



**UNAUDITED CONSOLIDATED RESULTS FOR THE SIX
MONTHS ENDED 30 JUNE 2002**

SUMMARY OF RESULTS

The directors of Liu Chong Hing Bank Limited (the "Bank") are pleased to announce that the unaudited consolidated results of the Bank and its group of companies (the "Group") for the six months ended 30 June 2002, together with the comparative figures for the last corresponding period, which have been reviewed by the Bank's Audit Committee are as follows:

	6 months ended 30 June 2002	6 months ended 30 June 2001
	HK\$'000	HK\$'000
Interest income	627,766	1,155,098
Interest expense	(252,398)	(741,348)
Net interest income	375,368	413,750
Other operating income	100,005	79,137
Operating income	475,373	492,887
Operating expenses	(217,442)	(212,620)
Operating profit before provisions and disposal of long-term assets	257,931	280,267
Charge for bad and doubtful debts (<i>Note 1</i>)	(57,457)	(51,297)
Net losses from disposal of property and equipment	(117)	(6)
Gains less losses from disposal of other securities	15,822	-
Gains less losses from disposal of held-to-maturity securities	1,597	-
Profit from operations	201,954	244,786
Share of results of jointly controlled entities	(9,510)	-
Profit from ordinary activities before taxation	192,444	244,786
Taxation (<i>Note 2</i>)		
- Hong Kong	(31,400)	(42,300)
- Overseas	(6)	(175)
Profit attributable to shareholders	161,038	202,311
Dividends	(65,250)	(65,250)
Earnings per share (<i>Note 3</i>)	HK\$0.37	HK\$0.47
Dividend per share	HK\$0.15	HK\$0.15

BALANCE SHEET INFORMATION

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Assets		
Cash and short-term funds	13,020,542	14,269,839
Placements with banks and other financial institutions maturing between one and twelve months	3,740,001	3,201,738
Trading securities	182,331	172,335
Advances and other accounts (including trade bills: HK\$62,880,000; 2001: HK\$62,644,000)	19,578,329	18,931,110
Held-to-maturity securities	868,267	494,874
Certificates of deposit held	1,124,898	476,194
Other securities	257,926	288,152
Interest in an associate	361,637	360,139
Interest in jointly controlled entities	66,158	75,668
Investment properties	47,868	47,868
Property and equipment	1,144,022	1,145,313
Total assets	40,391,979	39,463,230
Liabilities		
Deposits and balances of banks and other financial institutions	460,145	544,206
Current, fixed, savings and other deposits of customers	33,630,125	32,685,720
Other accounts and provisions	425,921	436,519
Taxation	43,457	803
Total liabilities	34,559,648	33,667,248
Capital Resources		
Share capital	217,500	217,500
Reserves		
Share premium	1,542,817	1,542,817
Goodwill	(182)	(182)
Investment property revaluation reserve	29,344	29,344
Land and buildings revaluation reserve	709,579	709,579
Investment revaluation reserve	31,226	25,603
General reserve	1,200,000	1,200,000
Inner reserve	188,500	188,500
Translation reserve	5,472	5,284
Dividend reserve	65,250	130,500
Retained profits	1,747,037	1,596,900
Current period / year profit	95,788	150,137
	5,614,831	5,578,482
Shareholders' funds	5,832,331	5,795,982
Total liabilities and capital resources	40,391,979	39,463,230

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Goodwill	Investment property revaluation reserve	Land and buildings revaluation reserve	Investment revaluation reserve	General reserve	Inner reserve	Translation reserve	Dividend reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	217,500	1,542,817	(182)	29,344	709,579	25,603	1,200,000	188,500	5,284	130,500	1,747,037	5,795,982
Revaluation movements	-	-	-	-	-	5,623	-	-	-	-	-	5,623
Currency re-alignment	-	-	-	-	-	-	-	-	188	-	-	188
Profit for the period	-	-	-	-	-	-	-	-	-	-	161,038	161,038

