



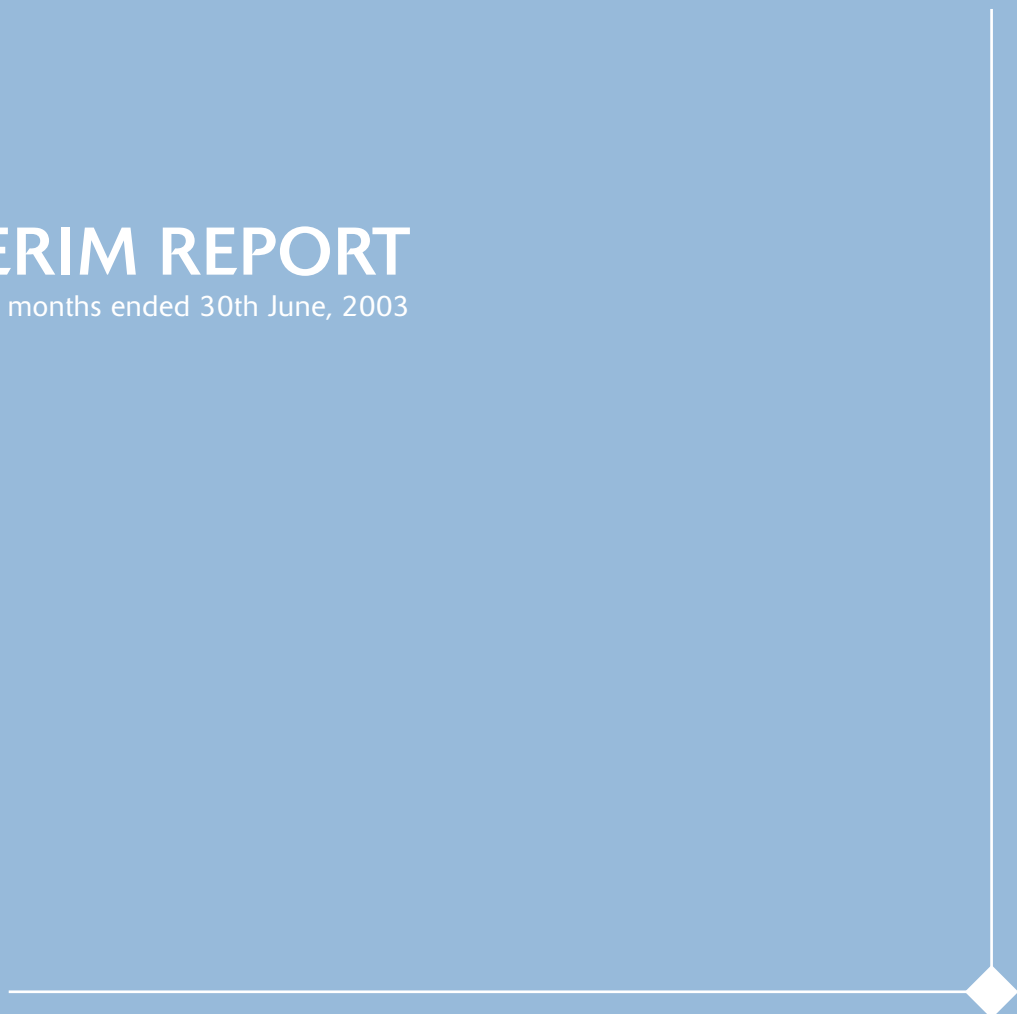
Hongkong Chinese Limited

香港華人有限公司

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

For the six months ended 30th June, 2003



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The Directors of Hongkong Chinese Limited (the "Company") are pleased to present the unaudited consolidated interim financial statements of the Company and its subsidiaries (together, the "Group") for the six months ended 30th June, 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Six months ended 30th June,	
		2003 HK\$'000	2002 HK\$'000
Turnover	3	232,311	148,576
Cost of sales		(161,364)	(63,463)
Gross profit		70,947	85,113
Administrative expenses		(39,277)	(48,145)
Other operating expenses		(12,796)	(15,594)
Write-back of provision/(Provision) for loss on guaranteed return arrangement for fund management		10,868	(16,502)
Net unrealised holding gain on investment securities and held-to-maturity securities	4	20,483	–
Provision for bad and doubtful debt relating to banking operation		–	(4,025)
Loss on disposal of subsidiaries		–	(10,545)
Profit/(Loss) from operating activities	5	50,225	(9,698)
Finance costs		(1,847)	(2,173)
Share of results of associates		(4,278)	283
Profit/(Loss) before tax		44,100	(11,588)
Tax	6	(414)	(208)
Profit/(Loss) before minority interests		43,686	(11,796)
Minority interests		534	86
Net profit/(loss) from ordinary activities attributable to shareholders		44,220	(11,710)
		HK cents	HK cents
Earnings/(Loss) per share	7		
Basic		3.3	(0.9)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30th June, 2003	31st December, 2002
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
ASSETS			
NON-CURRENT ASSETS			
Goodwill		62,261	63,881
Fixed assets		4,001	3,550
Investment properties		16,796	7,336
Interests in associates		33,987	64,117
Investment securities	8	78,165	132,846
Held-to-maturity securities	9	–	355,152
Assets less liabilities attributable to banking operation	10	151,202	148,971
Deposits paid for long term investments		64,000	74,342
		410,412	850,195
CURRENT ASSETS			
Loans and advances		88,219	115,260
Other investments in securities	11	1,035,091	166,098
Debtors, prepayments and deposits	12	191,874	261,275
Certificates of deposit held		–	1,000,000
Client trust bank balances		289,525	253,930
Cash and bank balances		1,384,986	834,449
		2,989,695	2,631,012
TOTAL ASSETS		3,400,107	3,481,207
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	1,346,829	1,351,537
Reserves	14	1,433,675	1,428,260
		2,780,504	2,779,797
MINORITY INTERESTS		26,472	27,006
CURRENT LIABILITIES			
Bank loans	15	20,000	21,000
Creditors and accruals	16	455,146	515,114
Provision for loss on guaranteed return arrangement for fund management		117,985	138,290
		593,131	674,404
TOTAL EQUITY AND LIABILITIES		3,400,107	3,481,207

