



中信嘉華銀行
CITIC
KA WAH
BANK

跨進新里程 開創新業績
SETTING NEW RECORD

二零零零年度中期報告
2000 INTERIM REPORT

 sustained **growth** in loans and deposits

 a **348%** increase in profit

 continuous **improvements**
in problem loans issue

 distribution of interim dividend
of **2 cents**

Summary of Results

The Board of Directors of CITIC Ka Wah Bank Limited (the 'Bank') is pleased to announce the unaudited consolidated results of the Bank and its subsidiaries (the 'Group') for the six months ended 30 June 2000 together with the comparative figures for the corresponding period in previous year as follows:

	The Group Six months ended 30 June		
	2000 HK\$'000	1999 HK\$'000	Variance %
Interest income	1,768,311	1,489,699	18.7
Interest expense	(1,226,303)	(1,088,456)	12.7
Net interest income	542,008	401,243	35.1
Fees and commission income	141,314	84,397	67.4
Fees and commission expense	(8,440)	(7,637)	10.5
Other revenue	8,216	4,306	90.8
Other operating income	60,131	42,270	42.3
Non-interest income	201,221	123,336	63.2
Total operating income	743,229	524,579	41.7
Operating expenses	(275,216)	(223,035)	23.4
Operating profit before provisions	468,013	301,544	55.2
Charge for bad and doubtful debts	(197,612)	(225,095)	(12.2)
Operating profit	270,401	76,449	253.7
Net profit on disposal of tangible fixed assets	1,416	761	
Provision on held-to-maturity securities and investment securities	1,046	(24,859)	
Profit from ordinary activities before taxation	272,863	52,351	421.2
Tax on profit from ordinary activities (Note 1)			
– Hong Kong	(10,320)	(444)	
– Overseas	389	(310)	
Profit after taxation before minority interest	262,932	51,597	409.6
Minority interest	(31,750)	0	
Profit attributable to shareholders	231,182	51,597	348.1
Appropriations:			
Interim dividends	(51,889)	0	
Retained profits for the period	179,293	51,597	247.5
Earnings per share			
– Basic (Note 2)	8.91¢	1.99¢	
– Diluted (Note 3)	8.91¢	1.99¢	
Interim dividends per share	2.00¢	0.00¢	

Summary of Results (cont'd)

Notes:

1. The provision for Hong Kong profits tax is based on an estimate of the assessable profits for the six months ended 30 June 2000 at 16% (1999: 16%). Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the countries in which they operate.

No provision for deferred tax is made as there are no material timing differences which would result in a liability payable or an asset receivable in the foreseeable future.

2. The calculation of basic earnings per share for the six months ended 30 June 2000 is based on profit attributable to shareholders of HK\$231,182,000 (1999: HK\$51,597,000) and on the weighted average of 2,594,461,444 (1999: 2,592,547,794) ordinary shares in issue during the period.
3. The calculation of diluted earnings per share for the six months ended 30 June 2000 is based on profit attributable to shareholders of HK\$231,182,000 (1999: HK\$51,597,000) and on the weighted average of 2,594,898,076 (1999: 2,593,127,623) after adjusting for the effects of all dilutive potential ordinary shares.

Consolidated Statement of Recognised Gains and Losses

	The Group	
	Six months ended 30 June	
	2000	1999
	HK\$'000	HK\$'000
Exchange differences on translation of the accounts of foreign entities	115	85
Net gains not recognised in the profit and loss account	115	85
Net profit for the period	231,182	51,597
Total recognised gains and losses	231,297	51,682

Consolidated Balance Sheet

	The Group	
	As at 30 June 2000 HK\$'000	As at 31 December 1999 HK\$'000
Assets		
Cash and short-term funds	6,028,967	11,872,776
Placements with banks and other financial institutions maturing between one and twelve months	1,086,254	2,435,135
Trade bills and certificates of deposit	4,062,978	1,766,886
Other investments in securities	100,435	30,583
Advances to customers and other accounts less provisions	31,535,830	29,046,864
Held-to-maturity securities and investment securities	5,782,742	2,583,870
Investments in associates	120,557	120,537
Tangible fixed assets	899,981	917,908
Intangible assets	8,530	8,530
Total assets	49,626,274	48,783,089
Liabilities		
Deposits and balances of banks and other financial institutions	675,347	344,825
Current, fixed, savings and other deposits of customers	40,590,434	39,728,165
Certificates of deposit issued	865,417	1,454,121
Issued debt securities	404,889	522,320
Other accounts and provisions	1,333,426	1,213,995
Proposed dividend	51,889	25,945
Total liabilities	43,921,402	43,289,371
Capital resources		
Share capital	2,594,461	2,594,461
Reserves	2,946,832	2,767,428
Shareholders' funds	5,541,293	5,361,889
Minority interests	163,579	131,829
	5,704,872	5,493,718
Total liabilities and capital resources	49,626,274	48,783,089

