

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 2003 as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June		Change %
		2003 HK\$'000	2002 HK\$'000 Restated	
<b>TURNOVER</b>	3	<b>541,190</b>	431,426	+25.4
Other revenue	3	<b>47,602</b>	37,649	
Other net expenses	3	<b>(36,618)</b>	(24,384)	
Other operating expenses		<b>(472,367)</b>	(409,310)	
<b>PROFIT FROM OPERATING ACTIVITIES</b>	4	<b>79,807</b>	35,381	+125.6
Share of results of:				
Jointly-controlled entities		<b>51</b>	(4,463)	
Associates		<b>(318)</b>	1,644	
<b>PROFIT BEFORE TAX</b>		<b>79,540</b>	32,562	
Tax	5	<b>(12,108)</b>	(8,577)	
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>67,432</b>	23,985	
Minority interests		<b>909</b>	279	
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>68,341</b>	24,264	+181.7
<b>TRANSFER FROM CAPITAL RESERVE</b>	6	<b>–</b>	4,250	
<b>INTERIM DIVIDEND</b>	7	<b>19,044</b>	12,696	
<b>EARNINGS PER SHARE</b>		<b>HK cents</b>	HK cents	
Basic	8	<b>6.5</b>	2.3	+182.6
Diluted		<b>N/A</b>	N/A	
<b>INTERIM DIVIDEND PER SHARE</b>	7	<b>1.8</b>	1.2	+50.0



## CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2003

	Notes	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000 Restated
<b>ASSETS</b>			
Cash and short term funds	9	2,189,540	3,236,196
Placements with banks and other financial institutions maturing between one and twelve months	10	1,679,681	805,125
Amounts due from reinsurance companies		3,268	55,332
Premium receivables	11	145,045	99,549
Other investments	12	452,244	281,150
Bank deposits maturing over twelve months		10,000	10,000
Certificates of deposit held	13	600,665	284,586
Held-to-maturity securities	14	1,538,340	1,322,072
Advances and other assets	15	7,600,269	7,915,170
Investment securities	16	225,269	222,733
Interests in jointly-controlled entities		53,572	53,522
Loans to jointly-controlled entities		32,312	34,332
Interests in associates		15,594	7,735
Due from associates		459	518
Intangible assets		959	1,031
Deferred tax		–	655
Fixed assets		400,705	403,091
		<u>14,947,922</u>	<u>14,732,797</u>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital		1,058,021	1,058,021
Reserves		2,078,562	2,031,739
Proposed dividend		19,044	24,334
		<u>3,155,627</u>	<u>3,114,094</u>
<b>LIABILITIES</b>			
Deposits and balances of banks and other financial institutions	17	520,763	415,828
Deposits from customers	18	8,999,299	9,304,095
Certificates of deposit issued	19	1,293,000	1,175,000
Accrued liabilities and other payables		409,909	218,889
Tax payable		20,843	9,105
Amounts due to reinsurance companies		103,331	127,824
Unearned premiums		220,077	168,562
Life and contingency reserves		13,970	12,700
Provisions for outstanding claims		187,398	164,137
Deferred tax		19,376	17,325
		<u>11,787,966</u>	<u>11,613,465</u>
<b>MINORITY INTERESTS</b>			
		4,329	5,238
		<u>14,947,922</u>	<u>14,732,797</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Six months ended 30 June	
		2003 HK\$'000	2002 HK\$'000 Restated
Total equity at beginning of period, as previously reported		3,128,560	3,110,696
Prior year adjustment	1	(14,466)	(14,959)
Total equity at beginning of period, as restated		3,114,094	3,095,737
Deferred tax in respect of premises revaluation debited to equity during the period		(2,474)	–
Net profit from ordinary activities attributable to shareholders		68,341	24,264
Final 2001 dividend		–	(10,580)
Final 2002 dividend		(24,334)	–
<b>Total equity at end of period</b>		<b>3,155,627</b>	<b>3,109,421</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
		Restated
Net cash outflow from operating activities	<b>(1,382,016)</b>	(179,640)
Net cash outflow from investing activities	<b>(95,508)</b>	(143,101)
Net cash outflow from financing activities	<b>(24,334)</b>	(10,580)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,501,858)</b>	(333,321)
Cash and cash equivalents at beginning of period	<b>3,348,699</b>	4,538,447
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>1,846,841</u></b>	<u>4,205,126</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and balances with banks and other financial institutions	<b>212,394</b>	423,339
Money at call and short notice with original maturity within three months	<b>1,274,081</b>	2,729,713
Treasury bills including Exchange Fund Bills with original maturity within three months	<b>29,953</b>	119,873
Placements with banks and other financial institutions with original maturity within three months	<b>277,800</b>	528,113
Held-to-maturity securities with original maturity within three months	<b>56,930</b>	404,088
Less: Pledged bank deposits (included in the money at call and short notice and placements with banks and other financial institutions as presented above)	<b>(4,317)</b>	—
	<b><u>1,846,841</u></b>	<u>4,205,126</u>

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## NOTES

### 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 2002, except that the Group has adopted the revised SSAP 12 “Income Taxes”, which become effective for the current accounting period.