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	Six months ended 30th June,	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)
Total equity as at 1st January		
As previously reported	2,779,797	4,084,879
Prior period adjustment as a result of change in accounting policy in respect of deferred tax with details stated in Note 1 to the interim financial statements	—	92,000
As restated	2,779,797	4,176,879
Exchange differences on translation of the financial statements of foreign entities and net gain/(loss) not recognised in the condensed consolidated profit and loss account	(143)	77
Net profit/(loss) from ordinary activities attributable to shareholders	44,220	(11,710)
Repurchase of shares	(2,965)	—
Release of goodwill previously eliminated against consolidated reserves upon disposal of subsidiaries	—	735,266
2001 final distribution, declared	—	(40,546)
2002 special interim distribution, declared	—	(1,959,729)
2002 final distribution, declared	(40,405)	—
Total equity as at 30th June	<u>2,780,504</u>	<u>2,900,237</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash from/(used in) operating activities	856,717	(971,105)
Net cash from investing activities	49,325	2,863,997
Net cash used in financing activities	(46,217)	(2,039,275)
Net increase/(decrease) in cash and cash equivalents	859,825	(146,383)
Cash and cash equivalents at 1st January (<i>Note (a)</i>)	525,228	591,800
Exchange realignments	(67)	135
Cash and cash equivalents at 30th June (<i>Note (b)</i>)	<u>1,384,986</u>	<u>445,552</u>
<i>Note:</i>		
(a) Balances of cash and cash equivalents at 1st January: Cash and bank balances with original maturity of three months or less	525,228	591,800
Placements with banks and other financial institutions with original maturity over three months	309,221	–
Total cash and bank balances at 1st January	<u>834,449</u>	<u>591,800</u>
(b) Balances of cash and cash equivalents at 30th June: Cash and bank balances with original maturity of three months or less	1,384,986	445,552
Placements with banks and other financial institutions with original maturity over three months	–	936,206
Total cash and bank balances at 30th June	<u>1,384,986</u>	<u>1,381,758</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The interim financial statements are unaudited, condensed and have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 (revised) "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31st December, 2002 except that the Group has changed certain of its accounting policies and disclosure practices as a result of the adoption of the SSAPs recently-issued or revised by the HKSA which are effective for accounting periods commencing on or after 1st January, 2003.

The major effects on the Group's accounting policies and disclosure practices are summarised as follows:

SSAP 12 (revised): Income Taxes

SSAP 12 (revised) 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 carry forward of unused tax losses (deferred tax). The principal impact of the revision of this SSAP on the 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 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 asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Following the adoption of SSAP 12 (revised), deferred tax assets totalling HK\$92,000,000 in respect of unused tax losses carried forward were quantified and recognised retrospectively in periods prior to 1st January, 2002 and distributable reserves as at that date were restated and increased by the same amount.

2. SEGMENT INFORMATION

Segment information is presented by way of business segment as the primary reporting format and geographical segment as the secondary reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. In respect of geographical segment reporting, turnover is based on the location of customers. Descriptions of the business segments are as follows:

- (a) the treasury investment segment includes investments in cash and bond markets;
- (b) the securities investment segment includes dealings in securities and disposals of investments;
- (c) the corporate finance and securities broking segment provides securities and futures brokerage, investment banking, underwriting and other related advisory services;
- (d) the banking businesses segment engages in the provisions of commercial and retail banking;
- (e) the insurance business segment includes the underwriting of general insurance business and the provision of general insurance agency services;
- (f) the fund management segment includes the provision of fund management services; and
- (g) the "other" segment comprises principally money lending and the letting of properties.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

2. SEGMENT INFORMATION (continued)

An analysis of the Group's segment revenue and segment results by business segment and geographical segment is set out below:

Business segment

	Six months ended 30th June, 2003								Consolidated HK\$'000
	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking businesses HK\$'000	Insurance business HK\$'000	Fund management HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	
Revenue									
External	20,725	167,723	22,139	6,968	12,773	1,478	505	-	232,311
Inter-segment	268	-	-	-	-	-	-	(268)	-
Total	20,993	167,723	22,139	6,968	12,773	1,478	505	(268)	232,311
Segment results	20,568	42,477	(2,005)	1,024	(160)	10,240	(2,725)	295	69,714
Unallocated corporate expenses									(21,336)
Share of results of associates	-	-	-	-	-	-	(4,278)	-	(4,278)
Profit before tax									44,100
Tax									(414)
Profit before minority interests									43,686
Minority interests									534
Net profit from ordinary activities attributable to shareholders									44,220

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

2. SEGMENT INFORMATION (continued)

Business segment (continued)

	Six months ended 30th June, 2002								Consolidated HK\$'000
	Treasury investment HK\$'000	Securities investment HK\$'000	Corporate finance and securities broking HK\$'000	Banking businesses HK\$'000	Insurance business HK\$'000	Fund management HK\$'000	Other HK\$'000	Inter- segment elimination HK\$'000	
Revenue									
External	25,507	35,246	29,748	24,339	24,327	1,438	7,971	-	148,576
Inter-segment	712	-	-	276	-	-	41	(1,029)	-
Total	<u>26,219</u>	<u>35,246</u>	<u>29,748</u>	<u>24,615</u>	<u>24,327</u>	<u>1,438</u>	<u>8,012</u>	<u>(1,029)</u>	<u>148,576</u>
Segment results	<u>26,031</u>	<u>(354)</u>	<u>(5,719)</u>	<u>(1,472)</u>	<u>(260)</u>	<u>(17,698)</u>	<u>3,621</u>	<u>-</u>	<u>4,149</u>
Unallocated corporate expenses									(16,020)
Share of results of associates	-	-	-	-	283	-	-	-	<u>283</u>
Loss before tax									(11,588)
Tax									<u>(208)</u>
Loss before minority interests									(11,796)
Minority interests									<u>86</u>
Net loss from ordinary activities attributable to shareholders									<u>(11,710)</u>

Geographical segment

	Six months ended 30th June, 2003				Total HK\$'000
	Hong Kong HK\$'000	Singapore HK\$'000	Indonesia HK\$'000	Other HK\$'000	
Revenue	<u>106,266</u>	<u>96,618</u>	<u>18,354</u>	<u>11,073</u>	<u>232,311</u>
Segment results	<u>29,225</u>	<u>6,715</u>	<u>16,135</u>	<u>17,639</u>	<u>69,714</u>

No geographical segment was presented for the prior period as less than 10 per cent. of the Group's revenue and results was attributable to locations outside Hong Kong.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**3. TURNOVER**

Turnover represents the aggregate of gross income on treasury investment which includes interest income on bank deposits and held-to-maturity securities, gross proceeds from sales of investments, gross income from underwriting and securities broking, interest and other income from money lending business, gross income from fund management, gross premiums from insurance business, dividend income and net interest income, commissions, dealing income and other revenues from banking subsidiaries, after elimination of all significant intra-group transactions.

