

CITIC KA WAH BANK LIMITED

(Incorporated under the Companies Ordinance, Hong Kong)

ANNOUNCEMENT OF 2001 FINAL RESULTS

SUMMARY OF RESULTS

The Board of Directors of CITIC Ka Wah Bank Limited (the “Bank”) is pleased to announce the audited consolidated results of the Bank and its subsidiaries (the “Group”) for the year ended 31 December 2001 as follows:-

(A) EXTRACTS FROM CONSOLIDATED INCOME STATEMENT

	The Group		
	2001	2000	
	HK\$'000	Restated (Note 2) HK\$'000	Variance %
Interest income	3,376,670	3,759,046	(10.17)
Interest expense	(2,130,383)	(2,607,670)	(18.30)
Net interest income	1,246,287	1,151,376	8.24
Fees and commission income	371,735	291,663	27.45
Fees and commission expense	(23,047)	(17,245)	33.64
Other revenue	17,900	18,033	(0.74)
Other operating income	176,561	156,101	13.11
Non-interest income	543,149	448,552	21.09
Total operating income	1,789,436	1,599,928	11.84
Operating expenses	(759,169)	(648,052)	17.15
Operating profit before provisions	1,030,267	951,876	8.24
Charge for bad and doubtful debts	(340,961)	(318,571)	7.03
Operating profit	689,306	633,305	8.84
Net loss on disposal of tangible fixed assets	(765)	(1,999)	
Net profit on disposal of held-to-maturity securities	515	10,433	
Provision on held-to-maturity securities and investment securities	(3,337)	(5,694)	
Profit from ordinary activities before taxation	685,719	636,045	7.81
Tax on profit from ordinary activities(Note 3)			
- Hong Kong	(47,894)	(53,249)	
- Overseas	(1,713)	(134)	
Profit from ordinary activities after taxation	636,112	582,662	9.17
Minority interests	(19,484)	(50,521)	
Profit attributable to shareholder:	616,628	532,141	15.88
Dividends attributable to the year:			
Interim dividend declared during the year	77,859	51,897	
Final dividend proposed after the balance sheet date	75,702	129,743	
	153,561	181,640	
Earnings per share			
Basic (Note 4)	23.30 ¢	20.11 ¢	
Diluted (Note 5)	23.28 ¢	20.09 ¢	
Interim dividend per share	3.00 ¢	2.00 ¢	
Proposed final dividend per share	2.50 ¢	5.00 ¢	
Total dividends per share	5.50 ¢	7.00 ¢	

(B) EXTRACTS FROM CONSOLIDATED BALANCE SHEET

	The Group	
	As at	As at
	31 Dec 2001	31 Dec 2000
	HK\$'000	Restated (Note 2)
		HK\$'000
Assets		
Cash and short-term funds	6,910,498	7,704,523
Placements with banks and other financial institutions maturing between one and twelve months	0	3,112,324
Trade bills less provisions	223,932	288,058
Certificates of deposit	2,948,033	4,258,256
Other investments in securities	1,494,101	1,086,128
Advances to customers and other accounts less provisions	33,701,258	33,721,683
Held-to-maturity securities and investment securities	13,014,873	5,463,881
Investments in associates	120,499	120,539
Tangible fixed assets	1,014,107	902,437
Total assets	59,427,301	56,657,829
Liabilities		
Deposits and balances of banks and other financial institutions	3,132,145	418,862
Current, fixed, savings and other deposits of customers	42,514,182	46,624,666
Certificates of deposit issued	3,493,904	1,653,582
Issued debt securities	373,371	398,197
Other accounts and provisions	1,118,079	1,536,976
Total liabilities	50,631,681	50,632,283
Capital resources		
Share capital	2,595,511	2,594,861
Reserves	3,658,166	3,248,319
Shareholders' funds	6,253,677	5,843,180
Loan capital	2,340,094	0
Minority interests	201,849	182,366
Total capital resources	8,795,620	6,025,546
Total liabilities and capital resources	59,427,301	56,657,829

Notes:

- (1) The financial information in this financial results announcement does not constitute statutory financial statements.