SSAP 12 prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these interim financial statements is that deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future, and a deferred tax liability has been recognised on the revaluation of the Group’s premises.

The Group has recognised deferred tax assets in respect of general provision for bad and doubtful debts, and deferred tax liabilities in respect of accelerated depreciation allowances on fixed assets. Deferred tax liabilities arising from revaluation of fixed assets have also been reflected in the asset revaluation reserve.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively, the comparative figures presented in these interim financial statements have been restated accordingly.

The change has resulted in an increase of HK\$284,000 in the tax charges as recorded in the profit and loss account for the six months ended 30 June 2002. Opening shareholders’ funds as at 1 January 2002 and 1 January 2003 have been reduced by HK\$14,959,000 and HK\$14,466,000 respectively which represent the previously unprovided net deferred tax liabilities. The deferred tax assets and liabilities as at 31 December 2002 have been restated at HK\$655,000 and HK\$17,325,000 respectively.



## NOTES (continued)

### 2. SEGMENT INFORMATION

#### (a) 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 HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended						
30 June 2003						
Segment revenue:						
External customers	134,920	404,021	2,249	-	-	541,190
Other revenue	-	41,209	28	6,365	-	47,602
Inter-segment	2,797	1,203	115	592	(4,707)	-
Total	<u>137,717</u>	<u>446,433</u>	<u>2,392</u>	<u>6,957</u>	<u>(4,707)</u>	<u>588,792</u>
Segment results	<u>27,168</u>	<u>46,294</u>	<u>(36)</u>	<u>6,381</u>	<u>-</u>	<u>79,807</u>
Share of results of:						
Jointly-controlled entities	-	51	-	-	-	51
Associates	-	(320)	-	2	-	(318)
Profit before tax						79,540
Tax	(5,086)	(7,689)	667	-	-	(12,108)
Profit before minority interests						67,432
Minority interests						909
Net profit from ordinary activities attributable to shareholders						<u>68,341</u>

## NOTES (continued)

### 2. SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

	Banking HK\$'000	Insurance HK\$'000	Investment services HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2002 (Restated)						
Segment revenue:						
External customers	142,487	273,956	14,983	–	–	431,426
Other revenue	–	33,558	1,303	2,788	–	37,649
Inter-segment	141	1,788	1,091	1,613	(4,633)	–
Total	<u>142,628</u>	<u>309,302</u>	<u>17,377</u>	<u>4,401</u>	<u>(4,633)</u>	<u>469,075</u>
Segment results	<u>34,154</u>	<u>17,949</u>	<u>(14,276)</u>	<u>(2,446)</u>	<u>–</u>	<u>35,381</u>
Share of results of:						
Jointly-controlled entities	(4,500)	37	–	–	–	(4,463)
Associates	–	(158)	–	1,802	–	1,644
Profit before tax						32,562
Tax	(6,345)	(2,142)	(90)	–	–	<u>(8,577)</u>
Profit before minority interests						23,985
Minority interests						<u>279</u>
Net profit from ordinary activities attributable to shareholders						<u>24,264</u>

#### (b) Geographical segments

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



## NOTES (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, investment income from investments and other revenue earned from the banking business.

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

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Banking:		
Interest income relating to banking business	183,207	207,459
Interest expense relating to banking business	(71,182)	(92,142)
Net fees and commission income relating to banking business	16,671	20,917
Gains less losses arising from dealing in foreign currencies	3,388	3,378
Other operating income from banking business	2,836	2,875
	<u>134,920</u>	<u>142,487</u>
Insurance:		
Gross premium written	404,021	273,956
Investment services:		
Brokerage commission income	2,159	9,887
Interest income relating to provision of margin finance business	90	5,290
Interest expense relating to provision of margin finance business	–	(194)
	<u>2,249</u>	<u>14,983</u>
Turnover	<u>541,190</u>	<u>431,426</u>
Reinsurance commission income	21,434	16,220
Dividend income from:		
Listed investments	4,616	1,684
Unlisted investments*	1,620	1,692
Interest income, excluding that relating to the banking and provision of margin finance business	17,952	13,981
Others	1,980	4,072
Other revenue	<u>47,602</u>	<u>37,649</u>
	<u>588,792</u>	<u>469,075</u>