An analysis of the turnover of the Group by principal activity is as follows:

	Six months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Treasury investment	20,725	25,507
Securities investment	167,723	35,246
Corporate finance and securities broking	22,139	29,748
Banking businesses	6,968	24,339
Insurance business	12,773	24,327
Fund management	1,478	1,438
Other	505	7,971
	<u>232,311</u>	<u>148,576</u>

Turnover attributable to banking businesses represents turnover generated from The Macau Chinese Bank Limited ("MCB"), a licensed credit institution under the Financial System Act of the Macao Special Administrative Region of the People's Republic of China. Turnover attributable to banking businesses for the last corresponding period represents turnover generated from MCB since its acquisition by the Group in May 2002 and that generated from The Hongkong Chinese Bank, Limited up to its disposal by the Group in January 2002. Turnover attributable to banking businesses is analysed as follows:

	Six months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Interest income	5,626	34,693
Interest expenses	(836)	(13,813)
Commission income	1,766	2,188
Commission expenses	–	(274)
Net dealing income and other revenues	412	1,545
	<u>6,968</u>	<u>24,339</u>

4. NET UNREALISED HOLDING GAIN ON INVESTMENT SECURITIES AND HELD-TO-MATURITY SECURITIES

During the period, investment securities in a total cost of HK\$54,681,000 and held-to-maturity securities in a total amortised cost of HK\$300,429,000 were transferred to other investments in securities at market value to reflect the Group's current intention to sell the investments in response to changes in market conditions, resulting in an unrealised gain at the date of transfer of HK\$20,483,000 (2002 – Nil).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(Loss) from operating activities is arrived at after crediting/(charging):

	Six months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Dividend income from listed investments	2,945	–
Interest income: (Note)		
Listed investments	8,904	1,968
Unlisted investments	3,546	470
Other	11,661	23,069
Net realised and unrealised holding gain on other investments in securities:		
Listed	13,090	766
Unlisted	2,459	–
Net realised gain on held-to-maturity securities:		
Listed	2,375	–
Unlisted	187	–
Net unrealised gain from transfer of investment securities and held-to-maturity securities into other investments in securities:		
Listed	12,946	–
Unlisted	7,537	–
Depreciation	(949)	(3,126)
Amortisation of goodwill arising on acquisition of subsidiaries	(1,620)	(569)
	<u> </u>	<u> </u>

Note: The amounts exclude income relating to banking operations of the Group.

6. TAX

	Six months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
The Company and its subsidiaries:		
Provision for the period:		
Hong Kong	–	203
Overseas	414	5
	<u> </u>	<u> </u>
Tax charge for the period	414	208
	<u> </u>	<u> </u>

No provision for Hong Kong profits tax has been made as the Group had applied the tax losses brought forward from prior periods to off-set the estimated assessable profits for the current period. Hong Kong profits tax for the prior period has been provided for at the rate of 16 per cent. on the estimated assessable profits arising in Hong Kong for that period. Overseas tax has been calculated on the estimated assessable profits for the period at the tax rates prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

There were no material deferred tax assets or liabilities as at 30th June, 2003 (2002 – Nil).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

7. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on (i) the net profit from ordinary activities attributable to shareholders of HK\$44,220,000 (2002 – net loss of HK\$11,710,000); and (ii) the weighted average number of 1,349,134,000 shares (2002 – 1,351,537,000 shares) in issue during the period.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the periods ended 30th June, 2003 and 2002 as there were no dilutive potential ordinary shares.

8. INVESTMENT SECURITIES

	30th June, 2003	31st December, 2002
	HK\$'000	HK\$'000
Unlisted equity securities, at cost	75,000	75,000
Unlisted debt securities, at cost	3,165	3,165
Unlisted investment funds, at cost	–	54,681
	<u>78,165</u>	<u>132,846</u>
An analysis of the issuers of investment securities is as follows:		
Equity securities:		
Corporate entities	<u>75,000</u>	<u>75,000</u>
Debt securities:		
Club debentures	<u>3,165</u>	<u>3,165</u>

9. HELD-TO-MATURITY SECURITIES

	30th June, 2003	31st December, 2002
	HK\$'000	HK\$'000
Debt securities, at amortised cost:		
Listed outside Hong Kong	–	207,540
Unlisted	–	158,630
	<u>–</u>	<u>366,170</u>
Provision for impairment losses	–	(11,018)
	<u>–</u>	<u>355,152</u>
Market value of listed securities	<u>–</u>	<u>208,050</u>
An analysis of the issuers of the held-to-maturity securities is as follows:		
Central governments and central banks	–	27,075
Banks and other financial institutions	–	111,725
Corporate entities	–	227,370
	<u>–</u>	<u>366,170</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. ASSETS LESS LIABILITIES ATTRIBUTABLE TO BANKING OPERATION

Due to the dissimilar nature of banking and non-banking operations, assets less liabilities attributable to banking operation are shown separately in the consolidated interim financial statements. The financial information in respect of banking operation shown below is based on the financial statements of MCB, a subsidiary of the Company, for the six months ended 30th June, 2003 and that for the year ended 31st December, 2002.

	Note	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Cash and short-term funds	(a)	43,492	70,535
Placements with banks and other financial institutions maturing between one and twelve months		12,622	11,467
Other investments in securities	(b)	8,972	–
Advances and other accounts	(c)	187,108	166,719
Held-to-maturity securities	(d)	9,349	9,757
Fixed assets		709	895
		<u>262,252</u>	<u>259,373</u>
Deposits and balances of banks and other financial institutions		(319)	(3)
Current, fixed, savings and other deposits of customers		(104,866)	(109,010)
Other accounts and provisions		(5,865)	(1,389)
		<u>(111,050)</u>	<u>(110,402)</u>
		<u>151,202</u>	<u>148,971</u>

Note:

(a) Cash and short-term funds

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Cash and balances with banks and other financial institutions	30,397	23,975
Treasury bills	13,095	46,560
	<u>43,492</u>	<u>70,535</u>

(b) Other investments in securities

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Debt securities, at market value: Listed outside Hong Kong	8,972	–

(c) Advances and other accounts

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Advances to customers	183,482	173,241
Other accounts	5,297	2,940
Accrued interest	1,190	1,402
Provisions for bad and doubtful debts	(2,861)	(10,864)
	<u>187,108</u>	<u>166,719</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**10. ASSETS LESS LIABILITIES ATTRIBUTABLE TO BANKING OPERATION** (continued)**(c) Advances and other accounts** (continued)

Non-performing loans, which represent the gross amount of advances, net of suspended interest, on which interest has been placed in suspense or on which interest accrual has ceased, are as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Non-performing loans:		
Gross advances	–	9,985
Less: Specific provisions	–	(8,003)
	<u>–</u>	<u>1,982</u>

The above specific provisions were made after taking into account the value of collateral in respect of such advances.