The financial information relating to the financial year ended 31 December 2001 included in this preliminary final results announcement does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2001 will be available from the Bank's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 February 2002.

- (2) Change in accounting policies

- (a) Investment properties

With effect from 1 January 2001, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") 2.113 "Accounting for investment properties" issued by the Hong Kong Society of Accountants ("HKSA"). This results in a change of accounting treatment in respect of investment properties. Previously the Bank took advantage of the exemption granted to banking companies under SSAP 13. As a result, investment properties were stated at cost less depreciation and not revalued.

Pursuant to the revised SSAP 13, such exemption granted to banking companies has been withdrawn. Investment properties are revalued annually by independent valuers on an open market value basis. Surpluses arising on revaluation on a portfolio basis are taken to the "investment property revaluation reserve". Deficits arising on revaluation on a portfolio basis are firstly set off against any previous revaluation surplus and thereafter taken to the income statement.

As a result of the new accounting policy, the Group's investment properties as at 31 December 2001 were stated at revalued amount and a surplus of HK\$151,000 was taken to the investment property revaluation reserve. The Directors considered that the effect of this change for the year ended 31 December 2000 is not material and, therefore, this change in accounting policy has not been applied retrospectively.

- (b) Proposed dividends

In prior years, dividends proposed or declared were recognised as liabilities in the accounting period to which they related. With effect from 1 January 2001, in order to comply with SSAP 2.109 (revised) "Events after the balance sheet date" issued by the HKSA, the Group recognises dividends proposed or declared as liabilities in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries and associates is recognised as income in the Bank's income statement in the accounting period in which they are declared by the subsidiaries' and associates' directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends).

As a result of the new accounting policy, the Group's net assets as at the year end have been increased by HK\$76 million (2000: HK\$130 million). There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

- (3) The provision for Hong Kong Profits Tax is based on an estimate of the assessable profits for the year ended 31 December 2001 at 16% (2000: 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 taxation is required as there are net deferred tax assets for the Group at the balance sheet date.

- (4) The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$616,628,000 (2000: HK\$532,141,000) and on the weighted average of 2,647,023,734 (2000 as restated: 2,646,514,542) ordinary shares in issue during the year. The weighted average number of shares outstandings for 2001 and 2000 has been adjusted for the effects of the rights issue on 7 January 2002.
- (5) The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$616,628,000 (2000: HK\$532,141,000) and on the weighted average of 2,649,030,438 (2000 as restated: 2,648,311,935) ordinary shares in issue during the year after adjusting for the effects of all dilutive potential ordinary shares.

(C) SUPPLEMENTARY FINANCIAL INFORMATION

(1) Summary of financial position

	The Group		
	As at	As at	Variance
	31 Dec 2001	31 Dec 2000	
	HK\$'000	HK\$'000	%
Loans and advances	32,777,554	32,798,146	(0.06)
Loans loss provision	678,061	854,247	(20.62)
Total assets	59,427,301	56,657,829	4.89
Total interest earning assets	56,557,764	53,932,408	4.87
Total deposits	46,381,456	48,676,445	(4.71)
Shareholders' funds	6,253,677	5,843,180	7.03
<i>Financial ratios</i>			
Loans to deposits	70.67%	67.38%	
Loans to total assets	55.16%	57.89%	
General provision coverage	1.14%	1.10%	
Property lending	45.55%	48.28%	
Cost to income	42.43%	40.51%	
Return on assets	1.10%	1.11%	
Return on shareholders' funds	10.19%	9.48%	

(2) Other operating income

	The Group		
	As at	As at	Variance
	31 Dec 2001	31 Dec 2000	
	HK\$'000	HK\$'000	%
Net gain on other investments in securities	96,574	104,344	(7.45)
Net gain arising from dealing in foreign currencies	28,044	25,425	10.30
Net (loss)/gain arising from other dealing activities	(371)	4,318	
Others	52,314	22,014	137.64
	<u>176,561</u>	<u>156,101</u>	13.11

