

THE BANK OF EAST ASIA, LIMITED

(Incorporated in Hong Kong with limited liability in 1918)

INTERIM REPORT 2002

INTERIM RESULTS

The Directors of The Bank of East Asia, Limited ("BEA") announce the unaudited results¹ of the Group for the six months ended 30th June, 2002. This interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2001 annual accounts except for the accounting policy change² made thereafter in adopting a revised Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

A. Consolidated Profit and Loss Account

	6 months ended 30/6/2002	6 months ended 30/6/2001 Restated	6 months ended 31/12/2001
	HK\$'000	HK\$'000	HK\$'000
Interest income	3,268,090	5,570,633	4,172,030
Interest expense	(1,370,885)	(3,504,436)	(2,260,809)
Net interest income	1,897,205	2,066,197	1,911,221
Non-interest income	823,445	641,203	593,364
Operating income	2,720,650	2,707,400	2,504,585
Operating expenses ³	(1,448,842)	(1,381,108)	(1,479,660)
Operating profit before provisions	1,271,808	1,326,292	1,024,925
Charge for bad and doubtful debts	(321,224)	(49,406)	(382,979)
Operating profit after provisions	950,584	1,276,886	641,946
Net profit/(loss) on disposal of fixed assets	3,097	(1,414)	9,783
Net profit on disposal of held-to-maturity debt securities and investment securities	1,482	408	21,037
Provisions on held-to-maturity debt securities, investment securities and associates	(2,592)	(11,761)	(33,288)
Share of profits less losses of associates	7,525	(38,696)	25,955
Profit for the period before taxation	960,096	1,225,423	665,433
Taxation ⁴			
- Hong Kong	(137,408)	(194,474)	190,705
- Overseas	(19,308)	(6,174)	(39,485)
- Deferred	(358)	(1,906)	(219,538)
- Associates	2,141	(3,178)	(5,069)
Profit for the period after taxation	805,163	1,019,691	592,046
Minority interests	(18,566)	(7,746)	(4,185)
Profit attributable to shareholders	786,597	1,011,945	587,861
Profit for the Bank	668,599	900,078	679,984
Proposed dividends	302,343	300,383	473,050
Per share			
- basic earnings ⁵	HK\$0.55	HK\$0.71	HK\$0.41
- diluted earnings ⁵	HK\$0.54	HK\$0.71	HK\$0.41
- cash earnings ⁵	HK\$0.59	HK\$0.74	HK\$0.45
- dividend	HK\$0.21	HK\$0.21	HK\$0.33

B. Consolidated Balance Sheet

	30/6/2002	30/6/2001	31/12/2001
		Restated	
	HK\$'000	HK\$'000	HK\$'000
ASSETS			
Cash and short-term funds	36,117,022	42,070,577	43,760,587
Placements with banks and other financial institutions maturing between one and twelve months	11,445,285	15,145,815	11,045,510
Trade bills less provisions	555,903	596,497	578,962
Certificates of deposit held	2,349,716	1,999,303	2,419,445
Other investments in securities	6,367,691	3,172,183	4,150,218
Advances and other accounts less provisions	112,974,967	109,107,905	109,851,558
Held-to-maturity debt securities	2,612,129	2,712,975	2,433,861
Investment securities	265,895	215,835	201,346
Investments in associates	614,773	616,005	608,584
Goodwill	2,144,446	1,792,688	1,885,986
Fixed assets	4,786,954	4,705,007	4,828,876
Total Assets	180,234,781	182,134,790	181,764,933
LIABILITIES			
Deposits and balances of banks and other financial institutions	6,141,593	6,008,456	5,168,251
Deposits of customers	137,780,248	137,194,923	140,816,751
Certificates of deposit issued	9,061,744	9,737,808	8,585,600
Convertible bonds issued	316,992	1,952,329	316,891
Tax and deferred taxation	515,255	447,630	430,290
Other accounts and provisions	3,412,229	4,597,599	3,909,434
Total Liabilities	157,228,061	159,938,745	159,227,217
CAPITAL RESOURCES			
Loan capital	4,274,617	4,270,224	4,271,123
Minority interests	35,094	15,630	19,092
Share capital	3,599,326	3,575,990	3,583,711
Reserves	15,097,683	14,334,201	14,663,790
Shareholders' Funds	18,697,009	17,910,191	18,247,501
Total Capital Resources	23,006,720	22,196,045	22,537,716
Total Capital Resources and Liabilities	180,234,781	182,134,790	181,764,933

C. Consolidated Statement of Changes in Equity

	Share capital	Share premium	General reserve	Property revaluation reserve	Exchange revaluation reserve	Other reserves	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at								
1 st January, 2002	3,583,711	375,694	11,418,601	1,375,832	(49,712)	91,205	1,452,170	18,247,501
Net profit								
for the period	-	-	-	-	-	-	786,597	786,597
Issue of share capital	15,615	(3,658)	83,119	-	-	-	-	95,076
Realised surplus on disposals transferred	-	-	8,763	(8,763)	-	-	-	-
Dividends	-	-	-	-	-	-	(473,198)	(473,198)
Exchange and other adjustments	-	-	4,723	-	36,206	(18)	122	41,033
Balance as at								
30 th June, 2002	<u>3,599,326</u>	<u>372,036</u>	<u>11,515,206</u>	<u>1,367,069</u>	<u>(13,506)</u>	<u>91,187</u>	<u>1,765,691</u>	<u>18,697,009</u>
Balance as at								
1 st January, 2001	3,536,945	338,071	10,693,195	1,385,463	(20,573)	92,046	1,281,948	17,307,095
Net profit								
for the period	-	-	-	-	-	-	1,011,945	1,011,945
Issue of share capital	39,045	37,899	184,248	-	-	-	-	261,192
Dividends	-	-	-	-	-	-	(638,471)	(638,471)
Exchange and other adjustments	-	-	-	-	(25,309)	(407)	(5,854)	(31,570)
Balance as at								
30 th June, 2001	<u>3,575,990</u>	<u>375,970</u>	<u>10,877,443</u>	<u>1,385,463</u>	<u>(45,882)</u>	<u>91,639</u>	<u>1,649,568</u>	<u>17,910,191</u>

D. Consolidated Cash Flow Statement

	6 months ended 30/6/2002	6 months ended 30/6/2001 Restated
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Cash generated by operations	(2,964,074)	(4,642,966)
Hong Kong profits tax (paid) / refund	(10,480)	47,027
Overseas profits tax paid	(13,661)	(25,187)
Interest paid on loan capital, certificates of deposit and bonds issued	(340,113)	(277,351)
NET CASH USED IN OPERATING ACTIVITIES	(3,328,328)	(4,898,477)
INVESTING ACTIVITIES		
Dividends received from associates	29,227	33,407
Dividends received from equity securities	11,868	13,360
Purchase of equity securities	(1,918)	(34,273)
Proceeds from sale of equity securities	1,006	18,064
Purchase of fixed assets	(82,184)	(73,186)
Proceeds from disposal of fixed assets	17,611	1,268
Purchase of interest in associates	-	(4,002)
Proceeds from disposal of associates	130	20,370
Purchase of subsidiary	(319,823)	(1,051,214)
NET CASH USED IN INVESTING ACTIVITIES	(344,083)	(1,076,206)
FINANCING ACTIVITIES		
Ordinary dividends paid	(390,079)	(454,223)
Issue of loan capital	-	4,270,334
Issue of ordinary share capital	11,957	76,944
Issue of certificates of deposit	7,961,693	5,069,750
Redemption of certificates of deposit and convertible bonds	(7,487,596)	(3,876,322)
Redemption of loan capital	-	(2,339,790)
NET CASH FROM FINANCING ACTIVITIES	95,975	2,746,693
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,576,436)	(3,227,990)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	42,841,676	46,564,625
CASH AND CASH EQUIVALENTS AT 30TH JUNE	39,265,240	43,336,635

Notes:

- (1) The financial information set out in this interim report does not constitute the Group's statutory financial statements for the year ended 31st December, 2001 but is derived from those accounts, nor for the period ended 30th June, 2002. The statutory accounts for the year ended 31st December, 2001 are available from the Bank's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 5th February, 2002.
- (2) In preparing the group accounts in respect of the periods prior to 2002, both balance sheet and profit and loss account of an overseas entity were translated at the closing rate. On adoption of the requirements of the revised Statement of Standard Accounting Practice 11 "Foreign Currency Translation", although the balance sheet of an overseas entity remains translated at the closing rate, the profit and loss account is translated at an average rate for the period. The difference between the profit and loss account translated at an average rate and at the closing rate is recorded as a movement on reserves. As the calculation of prior year adjustments is impractical, the change in policy is applied only to accounting periods beginning on or after 1st January, 2002. If the profit and loss of all overseas entities for the first half of 2002 was translated at the closing rate, the net profit for the period would have been increased by HK\$1.72 million.
- (3) Including depreciation on fixed assets for the six months ended 30th June, 2002 amounting to HK\$113,059,000 (six months ended 30th June, 2001 : HK\$105,251,000), and amortisation of goodwill for the six months ended 30th June, 2002 amounting to HK\$58,822,000 (six months ended 30th June, 2001 : HK\$47,288,000).
- (4) (a) The provision for Hong Kong profits tax is calculated at 16% (the same rate as for 2001) of the estimated assessable profits for the six months ended 30th June, 2002. Taxation for branches and subsidiaries outside Hong Kong is similarly charged at the appropriate current rates of taxation ruling in the countries in which they operate.

