



UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

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 2003, 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 2003	6 months ended 30 June 2002
	HK\$'000	HK\$'000
Interest income	544,260	627,766
Interest expense	<u>(198,171)</u>	<u>(252,398)</u>
Net interest income	346,089	375,368
Other operating income (Note 6)	<u>89,553</u>	<u>100,005</u>
Operating income	435,642	475,373
Operating expenses (Note 7)	<u>(224,445)</u>	<u>(217,442)</u>
Operating profit before provisions and disposal of long-term assets	211,197	257,931
Charge for bad and doubtful debts (Note 1)	<u>(38,928)</u>	<u>(57,457)</u>
Net losses from disposal of property and equipment	<u>(1,425)</u>	<u>(117)</u>
Gains less losses from disposal of held-to-maturity securities	-	1,597
Gains less losses from disposal of other securities	<u>692</u>	<u>-</u>
Profit from operations	171,536	201,954
Share of results of jointly controlled entities	<u>(2,000)</u>	<u>(9,510)</u>
Profit from ordinary activities before taxation	169,536	192,444
Taxation (Notes 2 and 4)		
- Hong Kong	<u>(27,300)</u>	<u>(31,400)</u>
- Overseas	<u>(254)</u>	<u>(6)</u>
- Deferred tax	<u>5,634</u>	<u>2,349</u>
Profit attributable to shareholders	<u>147,616</u>	<u>163,387</u>
Dividends	<u>65,250</u>	<u>65,250</u>
Earnings per share (Note 3)	<u>HK\$0.34</u>	<u>HK\$0.38</u>
Dividend per share	<u>HK\$0.15</u>	<u>HK\$0.15</u>

CONSOLIDATED BALANCE SHEET INFORMATION

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Assets		
Cash and short-term funds	10,159,732	12,388,484
Placements with banks and other financial institutions maturing between one and twelve months	3,512,083	2,223,465
Trading securities	205,583	185,994
Advances and other accounts (including trade bills: HK\$72,989,000; 2002 : HK\$54,642,000)	19,103,243	19,589,201
Held-to-maturity securities	1,901,565	1,557,144
Certificates of deposit held	1,523,576	1,337,768
Other securities	272,204	256,312
Interest in an associate	369,864	362,777
Interest in jointly controlled entities	67,033	69,033
Investment properties	47,868	47,868
Property and equipment	1,173,759	1,170,950
Total assets	<u>38,336,510</u>	<u>39,188,996</u>
Liabilities		
Deposits and balances of banks and other financial institutions	417,489	420,845
Deposits from customers (<i>Note 8</i>)	31,830,194	32,492,252
Other accounts and provisions	181,776	390,182
Taxation	34,407	7,694
Deferred taxation (<i>Note 4</i>)	84,449	79,629
Total liabilities	<u>32,548,315</u>	<u>33,390,602</u>
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	572,241	582,694
Investment revaluation reserve	14,221	9,259
General reserve	1,200,000	1,200,000
Inner reserve	188,500	188,500
Translation reserve	5,233	5,307
Dividend reserve	65,250	152,250
Retained profits	1,870,905	1,776,994
Current period / year profit	82,366	93,911
	<u>5,570,695</u>	<u>5,580,894</u>
Shareholders' funds	<u>5,788,195</u>	<u>5,798,394</u>
Total liabilities and capital resources	<u>38,336,510</u>	<u>39,188,996</u>

CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30 June 2003 HK\$'000	6 months ended 30 June 2002 HK\$'000
OPERATING ACTIVITIES		
Cash (used in) / generated from operations	(36,691)	1,076,723
Hong Kong profits tax refunded	–	10,461
Hong Kong profits tax paid	(587)	–
Overseas tax paid	(254)	(6)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	(37,532)	1,087,178
INVESTING ACTIVITIES		
Interest received from investments in securities	35,119	12,553
Dividend received from equity securities	4,145	2,734
Purchase of held-to-maturity securities	(546,905)	(526,796)
Purchase of certificates of deposit held	(338,235)	(687,752)
Purchase of other securities	(16,468)	(13,827)
Purchase of property and equipment	(23,667)	(17,127)
Advances to an associate	(7,087)	(1,498)
Proceeds from disposal of other securities	6,231	49,676
Proceeds from disposal of held-to-maturity securities	202,484	155,000
Proceeds from disposal of certificates of deposit held	152,427	39,048
Proceeds from disposal of property and equipment	30	65
NET CASH USED IN INVESTING ACTIVITIES	(531,926)	(987,924)
FINANCING		
Ordinary dividend paid	(152,250)	(130,500)
NET CASH USED IN FINANCING ACTIVITIES	(152,250)	(130,500)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(721,708)	(31,246)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	13,950,034	15,925,644
CASH AND CASH EQUIVALENTS AT 30 JUNE	13,228,326	15,894,398

