



CONTENTS

	<i>Pages</i>
Management's Discussion and Analysis	2
Condensed Consolidated Profit and Loss Account	9
Condensed Consolidated Balance Sheet	10
Condensed Consolidated Cash Flow Statement	11
Condensed Consolidated Statement of Changes in Equity	12
Notes to the Condensed Interim Accounts	13
Supplementary Financial Information	26

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Directors of Industrial and Commercial Bank of China (Asia) Limited ("the Bank" or "ICBC (Asia)") are pleased to present the interim report and condensed accounts of the Bank and its subsidiaries ("the Group") for the six months ended 30 June 2002. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30 June 2002, and the consolidated balance sheet as at 30 June 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 9 to 25 of this report.

Interim Accounts

The Directors of ICBC (Asia) are pleased to announce that the unaudited consolidated after tax profit of the Group for the six months ended 30 June 2002 was HK\$214 million. This represented a 92% growth over the same period of last year (First half of 2001: HK\$111 million). Basic earnings per share for the six months ended 30 June 2002 was HK\$0.35 (First half of 2001: HK\$0.22). Return on average ordinary equity improved to 10.7% (First half of 2001: 7.9%).

Interim Dividend

The Directors are pleased to declare an interim dividend of HK\$0.10 per ordinary and convertible preference share for the six months ended 30 June 2002 (First half of 2001: HK\$0.05). The interim dividend will be payable in cash on or about Friday, 27 September 2002 to shareholders whose names appear on the Register of Members of the Bank at the close of business on Friday, 13 September 2002.

Closure of Register of Members

The Register of Members of the Bank will be closed from Monday, 9 September 2002 to Friday, 13 September 2002, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates must be lodged for registration with the Bank's Share Registrar, Tengis Limited at 4/F Hutchison House, 10 Harcourt Road, Central, Hong Kong by no later than 4:00 p.m. on Friday, 6 September 2002.

Financial Review

For the first six months of 2002, the Group achieved a consolidated profit before tax of HK\$231 million, representing an increase of 105% over that of HK\$113 million for the first half of 2001. Consolidated profit after tax attributable to shareholders was HK\$214 million, representing an increase of 92% over that of HK\$111 million for the corresponding period of 2001. The significant growth in earnings was attributed to the acquisition of the commercial banking business of the Hong Kong Branch of The Industrial and Commercial Bank of China ("ICBC") during the second half of 2001. Since the acquisition, the Bank has undergone strong organic growth, and along with the acquired assets, the balance sheet of the Group has enlarged 121% since 30 June 2001 with total assets size reaching HK\$51,627 million.

Consolidated net interest income for the first half of 2002 increased by 68% to HK\$327 million (First half of 2001: HK\$194 million). The growth of HK\$28 billion in interest-bearing assets had largely compensated the drop in net interest margin. Net interest margin for the period dropped 31 basis points to 1.49% (First half of 2001: 1.80%). Albeit the lower net interest margin, which was largely explained by the growing portfolio of syndicated loans, the profit margin of the Group was enhanced by the associated fee income and low provision charge of the syndicated loans to large cap blue-chip corporations.



Other operating income was up by 176% to HK\$137 million (First half of 2001: HK\$50 million). Fee income was largely derived from syndicated loans and capital market activities. Other fees were generated from trade finance, treasury activities and retail services. The proportion of non-interest income to total operating income was 30% (First half of 2001: 20%).

While total operating income increased 90% to HK\$464 million, operating expenses only edged up by 18% to HK\$148 million (First half of 2001: HK\$125 million) as the Bank pursued strict cost discipline. The synergies arising from the integration of ICBC (Asia) and the ex-Hong Kong Branch of ICBC was fully realized with the cost income ratio dropping from 51% to 32% when compared with the corresponding period in 2001.

Net charge for bad and doubtful debts for the first half of 2002 was only HK\$72 million, HK\$28 million of which related to building up of the general provision as the loan book expanded and HK\$44 million related to net specific charge (i.e. after netting of provision writebacks). Compared with the corresponding period of last year, net specific provision edged up slightly by HK\$30 million due to reduced level of provision writebacks while new charges remained at similar level despite the enlarged loan book.

