

TISCO FINANCE PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
REPORT AND INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2003

## **Report of Independent Auditor**

To The Board of Directors and Shareholders of  
TISCO Finance Public Company Limited

I have audited the accompanying consolidated balance sheet of TISCO Finance Public Company Limited and its subsidiaries as at 30 June 2003, the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the six-month period then ended, and the separate financial statements of TISCO Finance Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit.

I did not audit the financial statements for the six-month period ended 30 June 2003 of one subsidiary company, Thai Permsub Finance Company Limited, which statements reflect total assets as at 30 June 2003 of approximately Baht 72 million, total revenues and net earnings for the six-month period ended 30 June 2003 of approximately Baht 0.5 million and Baht 0.3 million respectively. Those amounts were included in the consolidated financial statements. I have however received an audit report from the subsidiary's auditor, who expressed an unqualified audit opinion on those financial statements. My opinion, insofar as it relates to the amounts pertaining to this subsidiary which are included in the consolidated financial statements for the six-month period ended 30 June 2003, is based solely on the report of that other auditor.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Finance Public Company Limited and its subsidiaries and of TISCO Finance Public Company Limited as at 30 June 2003, and the results of their operations, and cash flows for the six-month period then ended in accordance with generally accepted accounting principles.

I have also reviewed the earnings statement for the three-month period ended 30 June 2003. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. I conducted my review in accordance with the auditing standard applicable to review engagements which provides less assurance than an audit conducted in accordance with generally accepted auditing standards. I accordingly do not express an audit opinion on the financial statements which I have reviewed. Based on my review and the report of the other auditor, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The consolidated financial statements of TISCO Finance Public Company Limited and its subsidiaries and the separate financial statements of TISCO Finance Public Company Limited for the year ended 31 December 2002 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under his report dated 6 February 2003, expressed an unqualified audit opinion on those statements based on his audit and the report of the other auditor. The balance sheet as at 31 December 2002, as presented herein for comparative purposes, formed an integral part of the financial statements which were audited and reported on by that auditor.

The consolidated statements of earnings, changes in shareholders' equity, and cash flows of TISCO Finance Public Company Limited and its subsidiaries and the separate financial statements of TISCO Finance Public Company Limited for the six-month period ended 30 June 2002, as presented herein for comparative purposes, formed an integral part of the financial statements for the six-month period ended 30 June 2002 which were audited in accordance with generally accepted auditing standards by the aforementioned auditor of our firm who, under his report dated 2 August 2002, expressed an unqualified audit opinion on those statements based on his audit and the report of the other auditor.

The consolidated earnings statement of TISCO Finance Public Company Limited and its subsidiaries and the separate financial statements of TISCO Finance Public Company Limited for the three-month period ended 30 June 2002, as presented herein for comparative purposes, formed an integral part of the financial statements which were reviewed by the aforementioned auditor, whose report dated 2 August 2002 stated that, based on his review and the report of the other auditor, nothing had come to his attention that caused him to believe that the financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 1 August 2003

## TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## BALANCE SHEETS

AS AT 30 JUNE 2003 AND 31 DECEMBER 2002

(Unit : Baht)

|   | Note   | CONSOLIDATED          |                       | THE COMPANY ONLY      |                       |
|---|--------|-----------------------|-----------------------|-----------------------|-----------------------|
|   |        | 30 June 2003          | 31 December 2002      | 30 June 2003          | 31 December 2002      |
| <b>ASSETS</b>   |        |                       |                       |                       |                       |
| CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS               | 4      | 785,042,759           | 832,613,406           | 119,998,214           | 283,654,851           |
| LOANS TO FINANCIAL INSTITUTIONS                           | 5      | 468,466,927           | 735,205,697           | -                     | -                     |
| INVESTMENT IN SECURITIES                                  | 6,7,10 |                       |                       |                       |                       |
| Current investment - net                                  |        | 3,760,668,820         | 2,598,948,561         | 3,242,740,433         | 2,235,283,775         |
| Long-term investment - net                                |        | 3,267,291,974         | 3,557,198,956         | 3,143,744,219         | 3,442,903,548         |
| Investment in subsidiaries and associated companies - net |        | 28,233,551            | 24,981,601            | 5,008,533,233         | 4,759,602,598         |
| Net investments   |        | 7,056,194,345         | 6,181,129,118         | 11,395,017,885        | 10,437,789,921        |
| TRADING TRANSACTIONS WITH SECURITIES COMPANIES            |        | 562,549,346           | 85,901,326            | -                     | -                     |
| LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE         | 8,10   |                       |                       |                       |                       |
| Finance business loans and receivable                     |        | 42,786,923,916        | 39,726,588,045        | 37,175,347,922        | 34,778,196,219        |
| Securities business receivable                            |        | 1,848,506,358         | 1,099,602,791         | -                     | -                     |
| Total loans and receivable                                |        | 44,635,430,274        | 40,826,190,836        | 37,175,347,922        | 34,778,196,219        |
| Accrued interest receivable                               |        | 121,476,633           | 112,133,972           | 89,051,405            | 83,757,276            |
| Total loans, receivable and accrued interest receivable   |        | 44,756,906,907        | 40,938,324,808        | 37,264,399,327        | 34,861,953,495        |
| Less : Allowance for doubtful accounts                    | 9      | (4,139,577,652)       | (4,240,268,089)       | (3,269,463,730)       | (3,401,650,049)       |
| Less : Allowance for loss on debt restructuring           | 9      | (470,592,787)         | (462,267,957)         | (470,592,787)         | (462,267,957)         |
| Net loans, receivable and accrued interest receivable     |        | 40,146,736,468        | 36,235,788,762        | 33,524,342,810        | 30,998,035,489        |
| PROPERTY FORECLOSED - net                                 | 11     | 1,274,501,226         | 1,316,814,782         | 1,267,908,475         | 1,307,961,405         |
| LAND, PREMISES AND EQUIPMENT - net                        | 12     | 1,330,290,523         | 1,344,448,550         | 835,012,992           | 827,988,049           |
| DEFERRED TAX ASSETS                                       |        | 240,447,178           | 260,697,463           | 251,145,023           | 254,485,565           |
| GOODWILL  |        | 792,388,014           | 833,475,770           | -                     | -                     |
| OTHER ASSETS  | 13     | 1,690,747,387         | 1,386,111,305         | 1,331,459,913         | 1,045,626,415         |
| <b>TOTAL ASSETS</b>                                       |        | <b>54,347,364,173</b> | <b>49,212,186,179</b> | <b>48,724,885,312</b> | <b>45,155,541,695</b> |

The accompanying notes are an integral part of the financial statements.

## TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## BALANCE SHEETS (Continued)

AS AT 30 JUNE 2003 AND 31 DECEMBER 2002

(Unit : Baht)

|  | Note  | CONSOLIDATED          |                       | THE COMPANY ONLY      |                       |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |       | 30 June 2003          | 31 December 2002      | 30 June 2003          | 31 December 2002      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                      |       |                       |                       |                       |                       |
| <b>BORROWINGS AND DEPOSITS</b>   |       |                       |                       |                       |                       |
|  | 14    |                       |                       |                       |                       |
| From public  |       | 33,432,314,528        | 30,943,746,418        | 32,394,797,774        | 30,492,497,798        |
| From banks   |       | 2,229,932,576         | 2,259,109,462         | 133,569,640           | 289,018,870           |
| From financial institutions  |       | 1,384,904,154         | 1,005,111,315         | 1,807,788,954         | 913,786,079           |
| From foreign countries   |       | 62,754,671            | 53,384,018            | 62,754,671            | 53,384,018            |
| Total borrowings and deposits  |       | 37,109,905,929        | 34,261,351,213        | 34,398,911,039        | 31,748,686,765        |
| TRADING TRANSACTIONS WITH SECURITIES COMPANIES                                   |       | 416,752,253           | 426,888,698           | -                     | -                     |
| SECURITIES BUSINESS PAYABLE  |       | 1,650,759,874         | 431,448,657           | -                     | -                     |
| LIABILITIES UNDER COMMERCIAL PAPERS SOLD   |       | 125,000,000           | 357,000,000           | 125,000,000           | 357,000,000           |
| ACCRUED INTEREST PAYABLE   |       | 192,827,942           | 186,886,572           | 186,542,601           | 181,045,360           |
| DEBENTURES   | 15    | 5,131,000,000         | 5,131,000,000         | 5,131,000,000         | 5,131,000,000         |
| OTHER LIABILITIES  | 16    | 842,392,286           | 605,381,294           | 438,071,726           | 358,395,635           |
| <b>TOTAL LIABILITIES</b>   |       | <b>45,468,638,284</b> | <b>41,399,956,434</b> | <b>40,279,525,366</b> | <b>37,776,127,760</b> |
| <b>SHAREHOLDERS' EQUITY</b>  |       |                       |                       |                       |                       |
| Share capital  | 17    |                       |                       |                       |                       |
| Registered   | 17(a) | 11,002,000,000        | 11,002,000,000        | 11,002,000,000        | 11,002,000,000        |
| Issued and paid up   |       |                       |                       |                       |                       |
| 180,422,580 preference shares of Baht 10 each                                    |       |                       |                       |                       |                       |
| (31 December 2002 : 215,836,680 preference shares of Baht 10 each)               |       | 1,804,225,800         | 2,158,366,800         | 1,804,225,800         | 2,158,366,800         |
| 528,045,420 ordinary shares of Baht 10 each                                      |       |                       |                       |                       |                       |
| (31 December 2002 : 490,697,820 ordinary shares of Baht 10 each)                 |       | 5,280,454,200         | 4,906,978,200         | 5,280,454,200         | 4,906,978,200         |
|  |       | 7,084,680,000         | 7,065,345,000         | 7,084,680,000         | 7,065,345,000         |
| Share premium  |       |                       |                       |                       |                       |
| Share premium of preference shares   |       | 2,073,730             | 1,184,895             | 2,073,730             | 1,184,895             |
| Share premium of ordinary shares   |       | 36,500,000            | 36,500,000            | 36,500,000            | 36,500,000            |
| Revaluation surplus on changes in the value of investment                        | 20    | 308,919,542           | 58,797,600            | 308,919,542           | 58,797,600            |
| Translation adjustments  |       | 118,823,209           | 127,318,922           | 118,823,209           | 127,318,922           |
| Retained earnings  |       |                       |                       |                       |                       |
| Appropriated - statutory reserve   | 19    | 48,700,000            | 48,700,000            | 48,700,000            | 48,700,000            |
| Unappropriated   |       | 845,663,465           | 41,567,518            | 845,663,465           | 41,567,518            |
| Equity attributable to Company's shareholders                                    |       | 8,445,359,946         | 7,379,413,935         | 8,445,359,946         | 7,379,413,935         |
| Minority interest - equity attributable to minority shareholders of subsidiaries |       | 433,365,943           | 432,815,810           | -                     | -                     |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  |       | <b>8,878,725,889</b>  | <b>7,812,229,745</b>  | <b>8,445,359,946</b>  | <b>7,379,413,935</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                |       | <b>54,347,364,173</b> | <b>49,212,186,179</b> | <b>48,724,885,312</b> | <b>45,155,541,695</b> |
|  |       | 0                     | 0                     | 0                     | 0                     |
| <b>OFF-BALANCE SHEET ITEMS - COMMITMENTS</b>                                     |       |                       |                       |                       |                       |
|  | 30    |                       |                       |                       |                       |
| Aval to bills  |       | 568,963,100           | 771,762,686           | 568,963,100           | 771,762,686           |
| Guarantees of loans and others   |       | 574,074,153           | 521,879,371           | 574,074,153           | 521,879,371           |

The accompanying notes are an integral part of the financial statements.

Mr. Pliu Mangkornkanok  
(Chairman of the executive board and chief executive officer)

Mr. Pichai Chanvirachart  
(President)

## TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## STATEMENTS OF EARNINGS

FOR THE THREE-MONTH PERIODS ENDED 30 JUNE 2003 AND 2002

(Unit : Baht)

|   | Note | CONSOLIDATED  |               | THE COMPANY ONLY |               |
|---|------|---------------|---------------|------------------|---------------|
|   |      | 2003          | 2002          | 2003             | 2002          |
| <b>INTEREST AND DIVIDEND INCOME</b>   |      |               |               |                  |               |
| Loans and deposits  |      | 209,525,123   | 262,639,239   | 205,802,567      | 264,707,286   |
| Hire purchase and financial lease income  |      | 591,468,125   | 441,709,341   | 405,321,231      | 294,923,614   |
| Investment in securities  |      | 92,484,452    | 131,487,328   | 81,848,000       | 124,532,655   |
| Total interest and dividend income  |      | 893,477,700   | 835,835,908   | 692,971,798      | 684,163,555   |
| <b>EXPENSES ON BORROWINGS</b>   |      |               |               |                  |               |
| Interest and discounts  |      | 303,133,296   | 312,718,174   | 279,895,165      | 300,726,790   |
| Fees and charges  |      | 1,515,209     | 2,208,215     | -                | 403,242       |
| Total expenses on borrowings  |      | 304,648,505   | 314,926,389   | 279,895,165      | 301,130,032   |
| Net interest and dividend income  |      | 588,829,195   | 520,909,519   | 413,076,633      | 383,033,523   |
| <b>BAD DEBT AND DOUBTFUL ACCOUNTS</b>   |      |               |               |                  |               |
|   |      | (70,284,095)  | (174,617,713) | (51,546,051)     | (170,655,158) |
| <b>LOSS ON DEBT RESTRUCTURING</b>   |      |               |               |                  |               |
|   |      | (782,094)     | (24,778,756)  | (782,094)        | (24,778,756)  |
| Net interest and dividend income after<br>bad debt and doubtful accounts and loss on debt restructuring |      | 517,763,006   | 321,513,050   | 360,748,488      | 187,599,609   |
| <b>NON-INTEREST INCOME</b>  |      |               |               |                  |               |
| Brokerage fees  |      | 126,976,146   | 104,004,764   | -                | -             |
| Gain on investments   |      | 163,912,765   | 243,669,151   | 46,237,090       | 247,091,999   |
| Fees and charges  |      | 214,215,425   | 136,457,738   | 94,579,713       | 46,308,963    |
| Fees and gains (loss) on forward exchange   |      | 2,885,684     | 4,742,410     | (58,525)         | (72,847)      |
| Share of profit of subsidiary and associated companies  |      | 1,141,031     | 192,806       | 192,012,042      | 153,554,226   |
| Other income  |      | 42,449,687    | 54,241,251    | 39,078,311       | 40,564,762    |
| Total non-interest income   |      | 551,580,738   | 543,308,120   | 371,848,631      | 487,447,103   |
| Total net income  |      | 1,069,343,744 | 864,821,170   | 732,597,119      | 675,046,712   |
| <b>OPERATING EXPENSES</b>   |      |               |               |                  |               |
| Personnel expenses  |      | 217,457,977   | 172,710,475   | 95,864,528       | 62,234,101    |
| Premises and equipment expenses   |      | 78,762,718    | 76,674,565    | 50,437,074       | 52,845,044    |
| Taxes and duties  |      | 17,777,187    | 19,671,146    | 15,959,515       | 17,922,689    |
| Directors' remuneration   | 22   | 1,665,000     | 1,680,000     | 1,425,000        | 1,440,000     |
| Other expenses  |      | 207,810,534   | 203,169,974   | 125,619,763      | 216,078,891   |
| Total operating expenses  |      | 523,473,416   | 473,906,160   | 289,305,880      | 350,520,725   |
| <b>EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST</b>   |      |               |               |                  |               |
|   |      | 545,870,328   | 390,915,010   | 443,291,239      | 324,525,987   |
| <b>CORPORATE INCOME TAX</b>   |      |               |               |                  |               |
|   |      | (97,113,707)  | (56,646,100)  | (3,340,542)      | -             |
| <b>EARNINGS BEFORE MINORITY INTEREST</b>  |      |               |               |                  |               |
|   |      | 448,756,621   | 334,268,910   | 439,950,697      | 324,525,987   |
| <b>MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES</b>  |      |               |               |                  |               |
|   |      | (8,805,924)   | (9,742,923)   | -                | -             |
| <b>NET EARNINGS FOR THE PERIOD</b>  |      |               |               |                  |               |
|   |      | 439,950,697   | 324,525,987   | 439,950,697      | 324,525,987   |
| <b>EARNINGS PER SHARE</b>   |      |               |               |                  |               |
| Basic earnings per share  | 26   | 0.83          | 1.20          | 0.83             | 1.20          |
| Diluted earnings per share  |      | 0.61          | 0.45          | 0.61             | 0.45          |

The accompanying notes are an integral part of the financial statements.

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2003 AND 2002

(Unit : Baht)

|   | Note | CONSOLIDATED  |               | THE COMPANY ONLY |               |
|---|------|---------------|---------------|------------------|---------------|
|   |      | 2003          | 2002          | 2003             | 2002          |
| <b>INTEREST AND DIVIDEND INCOME</b>   |      |               |               |                  |               |
| Loans and deposits  |      | 443,254,460   | 499,358,333   | 435,277,073      | 504,367,724   |
| Hire purchase and financial lease income  |      | 1,147,447,148 | 846,411,961   | 782,452,913      | 563,337,992   |
| Investment in securities  |      | 180,377,349   | 287,654,953   | 183,481,882      | 296,228,440   |
| Total interest and dividend income  |      | 1,771,078,957 | 1,633,425,247 | 1,401,211,868    | 1,363,934,156 |
| <b>EXPENSES ON BORROWINGS</b>   |      |               |               |                  |               |
| Interest and discounts  |      | 608,992,678   | 628,612,582   | 564,009,471      | 606,400,107   |
| Fees and charges  |      | 3,242,813     | 4,258,402     | -                | 802,052       |
| Total expenses on borrowings  |      | 612,235,491   | 632,870,984   | 564,009,471      | 607,202,159   |
| Net interest and dividend income  |      | 1,158,843,466 | 1,000,554,263 | 837,202,397      | 756,731,997   |
| <b>BAD DEBT AND DOUBTFUL ACCOUNTS</b>   |      |               |               |                  |               |
|   |      | (54,132,029)  | (362,551,166) | (20,065,842)     | (353,337,928) |
| <b>LOSS ON DEBT RESTRUCTURING</b>   |      |               |               |                  |               |
|   |      | (790,522)     | (26,388,627)  | (790,522)        | (26,388,627)  |
| Net interest and dividend income after<br>bad debt and doubtful accounts and loss on debt restructuring |      | 1,103,920,915 | 611,614,470   | 816,346,033      | 377,005,442   |
| <b>NON-INTEREST INCOME</b>  |      |               |               |                  |               |
| Brokerage fees  |      | 211,274,979   | 213,401,976   | -                | -             |
| Gain on investments   | 21   | 215,165,187   | 459,633,151   | 65,762,376       | 343,653,843   |
| Fees and charges  |      | 403,513,832   | 267,248,382   | 162,636,566      | 97,137,119    |
| Fees and gain (loss) on forward exchange  |      | 3,127,169     | 5,543,470     | (129,471)        | (120,094)     |
| Share of profit of subsidiary and associated companies  |      | 1,626,135     | 406,250       | 275,743,814      | 359,297,633   |
| Other income  |      | 70,348,105    | 123,806,354   | 63,604,986       | 96,526,617    |
| Total non-interest income   |      | 905,055,407   | 1,070,039,583 | 567,618,271      | 896,495,118   |
| Total net income  |      | 2,008,976,322 | 1,681,654,053 | 1,383,964,304    | 1,273,500,560 |
| <b>OPERATING EXPENSES</b>   |      |               |               |                  |               |
| Personnel expenses  |      | 436,136,257   | 338,419,108   | 191,866,190      | 121,436,297   |
| Premises and equipment expenses   |      | 157,217,990   | 164,885,864   | 100,549,968      | 104,315,782   |
| Taxes and duties  |      | 36,185,787    | 40,039,522    | 32,397,142       | 36,780,815    |
| Directors' remuneration   | 22   | 3,330,000     | 3,160,000     | 2,850,000        | 2,700,000     |
| Other expenses  |      | 404,405,079   | 340,420,939   | 248,864,515      | 381,282,840   |
| Total operating expenses  |      | 1,037,275,113 | 886,925,433   | 576,527,815      | 646,515,734   |
| EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST  |      | 971,701,209   | 794,728,620   | 807,436,489      | 626,984,826   |
| CORPORATE INCOME TAX  | 23   | (150,681,264) | (148,401,009) | (3,340,542)      | -             |
| EARNINGS BEFORE MINORITY INTEREST   |      | 821,019,945   | 646,327,611   | 804,095,947      | 626,984,826   |
| MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES   |      | (16,923,998)  | (19,342,785)  | -                | -             |
| NET EARNINGS FOR THE PERIOD   |      | 804,095,947   | 626,984,826   | 804,095,947      | 626,984,826   |
| <b>EARNINGS PER SHARE</b>   |      |               |               |                  |               |
| Basic earnings per share  | 26   | 1.54          | 2.69          | 1.54             | 2.69          |
| Diluted earnings per share  |      | 1.11          | 0.88          | 1.11             | 0.88          |

The accompanying notes are an integral part of the financial statements.