(3) Advances to customers and other accounts less provisions

	The Group		
	As at	As at	Variance
	31 Dec 2001	31 Dec 2000	
	HK\$'000	HK\$'000	%
Advances to customers	32,454,727	31,925,836	1.66
Advances to banks and other financial institutions	95,692	580,987	(83.53)
Accrued interest and other accounts	1,825,697	2,065,842	(11.62)
Provisions for bad and doubtful debts			
- Specific	(305,980)	(499,955)	(38.80)
- General	(368,878)	(351,027)	5.09
	<u>33,701,258</u>	<u>33,721,683</u>	(0.06)

(4) Advances to customers - by industry sector:

	The Group				
	As at 31 Dec 2001		As at 31 Dec 2000		Variance
	HK\$'000	%	HK\$'000	%	%
Loans for use in Hong Kong					
<i>Industrial, commercial and financial</i>					
- property development	394,281	1.21	635,940	1.99	(38.00)
- property investment	3,260,385	10.05	3,004,415	9.41	8.52
- financial concerns	1,368,391	4.22	1,970,085	6.17	(30.54)
- stockbrokers	16,058	0.05	384	0.00	
- wholesale and retail trade	2,017,801	6.22	2,367,404	7.42	(14.77)
- manufacturing	2,906,121	8.95	1,957,305	6.13	48.48
- transport and transport equipment	3,694,141	11.38	1,482,624	4.64	149.16
- others	2,793,213	8.61	3,677,965	11.52	(24.06)
<i>Individuals</i>					
- loans for the purchase of flats under the Home Ownership Scheme and Private Sector Participation Scheme	14,919	0.05	20,724	0.06	(28.01)
- loans for the purchase of other residential properties	10,490,479	32.32	11,099,557	34.77	(5.49)
- credit card advances	41,691	0.13	0	0.00	
- others	1,330,647	4.10	966,775	3.03	37.64
Trade finance	1,564,905	4.82	2,400,267	7.52	(34.80)
Loans for use outside Hong Kong	2,561,695	7.89	2,342,391	7.34	9.36
TOTAL	32,454,727	100.00	31,925,836	100.00	1.66

(5) Advances to customers - by geographical area:

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

	The Group					
	Total Advances to customers		Non-performing loans		Overdue loans and advances	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	23,549,074	23,012,873	1,151,172	534,644	1,164,956	698,788
Mainland China	7,510,586	7,324,803	307,793	957,552	492,490	950,407
United States of America	1,377,585	1,395,649	12,911	25,070	12,904	4,847
Others	17,482	192,511	0	0	0	0
Total	32,454,727	31,925,836	1,471,876	1,517,266	1,670,350	1,654,042

(6) Non-performing loans

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

	The Group				
	Gross Advances		Pledge amount	Specific provision made	Interest Suspended
	HK\$'000	%*	HK\$'000	HK\$'000	HK\$'000
As at 31 Dec 2001	1,471,876	4.54	908,838	278,263	168,227
As at 31 Dec 2000	1,517,266	4.75	860,073	442,003	223,414

* Based on total advances to customers

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 31 December 2001 and 31 December 2000, nor were there any specific provisions made for them on these two days.

(7) Overdue loans and advances

	The Group				
	As at 31 Dec 2001				
	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
Overdue for					
- 6 months or less but over 3 months	114,202 0.35	85,434	57,697	56,505	19,305
- 1 year or less but over 6 months	357,341 1.10	424,189	275,925	81,416	52,991
- over 1 year	1,198,807 3.70	841,029	738,677	460,130	197,933
TOTAL	1,670,350 5.15	1,350,652	1,072,299	598,051	270,229

	The Group				
	As at 31 Dec 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
Overdue for					
- 6 months or less but over 3 months	301,442 0.94	327,792	268,061	33,381	9,196
- 1 year or less but over 6 months	232,717 0.73	364,339	177,243	55,474	33,260
- over 1 year	1,119,883 3.51	642,211	556,677	563,206	365,576
TOTAL	1,654,042 5.18	1,334,342	1,001,981	652,061	408,032

* Based on total advances to customers

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 31 December 2001 and 31 December 2000.