Liu Chong Hing Bank Limited

Dividends paid	-	-	-	-	-	-	-	-	-	(130,500)	-	(130,500)
Proposed dividend	-	-	-	-	-	-	-	-	-	65,250	(65,250)	-
At 30 June 2002	217,500	1,542,817	(182)	29,344	709,579	31,226	1,200,000	188,500	5,472	65,250	1,842,825	5,832,331
At 1 January 2001	217,500	1,542,817	(182)	30,708	732,334	62,060	1,200,000	188,500	5,417	152,250	1,596,900	5,728,304
Revaluation movements	-	-	-	-	-	(20,814)	-	-	-	-	-	(20,814)
Currency re-alignment	-	-	-	-	-	-	-	-	(3,734)	-	-	(3,734)
Profit for the period	-	-	-	-	-	-	-	-	-	-	202,311	202,311
Dividends paid	-	-	-	-	-	-	-	-	-	(152,250)	-	(152,250)
Proposed dividend	-	-	-	-	-	-	-	-	-	65,250	(65,250)	-
At 30 June 2001	217,500	1,542,817	(182)	30,708	732,334	41,246	1,200,000	188,500	1,683	65,250	1,733,961	5,753,817
Revaluation movements	-	-	-	-	(24,119)	(15,643)	-	-	-	-	-	(39,762)
Transfer between reserves	-	-	-	(1,364)	1,364	-	-	-	-	-	-	-
Currency re-alignment	-	-	-	-	-	-	-	-	3,601	-	-	3,601
Profit for the period	-	-	-	-	-	-	-	-	-	-	143,576	143,576
Dividends paid	-	-	-	-	-	-	-	-	-	(65,250)	-	(65,250)
Proposed dividend	-	-	-	-	-	-	-	-	-	130,500	(130,500)	-
At 31 December 2001	217,500	1,542,817	(182)	29,344	709,579	25,603	1,200,000	188,500	5,284	130,500	1,747,037	5,795,982

CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30 June 2002 HK\$'000	6 months ended 30 June 2001 HK\$'000
OPERATING ACTIVITIES		
Cash generated by operations	1,076,723	1,443,482
Hong Kong profits tax refunded	10,461	-
Hong Kong profits tax paid	-	(90)
Overseas tax paid	(6)	(175)
Interest paid on certificates of deposit issued	-	(825)
NET CASH FROM OPERATING ACTIVITIES	1,087,178	1,442,392
INVESTING ACTIVITIES		
Dividend received on equity securities	2,734	3,115
Interest received on investments in securities	12,553	34,114
Proceeds from disposal of held-to-maturity securities	155,000	1,000
Proceeds from disposal of certificate of deposits held	39,048	18,000
Proceeds from disposal of other securities	49,676	17,945
Proceeds from disposal of property and equipment	65	416
Advances to an associate	(1,498)	(2,045)
Purchase of held-to-maturity securities	(526,796)	-
Purchase of certificate of deposits held	(687,752)	-
Purchase of other securities	(13,827)	(38,559)
Purchase of property and equipment	(17,127)	(33,569)
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	(987,924)	417
FINANCING		
Ordinary dividend paid	(130,500)	(152,250)
NET CASH USED IN FINANCING ACTIVITIES	(130,500)	(152,250)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(31,246)	1,290,559
CASH AND CASH EQUIVALENTS AT 1 JANUARY	15,925,644	15,769,606
CASH AND CASH EQUIVALENTS AT 30 JUNE	15,894,398	17,060,165

Notes:

(1) The provisions for bad and doubtful debts for the period comprise:

6 months ended 30 June 2002	6 months ended 30 June 2001
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	HK\$'000	HK\$'000
Specific	55,830	48,607
General	1,627	2,690

- (2) a. Hong Kong profits tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the period. Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.
- b. No provision for deferred taxation has been made as the amounts involved are insignificant.
- (3) The calculation of earnings per share is based on the profit attributable to shareholders of HK\$161,038,000(2001: HK\$202,311,000) and on 435,000,000 (2001: 435,000,000) ordinary shares in issue during the period.
- (4) The accounting policies and methods of computation used in the preparation of the interim statement are consistent with those used in the annual accounts for the year ended 31 December 2001.
- (5) Business:

The corporate and retail banking services provided by the Group are principally lending and trade finance facilities, consumer financing, chequing facilities and the provision of fixed deposits and savings accounts. The Group also provides fully automated telephone and internet banking services to its customers. Other financial services offered include remittance and money exchange, safe deposit boxes, mandatory provident fund services, life insurance and mutual funds agency.

Treasury activities mainly comprise inter-bank placement and deposit transactions, management of overall interest rate risk and liquidity of the Group and centralised cash management. Income from foreign exchange activities is generated from services provided to customers in the form of foreign exchange trading and forward contracts.

Other business activities of the Group include investment holding, securities trading, stockbroking, commodities and futures broking, other investment advisory services and property investment.