(b) There is no significant deferred taxation liability not provided for.
- (5) (a) The calculation of basic earnings per share is based on earnings of HK\$786,597,000 (six months ended 30th June, 2001 restated : HK\$1,011,945,000) and on the weighted average of 1,436,817,178 (six months ended 30th June, 2001 : 1,423,941,649) shares outstanding during the six months ended 30th June, 2002.

(b) The calculation of diluted earnings per share is based on earnings of HK\$789,233,000 (six months ended 30th June, 2001 restated : HK\$1,011,945,000) and on 1,450,294,299 (six months ended 30th June, 2001 : 1,428,910,148) ordinary shares, being weighted average number of ordinary shares outstanding during the six months ended 30th June, 2002, adjusted for the effects of all dilutive potential shares.

(c) The calculation of cash earnings per share is based on basic earnings per share adjusted for goodwill amortised. This supplementary information is considered a useful additional indication of performance.
6. Comparative figures for 2001 are restated to conform with the current year's presentation. The restatements for the consolidated profit and loss account, consolidated balance sheet, capital adequacy ratio and capital base are due to the accounting policy changes made in 2001 following the adoption of the equity method to account for the results of associates. The restatements for consolidated cash flow statement are due to the revision of the Statement of Standard Accounting Practice 15 "Cash Flow Statements".

E. Advances and Other Assets

1. Advances and Other Accounts less Provisions

	30/6/2002	30/6/2001	31/12/2001
	HK\$'000	HK\$'000	HK\$'000
Advances to customers	111,300,894	107,604,677	108,174,562
Advances to banks and other financial institutions	870,498	448,728	560,649
Accrued interest and other accounts	2,759,971	2,918,460	3,037,584
	114,931,363	110,971,865	111,772,795
Less: Provisions for bad and doubtful debts			
- Specific	541,730	555,304	601,150
- General	1,414,666	1,308,656	1,320,087
Total	112,974,967	109,107,905	109,851,558

2. Advances to Customers – by Industry Sectors

The information concerning advances to customers by industry sectors has been classified according to the usage of the loan and is stated gross of any provisions.

	30/6/2002	30/6/2001	31/12/2001
	HK\$'000	HK\$'000	HK\$'000
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	4,811,884	6,094,126	5,158,882
- Property investment	11,694,120	11,363,675	11,477,370
- Financial concerns	2,251,498	2,088,560	1,819,351
- Stockbrokers	96,659	51,704	82,405
- Wholesale and retail trade	2,115,181	2,913,673	2,701,901
- Manufacturing	1,393,245	1,518,134	1,568,309
- Transport and transport equipment	4,509,199	3,512,129	4,322,030
- Others	7,825,680	8,759,987	7,350,675
- Sub-total	34,697,466	36,301,988	34,480,923
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,386,447	2,708,702	2,596,815
- Loans for the purchase of other residential properties	43,263,844	41,439,218	42,169,173
- Credit card advances	1,945,047	1,711,044	1,955,494
- Others	3,686,556	3,860,563	3,760,291
- Sub-total	51,281,894	49,719,527	50,481,773
Total loans for use in Hong Kong	85,979,360	86,021,515	84,962,696
Trade finance	3,145,345	3,350,424	3,067,857
Loans for use outside Hong Kong	22,176,189	18,232,738	20,144,009
Total advances to customers	111,300,894	107,604,677	108,174,562

3. Advances to Customers - by Geographical Areas

The information concerning the breakdown of the gross amount of advances to customers by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30/6/2002		
	Total advances	Non-performing	Advances
	to customers	loans	overdue for over
	HK\$'000	HK\$'000	three months
			HK\$'000
Hong Kong	93,029,972	2,340,156	2,485,244
People's Republic of China	3,638,106	531,707	644,173
Other Asian Countries	4,366,586	128,218	121,248
Others	10,266,230	206,982	1,869
Total	111,300,894	3,207,063	3,252,534
	30/6/2001		
	Total advances	Non-performing	Advances
	to customers	loans	overdue for over
	HK\$'000	HK\$'000	three months
			HK\$'000
Hong Kong	92,957,886	2,669,782	2,445,021
People's Republic of China	3,359,005	693,800	790,738
Other Asian Countries	3,078,156	211,062	186,731
Others	8,209,630	176,463	140,936
Total	107,604,677	3,751,107	3,563,426
	31/12/2001		
	Total advances	Non-performing	Advances
	to customers	loans	overdue for over
	HK\$'000	HK\$'000	three months
			HK\$'000
Hong Kong	92,212,501	2,326,930	2,375,517
People's Republic of China	3,491,205	591,638	692,299
Other Asian Countries	3,894,150	184,111	133,191
Others	8,576,706	217,353	14,601
Total	108,174,562	3,320,032	3,215,608

4. Cross-border Claims

The information of cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate cross-border claims are disclosed.

	30/6/2002			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asian countries, excluding				
People's Republic of China	13,485,849	1,004,322	5,050,055	19,540,226
North America	4,811,261	82,129	3,876,815	8,770,205
Western Europe	23,755,103	10,176	598,242	24,363,521
	30/6/2001			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asian countries, excluding				
People's Republic of China	18,337,765	734,598	3,740,290	22,812,653
North America	5,181,170	176,174	3,568,576	8,925,920
Western Europe	28,976,507	10,235	161,321	29,148,063
	31/12/2001			
	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asian countries, excluding				
People's Republic of China	16,294,762	742,314	4,707,965	21,745,041
North America	5,172,573	127,487	3,078,734	8,378,794
Western Europe	27,980,835	10,206	285,992	28,277,033

5. Overdue and Rescheduled Assets

(a) Overdue and Rescheduled Advances

	30/6/2002		30/6/2001		31/12/2001	
		% of total		% of total		% of total
	advances to		advances to		advances to	
	HK\$'000	customers	HK\$'000	customers	HK\$'000	customers
Advances to customers overdue for						
- 6 months or less but over 3 months	662,286	0.60	503,123	0.47	590,368	0.54
- 1 year or less but over 6 months	690,284	0.62	675,693	0.63	558,080	0.52
- Over 1 year	1,899,964	1.71	2,384,610	2.21	2,067,160	1.91
	3,252,534	2.93	3,563,426	3.31	3,215,608	2.97
Rescheduled advances to customers	181,766	0.16	412,296	0.38	223,648	0.21
Total overdue and rescheduled advances	3,434,300	3.09	3,975,722	3.69	3,439,256	3.18
Secured overdue advances	2,710,028	2.44	2,860,617	2.66	2,543,835	2.35
Unsecured overdue advances	542,506	0.49	702,809	0.65	671,773	0.62
Market value of securities held against the secured overdue advances	4,080,946		4,480,656		3,309,518	

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30th June, 2002, 30th June, 2001 and 31st December, 2001, nor were there any rescheduled advances to banks and other financial institutions on these three days.

(b) Non-performing Loans

Non-performing loans are advances on which interest is being placed in suspense or on which interest accrual has ceased.

	30/6/2002		30/6/2001		31/12/2001	
		% of total		% of total		% of total
	advances to		advances to		advances to	
	HK\$'000	customers	HK\$'000	customers	HK\$'000	customers
Gross advances to customers	3,207,063	2.88	3,751,107	3.49	3,320,032	3.07
Specific provisions	416,901		460,250		490,414	
Suspended interest	598,978		549,729		566,646	

There were no advances to banks and other financial institutions on which interest is being placed in suspense or on which interest accrual has ceased as at 30th June, 2002, 30th June, 2001 and 31st December, 2001 nor were there any specific provisions made for them on these three days.

(c) Reconciliation

	30/6/2002	30/6/2001	31/12/2001
	HK\$'000	HK\$'000	HK\$'000
Overdue advances (Note 1)	3,252,534	3,563,426	3,215,608
Rescheduled advances (Note 2)	181,766	412,296	223,648
Total overdue and rescheduled advances	3,434,300	3,975,722	3,439,256
Less: Overdue advances on which interest is still being accrued	(387,336)	(384,105)	(315,046)
Less: Rescheduled advances on which interest is still being accrued	(83,074)	(164,120)	(116,270)
Add: Non-performing loans which are not overdue or rescheduled	243,173	323,610	312,092
Total non-performing loans	<u>3,207,063</u>	<u>3,751,107</u>	<u>3,320,032</u>

Notes:

- (1) Advances which are overdue for more than three months.
- (2) Rescheduled advances which have been overdue for more than three months under the revised repayment terms are included under overdue advances and not rescheduled advances.

(d) Other Overdue Assets

		30/6/2002		
		Debt	Accrued	Other
		securities	interest	assets*
		HK\$'000	HK\$'000	HK\$'000
Other assets overdue for				
-	6 months or less but over 3 months	-	8,523	5,068
-	1 year or less but over 6 months	-	2,362	1,772
-	Over 1 year	-	1,978	6,449
		-	12,863	13,289
Rescheduled assets				
		-	-	-
		-	12,863	13,289
		30/6/2001		
		Debt	Accrued	Other
		securities	interest	assets*
		HK\$'000	HK\$'000	HK\$'000
Other assets overdue for				
-	6 months or less but over 3 months	-	4,934	1,176
-	1 year or less but over 6 months	-	7,453	202
-	Over 1 year	114,199	1,844	82,433
		114,199	14,231	83,811
Rescheduled assets				
		-	-	-
		114,199	14,231	83,811
		31/12/2001		
		Debt	Accrued	Other
		securities	interest	assets*
		HK\$'000	HK\$'000	HK\$'000
Other assets overdue for				
-	6 months or less but over 3 months	-	3,641	2,476
-	1 year or less but over 6 months	-	3,861	1,159
-	Over 1 year	15,595	2,062	890
		15,595	9,564	4,525
Rescheduled assets				
		-	-	-
		15,595	9,564	4,525

* Other assets refer to trade bills and receivables.