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2003 AND 2002

(Unit : Baht)

|  | CONSOLIDATED                     |                      |                   |                   |                                  |   |                         |                   |  |  |                      |
|--|----------------------------------|----------------------|-------------------|-------------------|----------------------------------|---|-------------------------|-------------------|--|--|----------------------|
|  | Issued and paid-up share capital |                      | Share premium     |                   | Preference shares                | Surplus                                 | Translation adjustments | Statutory reserve | Unappropriated retained earnings (deficit) | Minority interest-equity attributable to minority shareholders | Total                |
|  | Preference shares                | Ordinary shares      | Preference shares | Ordinary shares   | subscription received in advance | from changes in the value of investment |                         |                   |  |  |                      |
| <b>Balance as at 31 December 2001</b>          | 5,086,912,000                    | 1,931,738,000        | -                 | 36,500,000        | 350,000                          | 126,793,564                             | 136,463,224             | 48,700,000        | (1,112,482,183)                            | 433,555,253  | 6,688,529,858        |
| Increase in fair value of investments          | -                                | -                    | -                 | -                 | -                                | 101,074,513                             | -                       | -                 | -  | -  | 101,074,513          |
| Decrease in translation adjustments            | -                                | -                    | -                 | -                 | -                                | -                                       | (24,581,110)            | -                 | -  | -  | (24,581,110)         |
| Net earnings for the period                    | -                                | -                    | -                 | -                 | -                                | -                                       | -                       | -                 | 626,984,826                                | -  | 626,984,826          |
| Warrants converted to preference shares        | 24,100,000                       | -                    | -                 | -                 | (350,000)                        | -                                       | -                       | -                 | -  | -  | 23,750,000           |
| Preference shares converted to ordinary shares | (847,176,000)                    | 847,176,000          | -                 | -                 | -                                | -                                       | -                       | -                 | -  | -  | -                    |
| Decrease in minority interest                  | -                                | -                    | -                 | -                 | -                                | -                                       | -                       | -                 | -  | (250,965)  | (250,965)            |
| <b>Balance as at 30 June 2002</b>              | <b>4,263,836,000</b>             | <b>2,778,914,000</b> | <b>-</b>          | <b>36,500,000</b> | <b>-</b>                         | <b>227,868,077</b>                      | <b>111,882,114</b>      | <b>48,700,000</b> | <b>(485,497,357)</b>                       | <b>433,304,288</b>   | <b>7,415,507,122</b> |
| <b>Balance as at 31 December 2002</b>          | <b>2,158,366,800</b>             | <b>4,906,978,200</b> | <b>1,184,895</b>  | <b>36,500,000</b> | <b>-</b>                         | <b>58,797,600</b>                       | <b>127,318,922</b>      | <b>48,700,000</b> | <b>41,567,518</b>                          | <b>432,815,810</b>   | <b>7,812,229,745</b> |
| Increase in fair value of investments          | -                                | -                    | -                 | -                 | -                                | 250,121,942                             | -                       | -                 | -  | -  | 250,121,942          |
| Decrease in translation adjustments            | -                                | -                    | -                 | -                 | -                                | -                                       | (8,495,713)             | -                 | -  | -  | (8,495,713)          |
| Net earnings for the period                    | -                                | -                    | -                 | -                 | -                                | -                                       | -                       | -                 | 804,095,947                                | -  | 804,095,947          |
| Warrants converted to preference shares        | 19,335,000                       | -                    | 888,835           | -                 | -                                | -                                       | -                       | -                 | -  | -  | 20,223,835           |
| Preference shares converted to ordinary shares | (373,476,000)                    | 373,476,000          | -                 | -                 | -                                | -                                       | -                       | -                 | -  | -  | -                    |
| Increase in minority interest                  | -                                | -                    | -                 | -                 | -                                | -                                       | -                       | -                 | -  | 550,133  | 550,133              |
| <b>Balance as at 30 June 2003</b>              | <b>1,804,225,800</b>             | <b>5,280,454,200</b> | <b>2,073,730</b>  | <b>36,500,000</b> | <b>-</b>                         | <b>308,919,542</b>                      | <b>118,823,209</b>      | <b>48,700,000</b> | <b>845,663,465</b>                         | <b>433,365,943</b>   | <b>8,878,725,889</b> |

The accompanying notes are an integral part of the financial statements.



TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2003 AND 2002

(Unit : Baht)

|  | THE COMPANY ONLY                 |                      |                   |                   |                                  |  |                    |                   |                             |                      |
|--|----------------------------------|----------------------|-------------------|-------------------|----------------------------------|--|--------------------|-------------------|-----------------------------|----------------------|
|  | Issued and paid-up share capital |                      | Share premium     |                   | Preference shares                | Surplus  | Translation        | Statutory         | Unappropriated              | Total                |
|  | Preference shares                | Ordinary shares      | Preference shares | Ordinary shares   | subscription received in advance | received from changes in the value of investment | adjustments        | reserve           | retained earnings (deficit) |                      |
| <b>Balance as at 31 December 2001</b>          | 5,086,912,000                    | 1,931,738,000        | -                 | 36,500,000        | 350,000                          | 126,793,564                                      | 136,463,224        | 48,700,000        | (1,112,482,183)             | 6,254,974,605        |
| Increase in fair value of investments          | -                                | -                    | -                 | -                 | -                                | 101,074,513                                      | -                  | -                 | -                           | 101,074,513          |
| Decrease in translation adjustments            | -                                | -                    | -                 | -                 | -                                | -  | (24,581,110)       | -                 | -                           | (24,581,110)         |
| Net earnings for the period                    | -                                | -                    | -                 | -                 | -                                | -  | -                  | -                 | 626,984,826                 | 626,984,826          |
| Warrants converted to preference shares        | 24,100,000                       | -                    | -                 | -                 | (350,000)                        | -  | -                  | -                 | -                           | 23,750,000           |
| Preference shares converted to ordinary shares | (847,176,000)                    | 847,176,000          | -                 | -                 | -                                | -  | -                  | -                 | -                           | -                    |
| <b>Balance as at 30 June 2002</b>              | <b>4,263,836,000</b>             | <b>2,778,914,000</b> | <b>-</b>          | <b>36,500,000</b> | <b>-</b>                         | <b>227,868,077</b>                               | <b>111,882,114</b> | <b>48,700,000</b> | <b>(485,497,357)</b>        | <b>6,982,202,834</b> |
| <b>Balance as at 31 December 2002</b>          | <b>2,158,366,800</b>             | <b>4,906,978,200</b> | <b>1,184,895</b>  | <b>36,500,000</b> | <b>-</b>                         | <b>58,797,600</b>                                | <b>127,318,922</b> | <b>48,700,000</b> | <b>41,567,518</b>           | <b>7,379,413,935</b> |
| Increase in fair value of investments          | -                                | -                    | -                 | -                 | -                                | 250,121,942                                      | -                  | -                 | -                           | 250,121,942          |
| Decrease in translation adjustments            | -                                | -                    | -                 | -                 | -                                | -  | (8,495,713)        | -                 | -                           | (8,495,713)          |
| Net earnings for the period                    | -                                | -                    | -                 | -                 | -                                | -  | -                  | -                 | 804,095,947                 | 804,095,947          |
| Warrants converted to preference shares        | 19,335,000                       | -                    | 888,835           | -                 | -                                | -  | -                  | -                 | -                           | 20,223,835           |
| Preference shares converted to ordinary shares | (373,476,000)                    | 373,476,000          | -                 | -                 | -                                | -  | -                  | -                 | -                           | -                    |
| <b>Balance as at 30 June 2003</b>              | <b>1,804,225,800</b>             | <b>5,280,454,200</b> | <b>2,073,730</b>  | <b>36,500,000</b> | <b>-</b>                         | <b>308,919,542</b>                               | <b>118,823,209</b> | <b>48,700,000</b> | <b>845,663,465</b>          | <b>8,445,359,946</b> |

The accompanying notes are an integral part of the financial statements.

## TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2003 AND 2002

(Unit : Baht)

|  | CONSOLIDATED    |                 | THE COMPANY ONLY |                 |
|--|-----------------|-----------------|------------------|-----------------|
|  | 2003            | 2002            | 2003             | 2002            |
| <b>Cash flows from operating activities</b>  |                 |                 |                  |                 |
| Net earnings   | 804,095,947     | 626,984,826     | 804,095,947      | 626,984,826     |
| Adjustments to reconcile net earnings to<br>net cash provided by (used in) operating activities :- |                 |                 |                  |                 |
| Minority interest in earnings of subsidiary companies  | 16,923,998      | 19,342,785      | -                | -               |
| Share of net gain of subsidiary and associated companies   | (1,626,135)     | (406,250)       | (275,743,814)    | (359,297,633)   |
| Depreciation and amortisation  | 112,941,413     | 106,740,507     | 40,091,659       | 43,268,734      |
| Bad debt and doubtful accounts   | 64,115,190      | 392,315,008     | 22,855,936       | 379,844,588     |
| Unrealised loss (gain) on revaluation of investments   | (7,764,938)     | 9,435,527       | (7,764,938)      | 11,250,488      |
| Allowance for impairment of property foreclosed  | 42,436          | 4,100,884       | 706,477          | 3,773,893       |
| Reserve for accrued bonus  | 102,557,445     | 40,074,000      | 59,087,445       | 17,400,000      |
| Loss from troubled debt restructuring  | 790,522         | 26,388,628      | 790,522          | 26,388,627      |
| Gain on disposal of investments  | (46,619,860)    | (378,189,798)   | (46,619,860)     | (342,520,336)   |
| Gain on disposal of fixed assets   | (1,035,247)     | (8,788,280)     | (718,531)        | (1,176,568)     |
| Unrealised loss (gain) on valuation of securities held for trading                                 | (102,864,381)   | 116,743,967     | -                | -               |
| Gain from disposal of property foreclosed  | (6,379,580)     | (52,254,780)    | (6,379,580)      | (52,254,780)    |
| Decrease (increase) in deferred tax assets   | 20,250,285      | (77,745)        | 3,340,542        | -               |
| Decrease in accrued interest and dividend receivable   | 5,793,191       | 144,143,487     | 11,848,555       | 149,949,615     |
| Decrease (increase) in other receivable  | (19,761,432)    | 7,415,046       | (29,652,578)     | (17,572,894)    |
| Increase (decrease) in accrued interest payable  | 5,941,370       | (1,121,417)     | 5,497,241        | (487,799)       |
| Increase (decrease) in accrued expenses  | 9,983,563       | (3,710,170)     | 4,460,708        | (6,254,649)     |
| Earnings from operating activities before changes<br>in operating assets and liabilities           | 957,383,787     | 1,049,136,225   | 585,895,731      | 479,296,112     |
| Decrease (increase) in operating assets  |                 |                 |                  |                 |
| Loans to financial institutions  | 266,738,770     | (449,816,829)   | -                | -               |
| Negotiable certificates of deposit   | 35,684,404      | 8,882,648       | -                | -               |
| Investment in securities - held for trading  | 38,478,822      | 243,563,529     | -                | -               |
| Trading transactions with securities companies   | (476,648,020)   | (394,318,747)   | -                | -               |
| Finance business loans and receivable  | (3,320,366,884) | (3,066,381,376) | (2,647,419,344)  | (2,348,784,510) |
| Securities business loans and receivable   | (748,903,567)   | (324,925,648)   | -                | -               |
| Property foreclosed  | 26,967,499      | 4,369,434       | 24,042,832       | 3,722,311       |
| Other assets   | (308,826,219)   | 332,532,259     | (280,384,907)    | 194,690,270     |

The accompanying notes are an integral part of the financial statements.

## TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

## STATEMENTS OF CASH FLOWS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2003 AND 2002

(Unit : Baht)

|   | CONSOLIDATED     |                 | THE COMPANY ONLY |                 |
|---|------------------|-----------------|------------------|-----------------|
|   | 2003             | 2002            | 2003             | 2002            |
| Increase (decrease) in operating liabilities                                |                  |                 |                  |                 |
| Borrowings and deposits from public   | 2,259,215,429    | 1,552,664,585   | 1,902,299,976    | 1,208,238,534   |
| Borrowings and deposits from banks and financial institutions               | 579,968,634      | 107,308,059     | 738,553,645      | (17,456,112)    |
| Borrowings and deposits from foreign countries                              | 9,370,653        | (11,269,563)    | 9,370,653        | (11,269,563)    |
| Securities sold under repurchase agreements                                 | -                | 50,000,000      | -                | 50,000,000      |
| Trading transactions with securities companies                              | (10,136,445)     | 237,772,332     | -                | -               |
| Liabilities under commercial paper sold                                     | (232,000,000)    | 21,806,569      | (232,000,000)    | 21,806,569      |
| Securities business payable   | 1,219,311,217    | 545,617,139     | -                | -               |
| Other liabilities   | 141,145,257      | (52,066,256)    | 32,803,211       | 66,426,751      |
| Net cash flows from (used in) operating activities                          | 437,383,337      | (145,125,640)   | 133,161,797      | (353,329,638)   |
| <b>Cash flows from investing activities</b>                                 |                  |                 |                  |                 |
| Cash paid for purchase of investment in securities held for investment      | (10,165,071,319) | (3,095,935,635) | (9,818,052,230)  | (2,948,437,779) |
| Cash received from disposal of investment in securities held for investment | 9,745,452,082    | 3,408,316,559   | 9,515,880,528    | 3,304,648,698   |
| Cash paid for purchase of equipment   | (26,065,302)     | (29,179,960)    | (15,983,897)     | (9,328,962)     |
| Cash received from disposal of equipment                                    | 2,686,837        | 15,068,813      | 1,113,330        | 1,479,625       |
| Net cash flows from (used in) investing activities                          | (442,997,702)    | 298,269,777     | (317,042,269)    | 348,361,582     |
| <b>Cash flows from financing activities</b>                                 |                  |                 |                  |                 |
| Cash received from exchange of warrants to purchase preference shares       | 20,223,835       | 23,750,000      | 20,223,835       | 23,750,000      |
| Dividend paid   | (18,000,000)     | (20,000,000)    | -                | -               |
| Net cash flows from financing activities                                    | 2,223,835        | 3,750,000       | 20,223,835       | 23,750,000      |
| <b>Translation adjustments</b>  | (8,495,713)      | (24,581,110)    | -                | -               |
| Net increase (decrease) in cash and cash equivalents                        | (11,886,243)     | 132,313,027     | (163,656,637)    | 18,781,944      |
| Cash and cash equivalents at beginning of the period                        | 796,929,002      | 665,732,838     | 283,654,851      | 106,557,178     |
| Cash and cash equivalents at end of the period (Note 27)                    | 785,042,759      | 798,045,865     | 119,998,214      | 125,339,122     |
| <b>Supplemental cash flows information :-</b>                               |                  |                 |                  |                 |
| Cash paid during the period for   |                  |                 |                  |                 |
| Interest  | 602,198,884      | 652,985,352     | 558,512,230      | 606,887,906     |
| Corporate income tax  | 74,378,364       | 68,492,970      | 7,057,202        | 5,893,566       |
| Non-cash transactions :-  |                  |                 |                  |                 |
| Conversion of preference shares to ordinary shares                          | 373,476,000      | 847,176,000     | 373,476,000      | 847,176,000     |

The accompanying notes are an integral part of the financial statements.

TISCO FINANCE PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
NOTES TO INTERIM FINANCIAL STATEMENTS

**1. GENERAL INFORMATION**

**1.1 Company's information**

TISCO Finance Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates its business in Thailand and has been licensed by the Ministry of Finance to operate a finance business. The Company's registered office is located at 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. The Company has 10 provincial offices in Thailand.

**1.2 Assumption of preparation of the financial statements**

Although Thailand's economic crisis has eased to a certain extent, financial restructuring within the business community is still prevalent and subject to readjustment. The residual effects of the crisis could affect the recoverable value of assets and the collection of loans and receivables. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial positions of the Company and its subsidiaries. Actual results could differ from management's current assessments.

**2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS**

**2.1 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 "Interim financial statements", with the Company choosing to present a complete set of financial statements as in the annual financial statements.

**2.2 Basis for the preparation of the consolidated financial statements**

The consolidated financial statements include the accounts of TISCO Finance Public Company Limited (the "Company") and its subsidiary companies (the "subsidiaries") after eliminating material intercompany balances and transactions. Those subsidiaries are set out below.

(Unit : Percentage)

|   | Percentage of shares held by the Company |             | Subsidiaries' total assets as a percentage to the consolidated total |             | Subsidiaries' total revenues as a percentage to the consolidated total for the six-month periods ended 30 June |        | Subsidiaries' net earnings (loss) as a percentage to the consolidated total for the six-month periods ended 30 June |        |
|---|--|-------------|--|-------------|--|--------|---|--------|
|   | 30 June                                  | 31 December | 30 June  | 31 December | 2003   | 2002   | 2003  | 2002   |
|   | 2003                                     | 2002        | 2003   | 2002        |  |        |   |        |
|   |  |             |  |             |  |        |   |        |
| <b>Subsidiaries directly owned by the Company</b>   |  |             |  |             |  |        |   |        |
| TISCO Securities Hong Kong Limited                  | 100.00                                   | 100.00      | 2.23   | 1.85        | 1.04   | 1.23   | (1.84)  | (1.40) |
| TISCO Securities Co., Ltd.                          | 99.99                                    | 99.99       | 4.09   | 2.92        | 15.13  | 12.81  | 23.92   | 23.31  |
| Tru-Way Co., Ltd.                                   | 99.99                                    | 99.99       | 2.14   | 0.82        | 0.47   | 0.93   | 1.56  | 2.63   |
| Thai Commercial Auto Co., Ltd.                      | 50.00                                    | 50.00       | 5.76   | 5.66        | 4.52   | 3.84   | 4.87  | 7.06   |
| Thai Permsub Finance Co., Ltd.                      | 99.99                                    | 99.99       | 0.13   | 0.15        | 0.02   | 0.16   | 0.04  | 0.67   |
| <b>Subsidiaries indirectly owned by the Company</b> |  |             |  |             |  |        |   |        |
| TISCO Asset Management Co., Ltd.                    | 99.99                                    | 99.99       | 0.76   | 0.67        | 5.84   | 4.22   | 10.14   | 9.25   |
| TISCO Global Investment Holdings Limited            | 100.00                                   | 100.00      | 0.08   | 0.12        | 0.27   | (0.06) | 0.89  | (0.33) |
| TISCO Securities UK Limited                         | 100.00                                   | 100.00      | -  | 0.16        | 0.05   | 0.21   | (1.34)  | (1.39) |
| TISCO Leasing Co., Ltd.                             | 99.99                                    | 99.99       | 2.32   | 1.90        | 2.40   | 1.82   | 4.40  | 2.44   |
| Hi-Way Co., Ltd.                                    | 99.99                                    | 99.99       | 2.36   | 2.31        | 8.27   | 6.12   | 6.11  | 10.47  |
| Thai Information Technology Co., Ltd.               | 99.99                                    | 99.99       | 0.25   | 0.28        | 0.34   | 0.13   | (5.76)  | (8.44) |
| GIH & CO Pte. Ltd.                                  | 100                                      | -           | -  | -           | 0.02   | -      | 0.04  | -      |

The Company and its subsidiaries were all incorporated and operate in Thailand, except TISCO Securities Hong Kong Limited and TISCO Global Investment Holdings Limited, which were incorporated and operate in Hong Kong; TISCO Securities UK Limited, which was incorporated and operates in the United Kingdom; and GIH & CO Pte. Ltd., which was incorporated and operates in Singapore.