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Rescheduled advances	<u>3,464</u>	–
Market value of collateral held	<u>3,734</u>	–

(d) Held-to-maturity securities

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Debt securities, at amortised cost:		
Listed outside Hong Kong	<u>9,349</u>	<u>9,757</u>
Market value of listed debt securities	<u>10,450</u>	<u>9,949</u>
An analysis of the issuers of the held-to-maturity securities is as follows:		
Banks and other financial institutions	<u>9,349</u>	<u>9,757</u>

11. OTHER INVESTMENTS IN SECURITIES

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Listed equity securities, at market value:		
Hong Kong	<u>254,608</u>	59,634
Overseas	<u>138</u>	16,284
	<u>254,746</u>	<u>75,918</u>
Debt securities:		
Listed, at market value:		
Hong Kong	<u>37,286</u>	–
Overseas	<u>327,115</u>	3,120
Unlisted, at fair value	<u>198,507</u>	39
	<u>562,908</u>	<u>3,159</u>
Unlisted investment funds, at fair value	<u>214,252</u>	<u>87,021</u>
Other	<u>3,185</u>	–
	<u>1,035,091</u>	<u>166,098</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. DEBTORS, PREPAYMENTS AND DEPOSITS

Included in the balances are trade debtors with aged analysis as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Outstanding balances with ages:		
Repayable on demand	118,148	195,474
Within 30 days	10,536	2,624
Between 31 and 60 days	499	406
Between 61 and 90 days	646	4,122
Between 91 and 180 days	839	3,169
Over 180 days	11,887	13,669
	<u>142,555</u>	<u>219,464</u>

Trading terms with customers are either on cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 90 days. Outstanding balances with ages over 180 days include claims receivable in respect of the Group's insurance underwriting business which is broadly consistent with the claims payable included in the trade creditors of the Group. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

13. SHARE CAPITAL

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Authorised:		
2,000,000,000 (31st December, 2002 – 2,000,000,000) shares of HK\$1.00 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
1,346,829,094 (31st December, 2002 – 1,351,537,094) shares of HK\$1.00 each	<u>1,346,829</u>	<u>1,351,537</u>

During the period, a total of 4,708,000 shares of HK\$1.00 each were repurchased on The Stock Exchange of Hong Kong Limited and cancelled by the Company. The discount of HK\$1,743,000 arising from such repurchase has been credited to the distributable reserves and an amount of HK\$4,708,000 was transferred from distributable reserves to the capital redemption reserve account as set out in Note 14 to the interim financial statements.

14. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Legal reserve (Note (c)) HK\$'000	Distributable reserves (Note (b)) HK\$'000	Exchange equalisation reserve HK\$'000	Total HK\$'000
At 1st January, 2003	50,988	7,052	–	1,382,622	(12,402)	1,428,260
Transfer of reserve	–	–	845	(845)	–	–
Repurchase of shares	–	4,708	–	(2,965)	–	1,743
Profit for the period	–	–	–	44,220	–	44,220
2002 final distribution, declared	–	–	–	(40,405)	–	(40,405)
Exchange differences on consolidation	–	–	–	–	(143)	(143)
At 30th June, 2003	<u>50,988</u>	<u>11,760</u>	<u>845</u>	<u>1,382,627</u>	<u>(12,545)</u>	<u>1,433,675</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)**14. RESERVES** (continued)

Note:

- (a) Cancellation of share premium and transfer to distributable reserves

Pursuant to a special resolution passed at a special general meeting of the Company on 2nd December, 1997, the then entire amount standing to the credit of the share premium account of HK\$3,630,765,000 was cancelled (the "Cancellation"). The credit arising from the Cancellation was transferred to distributable reserves. The balance of the reserves arising from the Cancellation could be applied towards any capitalisation issues of the Company in future or for making distributions to shareholders of the Company.

- (b) Distributable reserves of the Group at 30th June, 2003 comprise accumulated losses of HK\$65,454,000 (31st December, 2002 – HK\$108,829,000) and the remaining balance arising from the Cancellation of HK\$1,448,081,000 (31st December, 2002 – HK\$1,491,451,000).
- (c) Legal reserve represents the part of reserve generated by a banking subsidiary of the Company which may only be distributable in accordance with certain limited circumstances prescribed by the statute of the country in which the subsidiary operates.

15. BANK LOANS

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Repayable within one year:		
Secured (Note)	–	11,000
Unsecured	<u>20,000</u>	<u>10,000</u>
	<u>20,000</u>	<u>21,000</u>

Note: The bank loan of HK\$11,000,000 as at 31st December, 2002 was secured by certain securities owned by margin clients of the Group.

16. CREDITORS AND ACCRUALS

Included in the balances are trade creditors with aged analysis as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Outstanding balances with ages:		
Repayable on demand	398,840	459,255
Within 30 days	11,817	831
Between 31 and 60 days	228	918
Between 61 and 90 days	716	4,890
Between 91 and 180 days	3,810	5,889
Over 180 days	<u>13,703</u>	<u>13,406</u>
	<u>429,114</u>	<u>485,189</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

17. MATURITY PROFILE OF ASSETS AND LIABILITIES

The maturity profile analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 30th June, 2003							
Assets							
Debt securities:							
Investment securities	-	-	-	-	-	3,165	3,165
Other investments in securities	-	2,990	45,252	321,933	189,115	3,618	562,908
Loan and advances	88,219	-	-	-	-	-	88,219
Client trust bank balances	38,678	250,847	-	-	-	-	289,525
Cash and bank balances	58,432	1,326,554	-	-	-	-	1,384,986
Assets less liabilities attributable to banking operation:							
Cash and short-term funds	18,408	25,084	-	-	-	-	43,492
Placements with banks and other financial institutions maturing between one and twelve months	-	7,953	4,669	-	-	-	12,622
Debt securities:							
Other investments in securities	-	-	-	-	-	8,972	8,972
Held-to-maturity securities	-	-	-	-	9,349	-	9,349
Advances to customers	35,880	71,962	28,171	25,715	21,754	-	183,482
	<u>239,617</u>	<u>1,685,390</u>	<u>78,092</u>	<u>347,648</u>	<u>220,218</u>	<u>15,755</u>	<u>2,586,720</u>
Liabilities							
Bank loans	-	20,000	-	-	-	-	20,000
Assets less liabilities attributable to banking operation:							
Deposits and balances of banks and other financial institutions	319	-	-	-	-	-	319
Current, fixed, savings and other deposits of customers	9,194	76,403	17,329	1,940	-	-	104,866
	<u>9,513</u>	<u>96,403</u>	<u>17,329</u>	<u>1,940</u>	<u>-</u>	<u>-</u>	<u>125,185</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

17. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31st December, 2002							
Assets							
Debt securities:							
Investment securities	-	-	-	-	-	3,165	3,165
Held-to-maturity securities	-	-	-	302,868	63,302	-	366,170
Other investments in securities	-	-	39	-	3,120	-	3,159
Loan and advances	115,260	-	-	-	-	-	115,260
Certificates of deposit held	-	1,000,000	-	-	-	-	1,000,000
Client trust bank balances	3,548	250,382	-	-	-	-	253,930
Cash and bank balances	65,118	769,331	-	-	-	-	834,449
Assets less liabilities attributable to banking operation:							
Cash and short-term funds	16,183	54,352	-	-	-	-	70,535
Placements with banks and other financial institutions maturing between one and twelve months	-	-	11,467	-	-	-	11,467
Debt securities:							
Held-to-maturity securities	-	-	-	-	9,757	-	9,757
Advances to customers	49,021	60,603	24,592	36,055	2,970	-	173,241
	<u>249,130</u>	<u>2,134,668</u>	<u>36,098</u>	<u>338,923</u>	<u>79,149</u>	<u>3,165</u>	<u>2,841,133</u>
Liabilities							
Bank loans	-	21,000	-	-	-	-	21,000
Assets less liabilities attributable to banking operation:							
Deposits and balances of banks and other financial institutions	3	-	-	-	-	-	3
Current, fixed, savings and other deposits of customers	10,228	81,479	4,500	12,803	-	-	109,010
	<u>10,231</u>	<u>102,479</u>	<u>4,500</u>	<u>12,803</u>	<u>-</u>	<u>-</u>	<u>130,013</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)***18. CONTINGENT LIABILITIES**