- a. Segment information about these businesses for the six months ended 30 June 2002 is presented below:

**Treasury
Corporate and**

Liu Chong Hing Bank Limited

	foreign and retail exchange banking activities		Other activities	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income from external customers	451,300	176,466	-	-	627,766
Interest expense to external customers	(246,421)	(5,977)	-	-	(252,398)
Inter-segment income	93,270	-	-	(93,270)	-
Inter-segment expenses	-	(93,270)	-	93,270	-
Net income	298,149	77,219	-	-	375,368
Other operating income	54,698	12,104	33,203	-	100,005
Operating income	352,847	89,323	33,203	-	475,373
Inter-segment pricing is charged at prevailing customer deposits interest rates.					
Charge for bad and doubtful debts	(57,457)	-	-	-	(57,457)
Net (losses) / gain from disposal of property and equipment	(132)	-	15	-	(117)
Gains less losses from disposal of held-to-maturity securities	-	1,597	-	-	1,597
Result					
Segment profit	156,393	76,570	25,512	-	258,475
Unallocated corporate expenses	-	-	-	-	(56,521)
Profit from operations	-	-	-	-	201,954
Share of results of jointly controlled entities	-	-	(9,510)	-	(9,510)
Profit from ordinary activities before taxation	-	-	-	-	192,444
Taxation	-	-	-	-	(31,406)
Net profit for the period	-	-	-	-	161,038

- a. Segment information about these businesses for the six months ended 30 June 2001 is presented below:

	Corporate and retail banking HK\$'000	Treasury and foreign exchange activities HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	718,745	436,353	-	-	1,155,098
Interest expense to external customers	(717,654)	(23,694)	-	-	(741,348)
Inter-segment income	285,196	-	-	(285,196)	-
Inter-segment expenses	-	(285,196)	-	285,196	-
Net income	286,287	127,463	-	-	413,750
Other operating income	33,179	10,585	35,373	-	79,137
Operating income	319,466	138,048	35,373	-	492,887
Inter-segment pricing is charged at prevailing customer deposits interest rates.					
Charge for bad and doubtful debts	(51,297)	-	-	-	(51,297)
Net losses from disposal of property and equipment	(6)	-	-	-	(6)
Gains less losses from disposal of other securities	-	-	15,822	-	15,822
Result					
Segment profit	143,309	125,777	37,159	-	306,245
Unallocated corporate expenses	-	-	-	-	(61,459)
Profit from operations	-	-	-	-	244,786
Share of results of jointly controlled entities	-	-	-	-	-
Profit from ordinary activities before taxation	-	-	-	-	244,786
Taxation	-	-	-	-	(42,475)
Net profit for the period	-	-	-	-	202,311

- b. Geographical segmentation is analysed based on the locations of the principal operations of the branches and subsidiary companies responsible for reporting the results or booking the assets. For both six months ended 2001 and 2002, more than 90% of the Group's revenue and profit from ordinary activities before taxation were generated by assets booked by the principal operations of the branches and subsidiary companies located in Hong Kong.

SUPPLEMENTARY INFORMATION

(1) Advances and other accounts

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Advances to customers	19,682,555	18,928,272
Advances to banks and financial institutions	30,515	30,647
Accrued interest and other accounts	564,303	593,017
Provision for bad and doubtful debts		
- Specific	(331,837)	(279,131)
- General	(182,493)	(180,866)
Interest in suspense	(184,714)	(160,829)
	19,578,329	18,931,110

(2) Gross amount of advances by significant industry sectors

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
- Industrial, commercial and financial		
- Property development	817,737	772,242
- Property investment	3,610,040	3,510,885
- Financial concerns	1,296,070	1,397,976
- Stockbrokers	777,524	847,335
- Wholesale and retail trade	593,343	542,069
- Manufacturing	576,144	718,662
- Transport and transport equipment	176,843	257,578
- Others	3,513,958	3,287,069
- Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,037,300	986,409
- Loans for the purchase of other residential properties	2,970,097	3,092,503
- Credit card advances	90,792	75,727

- Others	942,387	952,653
Trade finance	822,469	853,591
Loans for use outside Hong Kong	2,457,851	1,633,573
	19,682,555	18,928,272

(3) Advance to Customers - by Geographical Areas

The Group's gross advances to customers by countries or geographical areas after taking into account any risk transfers are as follows:

	Total advances to customers		Non-performing advances		Advances overdue for over three months	
	30 June 2002	31 December 2001	30 June 2002	31 December 2001	30 June 2002	31 December 2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	18,567,231	17,806,412	1,085,774	1,143,822	1,634,208	1,586,891
People's Republic of China	282,914	282,820	88,599	88,404	88,599	88,404
Macau	354,194	374,261	8,000	8,000	8,000	8,000
United States of America	179,789	180,314	-	-	-	-
Others	298,427	284,465	-	-	-	-
	19,682,555	18,928,272	1,182,373	1,240,226	1,730,807	1,683,295

(4) Advances on which interest is being placed in suspense or has ceased to be accrued

	30 June 2002	% of Total advances	31 December 2001	% of Total advances
	HK\$'000		HK\$'000	
Gross advances	1,182,373	6.0	1,240,226	6.6
Specific provision	(323,717)		(240,870)	
	858,656		999,356	
Market value of collateral pledged	821,439		943,099	
Interest in suspense	(184,714)		(160,829)	

There are no advances to banks and other financial institutions on which interest is being placed in suspense or has ceased to be accrued.

(5) Cross-Border Claims

The Group's cross-border claims by countries or geographical areas which constitutes 10% or more of the relevant disclosure item after taking into account any risk transfers are as follows:

	30 June 2002			
	Banks and other financial institutions	Public entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia Pacific excluding Hong Kong	5,697,505	88,537	928,977	6,715,019
- of which Japan	2,169,794	-	-	2,169,794
North and South America	2,217,980	14,049	454,449	2,686,478
Europe	8,105,568	-	-	8,105,568
- of which - Germany	2,272,746	-	-	2,272,746
- United Kingdom	2,389,387	-	-	2,389,387
	31 December 2001			
	Banks and other financial institutions	Public entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia Pacific excluding Hong Kong	5,578,986	90,472	924,610	6,594,068
- of which Japan	2,430,628	-	-	2,430,628
North and South America	2,104,363	16,197	124,925	2,245,485
Europe	8,237,841	-	-	8,237,841
- of which - Germany	2,062,333	-	-	2,062,333
- Netherlands	1,860,980	-	-	1,860,980
- United Kingdom	2,055,219	-	-	2,055,219

(6) Gross amount of advances which have been overdue for three months and beyond

	30 June 2002			
	Advances HK\$'000	% of advances	Specific provision HK\$'000	Net HK\$'000
Advances overdue for				
- 6 months or less but over 3 months	626,527	3.2	16,486	610,041
- 1 year or less but over 6 months	100,744	0.5	21,832	78,912
- Over 1 year	1,003,536	5.1	284,944	718,592
Overdue advances	1,730,807	8.8	323,262	1,407,545
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(583,762)	(3.0)	(1,317)	(582,445)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	35,328	0.2	1,772	33,556
Total non-performing advances	1,182,373	6.0	323,717	858,656

Rescheduled advances	182,745	0.9	6,090	176,655
		31 December 2001		
	Advances	% of	Specific	Net
	HK\$'000	total	provision	HK\$'000
		advances	HK\$'000	
Advances overdue for	253,795	1.3	28,554	225,241
- 6 months or less but over 3 months	93,312	0.5	17,047	76,265
- 1 year or less but over 6 months	1,336,188	7.1	221,240	1,114,948
- Over 1 year	1,683,295	8.9	266,841	1,416,454
Overdue advances				
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(495,726)	(2.6)	(32,003)	(463,723)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	52,657	0.3	6,032	46,625
Total non-performing advances	1,240,226	6.6	240,870	999,356
Rescheduled advances	171,857	0.9	8,590	163,267

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

The value of the security of the above overdue advances are analysed as follows:

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Total overdue advances	1,730,807	1,683,295
Secured amount	1,382,870	1,379,310
Unsecured amount	347,937	303,985
	1,730,807	1,683,295
Market value of security	1,904,461	2,098,048

The loan borrowers are predominantly located in Hong Kong.

There were no advances to banks and other financial institutions and other assets which were overdue for over 3 months as at 30 June 2002 and 31 December 2001 nor were there any rescheduled advances to banks and other financial institutions.