- a) The financial statements of 3 subsidiary companies, which are included in the consolidated interim financial statements, TISCO Global Investment Holdings Limited and, TISCO Securities UK Limited and GIH & CO Pte. Ltd., were prepared by the managements of these subsidiary companies and not audited by their auditors. As at 30 June 2003, these 3 subsidiary companies have aggregate assets included in the consolidated interim financial statements of approximately Baht 48 million, and aggregate revenues and aggregate net losses for the six-month period then ended of approximately Baht 9 million and Baht 3 million, respectively. These amounts are immaterial to the consolidated financial statements and the management believes that such amounts will not significantly differ if the financial statements were to be audited by auditors.

- b) The financial statements of overseas subsidiaries are translated to Thai Baht at the average closing exchange rate as to assets and liabilities, and at the average exchange rate at transaction dates as to revenues and expenses. The resultant difference has been shown under the caption of “Translation adjustments” within shareholders’ equity.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand (ICAAT), which are effective under the Accounting Act B.E. 2543, and in accordance with the Notifications of the Bank of Thailand and the Office of the Securities and Exchange Commission.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below :-

#### **3.1 Revenue recognition**

- a) Interest and discounts on loans

Interest is recognised as income on an accrual basis and is based on principal outstanding. Hire-purchase and financial lease income are recognized over the installment period, using the effective interest rate.

For loans and receivables on which interest payments have been defaulted for more than one month, it is the policy of the Company and its subsidiaries to cease accruing income on such loans and receivables. For hire purchase and financial lease accounts which are overdue for more than three months, the recognition of interest income is ceased. The recorded accrued interest will be reversed from the Company and its subsidiaries’ accounts and interest will be recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is recognised on a cash basis.

The accounts will be reinstated to “accrual basis” when the overdue amount are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment is recognised as income on an accrual basis. Dividends from securities are recognised as income when the dividends are declared.

c) Commissions and brokerage

Brokerage on securities trading is recognised as income on the transaction dates.

d) Gain (loss) on trading in securities

Gain (loss) on trading of investment in securities are recognised as income/expense on the transaction dates.

e) Fees and service income

Fees and service income are recognised as income on an accrual basis.

### **3.2 Interest expenses**

Interest expenses are charged to earnings on an accrual basis. Interest included in the face value of the notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

### **3.3 Investments in securities**

Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in the determining earnings.

Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders' equity until the securities are sold, the changes are then included in determining earnings.

Investments in debt securities, both due within one year or expected to be held to maturity, are determined at cost after amortisation.

The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt instruments is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Dealing Center or other financial institutions. The fair value of unit trusts is determined based on their net asset value.

Losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining earnings.

The moving average method is used for computation of the cost of investment.

In the event the Company and its subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining earnings or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

### **3.4 Investments in receivables purchased or transferred in and allowance for impairment of investments**

Investments in receivable purchased, which are classified as other investments, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in determining earnings.

For investments in receivable purchased who entered into trouble debt restructuring will be transferred to loans and receivable and valued at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of investments in receivable purchased as at transferred date or as at the date of restructuring. Allowance for doubtful debt is based on the Bank of Thailand's guideline with the same as allowance for loans and receivable.



### **3.5 Investment in subsidiary and associated companies**

Investments in subsidiary and associated companies are accounted for by the equity method. Under this method investment are initially recorded at cost, with the excess of the cost of the investment over the net book value at the acquisition date are amortised over a period of twenty years. In each period after the purchase, investments are adjusted for the share of earnings from the operations of the subsidiaries, these amounts are in proportion to the investment.

### **3.6 Loans and receivables**

The Company presents loans and receivables at principal balances, excluding accrued interest receivables. Unrecognised deferred income/discount on loans are deducted from loans.

### **3.7 Allowance for doubtful accounts and losses from troubled debt restructuring**

The Company and its subsidiaries provide allowances for doubtful accounts and losses from troubled debt restructuring in accordance with the notifications of the Bank of Thailand (“BOT”) or the Office of the Securities and Exchange Commission (“SEC”) and adjust the additional amount by which they expected not to be collectible. Judgment on the adequacy of the amount of allowance for doubtful accounts is based on the results of an evaluation of the current status of the debtors, in conjunction with the criteria laid down by the BOT or SEC in relation to the classification of loans, provisioning rates, valuation of collateral and reclassification of restructured loans.

An allowance for doubtful accounts for the hire-purchase and financial lease receivable of the subsidiaries is based on a percentage of the outstanding balance, net of unearned interest income. At the balance sheet date, the adequacy of the allowance for doubtful accounts is reviewed taking into consideration the current status of debtors. Accounts considered as uncollectible are written off as bad debts.

### **3.8 Troubled debt restructuring**

The Company records troubled debt restructuring transactions in accordance with the Bank of Thailand’s regulations and Accounting Standard No. 34 “Accounting for Troubled Debts Restructuring” as pronounced by the Institute of Certified Accountants and Auditors of Thailand. The assets and equities was transferred to the Company for debt settlement at lower of fair values of the assets, less estimated selling expenses, or the amount of investment in receivables (excluding non-accrued interest income at the restructuring date).

In case where the debt restructuring involves modifications of terms of receivables, the fair value of investment in receivables after restructuring represents the net present value of the expected future cash flows, using the Minimum Lending Rates (MLR) prevailing at the restructuring date. The Company recorded the difference between the fair value of investment in receivables, and the amount of investments in receivables as of restructuring date as expenses in the earnings statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the statement of earnings when incurred.

### **3.9 Property foreclosed**

Property foreclosed is stated at the lower of cost or net realisable value.

### **3.10 Financial lease**

The Company and its subsidiaries record assets under financial leases as assets and liabilities at the fair value of leased assets on the commencing date of the lease or at the present value of the minimum payments stipulated in the lease agreement, whichever is lower. The Company and its subsidiaries use the interest rate specified in the lease agreement as the discount rate for calculating the present value of minimum payments. Interest is recorded throughout the lease period based on the outstanding amount payable in each period.

### **3.11 Depreciation and amortisation**

- a) Land, premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated by reference to their cost on the straight-line method over the following estimated useful lives (with the exception of the depreciation of computer and communication equipment acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years) :-

|  |   |    |       |
|--|---|----|-------|
| Buildings and office condominium units | - | 20 | years |
| Office improvements                    | - | 5  | years |
| Furniture, fixtures and equipment      | - | 5  | years |
| Motor vehicles                         | - | 5  | years |

No depreciation is provided for land.

- b) Leasehold rights are amortised to expenses on a straight-line basis over the lease period of 12, 13.5 and 15 years.
- c) Software license fees are deferred and amortised over the period of the license agreements, which are for periods of 5 and 10 years. (with the exception of the amortisation of software licenses acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years).
- d) Licenses to trade securities on the Hong Kong Exchange and Clearing Limited (“HKEC”) are stated at cost less amortisation on a straight-line basis over 10 years.

### **3.12 Deferred tax assets/liabilities**

The Company and its subsidiaries provide for deferred income tax resulting from temporary differences in reporting income and expenses for financial reporting compared to income tax reporting. Accordingly, the income tax applicable to income which is not currently recognised, or to expenses which are not currently deductible for income tax purposes are set up as “Deferred income taxes” in the balance sheets. This will be allocated to future periods when the income is realised, or the expenses provided for, are actually incurred and considered deductible for income tax purposes.

However, the Company and its subsidiaries will recognise tax benefits as assets in its books of account if it is highly probable that the Company and its subsidiaries will generate sufficient profits from their future operations to utilise these benefits.

### **3.13 Sales of commercial paper**

Commercial paper, which is sold without recourse, is recorded by crediting the notes receivable account.

Commercial paper without an aval or acceptance, which is sold with recourse, is recorded as a liability under the caption of “Liabilities from sale of commercial paper”. Commercial paper sold at a discount with recourse, which is avaled by or has acceptance from a commercial bank or other finance company, is recorded by crediting the notes receivable account, and the obligations disclosed as part of “Contingent liabilities”.

### **3.14 Foreign currencies**

Foreign currency transactions during the period have been translated into Baht at the rates ruling on the transaction dates. Assets and liabilities in foreign currencies outstanding on the balance sheet date have been translated into Baht at the rates ruling on the balance sheet date, except those covered by forward exchange contracts have been translated at the contract rates.

Exchange gains and losses are included in determining earnings. Premium on forward contracts is amortised over the contract period.

### **3.15 Financial instruments**

Financial instruments presented in the balance sheets comprise of cash and deposits at financial institutions, loans to financial institutions, investments, loans, receivables and accrued interest receivables, trading transactions with securities companies, borrowings and deposits, securities sold under repurchase agreements and securities business payables. The accounting policy for each transaction is separately and individually disclosed.

### **3.16 Basic earnings per share**

Basic earnings per share is calculated by dividing net earnings for the period by the weighted average number of ordinary shares issuing during the period.

Diluted earnings per share is calculated by dividing net earnings for the period by the total sum of the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares to be issued upon conversion of all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

### 3.17 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in setting up allowances for impairment of investments and property foreclosed, allowance for doubtful accounts and losses from troubled debt restructuring. Making such estimates and assumptions may affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

## 4. CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS

Cash and deposits at financial institutions represent cash and all types of Baht and foreign currency deposits at banks and other financial institutions.

(Unit : Baht)

|                                    | Consolidated       |                    | The Company Only   |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | 30 June 2003       | 31 December 2002   | 30 June 2003       | 31 December 2002   |
| Cash                               | 6,550,874          | 3,927,680          | 3,581,167          | 1,546,536          |
| Cash at banks                      | 778,491,885        | 793,001,322        | 116,417,047        | 282,108,315        |
| Negotiable certificates of deposit | -                  | 35,684,404         | -                  | -                  |
| Total                              | <u>785,042,759</u> | <u>832,613,406</u> | <u>119,998,214</u> | <u>283,654,851</u> |

As at 30 June 2003, cash deposits at banks of the Company and its local subsidiaries of approximately Baht 12 million (the Company only : Baht 2 million) were pledged with the banks to secure facilities provided for use as working capital.

As at 30 June 2003, approximately Baht 97 million (as at 31 December 2002 : Baht 100 million) of the foreign subsidiary's cash deposits at banks were pledged with the bank to secure the credit facility.

## 5. LOANS TO FINANCIAL INSTITUTIONS

These include all types of loans to local and foreign financial institutions, but exclude the deposits with financial institutions as referred to in Note 4.

(Unit : Baht)

|                                     | Consolidated       |                    | The Company Only |                  |
|-------------------------------------|--------------------|--------------------|------------------|------------------|
|                                     | 30 June 2003       | 31 December 2002   | 30 June 2003     | 31 December 2002 |
| Call loans                          | 306,378,062        | 381,852,764        | -                | -                |
| Term loans                          | 161,000,000        | 352,000,000        | -                | -                |
| Total loans                         | 467,378,062        | 733,852,764        | -                | -                |
| Add : Accrued interest receivable   | 1,088,865          | 1,352,933          | -                | -                |
| Net loans to financial institutions | <u>468,466,927</u> | <u>735,205,697</u> | <u>-</u>         | <u>-</u>         |

## 6. INVESTMENTS IN SECURITIES

(Unit : Baht)

|  | Consolidated         |               |                      |               |
|--|----------------------|---------------|----------------------|---------------|
|  | 30 June 2003         |               | 31 December 2002     |               |
|  | Cost /<br>Book value | Fair value    | Cost /<br>Book value | Fair value    |
| <b>Current investment</b>                                  |                      |               |                      |               |
| <b>Trading securities</b>                                  |                      |               |                      |               |
| Equity securities :  |                      |               |                      |               |
| Domestic marketable equity securities                      | 246,115,561          | 333,423,545   | 277,993,507          | 261,591,554   |
| Add (less) : Allowance for changes in value                | 87,307,984           |               | (16,401,953)         |               |
| Net equity securities                                      | 333,423,545          |               | 261,591,554          |               |
| Total trading securities                                   | 333,423,545          |               | 261,591,554          |               |
| <b>Available-for-sales securities</b>                      |                      |               |                      |               |
| Debt securities :  |                      |               |                      |               |
| Government and state enterprise securities                 | 2,167,217,828        | 2,169,566,044 | 1,807,660,714        | 1,808,765,008 |
| Debt securities of private sector                          | 805,621,755          | 778,455,300   | 328,126,811          | 279,610,295   |
| Total  | 2,972,839,583        | 2,948,021,344 | 2,135,787,525        | 2,088,375,303 |
| Add (less) : Allowance for changes in value                | 35,595,761           |               | 13,001,778           |               |
| Less : Allowance for impairment                            | (60,414,000)         |               | (60,414,000)         |               |
| Debt securities - net                                      | 2,948,021,344        |               | 2,088,375,303        |               |
| Equity securities :  |                      |               |                      |               |
| Domestic marketable equity securities                      | 359,987,346          | 225,087,365   | 243,250,428          | 217,098,489   |
| Other securities - unit trusts                             | 172,130,099          | 163,880,000   | 33,392,099           | 31,883,215    |
| Total  | 532,117,445          | 388,967,365   | 276,642,527          | 248,981,704   |
| Add (less) : Allowance for changes in value                | 60,823,360           |               | (27,660,823)         |               |
| Less : Allowance for impairment                            | (203,973,440)        |               |                      |               |
| Net equity securities                                      | 388,967,365          |               | 248,981,704          |               |
| Total available-for-sales securities                       | 3,336,988,709        |               | 2,337,357,007        |               |
| <b>Held-to-maturity debt securities-due within 1 years</b> |                      |               |                      |               |
| Government and state enterprise securities                 | 89,634,478           |               |                      |               |
| Debt securities of private sector                          | 622,088              |               |                      |               |
| Total held-to-maturity debt securities-due within 1 year   | 90,256,566           |               |                      |               |
| Net current investments                                    | 3,760,668,820        |               | 2,598,948,561        |               |

(Unit : Baht)

|   | Consolidated         |               |                      |               |
|---|----------------------|---------------|----------------------|---------------|
|   | 30 June 2003         |               | 31 December 2002     |               |
|   | Cost /<br>Book value | Fair value    | Cost /<br>Book value | Fair value    |
| <b><u>Long-term investment</u></b>                                |                      |               |                      |               |
| <b>Available-for-sales securities</b>                             |                      |               |                      |               |
| Debt securities :   |                      |               |                      |               |
| Government and state enterprise securities                        | 10,189,186           | 10,199,026    | -                    | -             |
| Debt securities of private sector                                 | 183,000,000          | 188,414,071   | 678,629,130          | 723,999,113   |
| Total   | 193,189,186          | 198,613,097   | 678,629,130          | 723,999,113   |
| Add (less) : Allowance for changes in value                       | 5,423,911            |               | 45,369,983           |               |
| Debt securities - net   | 198,613,097          |               | 723,999,113          |               |
| Equity securities :   |                      |               |                      |               |
| Domestic marketable equity securities                             | 903,165,755          | 1,115,163,175 | 801,883,409          | 808,492,073   |
| Other securities - unit trusts                                    | 290,885,583          | 281,793,017   | 293,587,177          | 289,530,703   |
| Total   | 1,194,051,338        | 1,396,956,192 | 1,095,470,586        | 1,098,022,776 |
| Add (less) : Allowance for changes in value                       | 202,904,854          |               | 2,552,190            |               |
| Net equity securities   | 1,396,956,192        |               | 1,098,022,776        |               |
| Total available-for-sales securities                              | 1,595,569,289        |               | 1,822,021,889        |               |
| <b>Held-to-maturity debt securities</b>                           |                      |               |                      |               |
| Debt securities :   |                      |               |                      |               |
| Government and state enterprise securities                        | 338,679,830          |               | 338,820,128          |               |
| Debt securities of private sector                                 | 143,179,735          |               | 380,437,272          |               |
| Total held-to-maturity debt securities                            | 481,859,565          |               | 719,257,400          |               |
| <b>Other investment</b>   |                      |               |                      |               |
| Equity securities :   |                      |               |                      |               |
| Domestic non-marketable equity securities                         | 1,455,623,537        |               | 1,289,378,652        |               |
| Investment in receivables   | 6,529,247            |               | 6,529,247            |               |
| Less : Allowance for impairment                                   | (272,289,664)        |               | (279,988,232)        |               |
| Total other investment  | 1,189,863,120        |               | 1,015,919,667        |               |
| Net long-term investments   | 3,267,291,974        |               | 3,557,198,956        |               |
| <b><u>Investment in subsidiaries and associated companies</u></b> |                      |               |                      |               |
| Investment in associated companies                                | 28,233,551           |               | 24,981,601           |               |
| Net investments   | 7,056,194,345        |               | 6,181,129,118        |               |

(Unit : Baht)

|   | The Company Only     |               |                      |               |
|---|----------------------|---------------|----------------------|---------------|
|   | 30 June 2003         |               | 31 December 2002     |               |
|   | Cost /<br>Book value | Fair value    | Cost /<br>Book value | Fair value    |
| <b><u>Current investment</u></b>                            |                      |               |                      |               |
| <b>Available-for-sales securities</b>                       |                      |               |                      |               |
| Debt securities :   |                      |               |                      |               |
| Government and state enterprise securities                  | 2,106,059,414        | 2,108,371,888 | 1,743,821,123        | 1,744,908,777 |
| Debt securities of private sector                           | 773,421,755          | 745,067,300   | 291,326,811          | 241,393,294   |
| Total   | 2,879,481,169        | 2,853,439,188 | 2,035,147,934        | 1,986,302,071 |
| Add (less) : Allowance for changes in value                 | 34,372,019           |               | 11,568,137           |               |
| Less : Allowance for impairment                             | (60,414,000)         |               | (60,414,000)         |               |
| Debt securities - net                                       | 2,853,439,188        |               | 1,986,302,071        |               |
| Equity securities :   |                      |               |                      |               |
| Domestic marketable equity securities                       | 358,105,746          | 224,799,245   | 243,250,428          | 217,098,489   |
| Other securities - unit trusts                              | 172,130,099          | 163,880,000   | 33,392,099           | 31,883,215    |
| Total   | 530,235,845          | 388,679,245   | 276,642,527          | 248,981,704   |
| Add (less) : Allowance for changes in value                 | 62,416,840           |               | (27,660,823)         |               |
| Less : Allowance for impairment                             | (203,973,440)        |               | -                    |               |
| Net equity securities                                       | 388,679,245          |               | 248,981,704          |               |
| Net available-for-sales securities                          | 3,242,118,433        |               | 2,235,283,775        |               |
| <b>Held-to-maturity debt securities – due within 1 year</b> |                      |               |                      |               |
| Debt securities of private sector                           | 622,000              |               |                      |               |
| Total held-to-maturity debt securities-due within 1 year    | 622,000              |               |                      |               |
| Net current investments                                     | 3,242,740,433        |               | 2,235,283,775        |               |
| <b><u>Long-term investment</u></b>                          |                      |               |                      |               |
| <b>Available-for-sales securities</b>                       |                      |               |                      |               |
| Debt securities :   |                      |               |                      |               |
| Debt securities of private sector                           | 183,000,000          | 188,414,071   | 678,629,130          | 723,999,113   |
| Add (less) : Allowance for changes in value                 | 5,414,071            |               | 45,369,983           |               |
| Debt securities - net                                       | 188,414,071          |               | 723,999,113          |               |



(Unit : Baht)

|  | The Company Only            |                   |                             |                   |
|--|-----------------------------|-------------------|-----------------------------|-------------------|
|  | 30 June 2003                |                   | 31 December 2002            |                   |
|  | Cost /<br><u>Book value</u> | <u>Fair value</u> | Cost /<br><u>Book value</u> | <u>Fair value</u> |
| Equity securities :  |                             |                   |                             |                   |
| Domestic marketable equity securities                      | 905,734,483                 | 1,117,732,405     | 802,072,451                 | 810,254,690       |
| Other securities - unit trusts                             | 290,885,583                 | 281,793,017       | 293,587,177                 | 289,530,703       |
| Total  | 1,196,620,066               | 1,399,525,422     | 1,095,659,628               | 1,099,785,393     |
| Add (less) : Allowance for changes in value                | 202,905,356                 |                   | 4,125,765                   |                   |
| Net equity securities                                      | 1,399,525,422               |                   | 1,099,785,393               |                   |
| Total available-for-sales securities                       | 1,587,939,493               |                   | 1,823,784,506               |                   |
| <b>Held-to-maturity debt securities</b>                    |                             |                   |                             |                   |
| Debt securities :  |                             |                   |                             |                   |
| Government and state enterprise securities                 | 335,000,000                 |                   | 335,000,000                 |                   |
| Debt securities of private sector                          | 143,175,017                 |                   | 380,432,467                 |                   |
| Total held-to-maturity debt securities                     | 478,175,017                 |                   | 715,432,467                 |                   |
| <b>Other investment</b>                                    |                             |                   |                             |                   |
| Equity securities :  |                             |                   |                             |                   |
| At cost  | 1,157,072,926               |                   | 990,828,360                 |                   |
| Investment in receivables                                  | 6,529,247                   |                   | 6,529,247                   |                   |
| Less : Allowance for impairment                            | (85,972,464)                |                   | (93,671,032)                |                   |
| Total other investment                                     | 1,077,629,709               |                   | 903,686,575                 |                   |
| Net long-term investments                                  | 3,143,744,219               |                   | 3,442,903,548               |                   |
| <b>Investment in subsidiaries and associated companies</b> |                             |                   |                             |                   |
| Investment in subsidiaries                                 | 5,008,533,233               |                   | 4,759,602,598               |                   |
| Net investments  | 11,395,017,885              |                   | 10,437,789,921              |                   |

- 6.1 As at 30 June 2003, held-to-maturity debt securities amounting to Baht 335 million (as at 31 December 2002 : Baht 335 million) represent government bonds which the Company has invested pursuant to the agreement made with the Ministry of Finance under the Tier I and Tier II capital support scheme. These bonds are redeemable within a 10-year period, non-negotiable and carry interest at rates of 4% and 5% per annum.
- 6.2 As at 30 June 2003, the Company has a commitment not to sell marketable equity securities totaling Baht 142 million (as at 31 December 2002 : Baht 52 million) for the period, as a condition of troubled debt restructuring agreement made with restructured receivables.
- 6.3 As at 30 June 2003, a subsidiary company has pledged other investment of approximately Baht 13 million (as at 31 December 2002 : Baht 13 million) as a security against short-term loan from a company.
- 6.4 As at 30 June 2003, there are investments in government bonds amounting to Baht 77 million which the Company has pledged with a foreign bank as security under the interest rate swap agreement to exchange a floating interest rate for a fixed interest rate as described in Note 31.2
- 6.5 Investment in debt securities of the Company and its subsidiaries as at 30 June 2003, classified by due date are summarised below.