At the balance sheet date, the Group had the following contingent liabilities relating to its banking subsidiary:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Guarantees and other endorsements	15,780	39,978
Liabilities under letters of credit on behalf of customers	27,116	34,600
	<u>42,896</u>	<u>74,578</u>

19. RELATED PARTY TRANSACTIONS

- (a) During the period, Lippo Securities Limited ("LSL") being a wholly-owned subsidiary of the Company, paid rental expenses of HK\$1,260,000 (2002 – HK\$2,300,000) to Prime Power Investment Limited, being a fellow subsidiary of the Company, in respect of office premises occupied by LSL. The rental was determined by reference to open market rentals.
- (b) During the period, the Company and ImPac Asset Management (HK) Limited ("ImPac"), an 85 per cent. owned subsidiary of the Company, paid rental expenses of HK\$364,000 (2002 – Nil) and HK\$116,000 (2002 – Nil) to Porbandar Limited ("Porbandar"), being a fellow subsidiary of the Company, in respect of office premises occupied by the Company and ImPac, respectively. The rental was determined by reference to open market rentals.
- (c) During the prior period, Lippo Investments Management Limited ("LIM"), being a wholly-owned subsidiary of the Company, paid rental expense of HK\$181,000 to Porbandar, in respect of office premises occupied by LIM. The rental was determined by reference to open market rentals.
- (d) As at 30th June, 2003, the Group had amounts due from associates in a total of HK\$1,179,000 (31st December, 2002 – HK\$1,173,000). The balances with the associates are unsecured, interest-free and have no fixed terms of repayment.

SUPPLEMENTARY INFORMATION

Management of risks

The Group had established policies and procedures for risk management which were reviewed regularly by the Executive Directors and senior management of the Group to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times. The risk management function was carried out by individual business units and regularly overseen by the Group's senior management with all the risk limits approved by the Directors of the Group.

(a) *Credit risk*

Credit risk arose from the possibility that the counterparty in a transaction may default. It arose from lending, treasury, investment and other activities undertaken by the Group.

The credit policies for banking and margin lending businesses set out in details the credit approval and monitoring mechanism, the loan classification criteria and provision policy. Credit approval was conducted in accordance with the credit policies, taking into account the type and tenor of loans, creditworthiness and repayment ability of prospective borrowers, collateral available and the resultant risk concentration in the context of the Group's total assets. Day-to-day credit management was performed by management of individual business units.

The Group had established guidelines to ensure that all new debt investments were properly made, taking into account a number of factors, including but not limiting to, the credit rating requirements and the maximum exposure limit to a single corporate or issuer. All relevant departments within the Group were involved to ensure that appropriate processes, systems and controls were set in place before and after the investments were acquired.

(b) *Liquidity risk*

The Group managed the liquidity structure of its assets, liabilities and commitments in view of market conditions and its business needs, as well as to ensure that its operations met with the statutory requirement on minimum liquidity ratio whenever applicable.

Management comprising Executive Directors and senior managers monitored the liquidity position of the Group on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fell due and to make the most efficient use of the Group's financial resources.

(c) *Interest rate risk*

Interest rate risk primarily resulted from timing differences in the repricing of interest bearing assets, liabilities and commitments. The Group's interest rate positions arose mainly from treasury, commercial banking and other investment activities undertaken.

The Group monitors its interest-sensitive products and investments and net repricing gap and limits interest rate exposure through management of maturity profile, currency mix and choice of fixed or floating interest rates. The interest rate risk was managed and monitored regularly by senior managers of the Group.

SUPPLEMENTARY INFORMATION *(continued)***Management of risks** *(continued)**(d) Foreign exchange risk*

Foreign exchange risk was the risk to earnings or capital arising from movements of foreign exchange rates. The Group's foreign exchange risk primarily arose from currency exposures originating from its commercial banking activities, foreign exchange dealings and other investment activities.

The Group monitors the relative foreign exchange positions of its assets and liabilities and allocates accordingly to minimise foreign exchange risk. When appropriate, hedging instruments including forward contracts, swaps and currency loans are used to manage the foreign exchange exposure. The foreign exchange risk was managed and monitored on an ongoing basis by senior managers of the Group.

(e) Market risk

Market risk was the risk that changes in interest rates, foreign exchange rates, equity or commodity prices would affect the prices of financial instruments taken or held by the Group. Financial instruments included foreign exchange contracts, interest rate contracts, equity and fixed income securities.

Market risk limits were approved by the Directors of the Group. Actual positions were compared with approved limits and monitored regularly by the Executive Directors and senior managers of the Group. Exposures were measured and monitored on the basis of principal and notional amounts, outstanding balances and pre-determined stop-loss limits. All market risk trading positions were subject to periodic mark-to-market valuation, which was monitored and managed by senior managers of the Group. With respect to the investment accounts, the Group had established evaluation procedures for the selection of investments and fund managers and the Executive Directors and senior managers of the Group perform regular reviews of the operation and performance of these investment accounts and ensure compliance with the market risk limits and guidelines adopted by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

On the global front, 2003 started on a sombre and uncertain economic note as war clouds loomed over Iraq. Domestically, the sluggish economy of the previous year carried over into 2003 with continuing deflation and rising unemployment. The outbreak of the Severe Acute Respiratory Syndrome ("SARS") in March made further and drastic cuts into domestic economic activities. Despite the difficult operating environment during the first half of the year, the restructuring of the Group's businesses, which started years ago, has begun to bear fruit, resulting in the Group producing a net profit of HK\$44.2 million for the six months ended 30th June, 2003, in contrast to a loss of HK\$11.7 million for the corresponding period of last year.

Results for the period

Turnover for the first six months of 2003 totalled HK\$232 million which was 56 per cent. higher than the HK\$149 million recorded for the same period of 2002. Of this, 81 per cent. (2002 – 41 per cent.) was attributable to treasury and securities investments, 9.5 per cent. (2002 – 20 per cent.) to corporate finance and securities broking businesses and 8.5 per cent. (2002 – 33 per cent.) to banking and insurance businesses.