(8) Reconciliation of overdue loans & advance to non-performing loans

	The Group	
	As at	As at
	31 Dec 2001	31 Dec 2000
	HK\$'000	HK\$'000
Advances to customers overdue for more than 3 months	1,670,350	1,654,042
Less: Amount overdue for more than 3 months and on which interest is still being accrued	(260,969)	(250,418)
Add: Amount overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	4,311	4,926
Add: Rescheduled advances on which interest is being placed in suspense or on which interest accrual has ceased	51,624	91,469
Add: Amount not overdue and on which interest is being placed in suspense or on which interest accrual has ceased	6,560	17,247
Advances to customers on which interest is being placed in suspense or on which interest accrual has ceased	1,471,876	1,517,266

(9) Rescheduled loans

	The Group			
	As at 31 Dec 2001		As at 31 Dec 2000	
	HK\$'000	%*	HK\$'000	%*
Rescheduled loans	89,665	0.28	238,068	0.75

* Based on total advances to customers

There were no advances to banks and other financial institutions which were rescheduled as at 31 December 2001 and 31 December 2000.

(10) Other overdue assets

	2001		2000	
	Accrued Interest	Other Assets*	Accrued Interest	Other Assets*
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other assets overdue for				
- 6 months or less but over 3 months	1,758	0	6,787	0
- 1 year or less but over 6 months	12,658	2,826	6,808	0
- Over 1 year	41,735	0	84,192	0
Total	56,151	2,826	97,787	0

* Other assets refer to trade bills and receivables

(11) 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	
	2001	2000
	HK\$'000	HK\$'000
Direct credit substitutes	1,696,088	609,289
Transaction-related contingencies	39,365	63,060
Trade-related contingencies	1,047,237	820,910
Other commitments:		
with an original maturity of under 1 year or		
which are unconditionally cancellable	8,247,308	7,403,679
with an original maturity of 1 year and over	271,258	387,652
	11,301,256	9,284,590

The above amounts include the guarantees for credit facilities granted by third parties to certain subsidiaries amounting to HK\$40 million as at 31 December 2001 (31 December 2000: HK\$40million).

(11) Off-balance sheet exposures

(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					
	31 Dec 2001			31 Dec 2000		
	Trading	Hedging	Total	Trading	Hedging	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange rate contracts						
Forwards	292,271	1,397,797	1,690,068	320,801	559,576	880,377
Swaps	0	105,852,873	105,852,873	0	42,189,304	42,189,304
Interest rate contracts						
Swaps	0	10,994,794	10,994,794	0	510,918	510,918
Equity contracts						
Options purchased	33,840	7,696	41,536	0	7,904	7,904
	326,111	118,253,160	118,579,271	320,801	43,267,702	43,588,503

- (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			
	31 Dec 2001		31 Dec 2000	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	N/A	1,246,090	N/A	830,773
Exchange rate contracts	231,642	261,706	123,912	115,474
Interest rate contracts	256,673	63,909	24,805	5,799
Equity contracts	3,661	2,002	0	0
	491,976	1,573,707	148,717	952,046

(12) Capital adequacy ratio

	The Group	
	2001	2000
	%	%
Unadjusted Capital Adequacy *	20.81	17.10
Adjusted Capital Adequacy **	20.11	16.70

* The unadjusted capital adequacy ratio is computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the Hong Kong Monetary Authority (the "HKMA") for its regulatory purposes, and is in accordance with the Third Schedule to the Hong Kong 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 HKMA and on the same consolidated basis as for unadjusted capital adequacy ratio.