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



## NOTES (continued)

### 3. TURNOVER AND REVENUE (continued)

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

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Increase in unearned premiums	(51,516)	(24,564)
Increase in life and contingency reserves	(1,269)	(610)
Gains on disposal of other investments, net	5,144	1,917
Unrealised gains/(losses) on other investments, net	10,200	(1,749)
Gains less losses on disposal of investment securities	–	392
Impairment of held-to-maturity securities and investment securities	(1,717)	(68)
Gains/(losses) on disposal of held-to maturity securities	2,540	(139)
Gains on disposal of subsidiaries	–	441
Losses on disposal of fixed assets, net	–	(4)
	<u>(36,618)</u>	<u>(24,384)</u>

### 4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Reinsurance premiums ceded	168,268	110,206
Commission expenses for insurance business	75,521	59,610
Net claims after deducting recoveries from reinsurers	77,530	69,145
Auditors' remuneration	1,182	1,217
Depreciation charges	11,962	13,112
Provision against loan to a jointly-controlled entity	2,020	–
Fixed assets written off	24	2
Amortisation of intangible assets	72	72
Staff costs (including directors' remuneration)	74,700	88,544
Minimum lease payments under operating leases in respect of land and buildings	6,342	6,709
Provision for bad and doubtful debts, net	9,972	19,384
	<u>6,342</u>	<u>19,384</u>



## NOTES (continued)

### 5. TAX

Hong Kong profits tax for the Group has been provided at the rate of 17.5% (2002: 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	
	2003	2002
	HK\$'000	HK\$'000
		Restated
Current period provision:		
Hong Kong	11,601	6,967
Elsewhere	942	1,326
Overprovision in prior periods	(667)	—
	<u>11,876</u>	<u>8,293</u>
Deferred tax charge	232	284
	<u>12,108</u>	<u>8,577</u>

### 6. TRANSFER FROM CAPITAL RESERVE

During the first half of 2002, Asia Financial Capital Limited (“AFCL”), a 85%-owned subsidiary was fully disposed of by the Company. 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	
	2003	2002
	HK\$'000	HK\$'000
Interim dividend:		
HK1.8 cents (2002: HK1.2 cents) per ordinary share	<u>19,044</u>	<u>12,696</u>

The directors have resolved to pay an interim dividend of HK1.8 cents per share, which will be paid in cash, for the six months ended 30 June 2003 (2002: HK1.2 cents per share) payable on 24 October 2003 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 17 October 2003.

Total interim dividend will be HK\$19,044,386 on the basis of 1,058,021,428 shares in issue (2002: HK\$12,696,257 for 1,058,021,428 shares).

### 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\$68,341,000 (2002: HK\$24,264,000) and on 1,058,021,428 (2002: 1,058,021,428) ordinary shares in issue during the period.

Diluted earnings per share for each of the six months ended 30 June 2003 and 2002 has not been calculated as no diluting events existed during these periods.

## NOTES (continued)

### 9. CASH AND SHORT TERM FUNDS

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Cash in hand and balances with banks and other financial institutions	<b>212,394</b>	145,950
Money at call and short notice	<b>1,861,625</b>	2,944,941
Treasury bills, including Exchange Fund Bills #	<b>115,521</b>	145,305
	<b><u>2,189,540</u></b>	<u>3,236,196</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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
With a residual maturity of:		
Three months or less	<b>99,828</b>	69,814
One year or less but over three months	–	75,491
Over five years	<b>15,693</b>	–
	<b><u>115,521</u></b>	<u>145,305</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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
With a residual maturity of:		
Three months or less	<b>1,065,759</b>	651,280
One year or less but over three months	<b>613,922</b>	153,845
	<b><u>1,679,681</u></b>	<u>805,125</u>

### 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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Three months or less	<b>89,925</b>	83,447
Six months or less but over three months	<b>54,540</b>	16,362
One year or less but over six months	–	3,436
Over one year	<b>7,175</b>	2,671
	<b><u>151,640</u></b>	<u>105,916</u>
Less: Provision for bad and doubtful debts	<b>(6,595)</b>	(6,367)
	<b><u>145,045</u></b>	<u>99,549</u>