F. Segment Reporting

Segment information is presented in respect of the Group's business segments.

Personal banking business includes branch operations, personal internet banking, consumer finance, property loans and credit card business.

Corporate banking business includes corporate lending and loan syndication, commercial lending, community lending, securities lending, trust services, mandatory provident fund business and corporate internet banking.

Investment banking business includes treasury operations, securities broking and dealing, provision of internet security trading services, and asset management.

Other businesses include bancassurance, insurance business, property-related business, corporate services, company secretarial services, share registration and business services, and offshore corporate and trust services.

Unallocated items mainly comprise the central management unit, bank premises, and any items which cannot be reasonably allocated to specific business segments.

	6 months ended 30/6/2002							Consolidated HK\$'000
	Personal Banking HK\$'000	Corporate Banking HK\$'000	Investment Banking HK\$'000	Others HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000		
Net interest income	1,293,522	361,565	253,171	10,965	(22,018)	-	1,897,205	
Other operating income from external customers	303,122	101,967	152,557	269,274	(3,475)	-	823,445	
Inter-segment income	8,311	30,672	97	-	74,267	(113,347)	-	
Total operating income	1,604,955	494,204	405,825	280,239	48,774	(113,347)	2,720,650	
Operating profit after provisions	520,609	291,615	253,723	95,629	(210,992)	-	950,584	
Inter-segment transactions	95,197	(26,454)	3,434	-	(72,177)	-	-	
Contribution from operations	615,806	265,161	257,157	95,629	(283,169)	-	950,584	
Write-back of / (increase in) impairment loss	-	7,161	451	1,416	(3,985)	-	5,043	
Share of profits less losses of associates	206	15,199	(6,522)	(1,063)	(295)	-	7,525	
Other unallocated income and expenses							(3,056)	
Profit before taxation							960,096	
Taxation							(154,933)	
Minority interests							(18,566)	
Profit attributable to shareholders							786,597	

	6 months ended 30/6/2001							Consolidated HK\$'000
	Personal Banking HK\$'000	Corporate Banking HK\$'000	Investment Banking HK\$'000	Others HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000		
	Net interest income	1,160,751	549,836	351,314	10,151	(5,855)	-	
Other operating income from external customers	260,532	119,464	104,533	160,773	(4,099)	-	641,203	
Inter-segment income	8,626	32,084	180	-	61,046	(101,936)	-	
Total operating income	1,429,909	701,384	456,027	170,924	51,092	(101,936)	2,707,400	
Operating profit after provisions	654,578	516,619	234,440	39,668	(168,419)	-	1,276,886	
Inter-segment transactions	85,893	(29,336)	2,322	-	(58,879)	-	-	
Contribution from operations	740,471	487,283	236,762	39,668	(227,298)	-	1,276,886	
Write-back of / (increase in) impairment loss	-	19,316	(768)	(3,575)	690	-	15,663	
Share of profits less losses of associates	(294)	(6,205)	16,283	(48,498)	18	-	(38,696)	
Other unallocated income and expenses							(28,430)	
Profit before taxation							1,225,423	
Taxation							(205,732)	
Minority interests							(7,746)	
Profit attributable to shareholders							1,011,945	

G. Off-balance Sheet Exposures

The following is a summary of each significant class of off-balance sheet exposures:

	HK\$'000	HK\$'000	HK\$'000
Contractual amounts of contingent liabilities and commitments			
- Direct credit substitutes	4,019,560	2,991,162	3,717,540
- Transaction-related contingencies	619,353	441,013	460,168
- Trade-related contingencies	2,735,211	2,848,666	2,197,335
- Note issuance and revolving underwriting facilities	-	28,000	23,178
- Other commitments	28,586,500	29,845,680	31,861,150
- Others	-	286,107	-
Total	35,960,624	36,440,628	38,259,371
- Aggregate credit risk weighted amount	8,084,833	6,767,854	7,789,246
Notional amounts of derivatives			
- Exchange rate contracts	26,760,833	26,356,560	20,670,582
- Interest rate contracts	8,361,158	2,379,253	6,432,526
- Equity contracts	231,648	70,352	38,730
Total	35,353,639	28,806,165	27,141,838
- Aggregate credit risk weighted amount	182,712	145,167	144,416
- Aggregate replacement costs	216,380	147,215	190,405

The replacement costs and credit risk weighted amounts of the off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

H. Currency Concentrations

- The net positions in foreign currencies are disclosed when each currency constitutes 10% or more of the total net position in all foreign currencies.

30/6/2002				
	USD	CAD	Others	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Spot assets	45,173	3,339	22,250	70,762
Spot liabilities	(47,853)	(4,024)	(22,782)	(74,659)
Forward purchases	16,406	973	6,942	24,321
Forward sales	(13,014)	(162)	(6,400)	(19,576)
Net long/ (short) position	<u>712</u>	<u>126</u>	<u>10</u>	<u>848</u>
30/6/2001				
	USD	CAD	Others	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Spot assets	50,108	3,674	16,902	70,684
Spot liabilities	(50,990)	(3,753)	(17,449)	(72,192)
Forward purchases	16,525	172	2,957	19,654
Forward sales	(15,271)	(181)	(2,369)	(17,821)
Net long/ (short) position	<u>372</u>	<u>(88)</u>	<u>41</u>	<u>325</u>
31/12/2001				
	USD	CAD	Others	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Spot assets	47,398	3,700	18,303	69,401
Spot liabilities	(49,546)	(3,944)	(19,792)	(73,282)
Forward purchases	13,777	318	4,041	18,136
Forward sales	(11,156)	(118)	(2,571)	(13,845)
Net long/ (short) position	<u>473</u>	<u>(44)</u>	<u>(19)</u>	<u>410</u>

- The net structural positions in foreign currencies are disclosed when each currency constitutes 10% or more of the total net structural position in all foreign currencies.

30/6/2002					
	USD	CAD	Others	Total	
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	
Net structural position	<u>1,390</u>	<u>195</u>	<u>338</u>	<u>1,923</u>	
30/6/2001					
	USD	CAD	SGD	Others	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Net structural position	<u>649</u>	<u>170</u>	<u>175</u>	<u>153</u>	<u>1,147</u>
31/12/2001					
	USD	CAD	SGD	Others	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Net structural position	<u>710</u>	<u>162</u>	<u>172</u>	<u>152</u>	<u>1,196</u>

I. Capital, Capital Adequacy and Liquidity Information

Prior year adjustments resulting from changes in accounting policies have been taken into account in the calculation of Capital Adequacy Ratio and Capital Base as at 30th June, 2001.

1. Capital Adequacy Ratio

	30/6/2002	30/6/2001	31/12/2001
		Restated	
	%	%	%
Unadjusted capital adequacy ratio	17.1	17.7	17.5
Adjusted capital adequacy ratio	17.0	17.6	17.4

The unadjusted capital adequacy ratio is computed on the consolidated basis which comprises the positions of the Bank and all its subsidiaries as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Third Schedule to the Banking Ordinance.

The adjusted capital adequacy ratio which takes into account market risks as at the balance sheet date is computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority and on the same consolidated basis as for unadjusted capital adequacy ratio.

2. Capital base after deductions

	30/6/2002	30/6/2001	31/12/2001
		Restated	
	HK\$'000	HK\$'000	HK\$'000
Core capital			
Paid up ordinary share capital	3,599,326	3,575,990	3,583,711
Share premium	372,036	375,970	375,694
Reserves	13,056,235	12,253,922	12,422,457
Minority interests	35,094	15,630	19,092
Deduct: Goodwill	(2,144,446)	(1,792,688)	(1,885,986)
Total core capital	14,918,245	14,428,824	14,514,968
Eligible supplementary capital			
Reserves on revaluation of land and interests in land (at 70%)	956,948	969,824	963,083
General provisions for doubtful debts	1,410,234	1,321,390	1,330,094
Term subordinated debt	4,274,617	4,270,224	4,271,123
Total eligible supplementary capital	6,641,799	6,561,438	6,564,300
Total capital base before deductions	21,560,044	20,990,262	21,079,268
Deductions from total capital base	(934,389)	(922,321)	(913,104)
Total capital base after deductions	20,625,655	20,067,941	20,166,164

3. Reserves

	30/6/2002	30/6/2001	31/12/2001
		Restated	
	HK\$'000	HK\$'000	HK\$'000
Share premium	372,036	375,970	375,694
General reserve	11,515,206	10,877,443	11,418,601
Property revaluation reserve	1,367,069	1,385,463	1,375,832
Exchange revaluation reserve	(13,506)	(45,882)	(49,712)
Other reserves	91,187	91,639	91,205
Retained profits	1,765,691	1,649,568	1,452,170
Total	15,097,683	14,334,201	14,663,790
Proposed dividends, not provided for	302,343	300,383	473,050

4. Liquidity ratio

	6 months ended 30/6/2002	6 months ended 30/6/2001	The year ended 31/12/2001
	%	%	%
Average liquidity ratio for the period	46.4	47.0	46.6

The average liquidity ratio for the period is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Fourth Schedule to the Banking Ordinance.