(13) Capital base after deductions

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Core capital		
Paid up ordinary share capital	2,595,511	2,594,861
Share premium	1,426,213	1,425,542
Reserves	2,045,377	1,590,297
Minority interests	92,760	78,710
Total core capital	6,159,861	5,689,410
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	12,096	11,945
General provisions for doubtful debts	371,102	354,271
Term subordinated debt	2,340,094	0
Total eligible supplementary capital	2,723,292	366,216
Total capital base before deductions	8,883,153	6,055,626
Deductions from total capital base	(199,733)	(264,018)
Total capital base after deductions	8,683,420	5,791,608

(14) Liquidity ratio

	The Group	
	2001	2000
	%	%
Average liquidity ratio for the year	51.19	42.08

The average liquidity ratio are computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA for its regulatory purposes, and are in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

(15) Reserves

	The Group		
	As at 31 Dec 2001	As at 31 Dec 2000	Variance
	HK\$'000	Restated HK\$'000	
Share premium	1,426,213	1,425,542	0.05
General reserve	100,000	100,000	0.00
Investment property revaluation reserve	151	0	
Other property revaluation reserve	11,945	11,945	0.00
Capital reserve	37,500	37,500	0.00
Exchange revaluation reserve	321	322	(0.31)
Retained profits *	2,082,036	1,673,010	24.45
Total	3,658,166	3,248,319	12.62
Proposed dividends, not provided for	75,702	129,743	(41.65)
* Retained profits as previously reported			1,543,267
Prior year adjustment: Proposed dividend			129,743
As restated			1,673,010

(16) Foreign currency exposures

The information concerning the foreign currency exposures of the Group arising from trading, non-trading and structural positions is disclosed as follows. The net options position reported is calculated in accordance with the methods set out in the banking return "Foreign Currency Position" (MA(BS)6) submitted to the HKMA.

Equivalent in HK\$'000	The Group					
	As at 31 Dec 2001			As at 31 Dec 2000		
	US dollars	Renminbi	Total	US dollars	Renminbi	Total
Spot assets	20,604,336	333,179	20,937,515	25,898,004	184,954	26,082,958
Spot liabilities	(21,250,359)	(9,836)	(21,260,195)	(22,033,592)	(27,386)	(22,060,978)
Forward purchases	61,313,741	0	61,313,741	25,200,257	0	25,200,257
Forward sales	(58,781,329)	0	(58,781,329)	(28,730,228)	0	(28,730,228)
Net long position	1,886,389	323,343	2,209,732	334,441	157,568	492,009

MANAGEMENT DISCUSSION AND ANALYSIS

1. Review of Operations

In 2001, Hong Kong continued to find its economy in a difficult stage. In the face of such difficult operating circumstances, the Bank adopted the guiding principles of “innovation, restructuring, and further growth”. As a result, the Bank succeeded in achieving its major business targets, enlarging its asset base and achieving another year of record profit.

2. Business Performance

1. Earnings reached historic high levels

To overcome the challenges of a difficult operating environment, the Bank exercised stringent cost control and focused on enhancing profitability through the developing of new value-added products and services and by increasing operational efficiency. As a result, profit hit record high level.

In 2001, the Bank’s operating profit before provisions amounted to HK\$1.03 billion, representing an increase of HK\$78 million, or 8.2%, over the HK\$952 million in 2000. Profit attributable to shareholders was HK\$617 million, an increase of HK\$85 million, or 16%, over the HK\$532 million recorded in 2000. The Bank had a consecutive year of record earnings.

2. Significant improvement in asset quality

At 2001 year-end, the Bank’s loans and advances, at HK\$32.8 billion, were basically at 2000’s level. Deposits fell HK\$2.3 billion, or 4.7%, from 2000’s HK\$48.7 billion to HK\$46.4 billion. The Bank’s total assets reached HK\$59.4 billion as of 2001 year-end, representing an increase of HK\$2.8 billion, or 4.9%, from 2000’s HK\$56.7 billion.