At the end of June 2003, total investment portfolio stood at HK\$1.1 billion (31st December, 2002 – HK\$0.65 billion). Turnover from treasury and securities investments jumped 210 per cent. to HK\$188 million compared with the HK\$61 million recorded in the corresponding period of 2002. The Group responded to reduced deposit rates and diversified into higher yielding bonds and equity investments. The bond portfolio of the Group earned an average return of over 6 per cent. per annum. The performance of the investment portfolio improved substantially. The realised and unrealised gain of HK\$66 million represented an increase of 150 per cent. on the HK\$26 million recorded for the same period in 2002.

In the first few months of 2003, the sluggish local stock market affected negatively the performance of the Group's securities broking business. However as SARS receded and business confidence picked up with the return of foreign and local investors, the local stock market rebounded strongly in recent months facilitating a recovery in the Group's securities broking business. Turnover from the Group's corporate finance and securities broking businesses which totalled HK\$22 million fell 26 per cent. from the HK\$30 million recorded in the same period of 2002. Despite the lower turnover, the Group recorded a lower loss of HK\$2 million from its corporate finance and securities broking businesses compared to the loss of HK\$5.7 million recorded for the first half of 2002.

The disposal of The Hongkong Chinese Bank, Limited and its subsidiaries in early 2002 meant that banking and insurance no longer features substantially in the Group's business. The income from banking business for the period represents contribution from The Macau Chinese Bank Limited ("MCB"), an 85 per cent. owned subsidiary of the Company. MCB recorded a slight increase of 5.6 per cent. in operating profit before tax for the first half of the year.

Despite the volatile market conditions, the Group was able to obtain substantially improved results in its fund management activities. The Group had had a guaranteed return arrangement with a fund managed by it which had been "out of money" for the Group for some years. However, better investment returns coupled with the early termination of the guaranteed return arrangement initiated by the Group, resulted in improved performance in the Group's fund management, including a write-back of HK\$10.9 million provision (2002 – provision of HK\$16.5 million was made).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Financial position**

At 30th June, 2003, total assets of the Group stood at HK\$3.4 billion (31st December, 2002 – HK\$3.5 billion). To enhance investment yield, the Group had increased its investment portfolio to HK\$1.1 billion (31st December, 2002 – HK\$0.65 billion), comprising debt securities of HK\$0.56 billion (31st December, 2002 – HK\$0.36 billion), equity securities of HK\$0.33 billion (31st December, 2002 – HK\$0.15 billion) and investment funds of HK\$0.21 billion (31st December, 2002 – HK\$0.14 billion). During the period, debt securities and investment funds totalling HK\$376 million were reclassified from non-current assets to current assets as “other investments in securities”. Such investments were then required to be marked to market instead of being stated at cost or amortised cost. Over 90 per cent. of the Group’s total assets were denominated in Hong Kong dollars or United States dollars which kept the Group’s exposure to exchange rate risk low.

Notwithstanding the final distribution made to the shareholders in June 2003, the net asset value of the Group remained constant at HK\$2.78 billion and the consolidated net asset value per share stood at HK\$2.06. The Company repurchased a total of 4.7 million shares during the period, which slightly improved the net asset value per share.

As at the end of June 2003, the Group had cash balance of HK\$1.4 billion. This compared with the HK\$1.8 billion at 31st December, 2002 which included certificates of deposit of HK\$1.0 billion which was subsequently redeemed at par. The Group’s financial position remained strong with the current ratio standing at 5.0:1 (31st December, 2002 – 3.9:1).

The Group is relatively debt free. Gearing ratio (total borrowing to shareholders’ funds) is below 0.8 per cent. The borrowing of the Group as at 30th June, 2003 comprised unsecured bank loans of HK\$20 million (31st December, 2002 – HK\$21 million, of which about half was secured and the remaining half unsecured). The bank loans were denominated in Hong Kong dollars, repayable within one year and carried interest at floating rates.

As at the end of the period, there were no charges on the Group’s assets (31st December, 2002 – Nil). Other than those relating to the banking operation, the Group had no material capital commitments or contingent liabilities outstanding (31st December, 2002 – Nil).

Changes in accounting policies

Certain accounting policies of the Group and disclosure practices were changed as a result of the adoption of the new or revised accounting standards issued by the Hong Kong Society of Accountants, details of which and the relevant prior period adjustments are set out in Note 1 to the interim financial statements. These have no material impact on the results nor net asset value of the Group for the current period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Staff and remuneration**

The Group had approximately 130 employees as at 30th June, 2003 (2002 – 140 employees). Total staff costs totalled HK\$32.8 million which was 11 per cent. lower than the HK\$36.8 million recorded for the same period in 2002. The Group offered competitive remuneration packages to its employees.

Outlook

With global and regional economic outlook improving in the recent months, the local economy is also expected to improve in the coming remaining months of the year. The Group shall continue to take advantage of improved operating performance and its strong financial position to seek appropriate new investment opportunities. Management shall continue to adopt a cautious and prudent approach in assessing new investment opportunities.

BUSINESS REVIEW AND PROSPECTS

Business review

Despite the adverse impact of SARS and the sluggish local economy in the first half of 2003, the Group recorded an unaudited consolidated profit attributable to shareholders of HK\$44,220,000 for the six months ended 30th June, 2003 compared to a loss of HK\$11,710,000 in the first six months of 2002.

In the first half of 2003, the global economy was clouded by concerns over likely fallouts from the war in Iraq. Locally, the economy experienced continuing deflation, as reflected in rising unemployment, persistent fall in property prices and weakening of domestic demand. SARS hit the local tourist, catering, entertainment and retail businesses particularly badly. Overall, business sentiment was low. Notwithstanding, exports and re-exports registered strong growth in the first half of 2003.

The local stock market was sluggish in the first few months of 2003. This affected the business and performance of Lippo Securities Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries, which are principally engaged in underwriting, securities brokerage, corporate finance, investment advisory and other related financial services. However, aided by the return of foreign and local investors, the recent months saw a pick up in the local stock market, with the sharp increase in the trading volume, sending the Hang Seng Index surging above the 11,000 point level. This return of favourable market conditions will benefit the securities business of the Group in the months ahead.

MCB continues to be a regular income earner for the Group. The recent signing of the Closer Economic Partnership Arrangement ("CEPA") which is aimed at attracting Hong Kong and Macau companies to participate in the Mainland China market, will open up opportunities for companies in the Group, including MCB, to extend its financial services into the Chinese market, especially in the Pearl River Delta region.

Despite the challenging business environment, the Group will continue to explore new market opportunities and new income sources and seek potential acquisition and alliance opportunities which are compatible with its long term growth strategy.

On 30th January, 2003, the Group acquired a 20 per cent. interest in the Convoy Group, one of the largest independent financial planning service groups in Hong Kong. This alliance will enable the Convoy Group to leverage on the diversified financial services and extensive business network of the Lippo Group and in that way, strengthen its position in the independent financial planning industry. The Group's interest in the Convoy Group subsequently increased to approximately 23 per cent.