Notes:

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

	6 months ended 30 June 2003 HK\$'000	6 months ended 30 June 2002 HK\$'000
Specific	39,703	55,830
General	(775)	1,627

- (2) a. Hong Kong profits tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the period. Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.
- b. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
- (3) The calculation of earnings per share is based on the profit attributable to shareholders of HK\$147,616,000 (2002: HK\$163,387,000) and on 435,000,000 (2002: 435,000,000) ordinary shares in issue during the period.

- (4) With effect from 1 January 2003, the Group has adopted the Statement of Standard Accounting Practice 12 (revised) ("SSAP 12") on "Income Taxes" issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of asset and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

The accounting policy for deferred tax has been changed and applied retrospectively. Comparative figures for 2002 have been restated to conform with the current period's presentation accordingly. The opening balance of retained profits as at 1 January 2002 and 2003 have been increased by HK\$29,957,000 and HK\$31,874,000 respectively. The deferred tax liabilities as at 31 December 2002 have been increased by HK\$79,629,000. The opening balance of the Group's land and building revaluation reserve as at 1 January 2002 and 2003 have been decreased by HK\$113,964,000 and HK\$111,503,000 respectively, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's properties at that date. The effect of the change is a reduced charge to income taxes in the current period of HK\$5,634,000 (2002: HK\$2,349,000).

Except the adoption of SSAP 12 (revised), 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 2002.

- (5) Business

The corporate and retail banking services provided by the Group are principally lending and trade finance facilities, consumer financing, chequing facilities, mandatory provident fund services, the provision of fixed deposits and savings accounts, credit cards, insurance and personal wealth management services. 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, auto pay and direct debit services.

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 2003 is presented below:

	Corporate and retail banking	Treasury and foreign exchange activities	Other activities	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	351,171	193,089	-	-	544,260
Interest expense	(194,541)	(3,630)	-	-	(198,171)
Inter-segment income	68,039	-	-	(68,039)	-
Inter-segment expenses	-	(68,039)	-	68,039	-
Net interest income	<u>224,669</u>	<u>121,420</u>	<u>-</u>	<u>-</u>	<u>346,089</u>
Other operating income	<u>43,476</u>	<u>14,048</u>	<u>32,029</u>	<u>-</u>	<u>89,553</u>
Operating income	<u>268,145</u>	<u>135,468</u>	<u>32,029</u>	<u>-</u>	<u>435,642</u>
Inter-segment pricing is charged at prevailing customer deposits interest rates.					
Charge for bad and doubtful debts	(38,928)	-	-	-	(38,928)
Net (losses) / gains from disposal of property and equipment	(1,455)	-	30	-	(1,425)
Gains less losses from disposal of other securities	-	-	692	-	692
Operating expenses	<u>(133,000)</u>	<u>(9,203)</u>	<u>(10,499)</u>	<u>-</u>	<u>(152,702)</u>
Result					
Segment profit	<u>94,762</u>	<u>126,265</u>	<u>22,252</u>	<u>-</u>	<u>243,279</u>
Unallocated corporate expenses					(71,743)
Profit from operations					<u>171,536</u>
Share of results of jointly controlled entities					(2,000)
Profit from ordinary activities before taxation					<u>169,536</u>
Taxation					<u>(21,920)</u>
Net profit for the period					<u>147,616</u>