Balance Sheet

Total assets were HK\$51,627 million as at 30 June 2002, a 121% rise when compared with 30 June 2001 or 19% rise when compared with 31 December 2001.

Amid the lacklustre lending environment in Hong Kong, the Bank's loan book grew HK\$15,811 million by 101% since 30 June 2001 or HK\$3,420 million by 12% since 31 December 2001. Approximately HK\$9 billion loan growth since 30 June 2001 was due to the acquisition of loan assets from the ICBC Hong Kong Branch, whilst the rest of the increments represented organic growth. Major loan growth lie in syndicated loans to large cap blue-chip corporations, resulting in a much improved risk profile of the loan book. Other growth was recorded in residential mortgage, trade finance and hire purchase loans.

Additional investment in quality debt securities was also made in an effort to increase interest-earning assets. As at 30 June 2002, total investment in debt securities amounted to HK\$10,352 million, or 20% of total assets (30 June 2001: HK\$3,518 million; 31 December 2001: HK\$6,742 million). Most of the investments were classified as held-to-maturity securities while the remaining were classified as non-trading securities.

On 26 March 2002, ICBC (Asia) signed a sale and purchase agreement with China Insurance International Holdings Company Limited (CIIH) and China Insurance Company, Limited (CICL), the ultimate holding company of CIIH, pursuant to which ICBC (Asia) has agreed to acquire an aggregate of 24.9% interest in The Tai Ping Insurance Company, Limited from CIIH and CICL in equal proportions for a total consideration of Hong Kong dollars equivalent of RMB186,750,000. The completion of the transaction is subject to certain conditions which are expected to be satisfied on or before 30 September 2002 or such other date as the parties may agree.

On the funding side, customers' deposits amounted to HK\$34,532 million or 78% of total liabilities as at 30 June 2002. Compared with 30 June 2001 and 31 December 2001, customers' deposits grew by 101% and 16% respectively. Other source of funding was supplemented by the credit facility from the ultimate holding company. The loans to deposits (i.e. customers' deposits + certificates of deposit issued) ratio stood at an efficient level of 87.5% (31 December 2001: 91.6%).

Capital Adequacy and Liquidity

The capital base was augmented via the issuance of subordinated floating rate notes and new ordinary shares. As at 30 June 2002, the total amount of subordinated floating rate notes amounted to HK\$1,755 million which were fully subscribed by the ultimate holding company.

On 21 May 2002, 93,055,000 new ordinary shares were allotted at HK\$8.16 per share. Total net share proceeds amounted to approximately HK\$748 million. The purpose of the issue was to enlarge the Tier 1 capital to support further business expansion, to improve share liquidity and to increase institutional shareholding. The share proceeds were used to finance the Bank's asset growth.

As at 30 June 2002, the capital adequacy ratio was 15.9% (31 December 2001: 16.1%). The liquidity position remained strong throughout the first half of 2002 with an average liquidity ratio of 36.5% (Average for the first half of 2001: 41.8%).

Provisions for Bad and Doubtful Debts

Compared to the year end of 2001, the gross non-performing loans (NPLs) as at 30 June 2002 dropped HK\$491 million to HK\$1,438 million, of which HK\$260 million was due to recoveries while another HK\$298 million of the fully-provided NPLs were written off against the loan loss reserves. NPL ratio dropped from 6.8% as at 31 December 2001 to 4.5% as at 30 June 2002. The exposure to unsecured personal credits remained insignificant.

As at 30 June 2002, the cumulative provisions for bad and doubtful debts were HK\$963 million, comprising specific provision of HK\$718 million and general provision of HK\$245 million.