BUSINESS REVIEW AND PROSPECTS *(continued)***Prospects**

With the over of SARS and the Hong Kong Government's stimulatory economic measures working its way through, the domestic economy has shown signs of a turnaround. This should encourage further improvement in market sentiment in the coming months. Increase in tourist arrivals and the signing of CEPA will provide momentum to the economic recovery process. However, continuing high unemployment and cautious consumer spending may dampen the pace of economic recovery.

Overall, we maintain a cautious outlook for the Group's business in the second half of the year. With its strong and healthy financial position, the Group is in an excellent position to benefit from any upturn in the local economy and to pursue opportunities for growth. The Group will continue to explore suitable investment opportunities, especially in the financial and investment sectors. Given the present uncertain economic environment, management will continue to adopt a cautious and prudent approach in assessing new investment opportunities.

ADDITIONAL INFORMATION

Interim distribution

The Directors have resolved to declare the payment of an interim distribution of HK1.5 cents (2002 – HK1.5 cents) per share for the six months ended 30th June, 2003, which will be paid on Tuesday, 21st October, 2003 to the shareholders whose names appear on the Company's Register of Members on Tuesday, 14th October, 2003.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 7th October, 2003 to Tuesday, 14th October, 2003 (both dates inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim distribution for the six months ended 30th June, 2003, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with Tengis Limited, the Company's Branch Registrars in Hong Kong, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 6th October, 2003. Warrants in respect of the interim distribution will be dispatched to the shareholders on or about Tuesday, 21st October, 2003.

ADDITIONAL INFORMATION (continued)**Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations**

As at 30th June, 2003, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "Model Code") were as follows:

(a) *Interests in shares of the Company and associated corporations*

Name of Director	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Other interests	Total interests	Approximate percentage of total interests in the issued share capital
Number of ordinary shares of HK\$1.00 each in the Company					
Mochtar Riady	-	-	987,470,440 (Note 1)	987,470,440	73.32
Stephen Riady	-	-	987,470,440 (Note 1)	987,470,440	73.32
Kor Kee Yee	59,900	-	-	59,900	0.00
John Lee Luen Wai	200	200	-	400	0.00
Number of ordinary shares of HK\$0.10 each in Lippo Limited ("Lippo")					
Mochtar Riady	-	-	248,697,776 (Notes 1 & 2)	248,697,776	56.78
Stephen Riady	-	-	248,697,776 (Notes 1 & 2)	248,697,776	56.78
John Lee Luen Wai	825,000	-	-	825,000	0.19
Kor Kee Yee	14,737	-	-	14,737	0.00
Number of ordinary shares of HK\$0.10 each in Lippo China Resources Limited ("LCR")					
Mochtar Riady	-	-	6,539,460,389 (Notes 1, 2 & 3)	6,539,460,389	71.07
Stephen Riady	-	-	6,539,460,389 (Notes 1, 2 & 3)	6,539,460,389	71.07
Kor Kee Yee	400,000	-	-	400,000	0.00

ADDITIONAL INFORMATION (continued)**Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations** (continued)(a) *Interests in shares of the Company and associated corporations* (continued)

Note:

- As at 30th June, 2003, Lippo Cayman Limited ("Lippo Cayman"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was indirectly interested in 987,470,440 ordinary shares of HK\$1.00 each in, representing approximately 73.32 per cent. of, the issued share capital of the Company. Lanius Limited ("Lanius"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius was accustomed to act. Dr. Mochtar Riady did not have any interests in the share capital of Lanius. The beneficiaries of the trust included Dr. Mochtar Riady, Mr. Stephen Riady and their respective family members including, inter alia, the children of Mr. Stephen Riady under 18 years of age. Dr. Mochtar Riady as the founder of the trust and Mr. Stephen Riady (together with his children under 18 years of age) as beneficiaries of the trust were taken to be interested in Lippo Cayman under the SFO.
- As at 30th June, 2003, Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited, J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in an aggregate of 248,697,776 ordinary shares of HK\$0.10 each in, representing approximately 56.78 per cent. of, the issued share capital of Lippo.
- As at 30th June, 2003, Lippo was indirectly interested in 6,539,460,389 ordinary shares of HK\$0.10 each in, representing approximately 71.07 per cent. of, the issued share capital of LCR.

As at 30th June, 2003, Dr. Mochtar Riady, as founder of the aforesaid discretionary trust, and Mr. Stephen Riady (together with his children under 18 years of age), as beneficiaries of the aforesaid discretionary trust, through their interests in Lippo Cayman as mentioned in Note 1 above, were also taken to be interested in the share capital of the following associated corporations (within the meaning of Part XV of the SFO) of the Company:

Name of associated corporation	Class of shares	No. of shares interested	Approximate percentage of interests in the issued share capital
Abital Trading Pte. Limited	Ordinary shares	2	100
AcrossAsia Multimedia Limited	Ordinary shares	3,669,576,788 (Note a)	72.45
Actfield Limited	Ordinary shares	1	100
Boudry Limited	Ordinary shares	1,000	100
Congrad Holdings Limited	Ordinary shares	1	100
Cyport Limited	Ordinary shares	1	100
East Winds Food Pte Ltd.	Ordinary shares	400,000 (Note b)	88.88
First Bond Holdings Limited	Ordinary shares	1	100
First Tower Corporation	Ordinary shares	1 (Note c)	100
Gainfield Enterprise Limited	Ordinary shares	1	100
Glory Power Worldwide Limited	Ordinary shares	1	100
Grand Peak Investment Limited	Ordinary shares	2	100
Greenroot Limited	Ordinary shares	1 (Note d)	100
HKCL Holdings Limited	Ordinary shares	50,000 (Note e)	100
Huge Returns Limited	Ordinary shares	1	100

ADDITIONAL INFORMATION (continued)**Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations** (continued)(a) *Interests in shares of the Company and associated corporations* (continued)

Name of associated corporation	Class of shares	No. of shares interested	Approximate percentage of interests in the issued share capital
J & S Company Limited	Ordinary shares	1	100
Lippo Assets (International) Limited	Ordinary shares	1,000,000	100
	Non-voting deferred shares	15,000,000	100
Lippo Capital Limited	Ordinary shares	705,690,000	100
Lippo Energy Company N.V.	Ordinary shares	6,000	100
Lippo Finance Limited	Ordinary shares	6,176,470	82.35
Lippo Holding America Inc.	Ordinary shares	1	100
Lippo Holding Company Limited	Ordinary shares	2,500,000	100
	Non-voting deferred shares	7,500,000	100
Lippo Investment Limited	Ordinary shares	2	100
Lippo Leisure Holdings Limited	Ordinary shares	2	100
Lippo Realty Limited	Ordinary shares	2	100
Multi-World Builders & Development Corporation	Ordinary shares	4,080	51
Nelton Limited	Ordinary shares	10,000	100
Pointbest Limited	Ordinary shares	1	100
Sinotrend Global Holdings Limited	Ordinary shares	1	100
Skyscraper Realty Limited	Ordinary shares	10 (Note f)	100
The HCB General Investment (Singapore) Pte Ltd. ("HCB General")	Ordinary shares	70,000	70
The Hong Kong Building and Loan Agency Limited	Ordinary shares	168,313,038 (Note e)	74.80
Valencia Development Limited	Ordinary shares	800,000	100
	Non-voting deferred shares	200,000	100