(5) Business - continued

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

	Corporate and retail banking	Treasury and foreign exchange activities	Other activities	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	451,300	176,466	-	-	627,766
Interest expense	(246,421)	(5,977)	-	-	(252,398)
Inter-segment income	93,270	-	-	(93,270)	-
Inter-segment expenses	-	(93,270)	-	93,270	-
Net interest income	298,149	77,219	-	-	375,368
Other operating income	54,698	12,104	33,203	-	100,005
Operating income	<u>352,847</u>	<u>89,323</u>	<u>33,203</u>	<u>-</u>	<u>475,373</u>
Inter-segment pricing is charged at prevailing customer deposits interest rates.					
Charge for bad and doubtful debts	(57,457)	-	-	-	(57,457)
Net (losses) / gains from disposal of property and equipment	(132)	-	15	-	(117)
Gains less losses from disposal of held-to-maturity securities	-	1,597	-	-	1,597
Operating expenses	(138,865)	(14,350)	(7,706)	-	(160,921)
Result					
Segment profit	<u>156,393</u>	<u>76,570</u>	<u>25,512</u>	<u>-</u>	258,475
Unallocated corporate expenses					(56,521)
Profit from operations					201,954
Share of results of jointly controlled entities					(9,510)
Profit from ordinary activities before taxation					192,444
Taxation					(29,057)
Net profit for the period					<u>163,387</u>

- 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 2002 and 2003, 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.

(6) Other operating income

	6 months ended 30 June 2003 HK\$'000	6 months ended 30 June 2002 HK\$'000
Fee and commission income	47,471	60,368
Less: Fee and commission expenses	(926)	(549)
Net fee and commission income	46,545	59,819
Dividend income	4,144	2,735
Gains less losses from dealing in foreign currencies	14,048	12,104
Gross rental income from properties	2,478	4,742
Less: Outgoings	(3,374)	(2,795)
Net rental (expense) / income	(896)	1,947
Safe deposit box rentals	10,149	9,997
Other banking services income	14,843	11,903
Others	720	1,500
	<u>89,553</u>	<u>100,005</u>

(7) Operating expenses

	6 months ended 30 June 2003 HK\$'000	6 months ended 30 June 2002 HK\$'000
Staff costs		
Salaries and other costs	110,401	106,053
Retirement benefits scheme contributions	7,519	8,550
Total staff costs	117,920	114,603
Depreciation and amortisation	19,403	18,236
Premises and equipment expenses, excluding depreciation		
Rental and rates for premises	17,422	12,742
Others	6,473	5,980
Other operating expenses	<u>63,227</u>	<u>65,881</u>
	<u>224,445</u>	<u>217,442</u>

(8) Deposits from customers

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Demand deposits and current accounts	1,550,802	1,459,406
Savings deposits	6,397,636	5,458,963
Time, call and notice deposits	<u>23,881,756</u>	<u>25,573,883</u>
	<u>31,830,194</u>	<u>32,492,252</u>

SUPPLEMENTARY INFORMATION**(1) Advances and other accounts**

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Advances to customers	19,453,390	19,650,535
Advances to banks and financial institutions	58,731	58,999
Accrued interest and other accounts	265,316	511,522
Provision for bad and doubtful debts		
- Specific	(298,273)	(272,699)
- General	(201,422)	(202,336)
Interest in suspense	<u>(174,499)</u>	<u>(156,820)</u>
	<u>19,103,243</u>	<u>19,589,201</u>

(2) Gross amount of advances by significant industry sectors

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Loans for use in Hong Kong		
- Industrial, commercial and financial		
- Property development	1,494,733	1,087,255
- Property investment	3,608,710	3,624,922
- Financial concerns	1,463,255	1,400,129
- Stockbrokers	453,518	575,441
- Wholesale and retail trade	609,040	619,996
- Manufacturing	652,283	701,188
- Transport and transport equipment	147,714	265,599
- Others	3,432,604	3,983,937
- Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,091,880	1,085,369
- Loans for the purchase of other residential properties	2,991,511	3,013,330
- Credit card advances	87,739	96,188
- Others	1,029,435	979,153
Trade finance	918,626	757,350
Loans for use outside Hong Kong	1,472,342	1,460,678
	<u>19,453,390</u>	<u>19,650,535</u>

