures Commission (“SFC”) and are required to comply with certain minimum capital requirements according to the SFC rules.

#### (5) *Market risk management*

Market risk is the risk to the Group’s earnings and capital due to changes in the market level of interest rates, foreign exchange rates, securities and equities as well as the volatilities of those prices. The Group’s market risk arises from customer-related business, structural positions and investment portfolios.

The Group monitors market risk principally by establishing limits for transactions and open positions. These limits are approved by the ALCO and the directors and are monitored on a daily basis. The daily risk monitoring process measures the actual risk exposures against approved limits and triggers specific action to ensure the overall market risk is managed within an acceptable level.

#### (6) *Interest rate risk management*

Interest rate risk is the risk that the Group’s position may be adversely affected by a change of market interest rates. The Group’s interest rate risk arises primarily from timing differences in the maturity and repricing of the Group’s interest-bearing assets, liabilities and off-balance sheet commitments.

The Group manages interest rate risk by limiting the potentially adverse effects of interest rate movements on net interest income by closely monitoring the net repricing gap of its assets and liabilities. Interest rate sensitive positions are managed by the Treasury Department of each business unit within the limits approved by the ALCO and the directors.

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## **SUPPLEMENTARY FINANCIAL INFORMATION (continued)**

### **Risk management (continued)**

#### *(7) Foreign exchange risk management*

Foreign exchange risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk primarily arises from foreign exchange dealing, commercial banking operations and structural foreign currency exposures.

Foreign exchange positions are managed by the Treasury Department of each business unit within the limits approved by the ALCO and the directors. Limit excesses, if any, are reported to the ALCO for necessary action.

#### *(8) Operational risk management*

Operational risk is the financial loss resulting from procedural errors, system failures, frauds and other event risks.

The Group manages operational risk by maintaining adequate documentation of its operating procedures to facilitate training and quality performance. A proper internal control system is incorporated in the operation workflow to minimise the risk of losses caused by human error. To reduce the interruptions to business activities caused by system failures or natural disasters, back-up systems and contingency business resumption plans are in place for critical business and back-office functions. Detailed recovery procedures are properly documented, with periodic drills conducted to ensure the procedures are current and correct.

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## MANAGEMENT DISCUSSION AND ANALYSIS

### Summary

(All changes in % refer to the same period last year unless otherwise specified)

Net profit attributable to shareholders:	HK\$24.5m	-61.1%
Earnings per share:	HK2.3cents	-62.3%
Interim dividend per share:	HK1.2cents	-33.3%

With continued slow economic growth in Hong Kong and weak confidence among consumers, companies and investors, the first half of 2002 presented Asia Financial Group (the "Group") with a very challenging business environment. This was reflected in our results for the period, which were generally disappointing, although even during these difficult circumstances, some of our operations performed well. At all times, management took a prudent approach, and we believe that the Group is well-positioned to make the most of new opportunities when the long-awaited recovery takes place.

#### *Economic background*

We believe it is important to see the results in the context of the state of the economy in the first six months of the year.

Despite hopes for signs of recovery, Hong Kong's economy remained weak during the period. In particular, we saw continued negative inflation and rising unemployment, leaving consumer confidence at a very low ebb, and depressing many local businesses, such as the retail sector, and the property and equities markets. Indeed, low morale in Hong Kong has arguably been causing as well as reflecting economic problems.

As we report below in more detail, the economic climate has inevitably had a negative impact on the Group's businesses, as it has on the financial sector in Hong Kong as a whole. The Group's banking business has been especially badly hit by the weakness of Hong Kong's domestic economy, as has the Group's investment services. Insurance operations have fared much better. The Group's investment portfolio is weighted more heavily than last year towards debt securities. Even so, the low level of interest rates and of the equity markets at the end of June 2002 compared with 12 months earlier has inevitably affected the bottom line.

#### *Management efforts*

Management's number-one priority during the first half of 2002 was the protection of shareholder value. We do not believe that this is a time to be taking risks; rather, we have sought to expand where we can, while adopting a defensive stance towards market share or profitability where necessary. We have also been examining ways to improve efficiency, for example through consolidation of some aspects of our operations and through a rigorous approach to cost-control.