Compared with 31 December 2001, overdue loans reduced by HK\$620 million to HK\$1,013 million as at 30 June 2002. The debt coverage ratio (i.e. specific provision + collateral) for overdue loans was 98.9% as of 30 June 2002 (31 December 2001: 94.1%). The debt coverage ratio for UB China Business Management Co. Ltd.'s portfolio was 96.3% while the Bank's remaining portfolio was fully covered.

Connected Transactions

During the period, the Group entered into a number of transactions which in the opinion of the Directors constitute connected transactions under the Listing Rules. The details of these transactions have been set out in Notes 25 and 26 to the accounts.

Business Review

During the first half of 2002, the Bank led managed 11 syndicated deals amounting to HK\$38.8 billion and was one of the top 3 arrangers in the loan syndication market. On the HK Dollar capital market front, the Bank also engaged in 7 deals amounting to HK\$2.5 billion.

Up to 30 June 2002, the Bank has already strengthened co-operation with 7 Taiwanese banks in



With China's accession to the WTO, we anticipate huge demand of cross-border financial services between the Mainland and Hong Kong, and cross-strait financial services between the Mainland and Taiwan. ICBC (Asia) has unrivalled advantages to exploit this growing market as we can leverage on the resources of our parent bank, the largest commercial bank in China, who has extensive nationwide branch network and the broadest customer base.

Directors' Interests in Equity or Debt Securities

As at 30 June 2002, none of the Directors or Chief Executive had any interest in the equity or debt securities of the Bank and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) (the "Associated Corporations"), as recorded in the register maintained by the Bank under Section 29 of the SDI Ordinance or as otherwise notified to the Bank and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 30 June 2002, none of the Directors or Chief Executive of the Bank nor their spouses or children under 18 years of age were granted, or had exercised, any rights to subscribe for any equity or debt securities of the Bank or any of its Associated Corporations.

Substantial Shareholders

As at 30 June 2002, so far as the Directors were aware, the following persons (other than a Director or Chief Executive of the Bank) were, directly or indirectly, interested in 10% or more of the issued share capital of the Bank as recorded in the register of substantial shareholders required to be kept under Section 16(1) of the SDI Ordinance.

<u>Name of shareholder</u>	<u>Number of shares</u>
The Industrial and Commercial Bank of China	398,489,478 Ordinary Shares 202,219,218 Convertible Preference Shares

Apart from the aforesaid, as at 30 June 2002, the Bank had not been notified of any interest accounting to 10% or more of the issued share capital of the Bank is required to be disclosed pursuant to the SDI Ordinance.

Risk Management

ICBC (Asia) has established policies and procedures for the identification, measurement, control and monitoring of credit, liquidity, foreign exchange, interest rate and market risks. The policies and procedures are reviewed on a regular basis by senior management and the relevant functional committees. The internal auditors also perform regular checks to ensure compliance with policies and procedures.

(a) Credit risk management

Credit risk arises from the possibility that borrowing customers or counterparties in a transaction may default on their payment obligations. It arises from the lending, trade finance, treasury, derivatives and other activities undertaken by the Group.

The Bank's credit policy defines credit extension criteria, the credit approval, review and monitoring processes, and the system of loan classification and provision.

The Group manages all types of credit risk on a prudent basis by evaluating the creditworthiness of various types of customers and counterparties based on an assessment of business, financial, market and industry sector and collateral information applicable to the types of credit extended. Day-to-day credit management is performed by the Credit Risk Management Department and regularly reviewed by the senior management. The Credit Committee is responsible for the review and approval of the largest credit exposures and portfolio management of risk concentrations. Actual exposures are reviewed regularly by the management and subject to checks by the internal audit function.



When a new product development opportunity is identified, the Product Committee comprising the senior management, the Compliance Officer, the Internal Auditors and the business managers concerned will review the product risk assessment and implementation plan to ensure its commercial viability and compliance with regulatory requirements.

(b) Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations as and when they fall due. The Bank's Asset and Liability Management Committee ("ALCO") monitors on an ongoing basis, the Group's mix of loans and deposits, funding requirements and forecasts, maturity and interest rate mismatches and maintenance of the statutory liquidity ratio. Appropriate limits are set to ensure that the Group would be able to meet all short-term funding requirements. As noted above, the Group's average liquidity ratio for the six months ended was 36.5%, well above the statutory minimum of 25%.