## NOTES (continued)

### 12. OTHER INVESTMENTS

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Listed equity, at market value		
– in Hong Kong	<b>106,546</b>	121,857
– outside Hong Kong	<b>22,031</b>	16,894
	<b>128,577</b>	138,751
Debt		
– listed outside Hong Kong, at market value	<b>68,456</b>	24,860
– unlisted	<b>92,870</b>	–
	<b>161,326</b>	24,860
Investment funds		
– listed in Hong Kong, at market value	<b>2,509</b>	4,512
– listed outside Hong Kong, at market value	<b>20,369</b>	12,374
– unlisted	<b>115,578</b>	100,653
	<b>138,456</b>	117,539
Equity-linked notes	<b>23,885</b>	–
	<b>452,244</b>	281,150

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

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Public sector entities	<b>52,946</b>	34,530
Banks and other financial institutions	<b>162,713</b>	37,529
Corporate entities	<b>236,585</b>	209,091
	<b>452,244</b>	281,150

## NOTES (continued)

### 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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
With a residual maturity of:		
Three months or less	–	20,010
One year or less but over three months	<b>239,761</b>	55,606
Five years or less but over one year	<b>329,711</b>	208,970
Over five years	<b>31,193</b>	–
	<u><b>600,665</b></u>	<u>284,586</u>

### 14. HELD-TO-MATURITY SECURITIES

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Listed debt		
– in Hong Kong	<b>25,016</b>	5,421
– outside Hong Kong	<b>209,834</b>	309,576
	<u><b>234,850</b></u>	314,997
Unlisted debt	<u><b>1,303,490</b></u>	1,007,075
	<u><b>1,538,340</b></u>	<u>1,322,072</u>
Market value of listed held-to-maturity securities	<u><b>240,721</b></u>	<u>314,466</u>

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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Public sector entities	<b>40,260</b>	28,334
Banks and other financial institutions	<b>1,331,570</b>	1,072,130
Corporate entities	<b>166,510</b>	221,608
	<u><b>1,538,340</b></u>	<u>1,322,072</u>

## NOTES (continued)

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

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

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
With a residual maturity of:		
Three months or less	<b>160,919</b>	341,478
One year or less but over three months	<b>446,779</b>	252,055
Five years or less but over one year	<b>675,318</b>	497,169
Over five years	<b>255,324</b>	231,370
	<b><u>1,538,340</u></b>	<u>1,322,072</u>

### 15. ADVANCES AND OTHER ASSETS

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Advances to customers	<b>7,563,582</b>	7,923,665
Provision for bad and doubtful debts	<b>(183,373)</b>	(189,133)
	<b><u>7,380,209</u></b>	<u>7,734,532</u>
Accrued interest and other assets	<b>221,083</b>	181,607
Provision for bad and doubtful debts	<b>(363)</b>	(485)
Provision for impairment	<b>(660)</b>	(660)
	<b><u>220,060</u></b>	<u>180,462</u>
Tax recoverable	<b>–</b>	176
Total	<b><u>7,600,269</u></b>	<u>7,915,170</u>

## NOTES (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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Repayable on demand	558,029	666,494
With a residual maturity of:		
Three months or less	1,056,369	1,172,873
One year or less but over three months	638,929	752,598
Five years or less but over one year	2,597,374	2,432,094
Over five years	2,462,282	2,619,779
Undated	250,599	279,827
	<u>7,563,582</u>	<u>7,923,665</u>

### 16. INVESTMENT SECURITIES

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Listed equity outside Hong Kong, at cost	195,861	195,861
Provision for impairment	(26,331)	(26,331)
	<u>169,530</u>	<u>169,530</u>
Unlisted		
– equity	35,663	37,624
– debt	20,076	15,579
	<u>55,739</u>	<u>53,203</u>
Total	<u>225,269</u>	<u>222,733</u>
Market value of listed investment securities	<u>151,521</u>	<u>131,332</u>

The directors are of the opinion that the decline in market value of the listed investment securities as at the balance sheet date is temporary in nature and, accordingly, no additional provision in respect of the carrying value thereof has been made.