(Unit : Baht)

|  | Consolidated  |                   |                 | Total         |
|--|---------------|-------------------|-----------------|---------------|
|  | Maturity      |                   |                 |               |
|  | 1 year        | Over<br>1-5 years | Over<br>5 years |               |
| <b>Available-for-sale securities</b>           |               |                   |                 |               |
| Government and state                           |               |                   |                 |               |
| enterprise securities                          | 2,172,985,117 | -                 | 4,421,897       | 2,177,407,014 |
| Debt securities of private sector              | 520,631,698   | 247,853,540       | 220,136,517     | 988,621,755   |
| Total  | 2,693,616,815 | 247,853,540       | 224,558,414     | 3,166,028,769 |
| Add (less) : Allowance for changes<br>in value | 27,600,738    | 9,765,676         | 3,653,258       | 41,019,672    |
| Less : Impairment of securities                | (60,414,000)  | -                 | -               | (60,414,000)  |
| Total  | 2,660,803,553 | 257,619,216       | 228,211,672     | 3,146,634,441 |
| <b>Held-to-maturities debt securities</b>      |               |                   |                 |               |
| Government and state                           |               |                   |                 |               |
| enterprise securities                          | 89,634,478    | -                 | 338,679,830     | 428,314,308   |
| Debt securities of private sector              | 622,088       | 136,698,395       | 6,481,340       | 143,801,823   |
| Total  | 90,256,566    | 136,698,395       | 345,161,170     | 572,116,131   |
| Total debt securities                          | 2,751,060,119 | 394,317,611       | 573,372,842     | 3,718,750,572 |

(Unit : Baht)

|  | The Company Only |                   |                 | Total         |
|--|------------------|-------------------|-----------------|---------------|
|  | Maturity         |                   |                 |               |
|  | 1 year           | Over<br>1-5 years | Over<br>5 years |               |
| <b>Available-for-sale securities</b>           |                  |                   |                 |               |
| Government and state                           |                  |                   |                 |               |
| enterprise securities                          | 2,101,637,517    | -                 | 4,421,897       | 2,106,059,414 |
| Debt securities of private sector              | 520,631,698      | 215,653,540       | 220,136,517     | 956,421,755   |
| Total  | 2,622,269,215    | 215,653,540       | 224,558,414     | 3,062,481,169 |
| Add (less) : Allowance for changes<br>in value | 27,555,156       | 8,577,676         | 3,653,258       | 39,786,090    |
| Less : Impairment of securities                | (60,414,000)     | -                 | -               | (60,414,000)  |
| Total  | 2,589,410,371    | 224,231,216       | 228,211,672     | 3,041,853,259 |
| <b>Held-to-maturities debt securities</b>      |                  |                   |                 |               |
| Government and state                           |                  |                   |                 |               |
| enterprise securities                          | -                | -                 | 335,000,000     | 335,000,000   |
| Debt securities of private sector              | 622,000          | 136,693,677       | 6,481,340       | 143,797,017   |
| Total  | 622,000          | 136,693,677       | 341,481,340     | 478,797,017   |
| Total debt securities                          | 2,590,032,371    | 360,924,893       | 569,693,012     | 3,520,650,276 |

6.6 As at 30 June 2003, the Company have the following investment in companies which have weak financial standing or operating results :-

|  | (Unit : Baht)                   |            |   |
|--|---------------------------------|------------|---|
|  | Consolidated / The Company Only |            |   |
|  | Cost                            | Fair value | Allowance for <sup>(1)</sup><br>changes in<br>value |
| Companies having problems<br>with debt repayment or in default | 60,414,000                      | -          | 60,414,000  |

<sup>(1)</sup> Allowance for changes in value of investment is calculated at cost less collateral value.

6.7 The followings are book value (net of allowance for impairment) of investments whereby the Company and its subsidiaries hold not less than 10 percent of the equity of the investees:-

(Unit : Baht)

| Name  | Consolidated |               |                       |                  |               |                       |
|---|--------------|---------------|-----------------------|------------------|---------------|-----------------------|
|   | 30 June 2003 |               |                       | 31 December 2002 |               |                       |
|   | Book value   | Unpaid amount | Percentage of holding | Book value       | Unpaid amount | Percentage of holding |
|   |              |               |                       |                  |               |                       |
| <b>Insurance :</b>                            |              |               |                       |                  |               |                       |
| GITC Company Limited                          | 13,905,600   | -             | 40                    | 13,905,600       | -             | 40                    |
| AXA Insurance Plc.                            | 58,887,015   | -             | 11                    | 58,887,015       | -             | 11                    |
| <b>Services :</b>                             |              |               |                       |                  |               |                       |
| Jiji Press (Thailand) Co., Ltd.               | 1,627,646    | 600,000       | 20                    | 1,627,646        | 600,000       | 20                    |
| K. Line (Thailand) Co., Ltd.                  | 35,334,990   | -             | 10                    | 35,334,990       | -             | 10                    |
| <b>Leasing and hire purchase :</b>            |              |               |                       |                  |               |                       |
| Mizuho Corporate Leasing (Thailand) Co., Ltd. | 1,849,050    | -             | 21                    | 1,849,050        | -             | 21                    |
| Volkswagen Leasing Thailand Limited           | 28,233,551   | 40,000,000    | 20                    | 24,981,601       | 40,000,000    | 20                    |
| <b>Trading import and export :</b>            |              |               |                       |                  |               |                       |
| Shin Thai Enterprises Co., Ltd.               | 5,707,044    | -             | 10                    | 5,707,044        | -             | 10                    |
| PDTL Trading Co., Ltd.                        | 13,904,710   | -             | 15                    | 13,904,710       | -             | 15                    |
| Wattana Inter - Trade Co., Ltd.               | 3,203,400    | -             | 10                    | 3,203,400        | -             | 10                    |
| <b>Real estate :</b>                          |              |               |                       |                  |               |                       |
| Prosperity Industrial Estate Co., Ltd.        | 45,342,186   | -             | 10                    | 45,342,186       | -             | 10                    |
| UMI Property Co., Ltd.                        | 12,403,500   | -             | 10                    | 12,403,500       | -             | 10                    |
| Sathorn Sombat Co., Ltd.                      | -            | -             | 20                    | -                | -             | 20                    |
| Huay Kaew Real Estate Co., Ltd.               | -            | -             | 100                   | -                | -             | 100                   |
| <b>Industrial :</b>                           |              |               |                       |                  |               |                       |
| Siam Art Ceramic Co., Ltd.                    | 13,222,000   | -             | 10                    | 12,452,000       | -             | 10                    |
| <b>Holding :</b>                              |              |               |                       |                  |               |                       |
| Interthai Holdings Ltd. (Preference shares)   | 250,000      | 750,000       | 10                    | 250,000          | 750,000       | 10                    |

(Unit : Baht)

| Name  | The Company Only |               |                       |                  |               |                       |
|---|------------------|---------------|-----------------------|------------------|---------------|-----------------------|
|   | 30 June 2003     |               |                       | 31 December 2002 |               |                       |
|   | Book value       | Unpaid amount | Percentage of holding | Book value       | Unpaid amount | Percentage of holding |
|   |                  |               |                       |                  |               |                       |
|   |                  |               | %                     |                  |               | %                     |
| <b>Insurance :</b>  |                  |               |                       |                  |               |                       |
| AXA Insurance Plc.<br>(another 2% held by subsidiary company)   | 45,687,045       | -             | 9                     | 45,687,045       | -             | 9                     |
| <b>Services :</b>   |                  |               |                       |                  |               |                       |
| TISCO Securities Hong Kong Ltd.   | 259,917,228      | -             | 100                   | 279,424,434      | -             | 100                   |
| TISCO Securities Co., Ltd.  | 2,007,723,967    | -             | 99.99                 | 1,795,059,081    | -             | 99.99                 |
| Thai Information Technology Co., Ltd.<br>(another 90% held by subsidiary companies)                     | 4,889,163        | -             | 10                    | 4,684,871        | -             | 10                    |
| Jiji Press (Thailand) Co., Ltd.   | 1,627,646        | 600,000       | 20                    | 1,627,646        | 600,000       | 20                    |
| K. Line (Thailand) Co., Ltd.  | 35,334,990       | -             | 10                    | 35,334,990       | -             | 10                    |
| <b>Leasing and hire purchase :</b>  |                  |               |                       |                  |               |                       |
| Tru-Way Co., Ltd.   | 2,046,930,843    | -             | 99.99                 | 1,994,631,506    | -             | 99.99                 |
| Thai Commercial Auto Co., Ltd.  | 410,726,908      | 100,000,000   | 50                    | 410,176,775      | 100,000,000   | 50                    |
| Hi-Way Co., Ltd.<br>(ordinary shares and preference shares)<br>(another 90% held by subsidiary company) | 129,635,327      | -             | 10                    | 125,150,777      | -             | 10                    |
| Mizuho Corporate Leasing (Thailand) Co., Ltd.<br>(another 19% held by subsidiary company)               | 176,100          | -             | 2                     | 176,100          | -             | 2                     |
| <b>Trading import and export :</b>  |                  |               |                       |                  |               |                       |
| Shin Thai Enterprises Co., Ltd.   | 5,707,044        | -             | 10                    | 5,707,044        | -             | 10                    |
| PDTL Trading Co., Ltd.  | 13,904,710       | -             | 15                    | 13,904,710       | -             | 15                    |
| Wattana Inter - Trade Co., Ltd.   | 3,203,400        | -             | 10                    | 3,203,400        | -             | 10                    |
| <b>Real estate :</b>  |                  |               |                       |                  |               |                       |
| Prosperity Industrial Estate Co., Ltd.  | 45,342,186       | -             | 10                    | 45,342,186       | -             | 10                    |
| UMI Property Co., Ltd.  | 12,403,500       | -             | 10                    | 12,403,500       | -             | 10                    |
| Huay Kaew Real Estate Co., Ltd.   | -                | -             | 100                   | -                | -             | 100                   |
| <b>Industrial :</b>   |                  |               |                       |                  |               |                       |
| Siam Art Ceramic Co., Ltd.  | 13,222,000       | -             | 10                    | 12,452,000       | -             | 10                    |
| <b>Holding :</b>  |                  |               |                       |                  |               |                       |
| Interthai Holdings Ltd. (Preference shares)   | 250,000          | 750,000       | 10                    | 250,000          | 750,000       | 10                    |
| Thai Permsub Finance Co., Ltd.  | 148,709,797      | -             | 99.99                 | 150,475,174      | -             | 99.99                 |

6.8 The Company did not record investments in Jiji Press (Thailand) Co., Ltd., GITC Company Limited, Mizuho Corporate Leasing (Thailand) Co., Ltd. and Sathorn Sombat Co., Ltd., in which the Company and its subsidiaries hold not less than 20% of the equity, by the equity method since these investments had been transferred as the result of debt restructuring. The Company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand's regulations.

6.9 On 28 February 2002, 16,884,994 shares of Huay Kaew Real Estate Company Limited were transferred to the Company at a price of Baht 0.01 each, a total of Baht 168,850. As a result, the Company's shareholdings in such Company is 100%. The Company has not included the financial statements of such company in the consolidated financial statements and has not recorded its investment in such company under the equity method since the Company holds shares in such company for the purpose of debt restructuring and plans to dispose of such investment when the Company has received full repayment of debt in accordance with the conditions stipulated in the debt restructuring agreement.

## 7. INVESTMENT IN SUBSIDIARY COMPANIES

The Company's investment in its subsidiaries as at 30 June 2003 and 31 December 2002 are summarised below.

| Company's name   | Nature of business         | Nature of relationship | Paid-up share capital |                   | Percentage of holding (%) |             | Cost method |             | Equity method <sup>(1)</sup> |              | (Unit : Million Baht)<br>Dividend income <sup>(2)</sup><br>received for the six-month periods ended 30 June |           |
|--|----------------------------|------------------------|-----------------------|-------------------|---------------------------|-------------|-------------|-------------|------------------------------|--------------|---|-----------|
|  |                            |                        | 30 June               | 31 December       | 30 June                   | 31 December | 30 June     | 31 December | 30 June                      | 31 December  | 2003  | 2002      |
|  |                            |                        | 2003                  | 2002              | 2003                      | 2002        | 2003        | 2002        | 2003                         | 2002         | 2003  | 2002      |
| <b>Subsidiary companies directly held by the Company</b> |                            |                        |                       |                   |                           |             |             |             |                              |              |   |           |
| TISCO Securities Hong Kong Limited                       | Services                   | Shareholders           | HKD<br>20 million     | HKD<br>20 million | 100                       | 100         | 66          | 66          | 260                          | 279          | -   | -         |
| TISCO Securities Co., Ltd.                               | Services                   | Shareholders           | 1,500                 | 1,500             | 99.99                     | 99.99       | 1,500       | 1,500       | 2,008                        | 1,795        | -   | -         |
| Tru-Way Co., Ltd.  | Hire purchase and holdings | Shareholders           | 1,200                 | 1,200             | 99.99                     | 99.99       | 1,078       | 1,078       | 2,181                        | 2,125        | -   | -         |
| Thai Commercial Auto Co., Ltd.                           | Hire purchase              | Shareholders           | 800                   | 800               | 50                        | 50          | 434         | 434         | 411                          | 410          | 18  | 20        |
| Thai Permsub Finance Co., Ltd.                           | Finance                    | Shareholders           | 150                   | 150               | 99.99                     | 99.99       | 150         | 150         | 149                          | 151          | -   | -         |
|  |                            |                        |                       |                   |                           |             |             |             | <b>5,009</b>                 | <b>4,760</b> | <b>18</b>   | <b>20</b> |

<sup>(1)</sup> Calculated by including share of profit in subsidiaries in which the Company has indirect holdings.

<sup>(2)</sup> Including dividend received from subsidiary companies which indirectly held by the Company.

## 8. LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

### 8.1 Classified by loan type

(Unit : Baht)

|   | Consolidated    |                  | The Company Only |                  |
|---|-----------------|------------------|------------------|------------------|
|   | 30 June 2003    | 31 December 2002 | 30 June 2003     | 31 December 2002 |
| <b><u>Finance business loans and receivable :</u></b> |                 |                  |                  |                  |
| Loans   | 12,730,843,866  | 13,661,895,576   | 12,550,377,694   | 13,492,290,038   |
| Notes receivable                                      | 1,583,133,645   | 2,224,721,967    | 1,619,603,919    | 2,274,905,706    |
| Hire-purchase and financial lease receivable          | 28,472,946,405  | 23,839,970,502   | 23,005,366,309   | 19,011,000,475   |
| Total finance business loans and receivable           | 42,786,923,916  | 39,726,588,045   | 37,175,347,922   | 34,778,196,219   |
| Add : Accrued interest receivable                     | 121,475,659     | 112,131,704      | 89,051,405       | 83,757,276       |
| Less : Allowance for doubtful accounts                | (3,604,511,352) | (3,705,201,789)  | (3,269,463,730)  | (3,401,650,049)  |
| Less : Allowance for loss on debt restructuring       | (470,592,787)   | (462,267,957)    | (470,592,787)    | (462,267,957)    |
| Net finance business loans and receivable             |                 |                  |                  |                  |
| and accrued interest receivable                       | 38,833,295,436  | 35,671,250,003   | 33,524,342,810   | 30,998,035,489   |
| <b><u>Securities business receivable :</u></b>        |                 |                  |                  |                  |
| Customer's accounts                                   | 1,311,906,946   | 560,183,892      | -                | -                |
| Other receivable :-                                   |                 |                  |                  |                  |
| Overdue customers' accounts                           | 2,489,204       | 343,366          | -                | -                |
| Receivables under litigation                          | 152,507,156     | 189,156,531      | -                | -                |
| Receivables which are enforced by courts              | 273,049,656     | 236,400,281      | -                | -                |
| Installment receivable                                | 108,553,396     | 113,518,721      | -                | -                |
| Total securities business receivable                  | 1,848,506,358   | 1,099,602,791    | -                | -                |
| Add : Accrued interest receivable                     |                 | 2,268            | -                | -                |
| Less : Allowance for doubtful accounts                | (535,066,300)   | (535,066,300)    | -                | -                |
| Net securities business receivable and                |                 |                  |                  |                  |
| accrued interest receivable                           | 1,313,441,032   | 564,538,759      | -                | -                |
| Net loans, receivable and accrued                     |                 |                  |                  |                  |
| interest receivable                                   | 40,146,736,468  | 36,235,788,762   | 33,524,342,810   | 30,998,035,489   |

## 8.2 Classified by remaining periods of contracts

(Unit : Baht)

|  | Consolidated   |                  | The Company Only |                  |
|--|----------------|------------------|------------------|------------------|
|  | 30 June 2003   | 31 December 2002 | 30 June 2003     | 31 December 2002 |
| Finance business loans and receivable  |                |                  |                  |                  |
| At call (included contracts which are due)                                     | 2,445,536,040  | 3,310,855,657    | 2,383,150,880    | 3,108,508,281    |
| Not over 1 year  | 5,739,440,939  | 5,117,530,094    | 3,866,196,244    | 2,863,604,354    |
| Over 1 year  | 34,601,946,937 | 31,298,202,294   | 30,926,000,798   | 28,806,083,584   |
| Total finance business loans and receivable                                    | 42,786,923,916 | 39,726,588,045   | 37,175,347,922   | 34,778,196,219   |
| Add : Accrued interest receivable  | 121,475,659    | 112,131,704      | 89,051,405       | 83,757,276       |
| Total finance business loans and receivable<br>and accrued interest receivable | 42,908,399,575 | 39,838,719,749   | 37,264,399,327   | 34,861,953,495   |