J. Statement of Compliance

The Interim Report has fully complied with the standards set out in the "Supervisory Policy Manual - Interim Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority on 2nd November, 2001, and the revised Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants in December 2001.

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK\$0.21 (2001 : HK\$0.21) per share for the year ending 31st December, 2002. The interim dividend will be paid in cash with an option to receive new, fully paid shares in lieu of cash, to shareholders whose names are on the Register of Members at the close of business on Thursday, 29th August, 2002. Details of the scrip dividend and the election form will be sent to shareholders on or about Thursday, 29th August, 2002. The scrip dividend scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the scrip dividend scheme. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Thursday, 19th September, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 26th August, 2002 to Thursday, 29th August, 2002. In order to qualify for the above interim dividend, all transfer documents should be lodged for registration with Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, by 4:00 p.m. on Friday, 23rd August, 2002.

FINANCIAL REVIEW

Financial Performance

In this announcement of the 2002 interim financial results, prior period adjustments have been made in respect of the accounting policy changes made in 2001 following the adoption of the equity method to account for the results of associates in order to allow comparison with the 2001 financial results.

In the first six months of 2002, BEA Group achieved a profit attributable to shareholders of HK\$787 million, representing a decrease of HK\$225 million, or 22.3%, over that of HK\$1,012 million for the corresponding period of 2001. This net profit, however, was HK\$199 million, or 33.8%, above that of HK\$588 million for the second half of 2001. Operating profit before provisions dropped slightly from HK\$1,326 million in 2001 to HK\$1,272 million in 2002. Basic earnings per share were HK\$0.55. Return on average assets and return on average equity were 0.9% and 8.6% respectively.

Although there were signs of recovery in the world economy in the first half of 2002, there was no corresponding improvement in the local economic environment. In Hong Kong, high unemployment, ongoing negative inflation and a sluggish property market continued to affect seriously the banking industry's asset quality and profit growth. Against this difficult environment, BEA's net interest income decreased by HK\$169 million or 8.2% from HK\$2,066 million in the first half of 2001 to HK\$1,897 million in 2002, due primarily to intense competition within the banking sector and the enduring low interest environment. The net interest margin declined to 2.23%.

BEA enjoyed significant growth in non-interest income. The upsurge, a gain of 28.4%, was partly attributable to the increase in valuation of the securities held by the Group, and partly to the contribution from newly acquired subsidiaries. Total operating income of HK\$2,721 million was above that for the first six months of 2001. The proportion of non-interest income to total operating income increased from 23.7% to 30.3%.

Following the successful merger of United Chinese Bank ("UCB") in August last year, First Pacific Bank ("FPB") was merged with BEA with effect from April 2002. As a result of the mergers, the operations of BEA, FPB and UCB were fully integrated. Prior to completion of this integration effort, there was some overlapping of responsibilities and additional staff costs were incurred with the aim of facilitating future synergetic benefits. Consolidation of newly acquired subsidiaries also increased operating expenses. Operating expenses therefore grew by 4.9% to HK\$1,449 million. But the operating expenses shrank by 2.1% when compared to the preceding six months, reflecting BEA's keen determination to control costs. Although the cost-to-income ratio increased from 51.0% in 2001 to 53.3% in 2002, it compared favourably to 54.9% for the whole year of 2001 and 59.1% for the second half of 2001.

Operating profit before provisions recorded a slight decrease of 4.1% from HK\$1,326 million in the first six months of 2001 to HK\$1,272 million in 2002, but a sharp increase of 24.1% from HK\$1,025 million in the second half of 2001.

Overall asset quality in the Hong Kong banking industry exhibited improvement in the first half of last year, thus leading to the Bank's great bad debt recovery for HK\$295 million, but has again deteriorated since the last quarter of 2001. Accordingly, BEA's charge for bad and doubtful debts increased by HK\$272 million to HK\$321 million. A portion of this increase was due to a rise in the general bad debt provision, a prudential measure on the part of BEA to further strengthen its general provision policy. At BEA, non-performing loans dropped from 3.5% of total loans at the end of June 2001 to 3.1% at the end of December 2001, and to 2.9% at the end of June 2002. Operating profit after provisions recorded a drop of 25.6% to HK\$951 million.

In the first six months of 2002, BEA shared a pre-tax profit less losses from associates of HK\$7.5 million, compared to a loss of HK\$38.7 million in the same period of 2001.

Minority interests increased by HK\$10 million to HK\$18 million. Net profit attributable to shareholders for the first half of 2002 was HK\$787 million.

Financial Position

As at 30th June, 2002, total consolidated assets were HK\$180,235 million, of which 61.8%, or HK\$111,301 million, were advances to customers. Customer deposits were HK\$137,780 million. With HK\$4,275 million loan capital, total capital resources increased by 2.1% from HK\$22,538 million at the end of 2001 to HK\$23,007 million.

In the first half year of 2002, BEA issued certificates of deposit totalling US\$560 million and HK\$3,135 million respectively. The Bank redeemed certificates of deposit amounting to US\$952 million upon maturity, and repurchased its own certificates of deposit amounting to US\$8 million.

In February 2002, BEA issued HK\$519 million discounted certificates of deposit.

At the end of June 2002, the face value of the outstanding debt portfolio was HK\$9,439 million, with carrying amount equal to HK\$9,379 million.

After taking into account all debt instruments issued, the loans to deposits ratio was 75.6%, being 3.3% higher than the 72.3% reported at the end of June 2001.

Maturity Profile of Debts Issued
(All expressed in millions of dollars)

	<u>Currency</u>	<u>Total Face Value</u>	<u>Year of Maturity</u>		
			<u>2003</u>	<u>2004</u>	<u>2006</u>
Floating Rate					
Certificates of Deposit					
issued in 2001	HKD	1,000	1,000		
issued in 2002	HKD	3,135	2,135	1,000	
issued in 2002	USD	560	560		
Total	HKD	4,135	3,135	1,000	
Total	USD	560	560		
Fixed Rate					
Certificates of Deposit					
issued in 1999	HKD	100		100	
Discounted					
Certificates of Deposit					
issued in 2002	HKD	519			519
Convertible Bonds					
issued in 1996	USD	41	41		
Total Debts issued in HKD equivalent		9,439	7,820	1,100	519

Risk Management

BEA Group has established policies and procedures for the control and monitoring of risk arising out of the business of the Group, including credit risk, liquidity risk, capital and market risk. These policies have been reviewed regularly by the Management, Credit Committee or Asset and Liability Management Committee and have been approved by the Board of Directors. The internal auditors also perform regular audits on business units to check compliance with policies and procedures. The Group has also established the Investment Committee to formulate the Group's investment strategies and to monitor the performance and compliance of the investment activities.

(a) Credit Risk Management

Credit risk arises from the possibility that a customer or counterparty in a transaction may default. It arises from loans and advances, treasury and other activities. To oversee the Group's credit risk management, the Board of Directors has delegated authority to the Credit Committee, which is chaired by BEA's Chairman and Chief Executive.

BEA Group's credit risk management, which is independent of the lending units, is carried out by formulation of credit policies, credit assessment, assurance of compliance with the regulatory requirements and monitoring of asset quality.

In evaluating the credit risk of the customers or counterparties, their financial strength and repayment ability are always the Group's primary consideration. Credit risk may be mitigated by obtaining collateral from the customers or counterparties. Concentration of risk is monitored by

risk-control measures, such as setting limits on large exposures in relation to the Group's capital base.

In this connection, comprehensive guidelines to manage credit risk have been laid down in BEA Group's Credit Manual, which is regularly reviewed and approved by the Credit Committee. Contained in the Credit Manual are the delegated lending authorities, credit extension criteria, credit monitoring process, 10-grade loan classification system, credit recovery and provisioning policy.

(b) Liquidity Risk Management

Liquidity risk is the risk that the Group cannot meet its current obligations. To manage liquidity risk, BEA Group has established the liquidity risk management policy, which is reviewed by the Asset and Liability Management Committee and approved by the Board of Directors. The Group measures the liquidity of the Group through the statutory liquidity ratio, the loan-to-deposit ratio and the maturity mismatch portfolio.

The Asset and Liability Management Committee closely monitors the liquidity of the Group on a daily basis to ensure that the liquidity structure of BEA Group's assets, liabilities and commitments can meet its funding needs and that the Group is always in compliance with the statutory liquidity ratio. BEA Group's average liquidity ratio was 46.4% for the first half of 2002, which was well above the statutory minimum ratio of 25%.

Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected, material cash outflows in the ordinary course of business.

(c) Capital Management

BEA Group's policy is to maintain a strong capital base to support the development of the Group's business and to meet the statutory capital adequacy ratio. Both the Group's adjusted capital adequacy ratio incorporating market risk of 17.0% and the unadjusted ratio of 17.1% as at 30th June, 2002 were well above the statutory minimum ratio.

Capital is allocated to the various activities of BEA Group depending on the risk taken on by each business division. Where the subsidiaries or branches are directly regulated by the appropriate regulators, they are required to maintain a minimum capital according to rules of those regulatory authorities. Certain financial subsidiaries are subject to the Hong Kong Monetary Authority's capital requirements for regulatory supervision purposes.

(d) Market Risk Management

Market risk is the risk arising from the net effect of changes in market rates and prices, such as interest rates, foreign exchange rates, equity and commodity prices, on the Group's assets, liabilities and commitments, thus causing profits or losses.