## NOTES (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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Banks and other financial institutions	<b>169,530</b>	169,530
Corporate entities	<b>55,739</b>	53,203
	<b><u>225,269</u></b>	<u>222,733</u>

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

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Undated	<b><u>20,076</u></b>	<u>15,579</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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Repayable on demand	<b>44,525</b>	30,871
With a residual maturity of three months or less	<b>476,238</b>	384,957
	<b><u>520,763</u></b>	<u>415,828</u>

### 18. DEPOSITS FROM CUSTOMERS

The maturity profile of deposits from customers as at the balance sheet date is as follows:

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Repayable on demand	<b>1,649,942</b>	1,273,920
With a residual maturity of:		
Three months or less	<b>6,868,608</b>	7,522,473
One year or less but over three months	<b>476,966</b>	505,769
Five years or less but over one year	<b>3,783</b>	1,933
	<b><u>8,999,299</u></b>	<u>9,304,095</u>



## NOTES (continued)

### 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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
With a residual maturity of:		
Three months or less	–	75,000
One year or less but over three months	<b>188,000</b>	600,000
Five years or less but over one year	<b>1,105,000</b>	500,000
	<b><u>1,293,000</u></b>	<u>1,175,000</u>

### 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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Direct credit substitutes	<b>49,267</b>	50,414
Transaction-related contingencies	<b>8,100</b>	9,449
Trade-related contingencies	<b>287,133</b>	230,501
Forward deposit placed	<b>107,183</b>	134,356
Other commitments with an original maturity of under one year or which are unconditionally cancellable	<b>3,265,105</b>	3,306,643
Other commitments with an original maturity of one year and over	<b>383,847</b>	408,942
	<b><u>4,100,635</u></b>	<u>4,140,305</u>



## NOTES (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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Forward foreign exchange contracts – hedging:		
Swap	<b>1,781,180</b>	1,748,863
Others	<b>544,722</b>	77,823
	<b><u>2,325,902</u></b>	<u>1,826,686</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 2003</b>		At 31 December 2002	
	<b>Replacement cost HK\$'000</b>	<b>Credit risk weighted amount HK\$'000</b>	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Direct credit substitutes	–	<b>36,167</b>	–	37,462
Transaction-related contingencies	–	<b>50</b>	–	88
Trade-related contingencies	–	<b>50,386</b>	–	40,456
Forward forward deposits placed	–	<b>21,437</b>	–	26,871
Other commitments with an original maturity of one year and over	–	<b>191,924</b>	–	204,471
Exchange rate contracts	<b>4,146</b>	<b>4,811</b>	1,992	3,704
	<b><u>4,146</u></b>	<b><u>304,775</u></b>	<u>1,992</u>	<u>313,052</u>

### 21. OTHER COMMITMENTS

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

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Contracted, but not provided for	<b>5,177</b>	5,786
Authorised, but not contracted for	<b>3,832</b>	32,825
	<b><u>9,009</u></b>	<u>38,611</u>

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

## NOTES (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 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Within one year	<b>9,440</b>	10,611
In the second to fifth years, inclusive	<b>2,499</b>	5,960
	<b><u>11,939</u></b>	<u>16,571</u>

### 22. RELATED PARTY TRANSACTIONS

	<b>At 30 June 2003</b>		At 31 December 2002	
	<b>Directors and key management personnel HK\$'000</b>	<b>Enterprises and individuals related to directors and key management personnel HK\$'000</b>	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Loans and advances granted:				
Aggregate balance at balance sheet date	<b>16,718</b>	<b>32,312</b>	14,305	58,654
Deposits received:				
Aggregate balance at balance sheet date	<b>33,033</b>	<b>354,364</b>	40,944	479,087
Interbank activities:				
Deposits placed	–	<b>459,470</b>	–	236,744
Deposits received	–	<b>85,879</b>	–	36,486
Standby credit facilities available to the Group	<b>–</b>	<b>311,932</b>	<b>–</b>	<u>311,956</u>

## NOTES (continued)

### 22. RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 June 2003		Six months ended 30 June 2002	
	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Loans and advances granted:				
Interest income received and receivable	190	268	182	178
Deposits received:				
Interest expenses paid and payable	173	2,225	865	3,469
Interbank activities:				
Interest income	–	2,230	–	1,793
Interest expenses	–	156	–	27
Premium income:				
Gross premiums written	123	1,542	100	3,196
Reinsurance premium ceded	–	17,260	–	27,227
Commission income, net	–	3,387	–	3,762
Rental expenses	–	–	–	96

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

	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Loans and advances granted:		
Aggregate balance at balance sheet date	39,925	39,925
Deposits received:		
Aggregate balance at balance sheet date	197,466	176,208
	<b>Six months ended 30 June 2003 HK\$'000</b>	<b>2002 HK\$'000</b>
Deposits received:		
Interest expenses paid and payable	1,095	1,241
Reinsurance premiums ceded	4	2
Service fees paid	4,043	4,187

All of the above transactions were carried out within the scope of the normal business of the Group under normal commercial terms and conditions.