The Group also maintains sufficient standby facilities with other institutions to provide for unexpected liquidity needs and material cash outflows arising from its operations.

(c) Foreign exchange risk management

Foreign exchange risk is the risk that the net exposure positions in foreign currencies will adversely affect the Group as a result of a change in exchange rates. The Group's foreign exchange risk arise from foreign exchange dealing, commercial banking operations and foreign currency exposures taken on as part of the Group's business strategy. All foreign exchange positions are managed by the Group's Treasury and Markets Department on a daily basis within established limits approved by the ALCO.

Foreign currency balances arising from customer transactions are normally offset against other customer transactions or transactions with the market. Foreign currency funding used to fund Hong Kong Dollar assets is hedged using currency swaps or forward exchange contracts to mitigate the foreign exchange risk.

(d) Interest rate risk management

Interest rate risk is the risk that the Group's position may be adversely affected by a change in market interest rates. The Group's interest rate risk arises mainly from the timing difference in the repricing of interest bearing assets and liabilities.

The Group manages its interest rate risk by way of entering into off-balance sheet interest rate hedging instruments to hedge a proportion of the Group's assets as determined by the ALCO upon consideration of market and interest rate conditions.

(e) Market risk management

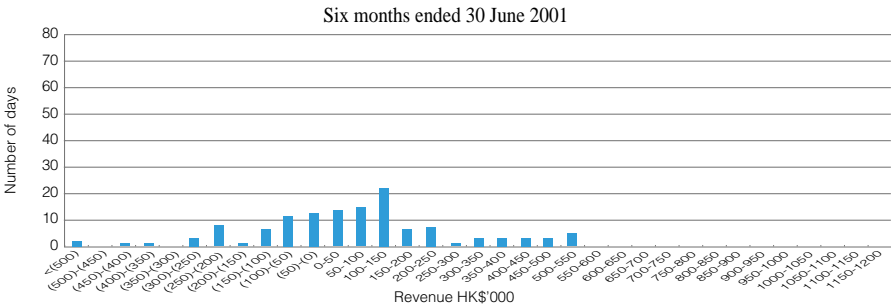
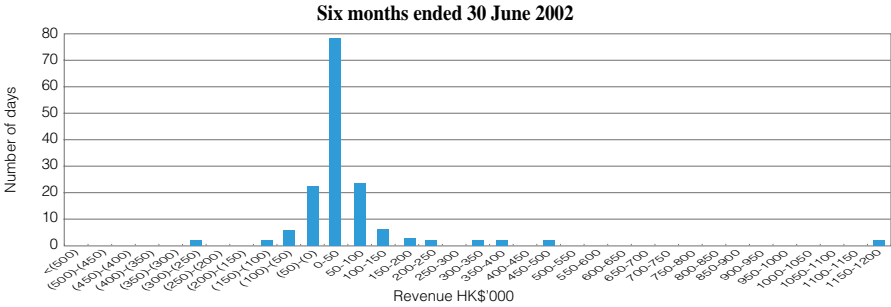
Market risk is the risk of loss in assets, liabilities and commitments arising from the net effect of changes in market rates and prices, such as interest rates, foreign exchange rates, equity and commodity prices. The Group's market risk primarily arises from its positions in foreign exchange, investment securities and derivatives in its trading book.

The Group's market risk exposures in different activities are managed by way of limits established by the ALCO and approved by the Board of Directors. Exposures are measured and monitored on the basis of contractual or notional amount, outstanding balances and stop-loss limits. All market risk trading positions are subject to daily mark-to-market valuation, monitored and managed by the Group's Treasury and Markets Department. Independent checks and reviews are conducted by the Group's internal audit function to ensure compliance with risk limits and Group's guidelines. All exceptions are reviewed and approved by the appropriate level of senior management and the ALCO.