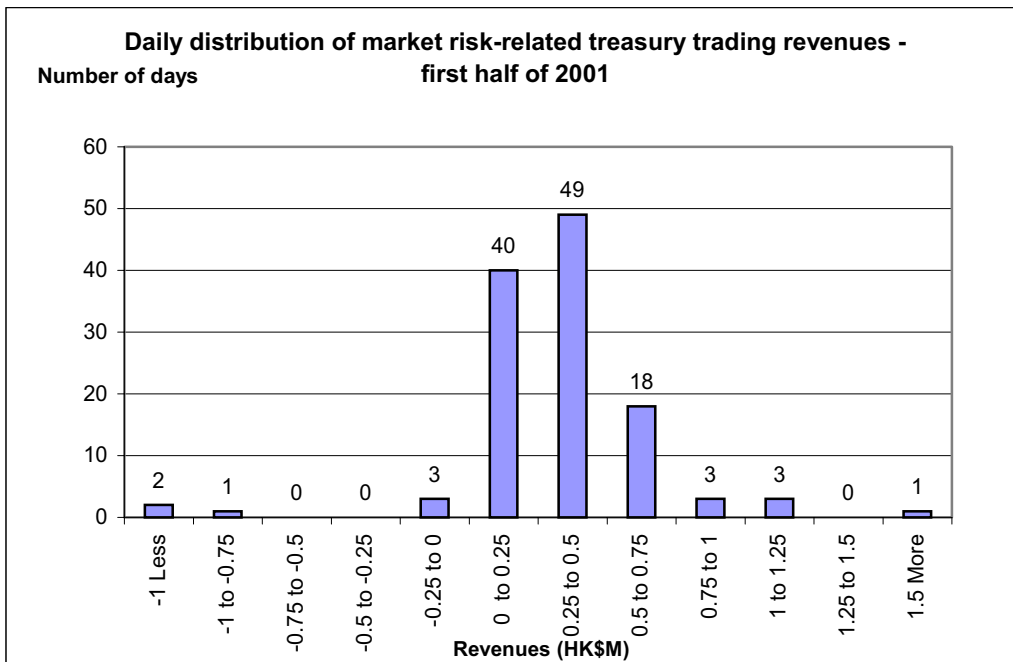
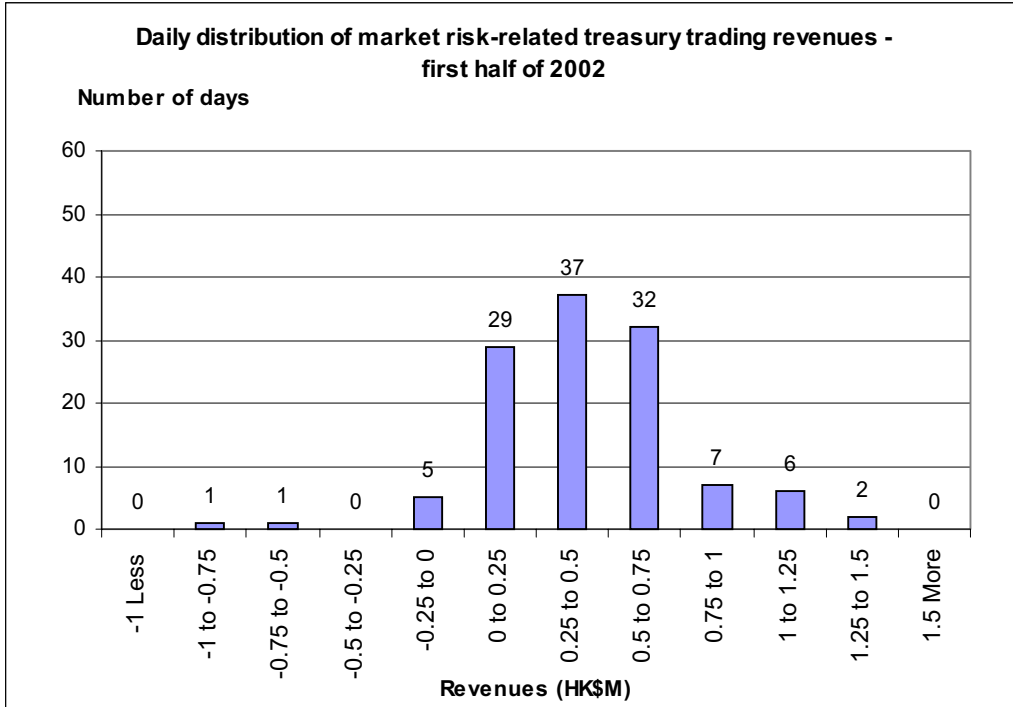
BEA Group's market risk originates from its holdings in the trading books of foreign exchange, debt securities, equities and derivatives, which are valued at current market prices (mark-to-market basis), and from its investment and banking activities in financial assets and liabilities, which are valued at cost plus any accrued interest (accrual basis), together with securities classified as other investments, which are measured at fair value in the balance sheet. The Group's trading activities on derivative instruments mainly arise from the execution of trade orders from customers and positions taken in order to hedge other elements of the trading books. The Group has established a market risk management policy that incorporates guidelines, procedures and control measures to monitor its market risk exposures.

BEA Group's market risk exposures in different activities are measured and monitored on the basis of principal (or notional) amount, outstanding position and stop-loss limits, and are controlled within established limits reviewed and approved by the Asset and Liability Management Committee for each business unit, business type and in aggregate. Independent middle and back offices monitor the risk exposure of trading activities against approved limits on a daily basis. The Group's market risk exposures are reviewed by the Asset and Liability Management Committee and reported to the Board of Directors on a regular basis, while exceptions to limits are reported when they occur.

BEA Group quantifies the market risk of the underlying trading portfolio by means of value-at-risk ("VaR"). VaR is a statistical estimate which measures the potential losses in market value of a portfolio as a result of unfavourable movements in market rates and prices, if positions are held

unchanged in a certain horizon time period. The Group's VaR is calculated using historical movements in market rates and prices, a 95% confidence level and a one-day holding period, and takes into account correlations between different markets and rates.

The VaR for BEA Group's market risk-related treasury trading portfolio as at 30th June, 2002 was HK\$0.39 million (HK\$0.31 million as at 31st December, 2001). The average daily revenue earned from the Group's market risk-related treasury trading activities for the first half of 2002 was HK\$0.42 million (HK\$0.32 million for the first half of 2001). The standard deviation of these daily revenues was HK\$0.34 million (HK\$0.53 million for the first half of 2001).



An analysis of daily distribution of BEA Group's market risk-related treasury trading revenues for the first half of 2002 (comparing with the first half of 2001) is provided above. This shows that 7 out of 120 days (2001 : 6 out of 120 days) are in loss positions. The most frequent result was daily revenue of between HK\$0.25 million and HK\$0.50 million, with 37 occurrences (2001 : same band with 49 occurrences). The maximum daily loss was HK\$0.91 million (2001 : HK\$2.66 million) and the next maximum daily loss was HK\$0.64 million (2001 : HK\$1.3 million). The highest daily revenue was HK\$1.44 million (2001 : HK\$4.17 million).

(i) Foreign exchange exposure

BEA Group's foreign exchange risk exposure arises from foreign exchange dealing, commercial banking operations and structural foreign currency positions. All foreign exchange

positions are managed by the Treasury units of the Group within limits approved by the Asset and Liability Management Committee.

The VaR related to foreign exchange dealing positions at 30th June, 2002 was HK\$0.26 million (HK\$0.32 million at 31st December, 2001). The average daily foreign exchange dealing profit for the first half of 2002 was HK\$0.40 million (HK\$0.29 million for the first half of 2001).

Foreign exchange positions which arise mainly from foreign currency investments in the Group's branches, subsidiaries and associated companies are excluded from VaR measurements, as related gains or losses are taken to reserves. Such foreign currency positions are managed with the principal objective of ensuring that BEA Group's reserves are protected from exchange rate fluctuation.

(ii) Interest rate exposure

BEA Group's interest rate exposure arises from treasury and commercial banking activities where interest rate risk is inherent in both trading and non-trading portfolios. All trading positions are managed by the Treasury units of the Group within limits approved by the Asset and Liability Management Committee. For the non-trading portfolio, interest rate risk primarily arises from the timing differences in the repricing of interest-bearing assets, liabilities and commitments and the maturities of certain fixed rate assets and liabilities. The interest rate risk of the non-trading portfolio is also monitored by the Group's Asset and Liability Management Committee.

The VaR related to interest rate exposure due to debt securities and derivatives trading positions, excluding foreign exchange forwards, at 30th June, 2002 was HK\$0.20 million (HK\$0.17 million at 31st December, 2001). The average daily profit due to these activities for the first half of 2002 was HK\$0.02 million (HK\$0.03 million for the first half of 2001).

(iii) Equities exposure

BEA Group's equities exposure comprises trading equities and long-term equities investments. The Group's Investment Committee regularly reviews and monitors the equities dealing activities. The VaR on equities trading positions as at 30th June, 2002 was HK\$3.74 million (HK\$3.66 million at 31st December, 2001).

OPERATIONS REVIEW

IMPROVEMENT TO OPERATIONS

Integration and Merger Exercise

The legal merger with FPB was completed successfully as scheduled on 1st April, 2002 and all the former FPB branches were re-branded as BEA branches immediately upon the merger. Successful completion of this exercise will allow BEA to enjoy additional savings with the closure of certain branches in the year 2002.

Relocating Back Office Functions to the Mainland

BEA will set up an operating centre in Guangzhou to handle selected back office functions of the Bank Group. It is anticipated that this centre will be in operation this year. This relocation initiative aims to tap the cost advantages of the Mainland to lower the operating cost of the Bank Group. BEA will relocate its back office functions to this operating centre in phases.