## 8.3 Classified by type of business

(Unit : Baht)

|  | Consolidated as at 30 June 2003 |                   |              |             |               |                | Subsidiaries  | Total          |
|--|---------------------------------|-------------------|--------------|-------------|---------------|----------------|---------------|----------------|
|  | The Company Only                |                   |              |             |               | Total          |               |                |
|  | Pass                            | Special-mentioned | Sub-standard | Doubtful    | Bad Debts     |                |               |                |
| Agricultural and mining  | -                               | -                 | -            | -           | 14,857,023    | 14,857,023     | -             | 14,857,023     |
| Manufacturing and commerce   | 2,898,396,523                   | 245,844,976       | 18,500,000   | 21,036,445  | 696,917,743   | 3,880,695,687  | 42,765,030    | 3,923,460,717  |
| Real estate and construction   | 1,259,828,480                   | 15,942,076        | 41,691       | -           | 286,982,268   | 1,562,794,515  | -             | 1,562,794,515  |
| Public utilities and services  | 1,994,813,861                   | 40,000,000        | -            | -           | 52,636,731    | 2,087,450,592  | -             | 2,087,450,592  |
| Personal use   |                                 |                   |              |             |               |                |               |                |
| Hire-purchase  | 21,588,430,254                  | 753,271,256       | 124,923,699  | 50,357,375  | 54,409,024    | 22,571,391,608 | 5,467,580,098 | 28,038,971,706 |
| Housing loans  | 1,923,624,989                   | 86,135,482        | 28,114,564   | 13,838,437  | 430,015,098   | 2,481,728,570  | -             | 2,481,728,570  |
| Securities   | -                               | -                 | -            | -           | -             | -              | 1,848,506,358 | 1,848,506,358  |
| Others   | 3,718,546,516                   | 29,173,249        | 42,473,659   | 23,246,379  | 726,519,850   | 4,539,959,653  | 137,701,140   | 4,677,660,793  |
| Total finance and securities<br>business loans and receivable                                    | 33,383,640,623                  | 1,170,367,039     | 214,053,613  | 108,478,636 | 2,262,337,737 | 37,138,877,648 | 7,496,552,626 | 44,635,430,274 |
| Add : Accrued interest receivable  | 71,231,771                      | 17,819,634        | -            | -           | -             | 89,051,405     | 32,425,228    | 121,476,633    |
| Total finance and securities<br>business loans and receivable<br>and accrued interest receivable | 33,454,872,394                  | 1,188,186,673     | 214,053,613  | 108,478,636 | 2,262,337,737 | 37,227,929,053 | 7,528,977,854 | 44,756,906,907 |



(Unit : Baht)

## The Company only as at 30 June 2003

|  | The Company only as at 30 June 2003 |                       |                  |             |               | Total          |
|--|-------------------------------------|-----------------------|------------------|-------------|---------------|----------------|
|  | Pass                                | Special-<br>mentioned | Sub-<br>standard | Doubtful    | Bad<br>Debts  |                |
| Agricultural and mining  | -                                   | -                     | -                | -           | 14,857,023    | 14,857,023     |
| Manufacturing and commerce   | 2,898,396,523                       | 245,844,976           | 18,500,000       | 21,036,445  | 696,917,743   | 3,880,695,687  |
| Real estate and construction   | 1,259,828,480                       | 15,942,076            | 41,691           | -           | 286,982,268   | 1,562,794,515  |
| Public utilities and services  | 2,031,284,135                       | 40,000,000            | -                | -           | 52,636,731    | 2,123,920,866  |
| Personal use   |                                     |                       |                  |             |               |                |
| Hire-purchase  | 21,588,430,254                      | 753,271,256           | 124,923,699      | 50,357,375  | 54,409,024    | 22,571,391,608 |
| Housing loans  | 1,923,624,989                       | 86,135,482            | 28,114,564       | 13,838,437  | 430,015,098   | 2,481,728,570  |
| Securities   | -                                   | -                     | -                | -           | -             | -              |
| Others   | 3,718,546,516                       | 29,173,249            | 42,473,659       | 23,246,379  | 726,519,850   | 4,539,959,653  |
| Total finance business loans and receivable                                    | 33,420,110,897                      | 1,170,367,039         | 214,053,613      | 108,478,636 | 2,262,337,737 | 37,175,347,922 |
| Add : Accrued interest receivable  | 71,231,771                          | 17,819,634            | -                | -           | -             | 89,051,405     |
| Total finance business loans and receivable<br>and accrued interest receivable | 33,491,342,668                      | 1,188,186,673         | 214,053,613      | 108,478,636 | 2,262,337,737 | 37,264,399,327 |

(Unit : Baht)

## Consolidated as at 31 December 2002

|  | The Company Only |                       |                  |             |               |                | Subsidiaries  | Total          |
|--|------------------|-----------------------|------------------|-------------|---------------|----------------|---------------|----------------|
|  | Pass             | Special-<br>mentioned | Sub-<br>standard | Doubtful    | Bad<br>Debts  | Total          |               |                |
| Agricultural and mining  | -                | -                     | -                | -           | 14,857,022    | 14,857,022     | -             | 14,857,022     |
| Manufacturing and commerce   | 2,894,331,754    | 17,813,076            | 11,534,682       | 294,205,116 | 557,296,691   | 3,775,181,319  | 30,943,185    | 3,806,124,504  |
| Real estate and construction   | 2,530,861,395    | 15,075,363            | 18,794,336       | -           | 515,345,637   | 3,080,076,731  | -             | 3,080,076,731  |
| Public utilities and services  | 2,602,750,826    | -                     | -                | -           | 52,636,731    | 2,655,387,557  | -             | 2,655,387,557  |
| Personal use   |                  |                       |                  |             |               |                |               |                |
| Hire-purchase  | 17,919,044,321   | 607,052,136           | 68,490,591       | 45,429,603  | 31,426,579    | 18,671,443,230 | 4,802,527,575 | 23,473,970,805 |
| Housing loans  | 2,058,434,636    | 64,851,137            | 26,546,988       | 9,737,718   | 505,938,401   | 2,665,508,880  | -             | 2,665,508,880  |
| Securities   | -                | -                     | -                | -           | -             | -              | 1,099,602,791 | 1,099,602,791  |
| Others   | 2,876,457,174    | 37,731,907            | 14,837,994       | 209,368,854 | 727,161,812   | 3,865,557,741  | 165,104,805   | 4,030,662,546  |
| Total finance and securities business<br>loans<br>and receivable                                 | 30,881,880,106   | 742,523,619           | 140,204,591      | 558,741,291 | 2,404,662,873 | 34,728,012,480 | 6,098,178,356 | 40,826,190,836 |
| Add : Accrued interest receivable  | 68,411,713       | 15,345,563            | -                | -           | -             | 83,757,276     | 28,376,696    | 112,133,972    |
| Total finance and securities business<br>loans and receivable and accrued<br>interest receivable | 30,950,291,819   | 757,869,182           | 140,204,591      | 558,741,291 | 2,404,662,873 | 34,811,769,756 | 6,126,555,052 | 40,938,324,808 |

(Unit : Baht)

## The Company only as at 31 December 2002

|  | Pass                  | Special-<br>mentioned | Sub-<br>standard   | Doubtful           | Bad<br>Debts         | Total                 |
|--|-----------------------|-----------------------|--------------------|--------------------|----------------------|-----------------------|
| Agricultural and mining  | -                     | -                     | -                  | -                  | 14,857,022           | 14,857,022            |
| Manufacturing and commerce   | 2,894,331,754         | 17,813,076            | 11,534,682         | 294,205,116        | 557,296,691          | 3,775,181,319         |
| Real estate and construction   | 2,530,861,395         | 15,075,363            | 18,794,336         | -                  | 515,345,637          | 3,080,076,731         |
| Public utilities and services  | 2,652,934,565         | -                     | -                  | -                  | 52,636,731           | 2,705,571,296         |
| Personal use   |                       |                       |                    |                    |                      |                       |
| Hire-purchase  | 17,919,044,321        | 607,052,136           | 68,490,591         | 45,429,603         | 31,426,579           | 18,671,443,230        |
| Housing loans  | 2,058,434,636         | 64,851,137            | 26,546,988         | 9,737,718          | 505,938,401          | 2,665,508,880         |
| Securities   | -                     | -                     | -                  | -                  | -                    | -                     |
| Others   | 2,876,457,174         | 37,731,907            | 14,837,994         | 209,368,854        | 727,161,812          | 3,865,557,741         |
| Total finance business loans and receivable                                    | 30,932,063,845        | 742,523,619           | 140,204,591        | 558,741,291        | 2,404,662,873        | 34,778,196,219        |
| Add : Accrued interest receivable  | 68,411,713            | 15,345,563            | -                  | -                  | -                    | 83,757,276            |
| Total finance business loans and receivable<br>and accrued interest receivable | <u>31,000,475,558</u> | <u>757,869,182</u>    | <u>140,204,591</u> | <u>558,741,291</u> | <u>2,404,662,873</u> | <u>34,861,953,495</u> |

8.4 As at 30 June 2003, loans and receivable include debts of approximately Baht 36 million receivable from the subsidiary companies as a result of restructuring of debts owed by certain related companies (as at 31 December 2002 : Baht 50 million). All these debts are classified as normal loans due to regular servicing of interest and loan principals.

8.5 As at 30 June 2003, the Company had loans and receivable of approximately Baht 2,714 million (as at 31 December 2002 : Baht 3,247 million) on which the recognition of interest income would be ceased under the Bank of Thailand's guidelines (i.e. accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date). However, the total loans and receivables on which the Company has actually ceased accruing interest in accordance with its accounting policy (as described in Note 3.1 (a) to financial statements), amounted to approximately Baht 6,740 million (as at 31 December 2002 : Baht 7,231 million), with Baht 4,998 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account-by-account basis.

As at 30 June 2003, the local subsidiaries had securities business loans and receivable, hire-purchase receivable, financial lease receivable and other loans and receivables totaling Baht 885 million, on which the recognition of income had been suspended (as at 31 December 2002 : Baht 708 million), with Baht 607 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided.

Unearned interest income totaling Baht 4,002 million (the Company only : Baht 2,865 million) is presented as a deduction against finance business loans and receivable (as at 31 December 2002 : Baht 3,263 million and the Company only : Baht 2,192 million).

- 8.6 As at 30 June 2003, the Company's loans and receivable include restructured loans and receivables amounting to approximately Baht 1,911 million (net of collateral values). As a result of restructuring, the due date for the first repayment of these restructured loans and receivable has been rescheduled. In addition, the Company has another approximately Baht 588 million of loans and receivable (net of collateral values) which are in the process of being restructured, against which an allowance for possible loan loss of approximately Baht 480 million has been provided for.

### 8.7 Troubled Debt Restructuring

During the period, the Company entered into troubled debt restructuring agreements with 56 debtors, with aggregate loan balance (before restructuring) of approximately Baht 897 million.

As at 30 June 2003, the number of debtors which were subjected to debt restructuring amounted to 908 as summarised below.

| Type of restructuring  | Number of receivables | Outstanding loan balance before restructuring<br>Million Baht | Type of assets transferred | Fair value of transferred assets<br>Million Baht |
|--|-----------------------|---|----------------------------|--|
| Transfer of assets   | 20                    | 2,205   | Land and premises          | 2,197  |
| Transfer of equity securities                                      | 4                     | 770   | Equity securities          | 409  |
| Transfer of assets and equity securities and modification of terms | 3                     | 898   | Land                       | 198  |
|  |                       |   | Equity securities          | 14   |
|  |                       |   | Machinery                  | 22   |
| Transfer of equity securities and modification of terms            | 41                    | 3,511   | Equity securities          | 1,218  |
| Transfer of assets and modification of terms                       | 12                    | 2,191   | Debt securities            | 6  |
|  |                       |   | Land and premises          | 465  |
|  |                       |   | Equity securities          | 190  |
|  |                       |   | Air conditioners           | 2  |
| Modification of terms  | 828                   | 18,237  |                            |  |
| Total  | 908                   | 27,812  |                            | 4,721  |

The balance of the restructured debts as at 30 June 2003 amounted to approximately Baht 4,665 million (as at 31 December 2002 : Baht 6,337 million).

During the six-month period ended 30 June 2003, the Company recognized interest income on restructured receivables totaling Baht 55 million, received repayments of principal and interest from the restructured receivables totaling Baht 1,512 million and recorded losses from restructuring totaling Baht 1 million (for the six-month period ended 30 June 2002 : Baht 100 million, Baht 1,498 million and Baht 26 million, respectively).

## 9. ALLOWANCE FOR DOUBTFUL ACCOUNTS / ALLOWANCE FOR LOSS ON DEBT RESTRUCTURING

### 9.1 Allowance for doubtful accounts

(Unit : Baht)

|  | Consolidated as at 30 June 2003 |                   |              |               |               |                 |               |
|--|---------------------------------|-------------------|--------------|---------------|---------------|-----------------|---------------|
|  | Pass                            | Special-mentioned | Sub-standard | Doubtful      | Bad debts     | General reserve | Total         |
| Balance-beginning of period  | 720,112,453                     | 22,934,385        | 50,431,351   | 297,950,230   | 2,060,420,621 | 1,088,419,049   | 4,240,268,089 |
| Increase (decrease) in allowance for doubtful accounts during the period | (118,888,457)                   | 136,356,689       | 12,700,022   | (214,402,897) | 146,964,282   | (53,847,298)    | (91,117,659)  |
| Bad debt written - off   | -                               | -                 | -            | -             | (9,572,778)   | -               | (9,572,778)   |
| Balance - end of period <sup>(1)</sup>                                   | 601,223,996                     | 159,291,074       | 63,131,373   | 83,547,333    | 2,197,812,125 | 1,034,571,751   | 4,139,577,652 |

(Unit : Baht)

|  | The Company only as at 30 June 2003 |                   |              |               |               |                 |               |
|--|-------------------------------------|-------------------|--------------|---------------|---------------|-----------------|---------------|
|  | Pass                                | Special-mentioned | Sub-standard | Doubtful      | Bad debts     | General reserve | Total         |
| Balance-beginning of period  | 675,606,972                         | 18,255,727        | 37,545,147   | 279,207,063   | 1,327,464,510 | 1,063,570,630   | 3,401,650,049 |
| Increase (decrease) in allowance for doubtful accounts during the period | (131,147,538)                       | 135,629,991       | 7,086,701    | (221,130,424) | 131,222,250   | (53,847,299)    | (132,186,319) |
| Balance - end of period <sup>(1)</sup>                                   | 544,459,434                         | 153,885,718       | 44,631,848   | 58,076,639    | 1,458,686,760 | 1,009,723,331   | 3,269,463,730 |

<sup>(1)</sup> The allowance for doubtful accounts included allowance for doubtful accounts of Baht 1,650 million for written-off accounts receivable which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines.

(Unit : Baht)

|  | Consolidated as at 31 December 2002 |                   |              |             |               |                 |               |
|--|-------------------------------------|-------------------|--------------|-------------|---------------|-----------------|---------------|
|  | Pass                                | Special-mentioned | Sub-standard | Doubtful    | Bad debts     | General reserve | Total         |
| <i>Allowance for doubtful accounts<sup>(2)</sup> :</i>   |                                     |                   |              |             |               |                 |               |
| Balance-beginning of period <sup>(2)</sup>   | 191,138,080                         | 13,846,927        | 29,549,848   | 72,886,048  | 773,641,970   | 737,700,798     | 1,818,763,671 |
| Increase (decrease) in allowance for doubtful accounts during the period   | 67,621,019                          | 8,033,165         | 12,183,995   | 29,793,666  | 198,195,815   | 350,718,251     | 666,545,911   |
| Bad debts written-off  | -                                   | -                 | -            | -           | (49,913,572)  | -               | (49,913,572)  |
|  | 258,759,099                         | 21,880,092        | 41,733,843   | 102,679,714 | 921,924,213   | 1,088,419,049   | 2,435,396,010 |
| Allowance for doubtful accounts for written-off account receivables which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines | 461,353,354                         | 1,054,293         | 8,697,508    | 195,270,516 | 1,138,496,408 | -               | 1,804,872,079 |
| Balance-end of period  | 720,112,453                         | 22,934,385        | 50,431,351   | 297,950,230 | 2,060,420,621 | 1,088,419,049   | 4,240,268,089 |

<sup>(2)</sup> The allowance for doubtful accounts include that made by the subsidiary companies, which as from the third quarter of 2002, has been reflected in the above table according to the classification of those subsidiaries' loans instead of being shown as the general reserve, as was previously the case. The reclassification did not affect the previously reported consolidated balance.

(Unit : Baht)

|  | The Company only as at 31 December 2002 |                       |                   |                    |                      |                      |                      |
|--|---|-----------------------|-------------------|--------------------|----------------------|----------------------|----------------------|
|  | Pass                                    | Special-<br>mentioned | Sub-<br>standard  | Doubtful           | Bad<br>debts         | General<br>Reserve   | Total                |
| <i>Allowance for doubtful accounts :</i>   |   |                       |                   |                    |                      |                      |                      |
| Balance-beginning of period  | 160,692,113                             | 9,213,691             | 13,830,553        | 64,832,501         | -                    | 725,984,650          | 974,553,508          |
| Increase (decrease) in allowance for doubtful<br>accounts during the period  | 53,561,505                              | 7,987,743             | 15,017,086        | 19,104,046         | 205,948,447          | 337,585,980          | 639,204,807          |
| Bad debts written-off  | -                                       | -                     | -                 | -                  | (16,980,345)         | -                    | (16,980,345)         |
|  | <u>214,253,618</u>                      | <u>17,201,434</u>     | <u>28,847,639</u> | <u>83,936,547</u>  | <u>188,968,102</u>   | <u>1,063,570,630</u> | <u>1,596,777,970</u> |
| Allowance for doubtful accounts for<br>written-off account receivables which<br>have been written back in the second<br>quarter of 2002, in accordance with the<br>Bank of Thailand's guidelines |   |                       |                   |                    |                      |                      |                      |
|  | <u>461,353,354</u>                      | <u>1,054,293</u>      | <u>8,697,508</u>  | <u>195,270,516</u> | <u>1,138,496,408</u> | <u>-</u>             | <u>1,804,872,079</u> |
| Balance-end of period  | <u>675,606,972</u>                      | <u>18,255,727</u>     | <u>37,545,147</u> | <u>279,207,063</u> | <u>1,327,464,510</u> | <u>1,063,570,630</u> | <u>3,401,650,049</u> |

During the first quarter of 2002, the Bank of Thailand announced new guidelines for the classification of debtors and provisioning for doubtful debt according to the class of debtor. These included no longer writing off the portion of receivables classified as bad debt for which 100 percent provision has been set up. For the purpose of efficient control and management of non-performing loans, the Company still makes provision for doubtful debt based on the previous rates and in the first quarter of 2002 has ceased writing off the portion of loans classified as bad debt for which full provision has been made. From the second quarter of 2002, the Company has recorded all loans which were previously written off as bad debts, together with a 100 percent provision. This is being done for the purpose of control efficiency and has no impact on the operations of the Company.

## 9.2 Allowance for loss on debt restructuring

(Unit : Baht)

|                               | The Company Only |                  |
|-------------------------------|------------------|------------------|
|                               | 30 June 2003     | 31 December 2002 |
| Balance - beginning of period | 462,267,957      | 333,862,492      |
| Increase during period        | 46,030,880       | 207,906,927      |
| Written-off                   | (37,706,050)     | (79,501,462)     |
| Balance - end of period       | 470,592,787      | 462,267,957      |

Under the Bank of Thailand's guidelines concerning the loan loss provisioning, the Company would have been required to provide an allowance for doubtful debts as at 30 June 2003 of approximately Baht 2,268 million (as at 31 December 2002 : Baht 2,187 million) against its loans and receivables, including those undergoing debt restructuring. However, the Company has set up an allowance for doubtful debts and allowance for loss on debt restructuring totaling Baht 3,741 million (as at 31 December 2002 : Baht 3,864 million), or Baht 1,473 million (as at 31 December 2002 : Baht 1,677 million) more than the required amount.

The allowance for doubtful debts of Baht 3,741 million, as mentioned above, consists of allowance for doubtful debts of Baht 2,341 million set aside for the unsecured portion of loans amounting Baht 4,998 million at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 1,400 million set up for the other loans and receivables.

As at 30 June 2003, the Company had outstanding non-performing loans and receivables of approximately Baht 2,585 million, against which an allowance for doubtful debts of Baht 1,562 million has been provided.

The Company's management believes that this allowance is sufficient to cover possible losses on debt collection.

## 10. CLASSIFICATION OF ASSETS

### 10.1 Investment in securities

As at 30 June 2003 and 31 December 2002, the investment in securities of the Company included the following :-

- a) With respect to investment of approximately Baht 59 million in subordinated debentures issued by a financial institution which the Bank of Thailand ordered closed on 8 December 1997, the Company has made full provision for loss on these securities.
- b) Investments in securities of the companies which are vulnerable to delisting, of the companies of which the auditors have expressed their opinion with the going concern issue, or of the companies which have defaulted on their interest payments (including investments in sub debentures, as discussed in Note 10.1.a) are summarised below.

|                               | (Unit : Million Baht) |                     |                 |                     |  |                     |
|-------------------------------|-----------------------|---------------------|-----------------|---------------------|--|---------------------|
|                               | Cost                  |                     | Fair Value      |                     | Allowance for possible loss<br>provided in the accounts <sup>(1)</sup> |                     |
|                               | 30 June<br>2003       | 31 December<br>2002 | 30 June<br>2003 | 31 December<br>2002 | 30 June<br>2003  | 31 December<br>2002 |
| Debt instruments - debentures | 60                    | 60                  | -               | -                   | 60   | 60                  |

<sup>(1)</sup> Allowance for possible losses is determined based on the investment cost less collateral value.