### Banking

Net profit attributable to shareholders:	HK\$23.6m	-34.6%
Total operating income:	HK\$142.6m	-16.9%
Net interest income:	HK\$113.3m	-21.8%
Other operating income:	HK\$29.3m	+9.4%
Operating expenses:	HK\$92.0m	-12.0%
Charge for bad and doubtful debts:	HK\$16.5m	-1.2%
Total loans and advances (30 June 2002):	HK\$7,479m	-3.5% (*)
Customer deposits (30 June 2002):	HK\$9,861m	-4.7% (*)

(\*) Compared with outstanding balances at 31 December 2001



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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Banking (continued)

Net interest margin:	1.84% (43 basis points lower than first half 2001)
Cost-to-income ratio:	64.5% (First half 2001 : 60.9%)
Average liquidity ratio:	54.1% (Average for first half 2002)
Capital adequacy ratio:	20.9% (30 June 2002)

Asia Commercial Bank's (the "Bank") fall in profit in the first half of 2002 was primarily due to the weakening demand for loans of all sorts, especially mortgages. Even the introduction of a wider range of consumer loan products failed to stimulate demand. In addition, compared with the same period a year earlier, net interest spreads were narrower, and, as part of an industry-wide trend in Hong Kong, default rates in the consumer lending sector were higher.

Despite the very challenging environment, the Bank achieved an increase in fee income during the period. Management also succeeded in reducing costs.

The Bank has taken a prudent approach towards the issuing of new credit cards and the loans remained a relatively insignificant amount in the Bank's loan book.

With consumer confidence still low in Hong Kong, the short-term prospects are not especially bright. We are examining ways to resume loan growth without infringing our stringent credit criteria, and we are focusing on increasing the productivity of our branch network. We are also hoping to see expansion of our China business.

### Insurance

Net profit attributable to shareholders:	HK\$16.0m	-22.3%
Underwriting profit:	HK\$13.3m	+4.6%
Investment/dividend income:	HK\$2.1m	N.A.
Interest and other income:	HK\$15.6m	-42.6%
Premium turnover:	HK\$275.5m	+19.9%
Operating expenses:	HK\$26.0m	+10.0%

Although Asia Insurance saw a decline in profit attributable to shareholders, the core underwriting business enjoyed a very healthy growth in profit. Even with an increase in re-insurance premiums, an industry-wide trend in the wake of the terrorist attacks of 2001, Asia Insurance achieved growth in underwriting profit. Investment income also showed impressive growth, with lower provisions than in the same period in 2001. However, interest income plummeted as a result of the low-interest rate environment. Were it not for these two external factors – high re-insurance costs and low interest rates – Asia Insurance would have reported highly impressive results.

There are several reasons for this very positive underlying performance. As the rise in turnover shows, Asia Insurance has made good progress in increasing market share. And pricing in the highly competitive areas of employees' compensation and motor insurance has become firmer. At the same time, the distribution network has become more effective, and productivity has increased. Asia Insurance is also successfully developing its new line of professional indemnity business. BC Reinsurance Ltd., our reinsurance joint venture, is also developing well, and we hope to see it move into the black once start-up costs have been absorbed.

The rise in expenses for the first half of 2002 largely reflects one-off costs associated with the closure of the US office. Recurrent costs remain under control.

Asia Insurance is one of the winners in Hong Kong's crowded insurance industry, and prospects for the future look positive.

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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Investment Services

Net loss attributable to shareholders:	HK\$14.4m	N.A.
Total operating income:	HK\$16.1m	-49.0%
Operating expenses:	HK\$17.0m	-25.7%

Asia Investment Services inevitably suffered from the worse-than-expected economic and market environment of the first half of 2002, which seriously affected demand for brokerage, corporate banking and other services. As the prospects for these services are unlikely to improve in the short term and the division incurs heavy overhead costs, we have decided to more fully integrate Asia Investment Services' operations with the rest of the Group, with effect from 1 July 2002. The bulk of the loss reported by the division was the result of one-off costs connected with this corporate restructuring. We expect this restructuring to protect shareholders' interests by bringing additional efficiencies to this part of the Group's activities, particularly through the use of the branch network of Asia Commercial Bank. Although Asia Investment Services will no longer exist as a separate brand, we anticipate a return to profit from these activities in the future when recovery comes along.

### Outlook

We believe that a strong recovery in the Hong Kong economy in the second half of 2002 is unlikely. At the time of writing, Hong Kong's re-export performance is in fact quite good, but this is not leading to a recovery of confidence among consumers or the business community. We therefore think that domestic consumption and investment will remain weak, and this means that the Group can generally expect "more of the same" in the second half of 2002.