Office Centralisation

In June 2002, BEA entered into an agreement for the purchase of 406,660 sq.ft. at Millennium City 5, a proposed new building to be erected in Kwun Tong, with the aim of centralising all supporting operations of the Bank. The consideration will be approximately HK\$1,334 million. Office centralisation will help the Group reduce the cost of operations in the medium term and contribute to the growth of the Bank in the long term by facilitating the introduction of new technology and work methods. The acquisition is adequate for current needs, and provides a buffer that will be available for future growth of the Bank.

PERSONAL BANKING

Branch Distribution

As part of the Bank's effort to enhance the efficiency of branch performance and to optimize the branch network, BEA is continuing to identify operations improvements and review branch locations.

- In March this year, three branches were merged with nearby branches, while a further eight branches were closed and merged with nearby branches in June, bringing the total number of branches closed during the first half year to 11. The effort to relocate more branches from sites with less potential to more strategic locations is continuing, and further enhancements to the branch network are anticipated.
- A new branch site has been identified at Olympian City, and it is expected the new branch can be opened for business in the fourth quarter of 2002.
- The Branch Transformation Project, by which the sales potential of the branch network is being exploited, is now being implemented. Additional sales staff have been deployed at key branches to strengthen the sales force.
- More effort will be made to enhance the effectiveness of the branch network, with further rationalisation, centralisation, streamlining and automation. Additional frontline manpower will be freed from routine operations to concentrate on sales activities.

Cyberbanking

In the first half of 2002, BEA further widened the scope of Cyberbanking by offering several new services: Market Express, Scheduled Instruction for Funds Transfer and Bill Payment, and Online Insurance Service. Continued development of Cyberbanking will enhance the benefit of the service to BEA customers.

Customer Relationship Management System

Upon completion of the first phase of the rollout of the Bank's Customer Relationship Management System, the Bank is now better able to analyse the character of its customer base and tailor services to match customer needs.

BEA is now implementing the second phase, which will provide the tools to implement a business strategy based on the relative value of its customers. Based on customer segments' values, BEA will be further empowered to price its products and services optimally.

Property Loans

In the current stagnant property market, transactions are still mainly driven by the primary market. In the face of limited loan demand and all time keen competition for mortgage business, BEA has actively coordinated with property developers to jointly provide privileged and comprehensive mortgage packages and services to purchasers of new flats.

New products are also being introduced. In June, BEA launched the "URA Bridging Loan" scheme, to cater for the requirements of homeowners affected by the Urban Renewal Authority's redevelopment projects.

Consumer Loans

In the face of rising unemployment, which has discouraged consumption-related loans, BEA successfully launched several tailor-made loan programs targeting good quality customers as well as customers with specific loan purposes, resulting in a double-digit growth in the consumer loan portfolio in the first half of 2002 as compared with the same period last year. In addition to 24-hour on-line consumer loan instant approval service, available through the BEA website, the Bank also introduced a phone application service in April 2002 to provide another convenient channel for loan applications.

Credit Cards

BEA Group's credit card business continued to expand in the first half of this year, with moderate growth in terms of number of cards, cardholder receivables, cardholder spending and merchant sales. Striving to provide quality credit card services to people in all walks of life, new products have been

launched to penetrate the professional and upper scale customer segments. In particular, two new co-branded card programmes, namely Hong Kong Racehorse Owners Association (HKROA) Visa Platinum Card, and Hong Kong Professional Teachers' Union (HKPTU) Visa Card were launched in April to an encouraging response.

To enhance customer perception regarding the value of the BEA Card, the Bank joined the Asia Miles Programme earlier this year, and currently offers the most attractive rate for earning Asia Miles through card spending in the market. The range and number of promotional offers have also been expanded.

As part of the merger between FPB and BEA and the phasing out of FPB credit cards, each holder of FPB card was offered a BEA card as replacement. The exercise was a success, with a large majority of FPB cardholders accepting the offer.

In light of the persistent sluggish economic environment, and a rising incidence of card delinquencies, credit underwriting criteria have been refined with a view to maintaining asset quality.

CORPORATE BANKING

Corporate Lending and Syndication

BEA has a strong position in the local syndicated and corporate lending market. BEA is now expanding its commercial lending base to include high quality medium-sized companies.

Despite the lacklustre syndicated loan market, BEA still maintains an active market presence and during the first half of 2002 assumed the role of Co-ordinating Arranger or Lead Manager for numerous deals, including two HK\$5,000 million syndicated loan facilities to PCCW-HKT Telephone Limited. The Bank has also taken up the role of facility agent, security agent or account bank for several syndicated loans, reflecting the Bank's renewed emphasis on non-interest income.

Commercial Lending

Targeting customers with trade finance needs, BEA has vigorously promoted its service to corporate customers through various promotion programmes, such as organising mail drops, conducting various seminars and offering privilege packages to members of selected business associations. In view of the slow economic recovery, campaigns such as the Bonus System Programme were organised to attract existing customers to further utilise the bills services and the results of these campaigns were very positive.

Community Lending

BEA has continued to work very closely with the Trade & Industry Department to support the Business Installations and Equipment Loan Guarantee Scheme, part of the Government assistance package extended to local SMEs. BEA also offered various premium financial packages, some of which were bundled with total IT solution packages offered by software and system vendors to local SMEs. In addition, a series of seminars were conducted for SMEs on securing financing from banks, enhancing the Bank's contact with this sector. BEA also acted as an advisor at the Support and Consultation Centre for SMEs, organised by the Trade and Industry Department.

Securities Lending

BEA has successfully positioned itself to play a more visible role in the local securities market. BEA successfully completed one Receiving Bank project in May 2002, and three additional Receiving Bank projects have been committed for the second half of the year. With the steady growth in the number of listed companies on the Hong Kong Stock Exchange, BEA has expanded the list of stocks eligible as collateral and constantly monitors the performance of individual companies so as to be in a position to respond quickly to customer enquiries.

Bank of East Asia (Trustees) Limited

Trust Service

The Company adopted a more aggressive approach to promote its wide ranging services to accounting firms, solicitors firms and fund houses. Letters introducing its custodian services were sent to different Incorporated Owners of Estates under the Tenant Purchase Schemes of the Hong Kong Housing Authority.

The Company was appointed as trustee to BEA Investment Series Unit Trust (“the Series”) in January 2002. The Series’ sub-fund, BEA 104% Capital Guaranteed Hong Kong-China Bonus Return Fund, was successfully launched with a total subscription of over HK\$500 million.

Mandatory Provident Fund

To maintain BEA’s growth momentum and to expand its market share in the MPF Master Trust Scheme and the Industry Scheme businesses, the BEA MPF Administration Centre has actively promoted MPF services through BEA’s extensive branch network and marketing staff. BEA also made great effort to streamline its operations while at the same time maintained its high quality service provided to its customers. Investment seminars were organised with external fund houses for employers and scheme employees to better understand the outlook for MPF investments.

Business Development

To enhance the awareness of the business community regarding BEA’s corporate banking services, BEA has actively participated in seminars and exhibitions organised by different Government bodies and trade associations and unions, such as the SME Market Day organised by the Trade Development Council. BEA has also formed strategic alliances with different business associations, such as The Chinese Manufacturers’ Association of Hong Kong and The Hong Kong General Chamber of Commerce, with a view to assisting local enterprises to expand their businesses in Hong Kong and the Mainland.

BEA has partnered with Tradelink Electronic Commerce Limited to jointly promote secure online services. BEA is the first bank in Hong Kong to offer its customers the option to use the ID-Cert to perform banking transactions anytime, anywhere.

Corporate Cyberbanking

Over 1,700 corporate customers have registered with BEA’s Corporate Cyberbanking service since its launch in August 2001. The service has been upgraded to provide new cutting edge functions during the first half of 2002, including payroll, remittance and the opening of letters of credit, etc.

To maintain the Bank’s leadership in Internet banking and to address corporate concerns for a higher standard of security for Internet transactions, customers now have the option to use digital certificates to log-in and authorise transactions through the Corporate Cyberbanking platform.

INVESTMENT SERVICES

East Asia Securities Company Limited - Cybertrading Service

The number of Cybertrading accounts has grown by 56% since the end of June 2001. All new and existing clients can enjoy BEA’s Cybertrading Service to perform online stock trading through one or more electronic trading channels, including the Internet, telephone or mobile phone through BEA’s Interactive Voice Recognition System (“IVRS”). Currently, more than 30% of securities clients have subscribed for the Internet Trading Service.

In February 2002, East Asia Securities Company Limited successfully launched the Internet Margin Trading Service, which greatly enriched BEA’s Cybertrading Service. Margin clients can now perform online stock trading through the Internet or via the IVRS Trading System.

East Asia Securities Company Limited has implemented various incentive schemes, including a much lower commission rate and minimum commission rate per trade, to encourage clients to execute trades via electronic trading platforms. The schemes have generated strong response from clients and reaped satisfactory results. Currently, the volume of transactions executed via the Cybertrading System, expressed as a percentage of total turnover, accounts for some 53% and 37% in terms of number of items and transactions turnover, respectively.

East Asia Securities Company Limited has plans to include the Personal Digital Assistant (PDA) as one of the online electronic trading channels and to further enhance its IVRS Trading System in the fourth quarter of 2002.