## 10.2 Classification of assets under the Bank of Thailand's guidelines.

As at 30 June 2003 and 31 December 2002, the Company classified its assets and made allowances against those assets in accordance with the Bank of Thailand's guidelines. They are summarised below.

|  | (Unit : Million Baht) |                 |  |        |   |   |         |  |       |
|--|-----------------------|-----------------|--|--------|---|---|---------|--|-------|
|  | Debt balance          |                 |  |        | Percentage<br>required<br>by BOT <sup>(3)</sup> | Allowance for doubtful accounts                 |         |  |       |
|  |                       |                 |  |        |   | Amount to be provided<br>under BOT's guidelines |         | Amounts already set up<br>by the Company |       |
|  | Debt balance          |                 | Debt balance<br>after net off collateral |        | 30 June   | 31 December                                     | 30 June | 31 December                              |       |
| 30 June<br>2003                              | 31 December<br>2002   | 30 June<br>2003 | 31 December<br>2002                      |        | 2003  | 2002  | 2003    | 2002                                     |       |
| <b>Loans and receivable<sup>(1)(2)</sup></b> |                       |                 |  |        |   |   |         |  |       |
| Pass   | 33,420                | 30,932          | 24,870                                   | 21,331 | 1   | 249   | 213     | 544                                      | 676   |
| Special mention                              | 1,170                 | 743             | 1,054                                    | 632    | 2   | 21  | 13      | 154                                      | 18    |
| Substandard                                  | 214                   | 140             | 146                                      | 104    | 20  | 29  | 21      | 45                                       | 38    |
| Doubtful                                     | 109                   | 558             | 94                                       | 331    | 50  | 47  | 165     | 58                                       | 279   |
| Bad debts                                    | 2,262                 | 2,405           | 1,451                                    | 1,313  | 100   | 1,451   | 1,313   | 1,459                                    | 1,327 |
| Total  | 37,175                | 34,778          | 27,615                                   | 23,711 |   | 1,797   | 1,725   | 2,260                                    | 2,338 |
| Loss on receivable under troubled            |                       |                 |  |        |   |   |         |  |       |
| debt restructuring                           | -                     | -               | -  | -      |   | 471   | 462     | 471                                      | 462   |
| Total  | 37,175                | 34,778          | 27,615                                   | 23,711 |   | 2,268   | 2,187   | 2,731                                    | 2,800 |
| General reserve                              |                       |                 |  |        |   |   |         | 1,010                                    | 1,064 |
| Total  |                       |                 |  |        |   |   |         | 3,741                                    | 3,864 |
| <b>Investment in securities</b>              |                       |                 |  |        |   |   |         |  |       |
| Bad debts                                    |                       |                 |  |        |   |   |         |  |       |
| Debt instruments                             | 61                    | 61              | 61                                       | 61     | 100   | 61  | 61      | 61                                       | 61    |
| Equity instruments                           | 327                   | 202             | 327                                      | 202    | 100   | 327   | 202     | 327                                      | 202   |
| Total  | 388                   | 263             | 388                                      | 263    |   | 388   | 263     | 388                                      | 263   |
| <b>Investment in receivables</b>             |                       |                 |  |        |   |   |         |  |       |
| Bad debts                                    | 7                     | 7               | -  | -      | 100   | -   | -       | -  | -     |
| <b>Properties foreclosed</b>                 |                       |                 |  |        |   |   |         |  |       |
| Land   | 91                    | 93              | 91                                       | 93     | 100   | 91  | 93      | 91                                       | 93    |
| Total classified assets                      | 37,661                | 35,141          | 28,094                                   | 24,067 |   | 2,747   | 2,543   | 4,220                                    | 4,220 |

<sup>(1)</sup> Allowance for doubtful accounts for loans and receivable is determined based on debt balance less collateral value.

<sup>(2)</sup> Interest receivable are not included in pass and special mention debt balance.

<sup>(3)</sup> In the year 2002, BOT issued new guidelines on provisioning rates for normal debt and special mention debt, whereby provision is to be made for normal debt and special mention debt at rates of at least 1 or 2 percent, respectively, or at a lower rate calculated in accordance with guidelines and conditions stipulated by the BOT. However, the Company is still setting aside provision for such debt at rates of at least 1 or 2 percent, in accordance with the previous guidelines.



The assets classified above are presented in accordance with the assets classification report which the Company prepared and submitted to the Bank of Thailand, and include loans, receivable and interest accrued on loans, investment in securities and properties foreclosed. As at 30 June 2003 and 31 December 2002, in accordance with the BOT's guidelines, the Company has provided an allowance amounting to Baht 4,220 million against its loans and receivable, investment in securities and properties foreclosed.

The allowance for possible loan losses has been determined after taking into account the value of collateral in accordance with the Bank of Thailand's guidelines, and includes the allowance required against restructured debts.

A portion of the above classified loans and receivable includes debts due from companies with weak financial position and operating results. These amounts and allowance for doubtful accounts are as follows:-

|   | Number of debtors |             | Debt balance |                | Collateral value |                | Allowance for doubtful accounts provided in the accounts |                |
|---|-------------------|-------------|--------------|----------------|------------------|----------------|--|----------------|
|   | 30 June           | 31 December | 30 June      | 31 December    | 30 June          | 31 December    | 30 June  | 31 December    |
|   | 2003              | 2002        | 2003         | 2002           | 2003             | 2002           | 2003   | 2002           |
|   |                   |             |              | (Million Baht) | (Million Baht)   | (Million Baht) | (Million Baht)   | (Million Baht) |
| 1. Companies vulnerable to delisting  | 3                 | 4           | 86           | 685            | 15               | 544            | 64   | 99             |
| 2. Non - listed companies with similar operating results and financial positions to the companies vulnerable to delisting | 27                | 24          | 1,436        | 1,797          | 656              | 1,064          | 672  | 701            |
| 3. Listed companies of which shares have been suspended for trading   | 1                 | 3           | 7            | 69             | -                | 33             | 7  | 30             |
| 4. Listed companies under rehabilitation  | 10                | 11          | 353          | 462            | 54               | 123            | 295  | 303            |
| 5. Companies having loan default problem  | 30                | 31          | 1,033        | 1,203          | 211              | 354            | 686  | 800            |
| 6. Companies having going concern issue as cited in auditors' report  | 6                 | 5           | 1,085        | 880            | 594              | 307            | 118  | 115            |
| Total   | 77                | 78          | 4,000        | 5,096          | 1,530            | 2,425          | 1,842  | 2,048          |

### 10.3 Classification of assets in accordance with the Notification of the Office of the Securities and Exchange Commission

As at 30 June 2003 and 31 December 2002, a local subsidiary operating in the securities business in Thailand classified its securities business receivable and accrued interest receivable as follows, and provided related allowances for doubtful accounts, in accordance with the notification of the Office of the Securities and Exchange Commission (SEC).

|                 | (Unit : Million Baht)                                     |                     |  |                     |  |                     |
|-----------------|---|---------------------|--|---------------------|--|---------------------|
|                 | Securities business<br>receivable and<br>accrued interest |                     | Allowance for<br>doubtful accounts<br>as required by SEC |                     | Allowance for doubtful<br>accounts provided in<br>the accounts |                     |
|                 | 30 June<br>2003   | 31 December<br>2002 | 30 June<br>2003  | 31 December<br>2002 | 30 June<br>2003  | 31 December<br>2002 |
| Substandard     | 35  | 27                  | -  | -                   | -  | -                   |
| Doubtful        | 501   | 510                 | 501  | 510                 | 501  | 510                 |
| Total           | <u>536</u>  | <u>537</u>          | <u>501</u>   | <u>510</u>          | 501  | 510                 |
| General reserve |   |                     |  |                     | 34   | 25                  |
| Total           |   |                     |  |                     | <u>535</u>   | <u>535</u>          |

Substandard debts represent the receivable balances with a value equivalent to that of their collateral.

### 10.4 Hire-purchase receivable/financial lease receivable and other loan receivable of the subsidiaries

As at 30 June 2003 and 31 December 2002, hire-purchase receivable, financial lease receivable and other loan receivable of the subsidiaries are classified by the due date of the contracts as follows :-

|                                      | (Unit : Million Baht) |                  |
|--------------------------------------|-----------------------|------------------|
|                                      | 30 June 2003          | 31 December 2002 |
| Current or overdue less than 90 days | 5,428                 | 5,354            |
| Overdue                              |                       |                  |
| 91 - 365 days                        | 160                   | 104              |
| More than 1 year                     | 171                   | 163              |
| Debtors under litigation             | 64                    | 61               |
| Total                                | <u>5,823</u>          | <u>5,682</u>     |

## 11. PROPERTY FORECLOSED

Property foreclosed represents assets transferred from loans, hire purchase receivable on which the debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of the assets are stated at the lower of the loans balance or market/appraisal value.

Details of the property foreclosed as at 30 June 2003 and 31 December 2002 are as follows :-

|                                   | (Unit : Baht)        |                      |                      |                      |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                   | Consolidated         |                      | The Company Only     |                      |
|                                   | 30 June 2003         | 31 December 2002     | 30 June 2003         | 31 December 2002     |
| Foreclosed assets :               |                      |                      |                      |                      |
| Immovable assets                  |                      |                      |                      |                      |
| Balance - beginning of the period | 1,428,938,261        | 2,387,406,968        | 1,378,246,436        | 2,335,815,144        |
| Addition                          | 2,950,000            |                      | 2,950,000            |                      |
| Disposal                          | (44,281,919)         | (958,468,707)        | (44,281,919)         | (957,568,708)        |
| Balance - end of the period       | <u>1,387,606,342</u> | <u>1,428,938,261</u> | <u>1,336,914,517</u> | <u>1,378,246,436</u> |
| Movable assets                    |                      |                      |                      |                      |
| Balance - beginning of the period | 27,331,922           | 4,378,084            | 22,451,670           | 2,151,180            |
| Addition                          | 139,189,906          | 201,550,086          | 35,315,653           | 68,701,821           |
| Disposal                          | (142,432,972)        | (178,596,248)        | (35,634,051)         | (48,401,331)         |
| Balance - end of the period       | <u>24,088,856</u>    | <u>27,331,922</u>    | <u>22,133,272</u>    | <u>22,451,670</u>    |
| Allowance for impairment :        |                      |                      |                      |                      |
| Balance - beginning of the period | 139,455,401          | 154,826,392          | 92,736,701           | 109,014,410          |
| Increase                          | 708,440              | 20,390,493           | 708,440              | 19,420,776           |
| Decrease                          | (2,969,869)          | (35,761,484)         | (2,305,827)          | (35,698,485)         |
| Balance - end of the period       | <u>137,193,972</u>   | <u>139,455,401</u>   | <u>91,139,314</u>    | <u>92,736,701</u>    |
| Property foreclosed - net         | <u>1,274,501,226</u> | <u>1,316,814,782</u> | <u>1,267,908,475</u> | <u>1,307,961,405</u> |

As at 30 June 2003, the Company had obligations with regard to properties foreclosed which were received in repayment of debts amounting to Baht 731 million. (as at 31 December 2002 : Baht 731 million). The debtors may repurchase these properties at prices and within periods specified in the agreements.

## 12. LAND, PREMISES AND EQUIPMENT

(Unit : Baht)

|   | Consolidated  |   |   |                       |             | Total         |
|---|---------------|---|---|-----------------------|-------------|---------------|
|   | Land          | Building and<br>office<br>condominium<br>unit | Furniture,<br>fixtures and<br>equipment | Office<br>improvement | Vehicles    |               |
|   | <b>Cost :</b> |   |   |                       |             |               |
| 31 December 2002  | 414,975,384   | 829,637,565                                   | 449,176,422                             | 347,003,702           | 73,366,348  | 2,114,159,421 |
| Translation adjustment  | -             | -   | (764,196)                               | -                     | -           | (764,196)     |
| Addition  | 10,302,240    | 12,151,228                                    | 26,672,407                              | 766,997               | 2,882,079   | 52,774,951    |
| Disposal  | -             | -   | (23,076,609)                            | (60,733)              | (2,521,583) | (25,658,925)  |
| 30 June 2003  | 425,277,624   | 841,788,793                                   | 452,008,024                             | 347,709,966           | 73,726,844  | 2,140,511,251 |
| <b>Accumulated depreciation :</b>   |               |   |   |                       |             |               |
| 31 December 2002  | -             | 206,212,518                                   | 370,864,485                             | 166,752,531           | 25,881,337  | 769,710,871   |
| Translation adjustment  | -             | -   | (520,523)                               | -                     | -           | (520,523)     |
| Depreciation charge for the period  | -             | 21,276,204                                    | 20,296,615                              | 11,545,207            | 7,144,425   | 60,262,451    |
| Disposal  | -             | -   | (18,648,708)                            | -                     | (583,363)   | (19,232,071)  |
| 30 June 2003  | -             | 227,488,722                                   | 371,991,869                             | 178,297,738           | 32,442,399  | 810,220,728   |
| <b>Net book value :</b>   |               |   |   |                       |             |               |
| 31 December 2002  | 414,975,384   | 623,425,047                                   | 78,311,937                              | 180,251,171           | 47,485,011  | 1,344,448,550 |
| 30 June 2003  | 425,277,624   | 614,300,071                                   | 80,016,155                              | 169,412,228           | 41,284,445  | 1,330,290,523 |
| <b>Depreciation charge included in earnings statements for the six-month periods ended 30 June:</b> |               |   |   |                       |             |               |
| 2002  |               |   |   |                       |             | 71,401,051    |
| 2003  |               |   |   |                       |             | 60,262,451    |

(Unit : Baht)

|  | The Company Only |   |   |                       |            | Total         |
|--|------------------|---|---|-----------------------|------------|---------------|
|  | Land             | Building and<br>office<br>condominium<br>unit | Furniture,<br>fixtures and<br>equipment | Office<br>improvement | Vehicles   |               |
|  | <b>Cost :</b>    |   |   |                       |            |               |
| 31 December 2002   | 270,789,447      | 535,457,210                                   | 152,880,684                             | 191,096,523           | 39,739,482 | 1,189,963,346 |
| Addition   | 10,302,240       | 12,151,228                                    | 14,505,755                              | 685,498               | 1,147,545  | 38,792,266    |
| Disposal   | -                | -   | (716,804)                               | (60,733)              | (616,525)  | (1,394,062)   |
| 30 June 2003   | 281,091,687      | 547,608,438                                   | 166,669,635                             | 191,721,288           | 40,270,502 | 1,227,361,550 |
| <b>Accumulated depreciation :</b>  |                  |   |   |                       |            |               |
| 31 December 2002   | -                | 127,454,360                                   | 131,462,186                             | 88,337,898            | 14,720,853 | 361,975,297   |
| Depreciation charge for the period   | -                | 13,973,417                                    | 6,903,106                               | 6,433,743             | 4,001,101  | 31,311,367    |
| Disposal   | -                | -   | (691,614)                               | -                     | (246,492)  | (938,106)     |
| 30 June 2003   | -                | 141,427,777                                   | 137,673,678                             | 94,771,641            | 18,475,462 | 392,348,558   |
| <b>Net book value :</b>  |                  |   |   |                       |            |               |
| 31 December 2002   | 270,789,447      | 408,002,850                                   | 21,418,498                              | 102,758,625           | 25,018,629 | 827,988,049   |
| 30 June 2003   | 281,091,687      | 406,180,661                                   | 28,995,957                              | 96,949,647            | 21,795,040 | 835,012,992   |
| <b>Depreciation charge included in earnings statements for the six-month periods ended 30 June :</b> |                  |   |   |                       |            |               |
| 2002   |                  |   |   |                       |            | 36,732,650    |
| 2003   |                  |   |   |                       |            | 31,311,367    |

### 13. OTHER ASSETS

(Unit : Baht)

|   | Consolidated         |                      | The Company Only     |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 30 June              | 31 December          | 30 June              | 31 December          |
|   | 2003                 | 2002                 | 2003                 | 2002                 |
| Value added tax - net                           | 875,041,765          | 724,226,365          | 792,522,455          | 639,815,777          |
| Accrued interest receivable                     | 27,558,768           | 52,497,778           | 26,093,232           | 49,914,753           |
| Fee receivable                                  | 340,015,690          | 213,039,079          | 248,681,489          | 139,110,923          |
| Prepaid income tax                              | 105,260,703          | 99,062,571           | 54,573,076           | 47,515,874           |
| Deferred computer system development cost - net | 41,095,276           | 45,108,876           | 37,294,549           | 40,984,180           |
| Deposits  | 8,478,381            | 10,183,398           | 3,715,906            | 3,170,993            |
| Other receivables                               | 101,188,012          | 81,973,001           | 90,875,092           | 75,730,495           |
| Other assets                                    | 192,108,792          | 160,020,237          | 77,704,114           | 49,383,420           |
| <b>Total other assets</b>                       | <b>1,690,747,387</b> | <b>1,386,111,305</b> | <b>1,331,459,913</b> | <b>1,045,626,415</b> |

### 14. BORROWINGS AND DEPOSITS

#### 14.1 Classified by source of borrowings and deposits

(Unit : Baht)

|                                      | Consolidated          |                      |                       |                       |                      |                       |
|--------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
|                                      | 30 June 2003          |                      |                       | 31 December 2002      |                      |                       |
|                                      | Promissory notes      | Others               | Total                 | Promissory notes      | Others               | Total                 |
| From public                          | 32,091,297,774        | 1,341,016,754        | 33,432,314,528        | 29,956,478,590        | 987,267,828          | 30,943,746,418        |
| From banks                           | 254,000,000           | 1,975,932,576        | 2,229,932,576         | 243,000,000           | 2,016,109,462        | 2,259,109,462         |
| From financial institutions          | 1,341,788,954         | 43,115,200           | 1,384,904,154         | 1,005,111,315         | -                    | 1,005,111,315         |
| From foreign countries               | 62,754,671            | -                    | 62,754,671            | 53,384,018            | -                    | 53,384,018            |
| <b>Total borrowings and deposits</b> | <b>33,749,841,399</b> | <b>3,360,064,530</b> | <b>37,109,905,929</b> | <b>31,257,973,923</b> | <b>3,003,377,290</b> | <b>34,261,351,213</b> |

(Unit : Baht)

|                               | The Company Only      |                    |                       |                       |                    |                       |
|-------------------------------|-----------------------|--------------------|-----------------------|-----------------------|--------------------|-----------------------|
|                               | 30 June 2003          |                    |                       | 31 December 2002      |                    |                       |
|                               | Promissory<br>notes   | Others             | Total                 | Promissory<br>notes   | Others             | Total                 |
| From public                   | 32,094,797,774        | 300,000,000        | 32,394,797,774        | 29,976,478,590        | 516,019,208        | 30,492,497,798        |
| From banks                    | -                     | 133,569,640        | 133,569,640           | -                     | 289,018,870        | 289,018,870           |
| From financial institutions   | 1,807,788,954         | -                  | 1,807,788,954         | 913,786,079           | -                  | 913,786,079           |
| From foreign countries        | 62,754,671            | -                  | 62,754,671            | 53,384,018            | -                  | 53,384,018            |
| Total borrowings and deposits | <u>33,965,341,399</u> | <u>433,569,640</u> | <u>34,398,911,039</u> | <u>30,943,648,687</u> | <u>805,038,078</u> | <u>31,748,686,765</u> |

**14.2 Classified by the remaining period of contract**

(Unit : Baht)

|   | Consolidated          |                       | The Company Only      |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 30 June 2003          | 31 December 2002      | 30 June 2003          | 31 December 2002      |
| At call   | 386,380,932           | 853,905,334           | 840,438,171           | 866,007,045           |
| Not over 1 year (included<br>contracts which are due) | 24,749,490,460        | 22,705,662,253        | 21,776,499,272        | 20,224,096,094        |
| Over 1 year   | <u>11,974,034,537</u> | <u>10,701,783,626</u> | <u>11,781,973,596</u> | <u>10,658,583,626</u> |
| Total borrowings and deposits                         | <u>37,109,905,929</u> | <u>34,261,351,213</u> | <u>34,398,911,039</u> | <u>31,748,686,765</u> |

## 15. DEBENTURES

(Unit : Baht)

|   | Consolidated / The Company Only |                      |
|---|---------------------------------|----------------------|
|   | 30 June 2003                    | 31 December 2002     |
| Subordinated debentures                 | 331,000,000                     | 331,000,000          |
| Unsubordinated and unsecured debentures | 4,800,000,000                   | 4,800,000,000        |
|   | <u>5,131,000,000</u>            | <u>5,131,000,000</u> |

### 15.1 Subordinated debentures

During 1999 the Company issued Baht 331 million of unsecured subordinated debentures (331 units with a par value of Baht 1,000,000 each) which were sold to the Ministry of Finance under the Tier II capital support scheme. The Ministry of Finance assisted the Company by purchasing the Company's newly issued subordinated debentures in order to increase its Tier II capital fund to a level in accordance with the regulations of the Bank of Thailand. The debentures bear interest at rates of 5% and 6% per annum and mature in 2009. The Company immediately used the money from the sale of these debentures to invest in government bonds issued by the Ministry of Finance, in accordance with the conditions of the Tier II capital support scheme.