## SUPPLEMENTARY FINANCIAL INFORMATION

### Gross advances to customers by industry sectors

	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
Property development	181,591	164,865
Property investment	906,305	871,989
Financial concerns	128,216	211,320
Stockbrokers	30,615	26,344
Wholesale and retail trade	12,826	12,260
Manufacturing	239,857	246,059
Transport and transport equipment	501,559	428,727
Others	906,068	991,081
Individuals:		
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	515,116	561,532
Loans for the purchase of other residential properties	2,644,404	2,759,301
Credit Card advances	25,495	33,186
Others	371,565	437,398
Trade finance	784,757	834,138
Loans for use outside Hong Kong	315,208	345,465
	<b><u>7,563,582</u></b>	<b><u>7,923,665</u></b>



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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 area 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 monitors the effectiveness of the internal control procedures and ensures 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 (the “ALCO”) of the business unit and approved by its 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 requirements, regulations and supervision process. The securities and investment services subsidiaries are regulated by the Securities & Futures Commission (the “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 actions to ensure that 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 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 that 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\$68.3 m	+181.7%
Earnings per share:	HK6.5 cents	+182.6%
Interim dividend per share:	HK1.8 cents	+50.0%

The first half of 2003 was a particularly difficult period for Hong Kong. We are pleased to report that Asia Financial Group faced the challenges with success and delivered a satisfactory performance, improving on the same period in 2002. This is a tribute to management's generally prudent stance in the face of market volatility and a weak operating environment, and to our continued efforts to identify and develop new opportunities.

It seems quite likely that this six-month period, including a short but significant crisis during the severe acute respiratory syndrome ("SARS") outbreak, may prove to be the turning point for Hong Kong's domestic economy. If this is indeed the case, we are particularly confident that shareholders will see reasonable progress in the Group's performance during the rest of 2003 and beyond.

### Economic background

With continued deflation, market weakness, unemployment and low consumer and investor confidence at home, and the prospect of war in Iraq, we began 2003 expecting a difficult economic environment. In addition, Hong Kong was dealt a serious blow by the SARS outbreak in March, April and May. Unlike some other sectors, the local financial services industry did not suffer major, direct effects, but the SARS outbreak certainly affected some of our commercial clients' businesses and the business patterns of our retail customers. On the brighter side, Hong Kong's external economy remained strong, thanks to the continued strength of the Mainland's export performance.

### Investments

On the investment side, Asia Financial Group's portfolio outperformed the standard benchmarks, such as the Hang Seng Index. Bond markets were quite volatile during the period, and this presented us with some trading opportunities and at the same time enjoying good yield income. While maintaining a fundamentally prudent approach, we believe we are well-positioned to benefit from continued recovery in the global equities markets.

### Management approach

Management remained fundamentally cautious during the first half of 2003, aiming primarily to preserve shareholder value in a difficult operating and investing environment. This entailed a continued, rigorous approach to costs, and in some cases deliberate decisions not to expand market share for its own sake but to concentrate on quality of business. We nonetheless sought to develop new opportunities where possible, and this contributed to profit growth.

### Future prospects

The future for Hong Kong's domestic economy begins to look more positive. Hong Kong's calm and determined reaction to the SARS outbreak confirmed the city's tremendous strengths as a community and a business centre. Since beating SARS, Hong Kong has gained confidence. Most market sectors have started to pick up. Unemployment growth is easing off. The Closer Economic Partnership Arrangement with the Mainland is offering new opportunities. There are expectations that deflation and the property market will bottom out towards the end of this year. At the same time, we are seeing some mixed but generally encouraging signs in the US and Japanese economies. While analysts are expecting Hong Kong GDP growth this year of perhaps 1 or 2 percent, many are forecasting a noticeably better performance in 2004 – perhaps a 4 or even 5 percent growth rate.



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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Future prospects (continued)

Asia Financial Group has managed to deliver satisfactory returns over several difficult years. Barring unforeseen, serious setbacks to the regional or global economy, the Group is now poised to create new value for shareholders as the overall operating environment and market outlook improves. We are expecting Asia Financial Group, like Hong Kong as a whole, to bounce back.