The average daily revenue earned from the Group's market risk related activities during the period was HK\$40,261 (First half of 2001: HK\$66,000) and the standard deviation for such daily revenue was HK\$120,718 (First half of 2001: HK\$257,000).

The following histograms show the frequency distribution of daily revenues related to market risk activities of the Group for the six months ended 30 June 2002 and 2001:



Statement of Compliance

The Bank has fully complied with the disclosure requirements set out in the guideline entitled "Interim Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority on 2 November 2001.

Compliance with Code of Best Practice

The Bank has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months period ended 30 June 2002, except that the Non-executive Directors of the Bank are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Bank.

Audit Committee

The Bank has an Audit Committee which comprises three independent non-executive directors and another non-executive director. The Committee meets regularly in order to review the effectiveness both of the external and internal auditors as well as the accounting policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2002 with the Directors.

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

During the period, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

Statutory Accounts

The financial information in this interim accounts is unaudited and does not constitute statutory accounts.

On behalf of the Board
Industrial and Commercial Bank of China (Asia) Limited
Dr Jiang Jianqing
Chairman

Hong Kong, 8 August 2002



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Note	(Unaudited) Six Months Ended		Change %
		30 Jun 2002 HK\$'000	30 Jun 2001 HK\$'000	
Interest income		703,298	636,320	
Interest expense		(376,323)	(442,250)	
Net interest income		326,975	194,070	68%
Other operating income		137,146	49,704	176%
Operating income		464,121	243,774	90%
Operating expenses	(6)	(147,868)	(124,890)	18%
Amortisation of goodwill	(7)	(17,749)	—	
Operating profit before provisions		298,504	118,884	151%
Charge for bad and doubtful debts — specific	(5)	(44,232)	(13,733)	222%
Charge for bad and doubtful debts — general		(28,243)	—	
Operating profit after provisions	(3)	226,029	105,151	115%
Net (loss)/gain on disposal of fixed assets		(2,691)	1,417	
Net profit on disposal and redemption of held-to-maturity securities		8,216	5,227	
Net profit on disposal of non-trading securities		1,059	—	
Provision on held-to-maturity securities		—	(1,248)	
Provisions written-back on non-trading securities		43	—	
Share of net (loss)/profits of an associated company		(1,305)	2,040	
Profit before taxation		231,351	112,587	105%
Taxation	(8)			
Bank and subsidiaries				
— Hong Kong		(17,449)	—	
— Overseas		—	(1,244)	
Associated company		—	—	
Profit attributable to shareholders		213,902	111,343	92%
Proposed interim dividends	(9)	82,659	36,677	
Per share :				
• Basic earnings	(10)			
— reported basis		HK\$0.35	HK\$0.22	59%
— cash basis		HK\$0.38	HK\$0.22	73%
• Diluted earnings	(10)			
— reported basis		HK\$0.28	N/A	
— cash basis		HK\$0.31	N/A	
• Proposed interim dividends		HK\$0.10	HK\$0.05	



CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2002

	Note	(Unaudited) 30 Jun 2002 HK\$'000	(Audited) 31 Dec 2001 HK\$'000	Change %	(Unaudited) 30 Jun 2001 HK\$'000	Change %
Assets						
Cash and short-term funds	(11)	6,085,103	6,356,431	-4%	4,486,187	36%
Placements with banks and other financial institutions maturing between one and twelve months	(12)	1,651,159	517,889	219%	128,349	1,186%
Trade bills	(13)	129,497	64,786	100%	50,699	155%
Certificates of deposit held	(14)	1,705,313	2,034,040	-16%	577,478	195%
Trading securities	(15)	38,879	—	—	380,112	-90%
Held-to-maturity securities	(16)	6,766,103	3,909,272	73%	2,103,881	222%
Advances and other accounts	(13)	31,700,268	28,020,456	13%	14,863,696	113%
Prepaid taxation		3	53	-94%	—	—
Non-trading securities	(17)	2,119,511	1,138,025	86%	13,195	15,963%
Interests in an associated company		28,077	27,391	3%	26,073	8%
Goodwill		674,459	692,208	-3%	—	—
Tangible fixed assets	(18)	728,300	736,678	-1%	732,652	-1%
		51,626,672	43,497,229	19%	23,362,322	121%
Liabilities						
Deposits and balances of banks and other financial institutions	(19)	8,054,215	7,053,997	14%	3,219,414	150%
Current, fixed, savings and other deposits of customers	(20)	34,532,121	29,705,307	16%	17,197,063	101%
Certificates of deposit issued	(21)	700,000	—	—	—	—
Current taxation		17,399	—	—	—	—
Deferred taxation		6,289	6,289	0%	6,289	0%
Other accounts and provisions		821,955	452,317	82%	312,175	163%
		44,131,979	37,217,910	19%	20,734,941	113%
Capital Resources						
Loan capital	(22)	1,755,000	1,208,628	45%	—	—
Ordinary share capital of HK\$2 each	(23)	1,248,749	1,062,639	18%	901,744	38%
Convertible non-cumulative preference share capital of HK\$5 each		1,011,096	1,011,096	0%	—	—
Reserves	(24)	3,479,848	2,996,956	16%	1,725,637	102%
		7,494,693	6,279,319	19%	2,627,381	185%
		51,626,672	43,497,229	19%	23,362,322	121%



CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2002

	(Unaudited) Six Months Ended	
	30 Jun 2002 HK\$'000	30 Jun 2001 HK\$'000
Net cash (outflow)/inflow from operating activities	(2,242,326)	1,266,706
Net cash outflow from returns on investments and servicing of finance	(175,966)	(62,546)
Total taxation refunded	—	4,760
Net cash outflow from investing activities	(7,087)	(188)
Net cash inflow/(outflow) from financing	1,994,585	(175,049)
(Decrease)/increase in cash and cash equivalents	(430,794)	1,033,683
Cash and cash equivalents at 1 January	(184,606)	2,082,949
Cash and cash equivalents at 30 June	(615,400)	3,116,632

Analysis of the balances of cash and cash equivalents:

	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	183,878	286,017
Money at call and short notice	5,694,571	3,744,077
Treasury bills with original maturity within three months	49,952	—
Placements with banks and other financial institutions with original maturity within three months	1,480,414	952
Deposits and balances of banks and other financial institutions with original maturity within three months	(8,024,215)	(914,414)
	(615,400)	3,116,632



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2002 (UNAUDITED)**

	Ordinary share capital HK'000	Preference share capital HK'000	Ordinary share premium HK'000	Preference share premium HK'000	Bank premises revaluation reserve HK'000	Investment revaluation reserve HK'000	General reserve HK'000	Retained profit HK'000	Total HK'000
Balance as at 1 January 2002	1,062,639	1,011,096	1,224,894	505,496	412,631	138,766	219,200	495,969	5,070,691
Net profit for the period	—	—	—	—	—	—	—	213,902	213,902
Issue of ordinary share capital	186,110	—	562,103	—	—	—	—	—	748,213
Realised reserve on disposal of non-trading securities	—	—	—	—	—	781	—	—	781
2001 final and special dividends paid	—	—	—	—	—	—	—	(161,379)	(161,379)
Change in fair value of non-trading securities	—	—	—	—	—	(134,507)	—	—	(134,507)
Share of revaluation surplus of an associated company	—	—	—	—	—	1,992	—	—	1,992
Balance as at 30 June 2002	1,248,749	1,011,096	1,786,997	505,496	412,631	7,032	219,200	548,492	5,739,693
Balance as at 1 January 2001	901,744	—	782,447	—	412,631	6,444	219,200	260,847	2,583,313
Net profit for the period	—	—	—	—	—	—	—	111,343	111,343
Share issue expenses	—	—	(30)	—	—	—	—	—	(30)
Realised reserve on disposal of non-trading securities	—	—	—	—	—	(8,632)	—	—	(8,632)
2000 final dividends paid	—	—	—	—	—	—	—	(58,613)	(58,613)
Balance as at 30 June 2001	901,744	—	782,417	—	412,631	(2,188)	219,200	313,577	2,627,381



NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These unaudited consolidated condensed interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies used in the preparation of these condensed accounts are consistent with those used in the 2001 annual accounts.