In 2001, the Bank heightened its efforts to further enhance asset quality. A review of the credit administrative workflow was performed and the entire credit approval process was re-engineered and streamlined with a view to improving the quality of the Bank’s loan portfolio. At the same time, in order to support new business development, the Bank implemented new credit policies and procedures in various new business areas, such as credit cards and consumer loans. As a result, various asset quality indicators surpassed market standards as demonstrated by the 0.6% mortgage delinquency rate and the 2.3% and zero charge-off rates for unsecured personal lending and hire purchase and leasing facilities respectively.

The Bank continued to make improvement with regard to the problem loans issue. In 2001, the Bank resolved a total of HK\$844 million of problem loans through cash collection, asset-for-debt swaps and debt restructuring. The classified exposure at year-end, including sub-standard, doubtful and loss categories, was significantly reduced from HK\$2.1 billion recorded at 2000 year-end to HK\$1.8 billion, representing 5.5% of total loans as of 2001 year-end. The coverage ratio increased from 80% in

2000 to 84% in 2001, while the NPL ratio dropped to 4.5%, and is expected to further decline.

In 2001, the Bank launched three certificates of deposits ('CDs') issues, totaling HK\$2.1 billion. The longest tenor issued was five years CDs. In an effort to effectively manage its capital requirements, the Bank issued its inaugural ten-year subordinated debt issue of US\$300 million in July, which was well received by international investors. In January 2002, the Bank successfully raised HK\$726 million through a rights issue to further enhance its capital adequacy ratio and to fuel future growth.

Due to its prudent approach in treasury management, the Bank's financial position was further enhanced in 2001. At year-end, the capital adequacy ratio was 20.8%; loans to deposits ratio was 70.7%; loans to total assets ratio was 55.2%; the property-related loan ratio was 45.6%; and the average liquidity ratio was 51.2%.

At 2001 year-end, various asset quality indicators pointed to a significant improvement in the quality of the Bank's asset portfolio as a result of the further strengthening of credit review and monitoring procedures.

Asset Quality Indicators

	2001	2000	1999
Top 20 Customers Exposure as a percentage of Total Indebtedness	23.0%	25.7%	32.9%
Classified Exposure (sub-standard, Doubtful and loss)	5.5%	6.3%	8.4%
NPL*	4.5%	4.8%	5.6%
Capital Adequacy	20.8%	17.1%	19.2%
Loans to Deposits	70.7%	67.4%	67.9%
Loans to Total Assets	55.2%	57.9%	58.1%
Average Liquidity	51.2%	42.1%	39.5%

*as a percentage of advances to customers

3. Business Recorded Steady Growth, Non-interest Income Rose Significantly

In 2001, the Bank achieved a steady growth in interest income through a combination of loan asset reshuffling and development of high yield products and services. The improvement in loan returns, coupled with stringent efforts on funding cost control and restructuring of the Bank's loans and deposits mix, resulted in a net interest income of HK\$1.2 billion, representing an increase of HK\$95 million, or 8%, over 2000's level. Non-interest income surged by HK\$95 million, or 21%, to HK\$543 million as compared to HK\$448 million recorded in 2000. The main impetus for the non-interest income growth was fees generated from the sale of personal wealth management products such as unit trusts, insurance and bonds, new corporate facilities, bills, as well as net gains on equity and forex investments. The Bank will focus on exploring additional non-interest income avenues in an effort to further increase the contribution of non-interest income towards operating income from the current level of 30%.

During the year, the Bank launched a series of new products and services. It is worth

mentioning that personal wealth management service was introduced in April, while the Bank formed a strategic alliance with Sun Life Financial (Hong Kong) Limited in May to jointly launch Bancassurance to broaden its core range of wealth management products. In addition, the Bank launched its first credit card, CITIC Ka Wah VISA, in November to diversify its businesses and to open up a significant source of interest and non-interest revenue. The new credit card business will enable the Bank to build and strengthen customer relationship, and provide bountiful opportunities for cross-selling and business alliances. Since the launch, the Bank has already issued over 60,000 credit cards. The number of credit card customers is expected to surpass 100,000 by the end of 2002.