(7) Currency Risk

The Group's foreign currency exposures arising from non-trading and structural position which constitute 10% or more of the total net position in all foreign currencies are as follows :

	30 June 2002		
	US\$	THB	Total
Equivalent in thousands of HK\$			
Spot assets	7,554,574	36,475	7,591,049
Spot liabilities	(7,602,526)	(3)	(7,602,529)
Forward purchases	152,505	-	152,505
Forward sales	(65,499)	-	(65,499)
Net long (short) position	39,054	36,472	75,526
			MOP
Net structural position			48,545
	31 December 2001		
	US\$	THB	Total
Equivalent in thousands of HK\$			
Spot assets	6,605,907	34,404	6,640,311
Spot liabilities	(6,683,549)	(3)	(6,683,552)
Forward purchases	157,073	-	157,073
Forward sales	(47,223)	-	(47,223)
Net long (short) position	32,208	34,401	66,609
			MOP
Net structural position			48,545

(8) The contractual or notional amounts of each of the following classes of off-balance sheet exposures outstanding are :

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Contingent liabilities and commitments		
- Direct credit substitutes	1,061,384	390,897
- Trade-related contingencies	271,426	195,097
- Other commitments	5,592,459	5,074,515
- Forward assets purchases	184,739	136,322
	7,110,008	5,796,831
Derivatives		
- Exchange rate contracts	23,223	49,742

The replacement cost and credit risk weighted amounts of the above off-balance sheet exposures are as follows :

	30 June 2002		31 December 2001	
	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	1,799,412	n/a	1,220,452
Exchange rate contracts	45	139	895	696

45	1,799,551	895	1,221,148
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The above amounts do not take into account the effects of bilateral netting arrangements.

(9) Capital adequacy and liquidity ratio

	30 June 2002	31 December 2001
	%	%
Capital adequacy ratio	20.96	20.92
	30 June 2002	30 June 2001
	%	%
Average liquidity ratio for the period	53.44	59.33

The capital adequacy ratio is calculated as the ratio, expressed as a percentage, of the capital base to the risk assets, as specified in the Third Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Liu Chong Hing Finance Limited, Liu Chong Hing Bank (International) Limited, Liu Chong Hing Banking Corporation, Cayman, and Right Way Investments Limited.

The average liquidity ratio is calculated as the ratio, expressed as a percentage, of the average of each calendar month's average ratio, as specified in the Fourth Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Liu Chong Hing Finance Limited, Liu Chong Hing Bank (International) Limited, Liu Chong Hing Banking Corporation, Cayman, and Right Way Investments Limited.

(10) The components of the total capital base after deductions as reported under Part I of the Capital Adequacy Return are as follows:

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Core capital		
Paid up ordinary share capital	217,500	217,500
Share premium account	1,542,817	1,542,817
Reserves (eligible for inclusion in core capital)	3,031,744	2,932,283
	4,792,061	4,692,600
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	517,478	517,478
Reserves on revaluation of holding of securities not held for trading purposes	9,838	7,109
General provisions for doubtful debts	181,486	179,858
Total capital base before deductions	5,500,863	5,397,045
Deductions from total capital base	(569,739)	(613,597)
Total capital base after deductions	4,931,124	4,783,448

Note: Certain comparative figures have been re-classified to conform to current period's presentation.

COMPLIANCE WITH THE SUPERVISORY POLICY MANUAL FD-2 "INTERIM FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORISED INSTITUTIONS"

The Bank has fully complied with the Supervisory Policy Manual FD-2 "Interim Financial Disclosure by Locally Incorporated Authorised Institutions" which was issued by the Hong Kong Monetary Authority in November 2001.

INTERIM DIVIDEND

The Directors have declared an interim cash dividend for 2002 of HK\$0.15 per share, payable on Wednesday, 18 September 2002 to shareholders whose names are on the Register of Members on Friday, 13 September 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 9 September 2002 to Friday, 13 September 2002 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the 2002 interim dividend, all transfer documents, together with the relevant share certificates, must be lodged with the Bank's Share Registrars and Transfer Office, Computershare Hong Kong Investor Services Limited (formerly known as Central Registration Hong Kong Limited) of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 pm on Friday, 6 September 2002.

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

Neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any of the Bank's listed securities during the six months ended 30 June 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Bank is not, or was not for any part of the accounting period for the six months ended 30 June 2002, in compliance with the Code of Best Practice adopted by the Bank, which includes all the

guidelines set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The results of the Bank for the six months ended 30 June 2002 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the Stock Exchange's website in due course.

REVIEW AND PROSPECTS

The global economy nosedived last year and the domino effect triggered by the terrorist attacks on the United States was especially far-reaching. The major economies had yet to be nursed back to health as we entered the year of 2002. The US economy, as the locomotive of the market at large, appears to be rather unstable. The spell of cloudiness will therefore take some more time to dissipate.