### 15.2 Unsubordinated and unsecured debentures

On 29 July 2002 and 21 October 2002 the Company issued Baht 4,800 million of unsubordinated and unsecured debentures, maturing in 2007, consisting of :-

- a) 2 million debentures with a face value of Baht 1,000 each, totaling Baht 2,000 million. These debentures bear interest at a rate of 4.25 percent per annum.
- b) 1 million debentures with a face value of Baht 1,000 each, totaling Baht 1,000 million. These debentures bear interest at a rate of 3.5 percent per annum in the first and second years and thereafter at a floating rate equivalent to the reference rate plus 0.5 percent per annum, which rate shall not be less than 3.75 percent per annum and shall not exceed 5 percent, 5.5 percent and 6 percent per annum in the third, fourth and fifth years, respectively.

- c) 1.8 million debentures with a face value of Baht 1,000 each, totaling Baht 1,800 million. These debentures carry interest at a floating rate equivalent to a rate of 6 percent minus the reference rate per annum in the first, second and third years and thereafter at a rate of 3.8 percent per annum.

In respect of the Baht 2,800 million of debentures discussed in (b) and (c) above, on 29 July 2002 and 21 October 2002, respectively, the Company entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. The agreement expires in 2007.

## 16. OTHER LIABILITIES

(Unit : Baht)

|  | Consolidated       |                     | The Company Only   |                     |
|--|--------------------|---------------------|--------------------|---------------------|
|  | 30 June<br>2003    | 31 December<br>2002 | 30 June<br>2003    | 31 December<br>2002 |
| Corporate income tax payable                 | 116,454,774        | 53,509,173          | -                  | -                   |
| Withholding income tax and other tax payable | 44,067,911         | 88,745,649          | 32,694,584         | 64,141,583          |
| Accrued insurance premium                    | 246,431,457        | 163,551,321         | 200,650,744        | 129,768,523         |
| Other liabilities                            | 435,438,144        | 299,575,151         | 204,726,398        | 164,485,529         |
| Total other liabilities                      | <u>842,392,286</u> | <u>605,381,294</u>  | <u>438,071,726</u> | <u>358,395,635</u>  |

## 17. SHARE CAPITAL AND WARRANTS

- a) The Company has a registered capital of Baht 11,002 million which, according to the documents filed with the Ministry of Commerce in 1999, comprises 100.2 million ordinary shares and 1,000 million preference shares, both with a par value of Baht 10 each. The preference shares can be, and were from time to time, converted to ordinary shares in accordance with the Memorandum and Articles of Association. Up to 30 June 2003, 427,845,420 preference shares had been converted into ordinary shares, and such conversion registered with the authorities.

As at 30 June 2003, there remained a total of 180,422,580 preference shares which are eligible for conversion to ordinary shares.



- b) On 10 April 2000, the annual general meeting of the Company's shareholders passed a resolution approving the allocation to directors and employees of the Company and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the Company's preference shares, exercisable in a ratio of 1 warrant to 1 preference share, and passed a resolution approving the establishment an Allotment Committee. Such committee resolved that the warrants would not be allocated to the Company's directors, except for those directors who were qualified by virtue of being the Company employees. The exercise price of the warrants was stipulated at 75 percent of the ten-trading-day average closing price of the Company's preference shares prior to the effective date of the filing, subject to a minimum price of par value. The warrants are to be offered subsequent to the receipt of approval from the Office of the Securities and Exchange Commission. In addition, the annual general meeting passed a resolution approving the un-allocation of 400 million preference shares (including 300 million preference shares which were to be reserved for the conversion of convertible debentures). Thirty million preference shares with a par value of Baht 10 each are to be reserved for the exercise of the warrants to be issued and offered to directors and employees of the Company and its subsidiaries to purchase the Company's preference shares, leaving 370 million unallocated preference shares.

On 24 April 2002, the annual general meeting of the Company's shareholders passed a resolution approving the exercise price of warrants at 75 percent of the ten-trading-day average closing price of the Company's preference shares prior to the date of warrant allocation, subject to a minimum price of par value. In addition, the annual general meeting passed a resolution approving the allocation of 1,100,000 warrants to the directors. These conditions were approved by the Office of the Securities and Exchange Commission.

On 24 April 2003, the annual general meeting of the Company's shareholders passed a resolution approving the allocation of 800,000 warrants to the directors. These conditions were approved by the Office of the Securities and Exchange Commission.

Up to 30 June 2003, the Company allocated 25,436,000 warrants, and employees who had been allocated warrants had exercised their rights to purchase a total of 6,685,000 preference shares, at an exercise price of Baht 10 each, amounting to Baht 66,850,000 and 1,583,000 preference shares at an exercise price of Baht 11.31 each, a total of Baht 17,903,730 of which 8,268,000 preference shares registered with the Ministry of Commerce.

As at 30 June 2003, 17,168,000 warrants remained unexercised.

## 18. CAPITAL FUND

As at 30 June 2003 and 31 December 2002, the capital funds maintained by the Company in accordance with Section 4 of the Act on Undertaking of Finance Business, Finance and Securities Business and Credit Foncier Business B.E. 2522 were as follows :-

|   | (Unit : Thousand Baht) |                  |
|---|------------------------|------------------|
|   | The Company Only       |                  |
|   | 30 June 2003           | 31 December 2002 |
| <u>Tier I</u>   |                        |                  |
| Issued and fully paid up share capital  | 7,084,680              | 7,065,345        |
| Premium on share capital  | 38,574                 | 37,685           |
| Statutory reserve   | 48,700                 | 48,700           |
| Retained earnings - unappropriated  | 845,663                | 41,567           |
| Total Tier I  | 8,017,617              | 7,193,297        |
| <u>Tier II</u>  |                        |                  |
| Subordinated debentures   | 331,000                | 331,000          |
| Reserve for loans classified as pass  | 544,460                | 516,667          |
| Reserve for revaluation of equity securities – available for sales  | 117,925                | -                |
| Total Tier II   | 993,385                | 847,667          |
| Less : Investments in debentures at value of which the banks,<br>who are the debenture issuers, recognize as capital fund | (188,566)              | -                |
| Total capital fund  | 8,822,436              | 8,040,964        |

The capital ratios of the Company are as follows :-

|  | The Company Only |             |                  |             |
|--|------------------|-------------|------------------|-------------|
|  | 30 June 2003     |             | 31 December 2002 |             |
|  | Company          | Requirement | Company          | Requirement |
| Tier I capital to risk assets                        | 17.83%           | 4.00%       | 17.40%           | 4.00%       |
| Total capital to risk assets                         | 19.62%           | 8.00%       | 19.45%           | 8.00%       |
| Total capital to issued and paid-up<br>share capital | 124.53%          | 75.00%      | 113.81%          | 75.00%      |

## 19. STATUTORY RESERVE

Under the Public Company Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5% of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of its registered share capital. The statutory reserve could not use for dividend payment.

## 20. SURPLUS ON CHANGES IN THE VALUE OF INVESTMENTS

(Unit : Baht)

|  | Consolidated    |                     | The Company Only |                     |
|--|-----------------|---------------------|------------------|---------------------|
|  | 30 June<br>2003 | 31 December<br>2002 | 30 June<br>2003  | 31 December<br>2002 |
| Balance - beginning of the period  | 58,797,600      | 126,793,564         | 58,797,600       | 126,793,564         |
| Increase (decrease) in changes in the<br>value of securities during the period | 250,121,942     | (67,995,964)        | 250,121,942      | (67,995,964)        |
| Balance - end of the period  | 308,919,542     | 58,797,600          | 308,919,542      | 58,797,600          |

## 21. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for the six-month periods ended 30 June 2003 and 2002 consist of the following :-

(Unit : Baht)

|  | Consolidated |               | The Company Only |             |
|--|--------------|---------------|------------------|-------------|
|  | 2003         | 2002          | 2003             | 2002        |
| Unrealised gain (loss) on<br>Investments | 122,006,898  | (113,567,960) | 19,142,516       | 1,133,507   |
| Realised gain on investments             | 93,158,289   | 573,201,111   | 46,619,860       | 342,520,336 |
| Total                                    | 215,165,187  | 459,633,151   | 65,762,376       | 343,653,843 |

## 22. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to directors who hold executive positions.

## 23. CORPORATE INCOME TAX

Corporate income tax expenses for the six-month periods ended 30 June 2003 and 2002 were arrived at as follows:

(Unit : Baht)

|   | Consolidated       |                    | The Company Only |               |
|---|--------------------|--------------------|------------------|---------------|
|   | 2003               | 2002               | 2003             | 2002          |
| Income tax payable on taxable profit for the period                           | 445,360,636        | 421,135,719        | 311,081,519      | 240,018,083   |
| Add (less) : Net decrease (increase) in deferred tax on temporary differences | 21,899,287         | (77,744)           | 3,340,542        | -             |
| Less : Utilisation of income tax benefits on tax loss carried forward         | (316,578,659)      | (272,656,966)      | (311,081,519)    | (240,018,083) |
| Income tax expenses - net   | <u>150,681,264</u> | <u>148,401,009</u> | <u>3,340,542</u> | <u>-</u>      |

The Company and its subsidiaries have certain deferred tax assets relating to their tax loss carry forwards, which have not been recognized in the accounts for prudent reasons. They are recognized in the accounts in the year when the loss carry forwards are actually utilized.

## 24. PROVIDENT FUND

The Company, its seven subsidiaries and their employees have jointly registered provident fund schemes under the Provident Fund Act B.E. 2530. The funds are contributed to by both the employees and the companies at rates of 5-10 percent of their employees' salaries depending on the number of years of service. The funds will be paid to the employees upon termination in accordance with the rules of the funds, and they are managed by the Bangkok Bank Public Company Limited. During the six-month period ended 30 June 2003, Baht 19 million has been contributed to the funds by the Company and its subsidiaries (the Company only : Baht 9 million).

## 25. NUMBER OF EMPLOYEES

|  | Consolidated    |                     | The Company Only |                     |
|--|-----------------|---------------------|------------------|---------------------|
|  | 30 June<br>2003 | 31 December<br>2002 | 30 June<br>2003  | 31 December<br>2002 |
| Number of employees at the end of period (persons) | 1,261           | 1,292               | 513              | 430                 |

## 26. RECONCILIATION OF DILUTED EARNINGS PER SHARE

| For the three-month periods ended 30 June  |                  |                           |                    |                    |             |      |
|--|------------------|---------------------------|--------------------|--------------------|-------------|------|
| Net earnings   |                  | Weighted average          |                    | Earnings per share |             |      |
|  |                  | number of ordinary shares |                    |                    |             |      |
| <u>2003</u>  | <u>2002</u>      | <u>2003</u>               | <u>2002</u>        | <u>2003</u>        | <u>2002</u> |      |
| Thousand<br>Baht   | Thousand<br>Baht | Thousand<br>shares        | Thousand<br>shares | Baht               | Baht        |      |
| <b>Basic earnings per share</b>  |                  |                           |                    |                    |             |      |
| Net earnings   | 439,951          | 324,526                   | 527,889            | 269,878            | 0.83        | 1.20 |
| <b>Effect of dilutive securities</b>   |                  |                           |                    |                    |             |      |
| Preference shares (including 17.2 million warrants to purchase preference shares (2002: 9.9 million warrants)) |                  |                           |                    |                    |             |      |
| -  | -                | 197,747                   | 444,324            |                    |             |      |
| <b>Diluted earnings per share</b>  |                  |                           |                    |                    |             |      |
| Net earnings of ordinary shareholders assuming the conversion of preference shares to ordinary shares          |                  |                           |                    |                    |             |      |
| 439,951  | 324,526          | 725,636                   | 714,202            | 0.61               | 0.45        |      |

| For the six-month periods ended 30 June  |                  |                           |                    |                    |             |      |
|--|------------------|---------------------------|--------------------|--------------------|-------------|------|
| Net earnings   |                  | Weighted average          |                    | Earnings per share |             |      |
|  |                  | number of ordinary shares |                    |                    |             |      |
| <u>2003</u>  | <u>2002</u>      | <u>2003</u>               | <u>2002</u>        | <u>2003</u>        | <u>2002</u> |      |
| Thousand<br>Baht   | Thousand<br>Baht | Thousand<br>shares        | Thousand<br>shares | Baht               | Baht        |      |
| <b>Basic earnings per share</b>  |                  |                           |                    |                    |             |      |
| Net earnings   | 804,095          | 626,985                   | 523,089            | 233,311            | 1.54        | 2.69 |
| <b>Effect of dilutive securities</b>   |                  |                           |                    |                    |             |      |
| Preference shares (including 17.2 million warrants to purchase preference shares (2002: 9.9 million warrants)) |                  |                           |                    |                    |             |      |
| -  | -                | 202,547                   | 480,891            |                    |             |      |
| <b>Diluted earnings per share</b>  |                  |                           |                    |                    |             |      |
| Net earnings of ordinary shareholders assuming the conversion of preference shares to ordinary shares          |                  |                           |                    |                    |             |      |
| 804,095  | 626,985          | 725,636                   | 714,202            | 1.11               | 0.88        |      |

## 27. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents represent cash in hand and all types of bank deposits, except certificates of deposit, in accordance with the Notification of the Bank of Thailand regarding the format of the balance sheets and earnings statements of finance companies, finance and securities companies and credit foncier companies, dated 10 May 2001.

Cash and cash equivalents as reflect in the statements of cash flows as at 30 June 2003 and 2002 consist of the following :-

(Unit : Baht)

|  | Consolidated       |                    | The Company Only   |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2003               | 2002               | 2003               | 2002               |
| Cash                                     | 6,550,874          | 4,649,942          | 3,581,167          | 1,435,957          |
| Cash at banks and financial institutions | 778,491,885        | 793,395,923        | 116,417,047        | 123,903,165        |
| Cash and cash equivalents                | <u>785,042,759</u> | <u>798,045,865</u> | <u>119,998,214</u> | <u>125,339,122</u> |

## 28. RELATED PARTY TRANSACTIONS

During the three-month and six-month periods ended 30 June 2003 and 2002, the Company had significant business transactions with its subsidiary and related companies (related by way of common shareholders and/or common directors). Such transactions have been concluded on the terms and basis as determined by the Company and those companies. Intercompany outstanding balances and transactions are summarised below :-

(Unit : Thousand Baht)

|  | Consolidated                           |          |          | Balance-end<br>of the period |
|--|--|----------|----------|------------------------------|
|  | Balance-<br>beginning<br>of the period | Increase | Decrease |                              |
| <b><u>Outstanding balance as at 30 June 2003</u></b> |  |          |          |                              |
| <b>Associated company</b>                            |  |          |          |                              |
| Borrowing and deposits from public :                 |  |          |          |                              |
| Volkswagen Leasing (Thailand) Limited                | -                                      | 80,000   | -        | 80,000                       |

(Unit : Thousand Baht)

## The Company Only

|  | Balance-                   |          |          | Balance-end   |
|--|----------------------------|----------|----------|---------------|
|  | beginning<br>of the period | Increase | Decrease | of the period |
| <b>Outstanding balance as at 30 June 2003</b>        |                            |          |          |               |
| <b>Subsidiary companies</b>                          |                            |          |          |               |
| Loans to wholly owned subsidiary companies :         |                            |          |          |               |
| Thai Information Technology Co., Ltd.                | 50,184                     | -        | 13,713   | 36,470        |
| Borrowing and deposits from financial institutions : |                            |          |          |               |
| TISCO Securities Co., Ltd.                           | 16,000                     | 448,000  | -        | 464,000       |
| TISCO Asset Management Co., Ltd.                     | 2,000                      | -        | -        | 2,000         |
| Borrowing and deposits from public :                 |                            |          |          |               |
| Tru-Way Co., Ltd.                                    | 20,000                     | -        | 16,500   | 3,500         |
| Other liabilities :                                  |                            |          |          |               |
| Tru-Way Co., Ltd.                                    | 34,112                     | -        | 34,112   | -             |

(Unit : Thousand Baht)

|   | Consolidated |       | The Company Only |        | Pricing policy   |
|---|--------------|-------|------------------|--------|--|
|   | 2003         | 2002  | 2003             | 2002   | (For the period 2003)  |
| <b>Transactions occurred during the three-month periods ended 30 June</b>         |              |       |                  |        |  |
| <b>Subsidiary companies</b>   |              |       |                  |        |  |
| Interest income   | -            | -     | 791              | 5,814  | At rate determined under the contracts of approximately 7.5 percent per annum.   |
| Rental income   | -            | -     | 3,325            | 3,046  | At rate determined under the contract.   |
| Risk and financial management fee   | -            | -     | 7,014            | 7,014  | At rate determined under the contract.   |
| Human resources management fee  | -            | -     | 2,820            | 292    | At rate determined under the contract.   |
| Debt collection service expenses  | -            | -     | -                | 75,245 | Fee charged at 2 percent of outstanding balances   |
| Computer system advisory services expenses and office administration expenses     | -            | -     | 14,855           | 15,812 | At rate determined under the negotiation   |
| Car rental expenses   | -            | -     | 176              | 308    | At rate determined under the contract.   |
| Interest expenses   | -            | -     | 487              | 890    | At rate of approximately 0.5, 0.75 and 1 percent per annum   |
| Information services fee  | -            | -     | 42               | -      | At rate determined under the negotiation.  |
| <b>Associated company</b>   |              |       |                  |        |  |
| Interest expense  | 452          | 885   | -                | -      | At rate of approximately 2.8 to 2.85 percent per annum   |
| Account receivable management fee expenses and office administration fee expenses | 3,284        | 5,458 | -                | -      | Fee charged at 2 percent of outstanding balances with minimum fee of Baht 500,000 per month (before May 2002 fee charged at average rate of 1.81 percent of outstanding balances). |

(Unit : Thousand Baht)

|   | Consolidated |        | The Company Only |         | Pricing policy   |
|---|--------------|--------|------------------|---------|--|
|   | 2003         | 2002   | 2003             | 2002    | (For the period 2003)  |
| <b>Transactions occurred during the six-month periods ended 30 June</b>           |              |        |                  |         |  |
| <b>Subsidiary companies</b>   |              |        |                  |         |  |
| Interest income   | -            | -      | 1,706            | 13,221  | At rate determined under the contracts of approximately 7.5 percent per annum.   |
| Rental income   | -            | -      | 6,649            | 6,043   | At rate determined under the contract.   |
| Risk and financial management fee   | -            | -      | 14,028           | 14,028  | At rate determined under the contract.   |
| Human resources management fee  | -            | -      | 5,640            | 292     | At rate determined under the contract.   |
| Debt collection service expenses  | -            | -      | -                | 141,040 | Fee charged at 2 percent of outstanding balances   |
| Computer system advisory services expenses and office administration expenses     | -            | -      | 29,480           | 31,882  | At rate determined under the negotiation   |
| Car rental expenses   | -            | -      | 353              | 814     | At rate determined under the contract.   |
| Interest expenses   | -            | -      | 679              | 2,207   | At rate of approximately 0.50, 0.75 and 1 percent per annum  |
| Information services fee  | -            | -      | 83               | -       | At rate determined under the negotiation.  |
| <b>Associated company</b>   |              |        |                  |         |  |
| Interest expense  | 638          | 885    | -                | -       | At rate of approximately 2.725 to 2.850 percent per annum  |
| Account receivable management fee expenses and office administration fee expenses | 7,073        | 11,911 | -                | -       | Fee charged at 2 percent of outstanding balances with minimum fee of Baht 500,000 per month (before May 2002 fee charged at average rate of 1.81 percent of outstanding balances). |

As at 30 June 2003, the Company and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10% of the common shares of paid up capital are held by the Company, the Company's directors or management-level employees, with the exception of the loans to subsidiary and related companies discussed above, and loans to employees under the employee welfare scheme, which are summarised below.



|       | (Unit : Thousand Baht) |                  |
|-------|------------------------|------------------|
|       | Consolidated           | The Company Only |
| Loans | 7,117                  | 7,117            |

As at 30 June 2003, with the exception of loans to subsidiary companies mentioned in Note 8.4, the Company has neither provided any credit nor made any commitments to companies which have directors in common with the Company in cases where such credit is unsecured or not fully collateralised and therefore would require an approval from the Bank of Thailand.