Note:

- a. The interests included 219,600,000 ordinary shares held by Mideast Pacific Strategic Holdings Limited in which Lippo Cayman controlled a 30 per cent. interest.
- b. The interests were held by HCB General, a 70 per cent. owned subsidiary of Lippo Cayman.
- c. The interest was held by Lippo, a 56.78 per cent. owned subsidiary of Lippo Cayman.
- d. The interest was held by LCR, a 71.07 per cent. owned subsidiary of Lippo which in turn was a 56.78 per cent. owned subsidiary of Lippo Cayman.
- e. The interests were held through LCR, a 71.07 per cent. owned subsidiary of Lippo which in turn was a 56.78 per cent. owned subsidiary of Lippo Cayman.
- f. The interests were held through Lippo, a 56.78 per cent. owned subsidiary of Lippo Cayman.

ADDITIONAL INFORMATION *(continued)***Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations** *(continued)**(a) Interests in shares of the Company and associated corporations (continued)*

As at 30th June, 2003, Mr. Stephen Riady, as beneficial owner, was directly interested in 5 ordinary shares of HK\$1.00 each in, representing 25 per cent. of, the issued share capital of Lanius which was the registered shareholder of 10,000,000 ordinary shares of US\$1.00 each in, representing 100 per cent. of, the issued share capital of Lippo Cayman. Lanius was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. Dr. Mochtar Riady did not have any interests in the share capital of Lanius but the shareholders of Lanius were accustomed to act in accordance with his instructions.

As at 30th June, 2003, Mr. John Lee Luen Wai, as beneficial owner, was also interested in 230,000 ordinary shares of HK\$0.10 each in, representing approximately 0.0045 per cent. of, the issued share capital of AcrossAsia Multimedia Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company.

(b) Interests in underlying shares of the Company's associated corporation

As at 30th June, 2003, Mr. John Lee Luen Wai, as beneficial owner, held 1,500,000 options granted to him on 23rd June, 1997 at a consideration of HK\$1.00 under the Share Option Scheme for Employees adopted by LCR (the "LCR Scheme"). Such options are exercisable from August 1997 to June 2007 in accordance with the rules of the LCR Scheme. Holder of each such option is entitled to subscribe for six ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.883 per share (subject to adjustment). Accordingly, Mr. John Lee Luen Wai is entitled to subscribe for 9,000,000 ordinary shares in, representing approximately 0.09 per cent. of, the issued share capital of LCR. No options had been exercised by Mr. John Lee Luen Wai during the six months ended 30th June, 2003.

The above interest in the underlying shares of LCR is held pursuant to unlisted physically settled equity derivatives. As at 30th June, 2003, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(c) Interests in debentures of the Company's associated corporation

As at 30th June, 2003, Dr. Mochtar Riady and Mr. Stephen Riady (together with his children under 18 years of age) through their interests in Lippo Cayman as mentioned in Note 1 above, were taken to be interested in the debentures issued by Lippo Commercial Paper Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company, in the amount of US\$5,500,000. Such interest was held through the Company, a 73.32 per cent. owned subsidiary of LCR which in turn was a 71.07 per cent. owned subsidiary of Lippo. Lippo was a 56.78 per cent. owned subsidiary of Lippo Cayman.

ADDITIONAL INFORMATION (continued)**Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations** (continued)

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2003, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, as at 30th June, 2003, none of the Directors or chief executive of the Company nor their spouses or children under 18 years of age, were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Interests and short positions of shareholders discloseable under the SFO

As at 30th June, 2003, so far as is known to the Directors of the Company, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as follows:

Interests of substantial shareholders in shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of the issued share capital
HKCL Holdings Limited ("HKCL Holdings")	820,886,440	60.95
LCR	987,470,440	73.32
Lippo	987,470,440	73.32
Lippo Cayman	987,470,440	73.32
Lanius	987,470,440	73.32
Madam Lidya Suryawaty	987,470,440	73.32

Note:

1. HKCL Holdings, the immediate holding company of the Company, as beneficial owner, held 820,886,440 ordinary shares in the Company.
2. LCR's interests in the shares of the Company included the interest of HKCL Holdings which was held by LCR through Greenroot Limited, a wholly-owned subsidiary of LCR. LCR, as beneficial owner, directly held 166,584,000 ordinary shares in, representing approximately 12.37 per cent. of, the issued share capital of the Company.
3. Lippo was an intermediate holding company of LCR which was held by Skyscraper Realty Limited as to approximately 71.07 per cent., which in turn was wholly owned by First Tower Corporation, a wholly-owned subsidiary of Lippo.
4. Lippo Cayman was the holding company of Lippo through direct holding and through wholly-owned subsidiaries, one of which was Lippo Capital Limited which controlled an approximate 49.97 per cent. interest in Lippo.
5. Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
6. LCR's interests in the shares of the Company were recorded as the interests of Lippo, Lippo Cayman, Lanius and Madam Lidya Suryawaty. The above 987,470,440 ordinary shares in the Company related to the same block of shares that Dr. Mochtar Riady and Mr. Stephen Riady were interested, details of which were disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and associated corporations".

ADDITIONAL INFORMATION *(continued)***Interests and short positions of shareholders discloseable under the SFO** *(continued)*

All the interests stated above represent long positions. Save as disclosed herein, as at 30th June, 2003, none of the substantial shareholders or other persons (other than Directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, sale or redemption of the Company's listed securities

During the six months ended 30th June, 2003, the Company had repurchased a total of 4,708,000 shares of HK\$1.00 each in the Company on the Stock Exchange, all of which were subsequently cancelled. Particulars of the aforesaid repurchases were as follows:

Month	Number of shares of HK\$1.00 each repurchased	Price per share or highest price paid per share HK\$	Lowest price paid per share HK\$	Total price paid before expenses HK\$
January	1,570,000	0.62	0.60	946,000
February	100,000	0.63	N/A	63,000
April	876,000	0.60	0.59	521,340
May	2,162,000	0.68	0.63	1,415,340

Save as disclosed herein, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

Compliance with Code of Best Practice

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the period during the six months ended 30th June, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange, except that non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with Bye-law 87 of the Company's Bye-laws.

Review of interim report

This interim report has been reviewed by the Company's Audit Committee which comprises two independent non-executive Directors.

By Order of the Board
Hongkong Chinese Limited
John Lee Luen Wai
Director

Hong Kong, 17th September, 2003