### Business Review and Prospects

#### Banking

Net profit attributable to shareholders:	HK\$26.9 m	+30.4%
Total operating income:	HK\$137.7 m	-7.9%
Net interest income:	HK\$111.2 m	-4.4%
Other operating income:	HK\$26.5 m	-20.1%
Operating expenses:	HK\$96.7 m	-5.2%
Charge for bad and doubtful debts:	HK\$7.7 m	-51.9%
Total loans and advances (30 June 2003):	HK\$7,396 m	-4.4%(*)
Customer deposits (30 June 2003):	HK\$9,343 m	-4.5%(*)

(\*) Compared with outstanding balances at 31 December 2002

Net interest margin:	1.84% (One basis point higher than first half of 2002)
Cost-to-income ratio:	70.2% (First half of 2002:68.2%)
Average liquidity ratio:	46.9% (Average for first half of 2003)
Capital adequacy ratio:	20.2% (30 June 2003)

Asia Commercial Bank's improvement in performance in the first half of the year was largely due to a significant decline in provisions. Although interest rate margins improved slightly, a decline in loans caused a drop in net interest income, which remained the major source of income for the Bank.

The priority under these circumstances was to maintain fee and other non-interest income, but this proved to be a challenge, with the SARS outbreak temporarily causing a dip in such areas as retail investment sales, on top of the effects of a slow property market and low consumer and local business confidence.

Management made decisive efforts to manage operating expenses, which proved successful and contributed to the improved result. Management is also placing increasing emphasis on efficiency, and expects productivity gains to make a positive difference in the second half.

Weakening loan volume was largely due to the fall in mortgage demand and intense competition on the commercial sector. The Bank shifted its focus towards commercial financing business during the period, and has been enhancing the capacity of the branch network to handle such business as trade finance, small and medium enterprises, and so on. This effort is ongoing, and management is hopeful that it will yield results in the future.

After gaining approval at the start of the year, the Bank has now started to make Renminbi loans at its Shenzhen branch. Growth prospects in this area look good.

With the interest rate cycle bottoming out, and the improvement in consumer and investor confidence, the prospect for a recovery in the Hong Kong economy is looking brighter.

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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Insurance

Net profit attributable to shareholders:	HK\$38.3 m	+139.7%
Underwriting profit:	HK\$34.8 m	+162.0%
Investment/dividend income:	HK\$11.7 m	+459.8%
Interest and other income:	HK\$17.0 m	+8.7%
Premium turnover:	HK\$405.0 m	+47.0%
Operating expenses:	HK\$33.5 m	+28.8%
Provision for mortgage loan receivables:	HK\$2.2 m	N.A.

Asia Insurance enjoyed another highly successful half-year. Its investment portfolio, like those of the Group as a whole, enjoyed good returns. On the operational side, it saw solid growth in turnover, with new business being attracted by the assurance of a Standard and Poor's "A-" rating and high standards of service. This contributed to very healthy growth in underwriting profit, which was further helped by the firmer pricing power being experienced in the Hong Kong insurance industry. Asia Insurance's exposure to SARS was fairly limited and did not affect the results much.

It should be noted that despite the increase in turnover, Asia Insurance has maintained, and will maintain, a consistent and prudent approach to underwriting, with careful selection of quality business rather than the simple pursuit of market share. We believe that the results of this approach speak for themselves, and will continue to do so in the long term.

Most main lines of underwriting business saw improved performance, including employees' compensation, motor and medical insurance. Our professional indemnity insurance products continued to do well, enabling us to consolidate our leadership of this market in Hong Kong.

Costs rose only slightly compared with turnover, owing to a small increase in headcount and some routine investment in equipment.

Our insurance investments are performing satisfactorily. Incombank-Asia Insurance (Vietnam), a joint venture with Industrial & Commercial Bank of Vietnam, started operations during the first half. The People's Insurance Company of China (Hong Kong) Ltd. ("PICC (HK)") is a joint venture company of The People's Insurance Company of China, Beijing and Asia Insurance (Investments) Ltd, a 57% owned subsidiary of Asia Insurance. Asia Insurance (Investments) Ltd comprises Asia Insurance's strategic partners in insurance business in South East Asia, in particular, Singapore, Thailand and Indonesia. We believe that PICC (HK) will put Asia Insurance and the strategic partners in a stronger position to tap into the China insurance market, creating significant business opportunities through co-operative efforts with all our strategic partners in South East Asia. On 8 August, the holding in PICC (HK) under Asia Insurance (Investments) Ltd rose to 25%. In addition, PICC (HK)'s capital was increased from HK\$60 million to HK\$200 million to cope with its rapid development of business.

### Contingent Liabilities

As at 30 June 2003, the Group had no material contingent liabilities.