As at 30 June 2003, the Company and its subsidiaries have no investments in related companies which are related by way of members of the management of the Company or of its subsidiaries being shareholders and/or directors.

## 29. FINANCIAL INFORMATION BY SEGMENT

Financial information relating to the finance business, securities business and other business segments as of 30 June 2003 and 31 December 2002 and for the three-month and six-month periods ended 30 June 2003 and 2002 is summarised below.

|                                   | (Unit : Million Baht)                     |       |                     |       |                |      |             |       |       |       |
|-----------------------------------|---|-------|---------------------|-------|----------------|------|-------------|-------|-------|-------|
|                                   | For the three-month periods ended 30 June |       |                     |       |                |      |             |       |       |       |
|                                   | Finance business                          |       | Securities business |       | Other business |      | Elimination |       | Total |       |
|                                   | 2003                                      | 2002  | 2003                | 2002  | 2003           | 2002 | 2003        | 2002  | 2003  | 2002  |
| Net interest and dividend         |   |       |                     |       |                |      |             |       |       |       |
| income after bad debt             |   |       |                     |       |                |      |             |       |       |       |
| and doubtful accounts             | 507                                       | 311   | 12                  | 11    | (1)            | (1)  | -           | -     | 518   | 321   |
| Non-interest income               | 207                                       | 442   | 344                 | 216   | 31             | 34   | (30)        | (149) | 552   | 543   |
| Operating expenses                | (369)                                     | (422) | (141)               | (134) | (29)           | (26) | 15          | 108   | (524) | (474) |
| Corporate income tax              | (32)                                      | (23)  | (65)                | (32)  | -              | (2)  | -           | -     | (97)  | (57)  |
| Minority interest in net earnings |   |       |                     |       |                |      |             |       |       |       |
| in subsidiary companies           | -   | -     | -                   | -     | -              | -    | (9)         | (9)   | (9)   | (9)   |
| Net earnings                      | 313                                       | 308   | 150                 | 61    | 1              | 5    | (24)        | (50)  | 440   | 324   |

(Unit : Million Baht)

|   | For the six-month periods ended 30 June |       |                     |       |                |      |             |       |         |       |
|---|---|-------|---------------------|-------|----------------|------|-------------|-------|---------|-------|
|   | Finance business                        |       | Securities business |       | Other business |      | Elimination |       | Total   |       |
|   | 2003                                    | 2002  | 2003                | 2002  | 2003           | 2002 | 2003        | 2002  | 2003    | 2002  |
| Net interest and dividend<br>income after bad debt<br>and doubtful accounts | 1,104                                   | 616   | 19                  | 20    | (1)            | (3)  | (18)        | (21)  | 1,104   | 612   |
| Non-interest income   | 345                                     | 740   | 564                 | 518   | 61             | 69   | (65)        | (257) | 905     | 1,070 |
| Operating expenses  | (742)                                   | (781) | (283)               | (260) | (57)           | (53) | 45          | 207   | (1,037) | (887) |
| Corporate income tax  | (55)                                    | (49)  | (95)                | (96)  | (1)            | (4)  | -           | -     | (151)   | (149) |
| Minority interest in net earnings<br>in subsidiary companies                | -                                       | -     | -                   | -     | -              | -    | (17)        | (19)  | (17)    | (19)  |
| Net earnings  | 652                                     | 526   | 205                 | 182   | 2              | 9    | (55)        | (90)  | 804     | 627   |

(Unit : Million Baht)

|   | As at            |                |                     |             |                |             |             |             |         |             |
|---|------------------|----------------|---------------------|-------------|----------------|-------------|-------------|-------------|---------|-------------|
|   | Finance business |                | Securities business |             | Other business |             | Elimination |             | Total   |             |
|   | 30 June          | 31<br>December | 30 June             | 31 December | 30 June        | 31 December | 30 June     | 31 December | 30 June | 31 December |
|   | 2003             | 2002           | 2003                | 2002        | 2003           | 2002        | 2003        | 2002        | 2003    | 2002        |
| Investments in securities                                     | 10,916           | 9,381          | 1,122               | 965         | 1              | -           | (4,983)     | (4,165)     | 7,056   | 6,181       |
| Loans, receivable and<br>accrued interest<br>receivable - net | 39,045           | 36,405         | 1,556               | 971         | -              | -           | (455)       | (1,140)     | 40,146  | 36,236      |
| Other assets  | 4,196            | 4,011          | 2,633               | 2,132       | 137            | 139         | 179         | 513         | 7,145   | 6,795       |
| Total assets  | 54,157           | 49,797         | 5,311               | 4,068       | 138            | 139         | (5,259)     | (4,792)     | 54,347  | 49,212      |

### 30. COMMITMENTS AND CONTINGENT LIABILITIES

#### 30.1 Aval to bills and other guarantees

(Unit : Baht)

|  | Consolidated and the Company Only |                  |
|--|-----------------------------------|------------------|
|  | 30 June 2003                      | 31 December 2002 |
| Aval to bills                                | 568,963,100                       | 771,762,686      |
| Guarantees - others                          | 574,074,153                       | 521,879,371      |
| Total contingent liabilities and obligations | 1,143,037,253                     | 1,293,642,057    |

### **30.2 Commitments under rental/service contracts**

- a) The Company has entered into a computer maintenance service and office administration agreement with a subsidiary company, under which it pays annual service fees amounting to approximately Baht 56 million.
- b) The Company is obliged to make contributions to the Financial Institutions Development Fund, at the rate of 0.2 percent of the total outstanding balance of the Company's deposits, borrowings, and liabilities arising from borrowings, as of the last day of the previous six-month period. Contributions are to be made every 30 June and 31 December.
- c) A subsidiary company is required to pay a membership fee to the Stock Exchange of Thailand on a monthly basis, at a rate of 0.005 percent of the trading volume of its stock.

### **30.3 Litigation**

The Company was a defendant in certain lawsuits involving compensation of approximately Baht 91 million. As at 30 June 2003, the cases were not yet final; nevertheless, the Company's management believes that the Company will not suffer material losses (if any) from these suits.

**30.4** The Company has commitments under interest rate swap agreements covering nominal principal of Baht 5,100 million (as discussed in Note 31.2 to the financial statements), commitments under forward foreign exchange sales contracts covering interest income from investments in debentures amounting to USD 15.35 million and commitments under cross currency interest rate swap agreements covering interest income from investments in debentures amounting to USD 2 million (as discussed in Note 31.4 to the financial statements).

**30.5** A subsidiary company has outstanding commitments of approximately Baht 40 million in respect of the uncalled portion of an investment in an associated company.

## **31. FINANCIAL INSTRUMENTS**

Financial instruments are any contracts which gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As at 30 June 2003, the Company and its subsidiaries have no policy to speculate or trade in any derivative financial instruments.

### 31.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfil an obligation causing the Company and subsidiary companies to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the balance sheet and the off-balance sheet transactions of aval and other guarantees.

In addition, the Company and its subsidiary companies manage credit risk by the following means, in through careful consideration of credit approval process, analysis of the risk factors and the ability to service debt of customers and credit review process, which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

### 31.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will change as a result of future changes in interest rates.

(Unit : Million Baht)

|  | Consolidated                                  |                        |                     |               |
|--|---|------------------------|---------------------|---------------|
|  | Outstanding balances of financial instruments |                        |                     |               |
|  | Floating<br>interest rate                     | Fixed<br>interest rate | Without<br>interest | Total         |
| <b>Financial assets</b>                        |   |                        |                     |               |
| Cash and deposits at financial institutions    | 519   | 36                     | 230                 | 785           |
| Loans to financial institutions                | -   | 468                    | -                   | 468           |
| Investments in securities - net                | 453   | 3,211                  | 3,392               | 7,056         |
| Trading transactions with securities companies |   |                        |                     |               |
| - receivable                                   | -   | -                      | 563                 | 563           |
| Loans and receivable                           | <u>6,397</u>                                  | <u>34,903</u>          | <u>3,457</u>        | <u>44,757</u> |
|  | <u>7,369</u>                                  | <u>38,618</u>          | <u>7,642</u>        | <u>53,629</u> |
| <b>Financial liabilities</b>                   |   |                        |                     |               |
| Borrowings and deposits                        | 72  | 36,787                 | 251                 | 37,110        |
| Trading transactions with securities companies |   |                        |                     |               |
| - liabilities                                  | -   | -                      | 417                 | 417           |
| Securities business payable                    | 258   | -                      | 1,393               | 1,651         |
| Debentures                                     | -   | 5,131                  | -                   | 5,131         |
|  | <u>330</u>                                    | <u>41,918</u>          | <u>2,061</u>        | <u>44,309</u> |

(Unit : Million Baht)

|   | The Company Only                              |               |               |               |
|---|---|---------------|---------------|---------------|
|   | Outstanding balances of financial instruments |               |               |               |
|   | Floating                                      | Fixed         | Without       |               |
|   | interest rate                                 | interest rate | interest      | Total         |
| <b><u>Financial assets</u></b>              |   |               |               |               |
| Cash and deposits at financial institutions | -   | 2             | 118           | 120           |
| Investments in securities - net             | 453   | 3,074         | 7,868         | 11,395        |
| Loans and receivable                        | 6,266   | 28,857        | 2,141         | 37,264        |
|   | <u>6,719</u>                                  | <u>31,933</u> | <u>10,127</u> | <u>48,779</u> |
| <b><u>Financial liabilities</u></b>         |   |               |               |               |
| Borrowings and deposits                     | 3   | 34,265        | 131           | 34,399        |
| Debentures                                  | -   | 5,131         | -             | 5,131         |
|   | <u>3</u>                                      | <u>39,396</u> | <u>131</u>    | <u>39,530</u> |

The Company has entered into interest rate swap agreements to pay fixed rate interest in exchange for receipt of floating rate interest on the nominal principal of Baht 1,000 million. These agreements will expire in 2005 and 2008.

In addition, the Company has entered into interest rate swap agreements to exchange a floating interest rate on the Baht 2,800 million debentures for a fixed interest rate. The agreement expires in 2007. The Company has also entered into interest rate swap agreements to exchange floating interest rates on loans and deposits amounting to Baht 1,300 million for a fixed interest rate. The agreements expire in 2006 and 2008.

The balances of the floating rate and fixed rate loans and receivable shown in the above table include those on which interest recognition has been ceased, and are presented before deducting provisions.

With respect to fixed rate financial instruments, the table show summarises their repricing or maturity date (whichever is the earlier) counting from the balance sheet date.

(Unit : Million Baht)

| Transactions                                | Consolidated               |               |               |               |              |             |               | Interest rates % |
|---|----------------------------|---------------|---------------|---------------|--------------|-------------|---------------|------------------|
|   | Repricing or maturity date |               |               |               |              |             |               |                  |
|   | At call                    | 0-3 months    | 3-12 months   | 1 – 5 years   | Over 5 Years | Unspecified | Total         |                  |
| <b>Financial assets</b>                     |                            |               |               |               |              |             |               |                  |
| Cash and deposits at financial institutions | 9                          | 2             | 25            | -             | -            | -           | 36            | 1.8199           |
| Loans to financial institutions             | 306                        | 106           | 56            | -             | -            | -           | 468           | 1.6543           |
| Investments in securities - net             |                            | 1,617         | 1,073         | 53            | 468          | -           | 3,211         | 3.9272           |
| Loans and receivable                        | 1,702                      | 4,187         | 10,535        | 15,354        | 2,680        | 445         | 34,903        | 9.0376           |
|   | <u>2,017</u>               | <u>5,912</u>  | <u>11,689</u> | <u>15,407</u> | <u>3,148</u> | <u>445</u>  | <u>38,618</u> |                  |
| <b>Financial liabilities</b>                |                            |               |               |               |              |             |               |                  |
| Borrowings and deposits                     | 273                        | 10,428        | 14,110        | 11,976        |              | -           | 36,787        | 2.6841           |
| Debentures                                  |                            |               |               | 4,800         | 331          | -           | 5,131         | 4.1610           |
|   | <u>273</u>                 | <u>10,428</u> | <u>14,110</u> | <u>16,776</u> | <u>331</u>   | <u>-</u>    | <u>41,918</u> |                  |

(Unit : Million Baht)

| Transactions                                | The Company Only           |              |               |               |              |             |               | Interest rates % |
|---|----------------------------|--------------|---------------|---------------|--------------|-------------|---------------|------------------|
|   | Repricing or maturity date |              |               |               |              |             |               |                  |
|   | At call                    | 0-3 months   | 3-12 months   | 1 – 5 years   | Over 5 Years | Unspecified | Total         |                  |
| <b>Financial assets</b>                     |                            |              |               |               |              |             |               |                  |
| Cash and deposits at financial institutions | -                          | 2            | -             | -             | -            | -           | 2             | 0.2500           |
| Investments in securities - net             | -                          | 1,577        | 1,013         | 20            | 464          | -           | 3,074         | 4.0094           |
| Loans and receivable                        | 1,374                      | 3,230        | 8,522         | 13,051        | 2,680        | -           | 28,857        | 7.4234           |
|   | <u>1,374</u>               | <u>4,809</u> | <u>9,535</u>  | <u>13,071</u> | <u>3,144</u> | <u>-</u>    | <u>31,933</u> |                  |
| <b>Financial liabilities</b>                |                            |              |               |               |              |             |               |                  |
| Borrowings and deposits                     | 707                        | 8,615        | 13,159        | 11,784        |              | -           | 34,265        | 2.5878           |
| Debentures                                  |                            | -            | -             | 4,800         | 331          | -           | 5,131         | 4.1610           |
|   | <u>707</u>                 | <u>8,615</u> | <u>13,159</u> | <u>16,584</u> | <u>331</u>   | <u>-</u>    | <u>39,396</u> |                  |

### 31.3 Liquidity risk

The periods to maturity dates of financial instruments held as of 30 June 2003, counting from the balance sheet date, are as follows :-

(Unit : Million Baht)

| Transactions   | Consolidated |               |               |               |              |              |                      |               |
|--|--------------|---------------|---------------|---------------|--------------|--------------|----------------------|---------------|
|  | At call      | 0-3 months    | 3-12 months   | 1 – 5 years   | Over 5 years | Unspecified  | Non performing loans | Total         |
| <b>Financial assets</b>                                      |              |               |               |               |              |              |                      |               |
| Cash and deposits at financial institutions                  | 629          | 131           | 25            | -             | -            | -            | -                    | 785           |
| Loans to financial institutions                              | 306          | 106           | 56            | -             | -            | -            | -                    | 468           |
| Investments in securities – net                              | 2,149        | 1,617         | 1,073         | 394           | 573          | 1,250        | -                    | 7,056         |
| Trading transactions with securities companies – receivable  |              | 563           |               | -             |              |              | -                    | 563           |
| Loans and receivable   | 963          | 6,231         | 11,342        | 19,158        | 3,464        |              | 3,599                | 44,757        |
|  | <u>4,047</u> | <u>8,648</u>  | <u>12,496</u> | <u>19,552</u> | <u>4,037</u> | <u>1,250</u> | <u>3,599</u>         | <u>53,629</u> |
| <b>Financial liabilities</b>                                 |              |               |               |               |              |              |                      |               |
| Borrowings and deposits                                      | 554          | 10,470        | 14,110        | 11,976        | -            | -            | -                    | 37,110        |
| Trading transactions with securities companies - liabilities |              | 417           |               | -             | -            | -            | -                    | 417           |
| Securities business payable                                  | 258          | 1,393         |               | -             | -            | -            | -                    | 1,651         |
| Debentures   |              |               |               | 4,800         | 331          | -            | -                    | 5,131         |
|  | <u>812</u>   | <u>12,280</u> | <u>14,110</u> | <u>16,776</u> | <u>331</u>   | <u>-</u>     | <u>-</u>             | <u>44,309</u> |
| <b>Off - balance sheet items</b>                             |              |               |               |               |              |              |                      |               |
| Aval to bills  | -            | 569           | -             | -             | -            | -            | -                    | 569           |
| Guarantees of loans and others                               | 341          | 31            | 202           | -             | -            | -            | -                    | 574           |

(Unit : Million Baht)

| The Company Only  |              |              |               |               |              |              |                      |               |
|---|--------------|--------------|---------------|---------------|--------------|--------------|----------------------|---------------|
| Transactions  | At call      | 0-3 months   | 3-12 months   | 1 – 5 years   | Over 5 years | Unspecified  | Non performing Loans | Total         |
| <b>Financial assets</b>   |              |              |               |               |              |              |                      |               |
| Cash and deposits at financial institutions                     | 118          | 2            | -             | -             | -            | -            | -                    | 120           |
| Investments in securities - net                                 | 1,788        | 1,577        | 1,013         | 361           | 570          | 6,086        | -                    | 11,395        |
| Loans and receivable  | 881          | 3,960        | 9,380         | 16,865        | 3,464        | -            | 2,714                | 37,264        |
|   | <u>2,787</u> | <u>5,539</u> | <u>10,393</u> | <u>17,226</u> | <u>4,034</u> | <u>6,086</u> | <u>2,714</u>         | <u>48,779</u> |
| <i>* Non performing loans according to the BOT's guidelines</i> |              |              |               |               |              |              |                      |               |
| <b>Financial liabilities</b>                                    |              |              |               |               |              |              |                      |               |
| Borrowings and deposits   | 841          | 8,615        | 13,159        | 11,784        | -            | -            | -                    | 34,399        |
| Debentures  | -            | -            | -             | 4,800         | 331          | -            | -                    | 5,131         |
|   | <u>841</u>   | <u>8,615</u> | <u>13,159</u> | <u>16,584</u> | <u>331</u>   | <u>-</u>     | <u>-</u>             | <u>39,530</u> |
| <b>Off balance sheet items</b>                                  |              |              |               |               |              |              |                      |               |
| Aval to bills   | -            | 569          | -             | -             | -            | -            | -                    | 569           |
| Guarantees of loans and others                                  | 341          | 31           | 202           | -             | -            | -            | -                    | 574           |

### 31.4 Foreign exchange risk

As at 30 June 2003, the Company did not have any financial instruments in foreign currencies except for its investment in a subsidiary company amounting to Baht 260 million and accrued interest receivable amounting to approximately Baht 11 million.

As at 30 June 2003, the outstanding balances of investments in private sector debt securities included investments in debentures amounting to USD 18.85 million. Payment of principal will be made to the Company applying the forward exchange rate stipulated by the issuers, and will amount to Baht 477 million. The Company has entered into forward sales contracts to hedge the exchange rate risk in relation to the future interest receivable from the investments in debentures of USD 15.35 million. In addition, the Company has entered into a Cross Currency Interest Rate Swap agreement to exchange the interest rate of investments in debentures of USD 2 million, whereby the Company is committed to pay a fixed rate of interest on nominal principal of USD 2 million in exchange for receipt of a fixed rate of interest on nominal principal of Baht 92 million.



### **31.5 Fair value**

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of financial instruments as follows :-

a) Financial assets

The method used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the balance sheet, including cash, deposits at banks and loans and receivable which are considered to approximate their respective carrying value since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions which are traded on an active and liquid market, such as investment in securities, have their fair values determined by the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including borrowings and deposits, are considered to approximate their respective carrying values for the same reasons as described above.

As at 30 June 2003, there are no material differences between the book value of financial instruments and their fair value.

The fair value of off balance sheet items cannot be reasonably determined thus it has not been disclosed.

### **32. PRESENTATION**

The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of finance, finance and securities and credit fancier companies dated 10 May 2001.

Certain amounts in the financial statements as presented herein for comparative purposes have been reclassified to conform to the current period classifications, with no effect on previously reported net earnings or shareholders' equity.