2 Segment reporting

(a) By class of business

The Group operates predominantly in commercial banking which comprises commercial and retail banking, treasury and markets and corporate and investment banking. Commercial and retail banking includes retail banking, commercial lending and trade finance. Treasury and markets include foreign exchange, money market and capital market activities. Corporate and investment banking mainly comprise corporate banking, the provision of debt capital markets and corporate finance advisory services.

	Six Months Ended 30 Jun 2002				
	Commercial and retail banking HK\$'000	Treasury and markets HK\$'000	Corporate and investment banking HK\$'000	Unallocated HK\$'000	Total HK\$'000
Net interest income	127,442	99,714	67,695	32,124	326,975
Other operating income	23,963	24,383	73,344	15,456	137,146
Operating income	151,405	124,097	141,039	47,580	464,121
Operating expenses	(54,037)	(8,924)	(5,725)	(79,182)	(147,868)
Inter-segment (expenses)/income	(8,846)	(10,463)	(12,293)	31,602	—
Amortisation of goodwill	—	—	—	(17,749)	(17,749)
Operating profit/(loss) before provisions	88,522	104,710	123,021	(17,749)	298,504
Charge for bad and doubtful debts	(31,863)	(256)	(32,858)	(7,498)	(72,475)
Operating profit/(loss) after provisions	56,659	104,454	90,163	(25,247)	226,029
Net loss on disposal of fixed assets	(1,986)	—	—	(705)	(2,691)
Net profit on disposal and redemption of held-to-maturity and non-trading securities	—	7,574	130	1,571	9,275
Provisions written-backs on non-trading securities	—	—	—	43	43
Share of net loss of an associated company	—	—	—	(1,305)	(1,305)
Profit/(loss) before taxation	54,673	112,028	90,293	(25,643)	231,351
Segment assets/liabilities	13,453,042	18,018,559	17,462,350	2,692,721	51,626,672
Capital expenditure	1,627	83	8	5,390	7,108
Depreciation charge	5,850	158	40	6,726	12,774



2 Segment reporting (continued)

(a) By class of business (continued)

	Six Months Ended 30 Jun 2001				
	Commercial and retail banking HK\$'000	Treasury and markets HK\$'000	Corporate and investment banking HK\$'000	Unallocated HK\$'000	Total HK\$'000
Net interest income	116,830	17,172	13,847	46,221	194,070
Other operating income	22,622	9,538	9,450	8,094	49,704
Operating income	139,452	26,710	23,297	54,315	243,774
Operating (expenses)/income	(60,239)	(5,484)	(2,532)	(56,635)	(124,890)
Inter-segment (expenses)/income	(1,516)	(406)	(398)	2,320	—
Operating profit before provisions	77,697	20,820	20,367	—	118,884
Charge for bad and doubtful debts	(12,267)	—	—	(1,466)	(13,733)
Operating profit/(loss) after provisions	65,430	20,820	20,367	(1,466)	105,151
Net gain/(loss) on disposal of fixed assets	1,428	—	—	(11)	1,417
Net profit on disposal and redemption of held-to-maturity securities	—	5,227	—	—	5,227
Provision on held-to-maturity securities	—	—	—	(1,248)	(1,248)
Share of net profit of an associated company	—	—	—	2,040	2,040
Profit/(loss) before taxation	66,858	26,047	20,367	(685)	112,587
Segment assets/liabilities	11,030,303	7,639,216	2,706,518	1,986,285	23,362,322
Capital expenditure	10,290	19	53	1,217	11,579
Depreciation charge	5,897	174	38	5,815	11,924

(b) By geographical areas

The Group operates predominantly in Hong Kong. Less than 10% of the Group's income, profit, assets, liabilities, contingent liabilities or commitments is attributable to the Group's overseas operations.