Consolidated Cash Flow Statement

	The Group Six months ended 30 June	
	2000 HK\$'000	1999 HK\$'000
Net cash (outflow) / inflow from operating activities	(4,095,947)	374,120
Net cash outflow from returns on investments and servicing of finance	(22,607)	(24,890)
Total tax (paid) / refund	(859)	231
Net cash outflow from investing activities	(3,197,580)	(681,727)
Net cash outflow before financing	(7,316,993)	(332,266)
Net cash (outflow) / inflow from financing	(4)	388
Decrease in cash and cash equivalents	(7,316,997)	(331,878)
Cash and cash equivalents at 1 January	13,384,218	12,744,284
Cash and cash equivalents at 30 June	6,067,221	12,412,406



Unaudited Supplementary Financial Information

1. Summary of financial position

	The Group				
	As at 30 Jun 2000 HK\$'000	As at 30 Jun 1999 HK\$'000	Variance %	As at 31 Dec 1999 HK\$'000	Variance %
Loans and advances	30,978,169	27,646,431	12.05	28,320,335	9.38
Loans loss provision	1,141,276	1,248,414	(8.58)	1,033,786	10.40
Total assets	49,626,274	45,577,148	8.88	48,783,089	1.73
Total interest earning assets	47,225,096	43,977,914	7.38	46,448,474	1.67
Total deposits	41,860,740	38,569,065	8.53	41,704,606	0.37
Shareholders' funds	5,541,293	5,328,492	3.99	5,361,889	3.35

Financial ratios

Capital adequacy [*]	18.09%	20.14%	19.16%
Average liquidity [*]	37.60%	44.57%	39.45%
Loans to deposits	74.00%	71.68%	67.91%
Loans to total assets	62.42%	60.66%	58.05%
General provision coverage	1.08%	1.02%	1.12%
Property lending	46.78%	44.90%	45.02%
Cost to income	37.03%	42.52%	41.80%
Return on assets	1.07%	0.23%	0.23%
Return on shareholders' funds	8.48%	1.95%	2.04%

* The capital adequacy ratio and the average liquidity ratio are computed on the consolidated basis covering the Bank and certain of its financial subsidiaries as required by the Hong Kong Monetary Authority (the 'HKMA') for its regulatory purposes, and are in accordance with the Third Schedule and the Fourth Schedule to the Banking Ordinance respectively.

2. Advances and other accounts

	The Group		
	As at 30 Jun 2000 HK\$'000	As at 31 Dec 1999 HK\$'000	Variance %
Advances to customers	30,209,876	27,603,561	9.44
Advances to banks and other financial institutions	611,148	639,817	(4.48)
Accrued interest and other accounts	1,856,082	1,836,309	1.08
Provisions for bad and doubtful debts			
– Specific	(814,886)	(723,969)	12.56
– General	(326,390)	(308,854)	5.68
	31,535,830	29,046,864	8.57

Unaudited Supplementary Financial Information (cont'd)

3. Advances to customers – by industry sectors

	The Group				
	As at 30 June 2000		As at 31 December 1999		Variance
	HK\$'000	%	HK\$'000	%	%
Loans for use in Hong Kong					
<i>Industrial, commercial and financial</i>					
– property development	306,988	1.02	1,393,313	5.05	(77.97)
– property investment	3,167,595	10.48	1,801,952	6.53	75.79
– financial concerns	2,783,710	9.21	1,177,542	4.26	136.40
– stockbrokers	780	0.00	192,440	0.70	(99.59)
– wholesale and retail trade	1,692,525	5.60	1,137,820	4.12	48.75
– manufacturing	1,781,062	5.90	885,096	3.20	101.23
– transport and transport equipment	1,189,238	3.94	1,271,654	4.61	(6.48)
– others	3,695,619	12.23	6,045,662	21.90	(38.87)
<i>Individuals</i>					
– loans for the purchase of flats in the Home Ownership Scheme and Private Sector Participation Scheme	27,720	0.09	24,108	0.09	14.98
– loans for the purchase of other residential properties	10,128,328	33.53	8,798,674	31.88	15.11
– others	742,677	2.46	675,206	2.45	9.99
Trade finance	2,270,626	7.52	1,852,329	6.71	22.58
Loans for use outside Hong Kong	2,423,008	8.02	2,347,765	8.50	3.20
Total	30,209,876	100.00	27,603,561	100.00	9.44