(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 2003 HK\$'000	31 December 2002 HK\$'000	30 June 2003 HK\$'000	31 December 2002 HK\$'000	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Hong Kong	18,511,552	18,718,166	1,102,707	995,629	1,601,291	1,300,959
People's Republic of China	172,008	149,641	70,847	79,940	73,467	82,123
Macau	281,719	312,374	-	-	-	-
America	205,369	186,358	-	-	-	-
Others	282,742	283,996	-	-	-	-
	<u>19,453,390</u>	<u>19,650,535</u>	<u>1,173,554</u>	<u>1,075,569</u>	<u>1,674,758</u>	<u>1,383,082</u>

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

	30 June 2003 HK\$'000	% of total advances	31 December 2002 HK\$'000	% of total advances
Gross advances	1,173,554	6.0	1,075,569	5.5
Specific provision	<u>(254,483)</u>		<u>(266,931)</u>	
	<u>919,071</u>		<u>808,638</u>	
Market value of collateral pledged	<u>894,404</u>		<u>788,742</u>	
Interest in suspense	<u>(174,499)</u>		<u>(156,820)</u>	

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 2003

	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia Pacific excluding Hong Kong	5,027,956	86,571	615,299	5,729,826
- of which Australia	1,769,323	-	-	1,769,323
North and South America	1,306,471	4,135	633,850	1,944,456
Europe	7,998,198	-	39,014	8,037,212
- of which - Germany	3,338,872	-	-	3,338,872
- United Kingdom	2,304,587	-	39,014	2,343,601

31 December 2002

	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia Pacific excluding Hong Kong	5,105,374	87,553	876,954	6,069,881
- of which Australia	2,146,855	-	-	2,146,855
North and South America	1,721,753	14,617	525,371	2,261,741
Europe	8,247,847	-	-	8,247,847
- of which - Germany	2,324,212	-	-	2,324,212
- United Kingdom	1,799,768	-	-	1,799,768

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

30 June 2003

	Gross advances	% of total advances	Specific provision	Net advances
	HK\$'000		HK\$'000	HK\$'000
Advances overdue for				
- 6 months or less but over 3 months	191,570	1.0	9,305	182,265
- 1 year or less but over 6 months	700,941	3.6	56,677	644,264
- Over 1 year	782,247	4.0	186,814	595,433
Overdue advances	1,674,758	8.6	252,796	1,421,962
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(592,629)	(3.1)	-	(592,629)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspende or on which interest accrual has ceased	91,425	0.5	1,687	89,738
Total non-performing advances	1,173,554	6.0	254,483	919,071
Rescheduled advances	475,061	2.4	42,819	432,242

	Gross advances HK\$'000	31 December 2002 % of total advances	Specific provision HK\$'000	Net advances HK\$'000
Advances overdue for				
- 6 months or less but over 3 months	117,785	0.6	20,615	97,170
- 1 year or less but over 6 months	366,688	1.9	20,191	346,497
- Over 1 year	<u>898,609</u>	<u>4.6</u>	<u>223,522</u>	<u>675,087</u>
Overdue advances	1,383,082	7.1	264,328	1,118,754
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(344,373)	(1.8)	-	(344,373)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	<u>36,860</u>	<u>0.2</u>	<u>2,603</u>	<u>34,257</u>
Total non-performing advances	<u>1,075,569</u>	<u>5.5</u>	<u>266,931</u>	<u>808,638</u>
Rescheduled advances	<u>99,340</u>	<u>0.5</u>	<u>4,778</u>	<u>94,562</u>

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

(6) Gross amount of advances which have been overdue for over three months - continued

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

	30 June 2003		31 December 2002
	HK\$'000		HK\$'000
Total overdue advances	<u>1,674,758</u>		<u>1,383,082</u>
Secured amount	<u>1,400,237</u>		<u>1,102,602</u>
Unsecured amount	<u>274,521</u>		<u>280,480</u>
	<u>1,674,758</u>		<u>1,383,082</u>
Market value of security	<u>1,928,023</u>		<u>1,840,312</u>

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 2003 and 31 December 2002 nor were there any rescheduled advances to banks and other financial institutions.

Advances continued to be reported as such after assets held as collateral have been repossessed. The repossessed assets are recorded at fair market value and provisions are made if there is any subsequent deterioration in value.

Repossessed assets held by the Group as at 30 June 2003 amounted to HK\$171,960,000 (2002: HK\$150,950,000).