### Employees and Remuneration Policy

The total number of employees of the Group is 544 (December 2002: 590). 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 2003. 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 13 October 2003 to 17 October 2003, 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 10 October 2003. The interim dividend will be payable on 24 October 2003 to shareholders whose name appear on the Register of Members of the Company on 17 October 2003.

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

During the six months ended 30 June 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## DIRECTORS' INTERESTS

As at 30 June 2003, the interests of the directors in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be maintained under section 352 of the SFO were as follows:—

### (1) The Company

Name	Number of ordinary shares held				Percentage of ordinary shares held in the entire issued share capital
	Personal Interests	Family Interests	Corporate Interests	Total Interests	
Robin Y.H. CHAN	12,505,264	991,883	336,393,441 (Note)	349,890,588	33.07
LAU Ki Chit	21,080	—	—	21,080	0.00
Bernard Chamwut CHAN	2,585,089	1,038,432	—	3,623,521	0.34
Chatri SOPHONPANICH	6,464,775	—	—	6,464,775	0.61
Tan Sri Frank W.K. TSAO	—	—	25,301,619 (Note)	25,301,619	2.39
NG Song Hin	—	—	15,139,827 (Note)	15,139,827	1.43
TAN Eng Heng	346,360	—	—	346,360	0.03
Choedchu SOPHONPANICH	791,496	—	—	791,496	0.07

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

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## DIRECTORS' INTERESTS (continued)

### (2) Associated corporations

(i) 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.

(ii) 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.

All the interests stated above represent long positions. As at 30 June 2003, none of the directors of the Company held any short positions as defined under the SFO as recorded in the Register of Directors' and Chief Executives' Interests and Short Positions.

At no time during the six months ended 30 June 2003 was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors of the Company to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2003, the Register of Interests in Shares and Short Positions maintained under section 336 of the SFO showed that the Company had been notified of the following interests:—

Name of shareholder	Number of ordinary shares held	Percentage of ordinary shares held in the entire issued share capital
Asia General Holdings Ltd. <sup>(1)</sup>	90,769,455	8.58%
Bangkok Bank Public Company Limited	95,488,236	9.03%
UFJ Bank Limited <sup>(2)</sup>	96,844,162	9.15%
Man Tong Company Ltd. <sup>(3), (4)</sup>	65,989,175	6.24%
Cosmos Investments Inc. <sup>(4), (5)</sup>	266,520,398	25.19%

Notes :

- (1) Asia General Holdings Ltd. was beneficially interested in 16,029,375 shares of the Company. The interest held by Asia General Holdings Ltd. also comprised 13,803,957 shares held by its wholly-owned subsidiary, The Asia Insurance Co. Ltd. (Singapore), 23,978,935 shares held by its 74.58% owned subsidiary, The Asia Life Assurance Society Ltd. and 36,957,188 shares held by its wholly-owned subsidiary, Univest Securities Ltd.
- (2) UFJ Bank Limited was beneficially interested in 83,253,264 shares of the Company. The interest held by UFJ Bank Limited also comprised 13,590,898 shares held by its wholly-owned subsidiary, UFJ Investments Asia Limited.
- (3) These shares have been duplicated as interests in the Company by Cosmos Investments Inc. as further elaborated in note (5).
- (4) These shares have been included in the corporate interests disclosure of Mr. Robin Y.H. CHAN.
- (5) Cosmos Investments Inc. was beneficially interested in 124,132,600 shares of the Company. The interest held by Cosmos Investments Inc. also comprised 65,989,175 shares held by its 60.5% owned subsidiary, Man Tong Company Ltd., 27,335,986 shares held by its wholly-owned subsidiary, Treasure Investments Inc., 24,420,105 shares held by its wholly-owned subsidiary, Bonham Strand Ltd. and 24,642,532 shares held by its 53.5% owned subsidiary, Asia Panich Investment Co. (HK) Ltd.



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## **SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)**

All the interests stated above represent long positions. As at 30 June 2003, no short positions were recorded in the Register of Substantial Shareholders' Interests in Shares and Short Positions.

## **CORPORATE GOVERNANCE**

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2003.

During the six months ended 30 June 2003, 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, 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.

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

Hong Kong, 11 September 2003

**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  
Katsuya KIMURA  
Choedchu SOPHONPANICH  
Kenneth Chi Lam SIAO\*  
Takeshi OGASAWARA

\* independent non-executive director

**REGISTERED OFFICE**

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Bermuda

**HEAD OFFICE AND  
PRINCIPAL PLACE OF  
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