Unaudited Supplementary Financial Information (cont'd)

4. Loans on which interest is placed in suspense

	The Group				
	Total amount of loans on which interest is placed in suspense		Pledge amount for loans on which interest is placed in suspense	Specific provision in respect of loans on which interest is placed in suspense	Amount of interest placed in suspense
	HK\$'000	%*	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2000	1,570,383	5.07	688,696	584,673	223,454
As at 31 December 1999	1,555,450	5.49	763,536	514,767	152,711

* Based on total loans and advances

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 30 June 2000 and 31 December 1999, nor were there any specific provisions made for them on these two days.

5. Overdue loans and advances

	The Group As at 30 June 2000					
	Overdue gross advances to customers (net of suspended interest)		Amount of collateral held in respect of overdue advances to customers	Amount of secured balance	Amount of unsecured balance	Amount of specific provisions made against overdue advances to customers
	HK\$'000	%*	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Three to six months overdue	70,586	0.23	177,084	44,625	25,961	7,739
Six months to one year overdue	454,812	1.47	95,629	53,624	401,188	113,578
Over one year overdue	1,474,360	4.76	881,207	680,634	793,726	577,476
Total	1,999,758	6.46	1,153,920	778,883	1,220,875	698,793

Unaudited Supplementary Financial Information (cont'd)

5. Overdue loans and advances (cont'd)

		The Group As at 31 December 1999				
Overdue gross advances to customers (net of suspended interest)		Amount of collateral held in respect of overdue advances to customers	Amount of secured balance	Amount of unsecured balance	Amount of specific provisions made against overdue advances to customers	
HK\$'000	% *	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Three to six months overdue	409,613	1.45	205,124	75,939	333,674	51,662
Six months to one year overdue	447,459	1.58	168,563	99,293	348,166	53,755
Over one year overdue	1,104,267	3.90	642,972	489,537	614,730	411,175
Total	1,961,339	6.93	1,016,659	664,769	1,296,570	516,592

* Based on total loans and advances

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30 June 2000 and 31 December 1999.

Reconciliation

		The Group	
		As at 30 Jun 2000 HK\$'000	As at 31 Dec 1999 HK\$'000
Advances to customers overdue for more than 3 months		1,999,758	1,961,339
Less: Amount overdue for more than 3 months and on which interest is still being accrued		(625,231)	(892,161)
Add: Amount overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased		62,470	37,839
Add: Rescheduled advances on which interest is being placed in suspense or on which interest accrual has ceased		129,123	413,852
Add: Amount not overdue and on which interest is being placed in suspense or on which interest accrual has ceased		4,263	34,581
Advances to customers on which interest is being placed in suspense or on which interest accrual has ceased		1,570,383	1,555,450



6. Rescheduled loans

	The Group			
	As at		As at	
	30 June 2000		31 December 1999	
	HK\$'000	%*	HK\$'000	%*
Rescheduled loans	370,519	1.20	738,981	2.61

* Based on total loans and advances

There were no advances to banks and other financial institutions which were rescheduled as at 30 June 2000 and 31 December 1999.

7. Off-balance sheet exposures

(a) Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	The Group	
	30 June 2000 HK\$'000	31 December 1999 HK\$'000
Direct credit substitutes	303,125	435,501
Transaction-related contingencies	99,069	0
Trade-related contingencies	841,782	613,922
Other commitments:		
– with an original maturity of under 1 year or which are unconditionally cancellable	5,853,833	7,668,932
– with an original maturity of 1 year and over	1,036,090	326,672
	8,133,899	9,045,027

The above amounts include the guarantees for credit facilities granted by third parties to certain subsidiaries amounting to HK\$40 million as at 30 June 2000 (31 December 1999: HK\$43 million).