The local economy, which is still under the influence of last year's sluggishness, has remained in the doldrums so far this year. Although the territory's gross domestic product for the first quarter of this year rose slightly by 0.3 percent compared with that of the previous quarter, unemployment rate still tends to be on the rise. The latest number of unemployed persons reached 275,000, translating into an unemployment rate of 7.8 percent, which is rare in recent times. This has a direct adverse effect on investment activities and consumption sentiments. The property and the stock markets - the two major pillars of the local economy - are fluctuating, leaving a lot to be desired. The banking and financial industries are experiencing ever-mounting difficulties for lack of avenues to use their capital. And the situation regarding loan delinquencies, as well as bad and doubtful debts, has yet to improve. Those who work in the trade are therefore not optimistic about this year's earnings prospects.

The Bank's unaudited, consolidated results for the first half of 2002 dropped in comparison with those for the previous corresponding period. Net interest income fell 9.28 percent to HK\$375.368 million. Operating profit before provisions sank 7.97 percent to HK\$257.931 million. Provisions for bad and doubtful debts increased 12.01 percent to HK\$57.457 million. Profit attributable to shareholders amounted to HK\$161.038 million, a drop of 20.40 percent. As of 30 June 2002, total customers' deposits rose 3.17 percent to HK\$33.63 billion compared with the previous corresponding figure. Total loans and advances to customers (after provisions for bad and doubtful debts) increased 7.03 percent to HK\$19.168 billion. Total assets edged up

slightly by 1.20 percent to HK\$40.392 billion. As of 30 June 2002, capital adequacy ratio dropped 5.88 percent to 20.96 percent, while average liquidity ratio for the first half of 2002 decreased 9.93 percent to 53.44 percent. Loan-to-deposit ratio, as of 30 June 2002, stood at 49.89 percent, an increase of 3.85 percent against last year's corresponding ratio. The various figures mentioned above are indicative of the good progress made in respect of the use of the Bank's capital. After more than a year's contraction, loans and advances have grown some 7 percent for the first time. The reduction in profit is due mainly to the general state of the economy which has yet to recover swiftly as originally expected. Furthermore, some of the Bank's borrowing customers, who have provided collateral to secure their loans, have experienced short-term cash flow problems and defaulted on a number of their repayments of principal and interest. Although such customers are still fundamentally sound, the market value of their collateral has changed somewhat. More provisions have been called for under the circumstances to adequately cover bad and doubtful debts, hence the increase over last year's provisions. Considering the extent of satisfactory progress made thus far in the wake of the Bank's active debt collection efforts, it is expected that the situation can be improved with some clawbacks by the end of this year.

As far as board composition changes are concerned, I stepped down as your Managing Director immediately after the Bank's annual general meeting on 25 April 2002. I, however, stayed on as your Executive Chairman. Mr Liu Lit Chi was promoted at the same time from Deputy Managing Director to Managing Director and Chief Executive Officer. Mr Don Tit Shing Liu, Executive Director, was then appointed the Bank's Deputy Chief Executive Officer as well. Dr Liu Lit Chung resigned as a Non-executive Director of the Bank on 11 July 2002, and Mr Christopher Kwun Shing Liu was appointed a Non-executive Director of the Bank on that same day. I would like to take this opportunity to not only thank Dr Liu for his contributions to the Bank during his term of office, but also welcome those who have assumed their new positions. I expect that we will continue to forge ahead by cooperating closely with one another.

Although the current state of the global economy is murky and the financial market mercurial, the fundamentals are still strong. Corporate accounting scandals in the United States may have a dampening effect in the short term. Once the various reforms proposed by the regulators are implemented, the operations concerned can be expected to return to the right track. The Hong Kong Special Administrative Region Government launched the accountability system for principal officials on 1 July 2002. It is hoped that this will usher in a new econo-political regime for Hong Kong. Moreover, the softening of the US currency in the international market will favour the local economy by facilitating the growth of exports.

As far as the performance of the local banking sector is concerned, despite fierce competition, it still managed to keep up with the times in the midst of numerous cyclical economic ordeals.

Liu Chong Hing Bank Limited

The Bank will work hard to seek the best possible return for its shareholders by continuing to make judicious use of its capital, growing quality loan portfolios and devoting itself to the development of new products.

By Order of the Board

Liu Lit Man

Executive Chairman

19 August 2002

Please also refer to the published version of this announcement in the South China Morning Post dated 20 August 2002.