BANCASSURANCE

The Children Education Sponsorship Programme was launched for a second year. At the presentation ceremony held in April 2002, three Education Funds, each of HK\$50,000, were given out in the form of the Bancassurance Education Insurance policy. They were well received by the winning families.

The sales activities during the promotional period from February to April 2002 increased by 63% over the same period last year.

Instant policy issuance was extended to Cyberbanking, whereby customers may now subscribe to bancassurance policies instantly via the website.

Blue Cross Insurance

With support from BEA China Division, Blue Cross has provided an emergency cash advance through BEA China branches as a new feature in the travel insurance products.

CORPORATE SERVICES

Company Secretarial, Share Registration and Business Services

Following the acquisition of Secretaries Limited, Abacus Share Registrars Limited and Tengis Limited in the past two years, the Group has now consolidated its position as a leader in company secretarial, share registration and business services. These operating entities are in the process of being integrated. With the Group's continuous commitment to providing a full range of financial, investment and related services to the business community both locally and abroad, the integration process would not only facilitate the provision of more efficient and better quality professional service to clients, but would also further enhance the Group's standing as a distinguished provider of corporate services.

Offshore Corporate and Trust Services

BEA Group offers a full range of offshore corporate and trust services through its wholly-owned subsidiary, East Asia Corporate Services (BVI) Limited and its associate, East Asia International Trustees Limited, both of which are located in the British Virgin Islands. These companies have engaged legally qualified and experienced staff in the BVI who can offer immediate and efficient services, which are greatly enhanced by the assistance offered by Group staff in Hong Kong to customers of the companies who wish to contact or liaise with BEA's BVI offices.

CHINA DIVISION

It is anticipated that BEA will be licensed by The People's Bank of China to upgrade the Beijing Representative Office to a full branch and launch Cyberbanking business in the Mainland this year.

Pursuant to the "Regulations Governing Foreign Financial Institutions in the People's Republic of China" and its "Implementation Rules", BEA has injected capital into the seven branches located in Shanghai, Shenzhen, Guangzhou, Xiamen, Zhuhai, Dalian and Xi'an. The seven branches and one sub-branch in Shanghai Puxi are accredited to offer full foreign currency services to all types of customers, including local residents and enterprises in China. We have established personal banking centres in our China branches to serve local high net worth customers. Meanwhile, in June 2002, the Dalian Branch obtained official approval to conduct Renminbi business. This is the third branch of BEA to obtain a Renminbi business licence, following Shanghai Branch and Shenzhen Branch. Presently, BEA is the only bank in Hong Kong which possesses three Renminbi business licences in the Mainland.

In February 2002, The Ministry of Finance in Taiwan approved BEA's application to establish a branch in Kaohsiung. The Kaohsiung Branch will commence business on 28th August, 2002. This will be the second branch set up by BEA in Taiwan.

OVERSEAS OPERATIONS

Name Change of Grand National Bank, California

In August 2001, the Bank acquired 100% interest in Grand National Bank ("GNB") in Los Angeles,

California. To reflect the ownership and reinforce our Bank's brand name in conjunction with the acquisition, the name of GNB will be changed to The Bank of East Asia (U.S.A.) N.A. on 1st August, 2002.

HUMAN RESOURCES

BEA Group employees at the end of June 2002:

Hong Kong	3,961 persons
Other Greater China	691 persons
Overseas	367 persons
Total	5,019 persons

The harmonisation exercise to align the grading and titling structure, compensation and benefits of the three merging banks was the focus in the first quarter of 2002 until its implementation in April 2002 upon the legal merge of FPB with BEA. Thereafter, efforts were switched to monitoring these benefits programmes with the aim of bringing out the synergy of the new structure. Customised training programmes have also been provided to staff with a view to help them adapt to their new roles and perform effectively under a dynamic organisation structure.

PROSPECTS

BEA has maintained its strategic position as one of the most respected financial institutions in Hong Kong. BEA continued to pursue its growth strategy to enhance its franchise. With the difficult operating environment, BEA endeavours to develop alternate income sources and exploit new market opportunities. BEA successfully completed the merger with FPB in April 2002, enhancing its efficiency and economies of scale. To realise greater value from its extensive local branch network, BEA has undertaken a broad programme to promote the sale of insurance, financial service and other products at its branches. In February 2002, BEA also kicked off its new corporate identity initiative, with a dynamic brand image and new branch layouts tailored to BEA's strategy.

BEA continues to seek potential acquisition and alliance opportunities as part of its growth strategy. In January 2002, the Bank acquired a majority shareholding in Tengis Limited, a major corporate service provider in Hong Kong. The acquisition enhances BEA's position as a foremost provider of professional corporate services and provides good business prospects to the Bank. It will be a significant fee income contributor to BEA in the coming years and will deliver a large corporate customer base to which the Bank can market its insurance and financial service products to match BEA's strategy of serving as a comprehensive one-stop financial services provider, and developing potential fee-based income streams.

The China market forms an important element of BEA's growth strategy. The Bank has been aggressively leveraging its strong and well established China presence to further enhance its position as the premier foreign bank in China. With an extensive branch and office network in China, the Bank is well prepared to capitalise on the opportunities arising from the liberalisation of the banking industry in China following China's accession to the World Trade Organisation. The business prospects of the China market remain enormous. BEA will also explore strategic alliance opportunities in China to enhance its business development and opportunities.

RESIGNATION OF DIRECTOR

BEA announces that, subsequent to the appointment of Professor Arthur Li Kwok-cheung as Secretary for Education and Manpower for the Government of the Hong Kong Special Administrative Region, Professor Arthur Li has tendered his resignation as a Director of BEA with effect from 1st August, 2002.

The Bank is pleased to take this opportunity to congratulate Professor Arthur Li on his appointment as Secretary for Education and Manpower, and wishes to express our sincere thanks for his contribution and support to BEA during his tenure of service on the Board since 1995.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June, 2002, the beneficial interests of the Directors and Chief Executive in the share capital of the Bank disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:-

Name	Number of Ordinary Shares Held				
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests
David LI Kwok-po	17,437,894	639,336	-	-	18,077,230 ⁴
LI Fook-wo	1,235,804	-	-	-	1,235,804
George HO	878,475	-	8,080,483 ¹	-	8,958,958
WONG Chung-hin	46,810	344,131	-	-	390,941
Alan LI Fook-sum	6,994,329	-	30,227,922 ¹	-	37,222,251
LEE Shau-kee	647,985	-	1,000,000 ¹	-	1,647,985
Simon LI Fook-sean	458,000	3,069,000	-	-	3,527,000
Arthur LI Kwok-cheung	7,600,955	-	-	-	7,600,955
Allan WONG Chi-yun	-	124	-	10,122,659 ²	10,122,783
Aubrey LI Kwok-sing	21,957	31,217	-	30,768,078 ³	30,821,252
Joseph PANG Yuk-wing	204,318	-	-	-	204,318 ⁴
William MONG Man-wai	738,171	-	-	-	738,171
CHAN Kay-cheung	215,584	-	-	-	215,584 ⁴
Winston LO Yau-lai	-	-	-	-	Nil
KHOO Kay-peng	-	-	1,000,000 ¹	-	1,000,000
Thomas KWOK Ping-kwong	-	-	-	-	Nil
Richard LI Tzar-kai	-	-	-	-	Nil

Notes:

- (1) Such shares were held through corporations in which the respective Directors control one-third or more of the voting power.
- (2) Such shares were held through discretionary trusts in which family members of Allan WONG Chi-yun are beneficiaries.
- (3) Such shares were held through a discretionary trust in which Aubrey LI Kwok-sing is one of the beneficiaries.
- (4) Apart from the shares as disclosed herein, share options to subscribe for ordinary shares of the Bank have been granted to David LI Kwok-po, Joseph PANG Yuk-wing and CHAN Kay-cheung pursuant to the approved Staff Share Option Schemes. Information in relation to their share options during the six months ended 30th June, 2002 was shown in the following section under the heading "Information on Share Options".

INFORMATION ON SHARE OPTIONS

Information in relation to share options of the Bank disclosed in accordance with the Listing Rules was as follows:-

	Number of				Exercise
	Options	Date of Grant	Vesting Period	Exercise Period	Price
					HK\$
1. Outstanding Options at 1st January, 2002:					
David LI Kwok-po	136,800	29/4/1997	29/4/1997 - 28/4/1998	29/4/1998 - 29/4/2002	24.59
	133,800	20/4/1998	20/4/1998 - 19/4/1999	20/4/1999 - 20/4/2003	15.30
	145,000	21/4/1999	21/4/1999 - 20/4/2000	21/4/2000 - 21/4/2004	12.09
	145,000	20/4/2000	20/4/2000 - 19/4/2001	20/4/2001 - 20/4/2005	16.46
	850,000	19/4/2001	19/4/2001 - 18/4/2002	19/4/2002 - 19/4/2006	16.96
Joseph PANG Yuk-wing	122,400	29/4/1997	29/4/1997 - 28/4/1998	29/4/1998 - 29/4/2002	24.59
	119,400	20/4/1998	20/4/1998 - 19/4/1999	20/4/1999 - 20/4/2003	15.30
	130,000	21/4/1999	21/4/1999 - 20/4/2000	21/4/2000 - 21/4/2004	12.09
	130,000	20/4/2000	20/4/2000 - 19/4/2001	20/4/2001 - 20/4/2005	16.46
	400,000	19/4/2001	19/4/2001 - 18/4/2002	19/4/2002 - 19/4/2006	16.96
CHAN Kay-cheung	122,400	29/4/1997	29/4/1997 - 28/4/1998	29/4/1998 - 29/4/2002	24.59
	119,400	20/4/1998	20/4/1998 - 19/4/1999	20/4/1999 - 20/4/2003	15.30
	130,000	21/4/1999	21/4/1999 - 20/4/2000	21/4/2000 - 21/4/2004	12.09
	130,000	20/4/2000	20/4/2000 - 19/4/2001	20/4/2001 - 20/4/2005	16.46
	400,000	19/4/2001	19/4/2001 - 18/4/2002	19/4/2002 - 19/4/2006	16.96
Aggregate total of employees *	13,013,400	29/4/1997	29/4/1997 - 28/4/1998	29/4/1998 - 29/4/2002	24.59
	5,410,600	20/4/1998	20/4/1998 - 19/4/1999	20/4/1999 - 20/4/2003	15.30
	4,658,000	21/4/1999	21/4/1999 - 20/4/2000	21/4/2000 - 21/4/2004	12.09
	11,295,000	20/4/2000	20/4/2000 - 19/4/2001	20/4/2001 - 20/4/2005	16.46
	3,870,000	19/4/2001	19/4/2001 - 18/4/2002	19/4/2002 - 19/4/2006	16.96