Unaudited Supplementary Financial Information (cont'd)

7. Off-balance sheet exposures (cont'd)

(b) Derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The following is a summary of the notional amounts of each significant type of derivative entered into by:

	The Group					
	30 June 2000			31 December 1999		
	Trading HK\$'000	Hedging HK\$'000	Total HK\$'000	Trading HK\$'000	Hedging HK\$'000	Total HK\$'000
Exchange rate contracts						
– Forwards	544,175	480,733	1,024,908	428,400	489,698	918,098
– Swaps	0	25,261,369	25,261,369	0	17,484,727	17,484,727
Interest rate contracts						
– Swaps	0	397,813	397,813	0	427,679	427,679
Equity contracts						
– Options	0	8,681	8,681	0	0	0
	544,175	26,148,596	26,692,771	428,400	18,402,104	18,830,504

(c) The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures are as follows:

These amounts do not take into account the effects of bilateral netting arrangements.

	The Group			
	30 June 2000		31 December 1999	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Contingent liabilities and commitments	N/A	874,337	N/A	627,642
Exchange rate contracts	35,085	72,008	28,304	46,658
Interest rate contracts	4,294	1,506	3,844	1,454
Equity contracts	4,505	1,005	0	0
	43,884	948,856	32,148	675,754

Unaudited Supplementary Financial Information (cont'd)

8. Segmental information

(a) By geographical area

	The Group			
	Six months ended 30 Jun 2000	30 Jun 1999	As at 30 Jun 2000	As at 31 Dec 1999
	Profit* HK\$'000	Profit* HK\$'000	Total assets HK\$'000	Total assets HK\$'000
Hong Kong	259,312	43,621	53,077,017	52,987,066
United States of America	13,551	8,730	3,214,699	3,443,109
Less: Intra-group items	0	0	(6,665,442)	(7,647,086)
	272,863	52,351	49,626,274	48,783,089

* Profit from ordinary activities before taxation

(b) By class of business

	The Group			
	Six months ended 30 Jun 2000	30 Jun 1999	As at 30 Jun 2000	As at 31 Dec 1999
	Profit* HK\$'000	Profit* HK\$'000	Total assets HK\$'000	Total assets HK\$'000
Commercial banking	186,726	(30,878)	51,739,318	51,118,630
Investment banking	28,516	66,708	4,213,944	4,962,014
Other business	2,273	2,992	73,764	60,560
Securities business	55,348	13,529	264,690	288,971
Less: Intra-group items	0	0	(6,665,442)	(7,647,086)
	272,863	52,351	49,626,274	48,783,089

* Profit from ordinary activities before taxation

Unaudited Supplementary Financial Information (cont'd)

9. Capital base after deductions

	The Group	
	As at 30 June 2000 HK\$'000	As at 31 December 1999 HK\$'000
Core capital		
Paid up ordinary share capital	2,594,461	2,594,461
Reserves	2,759,935	2,630,655
Minority interests	157,681	127,342
Total core capital	5,512,077	5,352,458
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	11,945	11,945
General provisions for doubtful debts	326,390	309,817
Total eligible supplementary capital	338,335	321,762
Total capital base before deductions	5,850,412	5,674,220
Deductions from total capital base	(285,931)	(270,793)
Total capital base after deductions	5,564,481	5,403,427

10. Comparative figures

Comparative figures have been reclassified to conform with the current year's presentation.

Statement of Compliance

This interim financial report is prepared on a basis consistent with the accounting policies adopted in the 1999 annual financial statements. This interim report has also been prepared in accordance with Statement of Standard Accounting Practice 25 'Interim financial reporting' and the recommendations made by the Hong Kong Monetary Authority on 30 June 2000.

Status of Operation

The status of the Bank's operation in the first half of 2000 is as follows:

1. Continuous growth in scale

Since 1998, the Bank's businesses have undergone rapid expansion. In 1998, total loans increased by 29.6%, or HK\$5.92 billion in value. Total loans grew in 1999 by 9.3%, an increase of HK\$2.42 billion. Premised on this base, total loans further increased by 9.4% or HK\$2.66 billion in the first half of 2000, of which mortgage loans and corporate loans accounted for 50.6% and 31.7% respectively. At 30 June 2000, total loans of the Bank stood at HK\$31 billion.

In 1998, the Bank's total deposits rose by 35.4%, or HK\$9.75 billion. In 1999, total deposits increased by HK\$4.46 billion or 12%. During the first half of 2000, the Bank's conscious efforts in realigning the deposit portfolio and in lowering funding costs resulted in a slight increase in deposits of 0.4%, or HK\$156 million in value. Total deposits amounted to HK\$41.86 billion at 30 June 2000.