(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 2003			Total
	US\$	MOP	THB	
Equivalent in thousands of HK\$				
Spot assets	7,010,679	45,722	36,658	7,093,059
Spot liabilities	(7,024,703)	(40,502)	(3)	(7,065,208)
Forward purchases	110,217	-	-	110,217
Forward sales	(43,435)	(35,059)	-	(78,494)
Net long (short) position	<u>52,758</u>	<u>(29,839)</u>	<u>36,655</u>	<u>59,574</u>
				MOP
Net structural position				<u>48,545</u>
	31 December 2002			Total
	US\$	MOP	THB	
Equivalent in thousands of HK\$				
Spot assets	6,712,935	55,023	34,900	6,802,858
Spot liabilities	(6,683,374)	(38,594)	(3)	(6,721,971)
Forward purchases	101,793	-	-	101,793
Forward sales	(60,754)	(35,059)	-	(95,813)
Net long (short) position	<u>70,600</u>	<u>(18,630)</u>	<u>34,897</u>	<u>86,867</u>
				MOP
Net structural position				<u>48,545</u>

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

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Contingent liabilities and commitments		
- Direct credit substitutes	1,036,784	1,022,268
- Trade-related contingencies	215,858	240,006
- Other commitments	6,544,155	5,724,449
- Forward assets purchases	<u>165,204</u>	<u>176,919</u>
	<u>7,962,001</u>	<u>7,163,642</u>
Derivatives		
- Exchange rate contracts - hedging	<u>35,798</u>	<u>42,935</u>
- Interest rate swap contracts - hedging	<u>436,415</u>	<u>198,588</u>

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

	30 June 2003		31 December 2002	
	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	2,372,861	n/a	1,965,465
Exchange rate contracts	22	85	58	139
Interest rate contracts	<u>513</u>	<u>1,150</u>	<u>-</u>	<u>360</u>
	<u>535</u>	<u>2,374,096</u>	<u>58</u>	<u>1,965,964</u>

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

(9) Capital adequacy and liquidity ratio

	30 June 2003 %	31 December 2002 %
Capital adequacy ratio	<u>20.03</u>	<u>19.90</u>
	30 June 2003 %	30 June 2002 %
Average liquidity ratio for the period	<u>53.62</u>	<u>53.44</u>

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 2003 HK\$'000	31 December 2002 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)	<u>3,138,808</u>	<u>3,060,255</u>
	<u>4,899,125</u>	4,820,572
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	421,341	428,658
Reserves on revaluation of holding of securities not held for trading purposes	468	(2,208)
General provisions for doubtful debts	<u>200,416</u>	<u>201,331</u>
Total capital base before deductions	<u>5,521,350</u>	5,448,353
Deductions from total capital base	<u>(602,780)</u>	<u>(587,262)</u>
Total capital base after deductions	<u>4,918,570</u>	<u>4,861,091</u>

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 2002.

INTERIM DIVIDEND

The Directors have declared an interim cash dividend for 2003 of HK\$0.15 per share, payable on Thursday, 18 September 2003 to shareholders whose names are on the Register of Members on Thursday, 11 September 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 8 September 2003 to Thursday, 11 September 2003 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the 2003 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 of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 pm on Friday, 5 September 2003.

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 2003.

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 2003, 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 2003 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 local economy, which has been plagued by years of lingering sluggishness, still showed no signs of improvement with the entering of the year of 2003. The continued listlessness of the economies of the developed countries in Europe and America, as well as the United States' all-out military manoeuvres with Britain to attack Iraq, had caused the global economy to be stuck in a quagmire. Although major combat operations had only lasted some thirty days, fights are still going on and the threats of terrorism persist. Such confrontations have not directly affected the way of life of the people in Hong Kong, but mishap does not strike once. The ruthless rampage of atypical pneumonia this past March and April had all of a sudden caused the turnovers of most of the local businesses to plummet drastically by some 70 to 80 percent. Among the hardest hit were restaurants and retailers in the consumption sector. Tourism and hotel businesses suffered even more significant losses. People's way of life had thus been unprecedentedly ravaged, leaving them concerned about their well-being. It was a blessing that, after nearly three tumultuous months, the concerted efforts of the government and its people had gradually managed to restore order to the community and the economy. All in all, Hong Kong managed to ride out a treacherous storm in the first half of this year with sombre composure.