2. Outstanding Options at 30th June, 2002:

David LI Kwok-po	133,800	20/4/1998	20/4/1998 - 19/4/1999	20/4/1999 - 20/4/2003	15.30
	145,000	21/4/1999	21/4/1999 - 20/4/2000	21/4/2000 - 21/4/2004	12.09
	145,000	20/4/2000	20/4/2000 - 19/4/2001	20/4/2001 - 20/4/2005	16.46
	850,000	19/4/2001	19/4/2001 - 18/4/2002	19/4/2002 - 19/4/2006	16.96
	850,000	18/4/2002	18/4/2002 - 17/4/2003	18/4/2003 - 18/4/2007	15.80
Joseph PANG Yuk-wing	119,400	20/4/1998	20/4/1998 - 19/4/1999	20/4/1999 - 20/4/2003	15.30
	130,000	21/4/1999	21/4/1999 - 20/4/2000	21/4/2000 - 21/4/2004	12.09
	130,000	20/4/2000	20/4/2000 - 19/4/2001	20/4/2001 - 20/4/2005	16.46
	400,000	19/4/2001	19/4/2001 - 18/4/2002	19/4/2002 - 19/4/2006	16.96
	400,000	18/4/2002	18/4/2002 - 17/4/2003	18/4/2003 - 18/4/2007	15.80
CHAN Kay-cheung	119,400	20/4/1998	20/4/1998 - 19/4/1999	20/4/1999 - 20/4/2003	15.30
	130,000	21/4/1999	21/4/1999 - 20/4/2000	21/4/2000 - 21/4/2004	12.09
	130,000	20/4/2000	20/4/2000 - 19/4/2001	20/4/2001 - 20/4/2005	16.46
	400,000	19/4/2001	19/4/2001 - 18/4/2002	19/4/2002 - 19/4/2006	16.96
	400,000	18/4/2002	18/4/2002 - 17/4/2003	18/4/2003 - 18/4/2007	15.80
Aggregate total of employees*	5,082,800	20/4/1998	20/4/1998 - 19/4/1999	20/4/1999 - 20/4/2003	15.30
	4,164,000	21/4/1999	21/4/1999 - 20/4/2000	21/4/2000 - 21/4/2004	12.09
	10,883,000	20/4/2000	20/4/2000 - 19/4/2001	20/4/2001 - 20/4/2005	16.46
	3,870,000	19/4/2001	19/4/2001 - 18/4/2002	19/4/2002 - 19/4/2006	16.96
	3,975,000	18/4/2002	18/4/2002 - 17/4/2003	18/4/2003 - 18/4/2007	15.80

3. Options granted during the six months ended 30th June, 2002:

Date of Grant : 18/4/2002
 Vesting Period : 18/4/2002 - 17/4/2003
 Exercise Period : 18/4/2003 - 18/4/2007
 Exercise Price : HK\$15.80

	Number of Options	Option Value	Number of Options	Option Value
	At 18/4/2002	At 18/4/2002	At 30/6/2002	At 30/6/2002
		(note (2))		(note (3))
		HK\$		HK\$
Grantee :				
David LI Kwok-po	850,000	2,805,000	850,000	2,490,500
Joseph PANG Yuk-wing	400,000	1,320,000	400,000	1,172,000
CHAN Kay-cheung	400,000	1,320,000	400,000	1,172,000
Aggregate total of employees *	<u>3,975,000</u>	<u>13,117,500</u>	<u>3,975,000</u>	<u>11,646,750</u>
Total :	<u>5,625,000</u>	<u>18,562,500</u>	<u>5,625,000</u>	<u>16,481,250</u>

Notes: (1)	The closing price of the shares of the Bank immediately before the date on which the Options were granted was HK\$15.60.			
(2)	According to the Black-Scholes model ¹ , the total value of the Options was estimated at HK\$18,562,500 as at 18 th April, 2002 (when the Options were granted) with the following variables and assumptions:-			
	Risk Free Rate:	5.25%, being the approximate yield of 5-year Exchange Fund Note traded on 18/4/2002		
	Expected Volatility:	23.89%, being the annualized volatility of the closing price of the shares of the Bank from 18/4/2001 – 18/4/2002		
	Expected Dividend			
	- Yield:	3.42%, being 2002 prospective dividend yield of the shares of the Bank		
	- Growth Rate:	-4.13% p.a., being 5-year historical dividend growth rate of the Bank		
	Expected Life of the Options :	5 years		
	Assumptions:	(i)	There is no material difference between the expected volatility over the whole life of the Options and the historical volatility of the shares of the Bank over the period of 18/4/2001 – 18/4/2002.	
		(ii)	There is no material difference between the dividend growth rate over the whole life of the Options and the historical dividend growth rate of the Bank over the previous 5 years.	
(3)	According to the Black-Scholes model ¹ , the total value of the Options was estimated at HK\$16,481,250 as at 30 th June, 2002 with the following variables and assumptions:-			
	Risk Free Rate:	4.35%, being the approximate yield of 5-year Exchange Fund Note traded on 28/6/2002		
	Expected Volatility:	23.70%, being the annualized volatility of the closing price of the shares of the Bank from 28/6/2001 – 28/6/2002		
	Expected Dividend			
	- Yield:	3.44%, being 2002 prospective dividend yield of the shares of the Bank		
	- Growth Rate:	-4.13% p.a., being 5-year historical dividend growth rate of the Bank		
	Expected Life of the Options :	4.8 years		
	Assumptions:	(i)	There is no material difference between the expected volatility over the whole life of the Options and the historical volatility of the shares of the Bank over the period of 28/6/2001 – 28/6/2002.	
		(ii)	There is no material difference between the dividend growth rate over the whole life of the Options and the historical dividend growth rate of the Bank over the previous 5 years.	
(4)	All the options forfeited before expiry of the Options will be treated as lapsed options which will be added back to the number of shares available to be issued under the relevant share option scheme.			

¹ The Black-Scholes model (the "Model") is developed to estimate the fair value of publicly traded options that have no vesting restriction and are fully transferable. The Model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

4. Number of Options exercised during the six months ended 30th June, 2002:

	<u>Date of Grant</u>	<u>No. of Options</u>	<u>Exercise Price</u>	HWA
			HK\$	Closing Price #
			HK\$	HK\$
David LI Kwok-po	N/A	Nil	N/A	N/A
Joseph PANG Yuk-wing	N/A	Nil	N/A	N/A
CHAN Kay-cheung	N/A	Nil	N/A	N/A
Aggregate total of employees *	29/4/1997	Nil	24.59	N/A
	20/4/1998	286,200	15.30	16.43
	21/4/1999	494,000	12.09	16.13
	20/4/2000	98,000	16.46	16.89
	19/4/2001	Nil	16.96	N/A
	18/4/2002	Nil	15.80	N/A

5. Number of Options cancelled during the six months ended 30th June, 2002 : Nil

6. Number of Options lapsed during the six months ended 30th June, 2002:

	<u>Date of Grant</u>	<u>No. of Options</u>
David LI Kwok-po	29/4/1997	136,800
Joseph PANG Yuk-wing	29/4/1997	122,400
CHAN Kay-cheung	29/4/1997	122,400
Aggregate total of employees *	29/4/1997	13,013,400
	20/4/1998	41,600
	21/4/1999	Nil
	20/4/2000	314,000
	19/4/2001	Nil
	18/4/2002	Nil

7. The accounting policy adopted for share options:

Options granted to employees over the Bank's shares are recognised in the balance sheet at the time when the options are exercised. Share capital is credited at par for each share issued upon the exercise of options, with share premium credited at the excess of net proceeds received over total share capital credited.

* Employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance

The half-year weighted average ("HWA") closing price of the shares of the Bank immediately before the dates on which the Options were exercised

Save as disclosed above, as at 30th June, 2002, none of the Directors or Chief Executive of the Bank or their spouses or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Bank or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, none of the shareholders of the Bank was interested in 10% or more of the issued share capital of the Bank which was required to be recorded in the Register of Interests pursuant to Section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance as at 30th June, 2002.

DEALING IN LISTED SECURITIES OF THE BANK

There was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of listed securities of the Bank during the six months ended 30th June, 2002.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Bank is not, or was not for any part of the six months ended 30th June, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By order of the Board
David LI Kwok-po
Chairman & Chief Executive

Hong Kong, 1st August, 2002