Total assets grew 27.4%, or HK\$9.48 billion, in 1998. An increment of 10.6%, or HK\$4.67 billion, was registered in 1999. At 30 June 2000, total assets reached HK\$49.63 billion, an increase of 1.7% over 1999 year-end figure. After two and a half years of continuous growth, the Bank's total assets has risen from approximately HK\$35 billion in early 1998 to close to the HK\$50 billion mark at mid-year 2000.

2. Improved asset quality

While the Bank pursues active expansion in its asset scale and customer base, focus has also been placed on improving asset quality and on risk diversifying of the loan portfolio. As a result of stringent credit approval process, only 0.25% of the HK\$11 billion new corporate loans booked since 1998 became problem loans. The Bank's asset quality has continued to show improvement, evidenced by the mid-year readings of key asset quality indicators: exposure to top 20 customers as a percentage of total loans fell from 30.2% at 1999 year-end to 24.1%; and mainland exposure reduced from 29.2% to 26.2% during the same period.

3. Increase in operating income

In the six months to 30 June 2000, the Bank recorded an increase of 35%, or HK\$141 million in net interest income compared with the corresponding period in 1999. The surge was largely due to three factors. Firstly, the enlargement of the Bank's loan book which contributed to HK\$25 million of the increase in interest income. Secondly, interest in suspense has decreased by HK\$15 million. The remaining HK\$101 million increase was attributable to widening net interest spreads. Non-interest income was up by HK\$78 million in the first half of 2000, or 63.2% over the corresponding period in 1999. This was mainly due to the Bank's efforts in expanding non-interest revenue sources and the fee income derived from new loans. In addition, the Bank realised a profit of HK\$25 million from the sale of Hong Kong Stock Exchange shares.

4. Stringent cost control

The Bank has exercised stringent control over its operating expenses while actively developing its businesses. As a result, the cost to income ratio fell from 42.5% at mid-year 1999 to 37%.

5. Substantial growth in profits

The Bank's profit level has started to make a breakthrough since the fourth quarter of 1999, with the average monthly operating profit before provisions exceeding HK\$60 million. In 2000, the Bank continued to register growth in profits, with operating profit before provisions averaging HK\$77 million per month. For the first half of 2000, net interest income was HK\$542 million, an increase of 35% over the corresponding period of 1999 while non-interest income increased by 63% to HK\$201 million, leading to a surge in operating income of 42% to HK\$743 million. Operating expenses increased by 23% to HK\$275 million while operating profit before provisions rose to HK\$468 million, an increase of 55%. Loan loss provisions were reduced by 12% to HK\$197 million, resulting in an increase of 254% in operating profit to HK\$273 million. The growth in profit together with a reduction in loan loss provisions have contributed to a first-half net profit of HK\$231 million, a 348% increase over the net profit of HK\$51 million for the same period in 1999.

Major Initiatives for the Second Half of 2000

The Bank's major initiatives for the second half of 2000 are as follows:

1. Strengthening of internal operating management

To cope with the increase in scale of operations, continuous business expansion and the launch of new products and services, the Bank will continue to put in place new policies and procedures with a view to enhancing the level of internal control and to supporting long-term development needs.

2. Development of high yield loan products

Since 1999, the Bank has started to launch a new range of loan products to enhance yield and return. In the first half of 2000, the Bank engaged a specialist team to develop the Bank's hire purchase and leasing business and formed 'Ka Wah Credit Limited' to reinforce the marketing of personal loans. Governed by stringent risk control, Cargary Securities Limited launched margin trading services in the first half of 2000. In the second half of the year, the Bank will actively promote these products and services, raising the contribution of these new businesses to the Bank's overall revenue.

3. Building an advanced operating system

The Bank has reached a new stage of development. To cope with continuous business growth and to strengthen internal management, it is imperative for the Bank to make investment in information technology and computer systems. In view of this, the Bank has decided to replace its existing core banking system and invest over HK\$100 million to build an advanced and integrated service delivery platform which is designed to enhance operating efficiencies, improve processing and operations, and strengthen risk management. The new systems will also provide the essential infrastructure to enable the launch of new products. The majority of the core system will be operating in the first quarter of 2001, with the conversion to be fully completed by the second quarter of 2001.