Further ahead, we are confident that the Group will emerge from this disappointing period in a fundamentally healthy condition, well-positioned to benefit from the opportunities offered by economic recovery in Hong Kong and reform-led expansion in the Mainland.

### Employees and Remuneration Policy

The total number of employees of the Group is approximately 610 (December 2001: 650). Annual remuneration increments and promotions are determined through a performance-oriented appraisal system, with the basic pay structure being reviewed from time to time to reflect market trends. In addition to the basic salary, employees also receive an annual bonus based on both the Group's and their individual performance. Housing loans, and also medical and mandatory provident fund schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30 June 2002. The Group also offers various training and induction programmes to its employees.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 15 October 2002 to 18 October 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 11 October 2002. The interim dividend will be payable on or about 25 October 2002 to shareholders whose name appear on the Register of Members of the Company on 18 October 2002.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

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## CORPORATE GOVERNANCE

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2002.

During the six months ended 30 June 2002, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except that the non-executive directors of the Company are not appointed for any specific terms of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Bye-laws.

## DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2002, the interests of the directors, chief executives and their associates in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) were as follows:

### (a) Interests in the Company

Name of director	Personal Interests	Number of ordinary shares held		Total
		Family Interests	Corporate Interests	
Robin Y.H. CHAN	12,505,264	991,883	336,333,441 (Note)	349,830,588
LAU Ki Chit	21,080	–	–	21,080
The Hon. Bernard Charnwut CHAN	2,335,089	1,038,432	–	3,373,521
Chatri SOPHONPANICH	6,464,775	–	–	6,464,775
Tan Sri Frank W.K. TSAO	–	–	25,301,619 (Note)	25,301,619
NG Song Hin	–	–	15,139,827 (Note)	15,139,827
TAN Eng Heng	346,360	–	–	346,360
Choedchu SOPHONPANICH	791,496	–	–	791,496

Note: The shareholdings classified as corporate interests above in which the directors concerned were taken to be interested, were interests in corporations in respect of which these directors were respectively either entitled to exercise (or taken under the SDI Ordinance to be able to exercise) or control the exercise of one third or more of the voting power in general meetings of such corporations.

### (b) Interests in associated corporations

#### 1. Subsidiary Company

Mr. Robin Y.H. CHAN held corporate interests in 50 shares, representing 25% of the issued shares of Mirador Services Limited, a 70% owned subsidiary of the Group.

#### 2. Associated Company

Mr. LAU Ki Chit beneficially owned 625 shares, representing 6.25% of the issued shares of Great Champion Holdings Limited, a 31% owned associated company of the Group.

Save as disclosed above, none of the directors, chief executives and their associates had any interests in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

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## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

At no time during the six months ended 30 June 2002 was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16 (1) of the SDI Ordinance shows that the following shareholder of the Company was interested in 10% or more of the issued share capital of the Company.

<b>Name</b>	<b>Number of ordinary shares held</b>
Cosmos Investments Inc.	124,132,600*

\* These shares have been included in the corporate interests disclosure of Mr. Robin Y.H. CHAN.

Save as disclosed above and under "Directors' Interest in Shares", so far as the directors of the Company are aware, there were no other persons who were, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company as at 30 June 2002.

By Order of the Board  
**ROBIN Y.H. CHAN**  
*Chairman & Managing Director*

Hong Kong, 12 September 2002

## **DIRECTORS**

Robin Y.H. CHAN  
*(Chairman and Managing Director)*  
LAU Ki Chit  
*(Executive Director)*  
The Hon. Bernard Charnwut CHAN  
*(Executive Director & Deputy Managing Director)*  
Chatri SOPHONPANICH  
Tan Sri Frank W.K. TSAO  
Dr. Leo Tung Hai LEE\*  
NG Song Hin  
Dr. The Hon. Philip Y.H. WONG\*  
TAN Eng Heng  
Gen TOMII  
Katsuya KIMURA  
Choedchu SOPHONPANICH  
Finley Norman MIDDLETON  
Kenneth Chi Lam SIAO\*  
ANG Tang Chor

\* *independent non-executive director*

## **REGISTERED OFFICE**

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

7th Floor  
Asia Financial Centre  
120 Des Voeux Road Central  
Hong Kong

Telephone: 2853 4600

Fax: 2541 0009

Telex: 73085 HKACB

Cable: ASIACOMBK