New Products and Services Launched in 2001

January	- No monthly fee pledge and HK\$100 cash rebate for new depositors
March	- “Click2Trade Station” e-business service - “SME Loan” - second phase of “i-banking” service
April	- Launch of personal wealth management service with the opening of the inaugural Wealth Management Center at Taikoo Place - “More Money” cash card account - “Bond Investment” service
May	- Formed a strategic alliance with Sun Life Financial (Hong Kong) Limited to launch Bancassurance - 4% fixed deposit rate campaign - “Sun RetireFun” life insurance service
July	- “Unit Trust Savings Plan” - “Life Plus” life insurance service
August	- “Personal Installment Loan” at HK\$1 interest charge - Jointly launched general insurance products with Eagle Star Insurance
September	- “Phone Enrollment” service for insurance application
October	- “Internet Cash Management” service - 4% fixed rate deposit and insurance bundle product
November	- The Bank’s first credit card “CITIC Ka Wah VISA” - “Salaries Tax Loan”
December	- “Company Tax Loan”

Over the past two years, the Bank has launched over 30 new products and services. Together with the completion of its extensive service platform, the Bank is well

positioned for further business growth.

4. Improved Risk Management Capability

In 2000, work had started to replace the Bank's core banking system which was designed to cope with the Bank's long-term business development needs. The conversion of the first phase of the core banking system took place in September 2001 and the implementation of the second phase was completed in January 2002. The successful overhaul of the core banking system enhanced the Bank's internal management capability and infrastructure including its capabilities in financial management, research and analysis, and operation flow.

In order to further raise the standard of operational risk management, the Bank established a back-up IT center in Shatin. Business contingency plans were being continually updated to reflect current changes in the operating environment. The Bank also undertook periodic test simulations in order to assure business continuity in the event of external disruptions to the Bank's major operating systems.

To make further improvement on corporate governance, the Compliance Department was established in July. The Internal Control Committee, being set up in August, was mandated to review, evaluate and improve the effectiveness of the internal control environment within the Bank and to facilitate and re-align the process of developing and approving the Bank's policies and procedures. In 2001, the Bank issued a Compliance Manual and provided the necessary training to all staff members, which raised staff awareness of a risk management culture.

3. Progress of Integration with The Hongkong Chinese Bank, Limited

In November 2001, the Bank announced the acquisition of The Hongkong Chinese Bank, Limited ('HKCB'). The related transaction was completed on 17 January 2002. As a result of this acquisition, the Bank's asset base was increased to around HK\$79.6 billion, thereby becoming the fourth largest listed bank in Hong Kong. Total deposits and total loans were approximately HK\$62.7 billion and HK\$44.7 billion respectively.

Following the completion, the two banks will continue to operate as separate entities, but with a view to becoming fully integrated by the end of 2002. An Integration Committee, comprising management of both banks, was established to decide on integration-related issues. The Bank had invested much advance work and planning in the integration in order to maximize the overall benefits for customers, employees and shareholders. During the transition process, the two banks will seek cooperation in all aspects of business undertakings, customer referrals and back-office operation. The resultant effect would be better service and products for customers; more opportunities for employees; higher efficiency and profitability for the Bank; and earnings accretion for shareholders.

4. Future Strategies

The Bank has successfully laid a solid business foundation as a result of the efforts

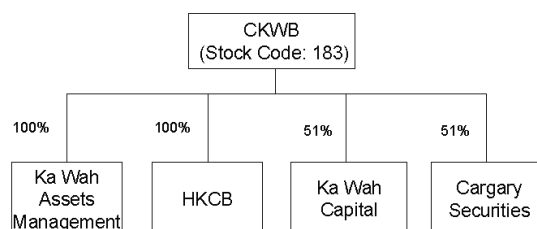
made in the past few years. In order to leverage on the network and strengths of its parent company in Mainland China and to capitalize on the numerous opportunities arising from China's entry to the World Trade Organization, the Bank is currently formulating plans to re-organize its group structure.