Major Initiatives for the Second Half of 2000 (cont'd)

4. Enhancement of i-banking services

The Bank will make continuous enhancement to its product range and service delivery within i-banking. To provide a comprehensive integrated e-commerce solution to its corporate customers, the Bank currently plans to launch its web-based trade finance products in the second half of the year and B2B services in 2001. The Bank will also strengthen its co-operation with companies within CITIC's financial services group with a view to expanding its customer base and service standards.

5. Further improvement of asset quality

The Bank will continue to improve on the overall asset quality and deal with the problem loans issue. In mid-June 2000, the Bank set up an asset management company for a more effective handling of problem loans recovery.

Outlook

The gradual improvement of Hong Kong's economy and China's accession into the WTO will open up new business opportunities for the banking industry. The Bank has basically dealt with the inherited problems and established a solid foundation for future growth. The Bank is therefore well positioned to take advantage of these new opportunities and it is expected that both business and profit will maintain a healthy and stable growth.

Interim Dividend

The Directors are pleased to declare an interim dividend of HK\$0.02 (1999: Nil) per share. The interim dividend will be paid on Friday, 15 September 2000 to all shareholders whose names are on the Register of Members of the Bank on Friday, 8 September 2000.

Closure of Register of Members

The Register of Members of the Bank will be closed from Monday, 4 September 2000 to Friday, 8 September 2000, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged for registration with the Bank's Share Registrars, Central Registration Hong Kong Limited, at Shops 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 1 September 2000.

Directors' Interests

At 30 June 2000, the beneficial interests of the Directors in the share capital of the Bank as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the 'SDIO') were as follows:

Name of Director	Ordinary Shares of HK\$1.00 each			
	Personal interests	Family interests	Other interests	Total interests
Hong Yuncheng (Chairman)	/	/	3,000,000	3,000,000
Cai Zhongzhi (President and Chief Executive Officer)	/	/	3,000,000	3,000,000
Zhang Mingqian (Executive Vice President and Alternate Chief Executive Officer)	/	/	2,000,000	2,000,000
Daniel H Lam	183,970	118,089	/	302,059
Zhao Shengbiao (Executive Vice President and Country Head, USA)	1,200,000	/	614,114	1,814,114
Kelvin Lo Wing Yat (Executive Vice President)	/	/	2,000,000	2,000,000
Brian Tang See King	/	/	1,000,000	1,000,000

At 30 June 2000, the following Directors of the Bank had the following respective interests in options to subscribe for Ordinary Shares of the Bank granted pursuant to the Bank's Senior Executive Share Option Scheme. Particulars were as follows:

Name of Director	No. of shares in the options outstanding as at 30/06/2000	Date granted	Period during which options exercisable	Price per share to be paid on exercise of options
Hong Yuncheng	3,000,000	17/08/1999	24/02/2000 - 29/03/2005	HK\$2.30
Cai Zhongzhi	3,000,000	17/08/1999	24/02/2000 - 29/03/2005	HK\$2.30
Zhang Mingqian	2,000,000	17/08/1999	10/05/2000 - 29/03/2005	HK\$2.30
Zhao Shengbiao	87,000	10/04/1996	11/04/1996 - 29/03/2005	HK\$1.00
	210,875	08/05/1997	09/05/1997 - 29/03/2005	HK\$1.00
	316,239	06/05/1998	07/05/1998 - 29/03/2005	HK\$1.00
Kelvin Lo Wing Yat	2,000,000	17/08/1999	31/10/1999 - 29/03/2005	HK\$2.30
Brian Tang See King	1,000,000	17/08/1999	11/02/2000 - 29/03/2005	HK\$2.30

Save as mentioned above, none of the Directors of the Bank or their associates had any beneficial interests in the share capital of the Bank and its associated companies (as defined in the SDIO) as at 30 June 2000.

Substantial Shareholders

At 30 June 2000, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the 'SDIO') shows that China International Trust and Investment Corporation beneficially owned 1,433,317,209 Ordinary Shares of HK\$1.00 each in the share capital of the Bank representing approximately 55.25% of the then issued share capital of the Bank.

Save as disclosed, there was no person known to the Directors who at 30 June 2000 was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Bank or any of its associated companies (as defined in the SDIO).

Purchase, Sale or Redemption of the Bank's Listed Securities

The Bank has not redeemed any of its listed securities during this interim. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's listed securities during this interim.

Compliance with the Code of Best Practice

The Bank has complied throughout the period with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, except that there is no specific term for the appointment of independent non-executive directors.

By Order of the Board

Cai Zhongzhi

President and Chief Executive Officer

Hong Kong, 3 August 2000

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