There is nothing worthy of mention about Hong Kong's economic data for the short span of the first half of 2003: trading activities in the stock and property markets kept moving down, while residential property prices even dropped sharply by about ten percent during the period. Unemployment rate and bankruptcy petitions continued to register record highs, highlighting the difficult operating environment for the banking sector which is becoming more and more so.

The Bank's unaudited, consolidated results for the first half of 2003 fell somewhat against those for the previous corresponding period. Net interest income dropped 7.8 percent to HK\$346.089 million. Operating profit before provisions decreased 18.1 percent to HK\$211.197 million. Provisions for bad and doubtful debts fell sharply by 32.2 percent to HK\$38.928 million. Profit attributable to shareholders amounted to HK\$147.616 million, a drop of 9.7 percent. As of 30 June 2003, total customers' deposits decreased 2 percent to HK\$31.83 billion compared with the corresponding figure as of 31 December 2002. Total loans and advances to customers (after provisions for bad and doubtful debts) edged down slightly by 1.2 percent to HK\$18.918 billion. Total assets amounted to HK\$38.337 billion, a slight drop of 2.2 percent. As of 30 June 2003, capital adequacy ratio fell 0.7 percent to 20 percent against the corresponding ratio of 31 December 2002. Average liquidity ratio for the first half of 2003 increased slightly by 0.3 percent to 53.6 percent against the corresponding ratio for the first half of 2002. As of 30 June 2003, loan-to-deposit ratio stood at 51.9 percent, an increase of 4 percent against the corresponding ratio as of 31 December 2002. Earnings per share for the first half of 2003 amounted to HK\$0.34, a drop of HK\$0.04 per share compared with the corresponding figure for the first half of 2002. The reduction in profit is due mainly to the persistent sluggishness of the economy and the repercussions of the atypical pneumonia epidemic. Besides, customers tended to channel a large portion of their money into the purchase of such investment instruments as funds and bonds because deposit rates had remained low for a long time, while credit demand continued to shrink. As such, there was no deposit growth and nor was there any growth in lending business. However, our proactive debt collection efforts had markedly improved the recoverability of the bad and doubtful debts in question.

We moved our head office operations to the New World Tower at 16-18 Queen's Road Central this past April the twenty-second and subsequently began the demolition and redevelopment work on our head office building at 24 Des Voeux Road Central in the middle of this year. Our Tsuen Wan Branch moved from the old premises to our self-owned property located at the ground floor of the Jade Plaza at 298 Sha Tsui Road in Tsuen Wan this past July the seventh. Business activities have since increased significantly because of its location in a bustling commercial district.

On the occasion of the sixth anniversary of the handover of Hong Kong, the Mainland and Hong Kong Closer Economic Partnership Arrangement was signed. The arrangement not only means zero import tariff for a number of Hong Kong products in the mainland starting from early next year, but it also facilitates access to the China market for a host of services sectors including those offering legal, accounting, construction and logistics services. Moreover, local banks will be subject to a relaxed asset requirement (down from US\$20 billion to US\$6 billion) in the establishment of branches in the mainland. The arrangement does give a boost to most of the sectors in Hong Kong. It is expected that the government will act in tandem by swiftly formulating relevant measures to reinstate the glory of Hong Kong as a leading economy. Moreover, the plan to integrate such cities as Guangzhou, Hong Kong and Macau into the Pearl River Delta region is being intensively studied by all the relevant parties. If the local government manages to accommodate properly, this will help soothe Hong Kong's unemployment problem in the short run. The implications would, however, be much greater in the long run because this will help generate endless business opportunities by linking Hong Kong's economy up with that of the western Guangdong Province and even those of other parts of China further west.

The government has recently announced the appointment of certain senior officials and stressed that currently the most pressing issue is to improve the local economic environment. With the gradual clearing up of the economic weather abroad, Hong Kong's prospects are believed to be still optimistic.

In order to seek the best possible return for our shareholders, we will continue to implement our policy of pursuing progress with prudence by making good use of our resources, devoting ourselves to the development of new products and striving for development opportunities.

By Order of the Board

Liu Lit Man

Executive Chairman

14 August 2003

Please also refer to the published version of this announcement in the South China Morning Post dated 15/08/2003.