1. Re-organization of Group Structure

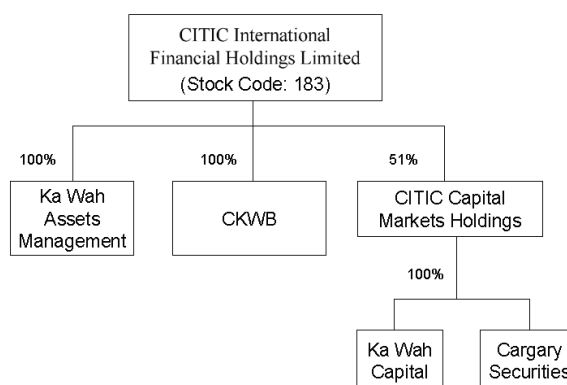
The Bank is in the process of formulating its re-organization plan, under which the Bank's three main businesses, namely commercial banking, investment banking and assets management will be re-organized under a financial holdings company. The main purpose of the re-organization is to provide customers with a full range of financial services, to enhance the group's overall competitiveness as a result of further specialization of management, and ultimately to deliver better returns for shareholders.

The current proposed re-organization plan is as follows:

Basic Group Structure before Re-organization



Basic Group Structure after Re-organization



The proposed plan will involve three principal steps:

- (1) The Bank plans to integrate the commercial banking business of CITIC Ka Wah Bank with HKCB by way of a private bill.
- (2) The Bank will re-organize its investment banking business by forming CITIC Capital Markets Holdings Limited to take up its interests in Ka Wah Capital and

Cargary Securities. The re-organization will pave the way for the future development of such business.

- (3) Enormous growth potential exists in the assets management business. The Bank plans to enhance the professional management of the wholly owned Ka Wah Assets Management Limited in a bid to develop such business. At the same time, the Bank will consider transferring part of its NPLs and related assets to that company to further improve the asset quality of its commercial banking arm.

The plan is currently in the final stage of legal and financial reviews. That transpired, the Bank will strive to complete the re-organization in the first quarter of 2003.

2. Accelerate Mainland Market Development

The Bank today signed a memorandum of understanding with CITIC Industrial Bank with a view to establishing a long-term business co-operation relationship. The aims are to achieve a mutual complement of business strengths, sharing of business resources, development of new business opportunities and enhancement of risk management capabilities. The areas of co-operation will encompass priority participation in syndicated loans arranged by the other party; joint arrangement of foreign currencies and Renminbi dual-currency club deals; priority consideration given to the other party in the processing of international trade settlements; and enhanced co-operation in product development in areas such as credit cards, personal financial management and personal loans.

5. Outlook

Looking ahead, the Bank will continue to operate from its base in Hong Kong. With CITIC's support and the Bank's in-depth knowledge of the Hong Kong and Mainland markets, the Bank is well positioned to accelerate the development of its Mainland businesses and to capitalize on the vast opportunities that arise as a result of China's entry to the World Trade Organization. The Bank will position itself as the provider of a full range of financial services and strive to become a premier financial group in Hong Kong, the Mainland and the region.

FINAL DIVIDEND

The Directors propose to recommend a final dividend of HK\$0.025 (2000: HK\$0.05) per share which, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or around 23 May 2002 to shareholders whose names are on the Register of Members at the close of business on 17 May 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Tuesday, 14 May 2002 to Friday, 17 May 2002, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Bank's Share Registrar, Central

Registration Hong Kong Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00p.m. on Monday, 13 May 2002.

PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

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

By Order of the Board
CITIC Ka Wah Bank Limited
Chang Zhenming
President and Chief Executive Officer

Hong Kong, 28 February 2002

Remark: A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK") will be subsequently published on SEHK's website in due course.