3 Analysis of operating profit/(loss)

	30 Jun 2002 HK\$'000	30 Jun 2001 HK\$'000
Consolidated except for UBCBM	216,583	105,994
UB China Business Management Co. Ltd. ("UBCBM") (note 4)	9,446	(843)
	226,029	105,151

4 Highlights of the operating results of UBCBM which have been consolidated above as follows:

	30 Jun 2002 HK\$'000	30 Jun 2001 HK\$'000
Interest income	6,563	14,150
Interest expenses	—	—
Net interest income	6,563	14,150
Other operating income	561	216
Operating income	7,124	14,366
Operating expenses	(155)	—
Operating profit before provisions	6,969	14,366
Provisions writeback/(charge) for bad and doubtful debts — specific (note 5)	1,608	(12,682)
Provisions writeback/(charge) for bad and doubtful debts — general	869	(2,527)
Operating profit/(loss)	9,446	(843)

UB China Business Management Co. Ltd. ("UBCBM") is a wholly-owned subsidiary established by the Bank as a special purpose asset management company for the purpose of maximising the level of recovery of certain classified loans of the Bank which were extended towards Mainland China related business over a five-year term.

5 Analysis of provisions writeback/(charge) for bad and doubtful debts — specific

	30 Jun 2002 HK\$'000	30 Jun 2001 HK\$'000
UBCBM loans (note 4)	1,608	(12,682)
Non-UBCBM loans	(45,840)	(1,051)
	(44,232)	(13,733)
Additional provisions	(96,940)	(81,607)
Less: Provisions writeback	52,708	67,874
	(44,232)	(13,733)



6 Operating expenses

Including depreciation on tangible fixed assets for the six months ended 30 June 2002 amounting to HK\$12,774,000 (30 June 2001: HK\$11,924,000).

7 Acquisition of the commercial banking business of the Hong Kong Branch of ICBC

On 4 May 2001, the Bank entered into the Business Transfer Agreement with its parent bank, The Industrial and Commercial Bank of China ("ICBC"), pursuant to which the Bank had conditionally agreed to acquire the branch commercial banking business of the Hong Kong Branch of ICBC ("the Branch") and its net assets of HK\$2,300 million for a consideration of approximately HK\$3,000 million which was to be satisfied as to approximately HK\$2,120 million by the issue and allotment of new ordinary shares and convertible preference shares by the Bank to ICBC, as to approximately HK\$580 million by the issuance of subordinated debt due to ICBC, and as to approximately HK\$300 million by cash. The acquisition was completed on 3 July 2001. Goodwill arising from the acquisition is amortised over a period of 20 years.

8 Taxation

Hong Kong Profits Tax has been provided at the rate of 16% (2001:16%) on the estimated assessable profits arising in Hong Kong during the period after offsetting taxable income against tax losses carried forward from previous years. There is no significant potential deferred tax liabilities for which provision has not been made.

9 Proposed interim dividends

	30 Jun 2002 HK\$'000	30 Jun 2001 HK\$'000
Proposed interim dividend, HK\$0.10 per share (2001: HK\$0.05 per share), to be paid to:		
— Convertible preference shareholders	20,222	10,111
— Ordinary shareholders	62,437	26,566
	82,659	36,677

10 Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders (net of dividends payable on convertible preference shares) for the period of HK\$193,680,000 (2001: HK\$101,232,000) and on 552,398,061 (2001: 450,871,855) shares, being the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders for the period of HK\$213,902,000 (2001: N/A) and on 754,617,279 (2001: N/A) shares, being the weighted average number of ordinary shares and convertible preference shares in issue during the period.

The calculation of earnings per share on cash basis is based on respective earnings per share adjusted for goodwill amortised for the period. This supplementary information is considered a useful additional indication of performance.



11 Cash and short-term funds

	30 Jun 2002	31 Dec 2001
	HK\$'000	HK\$'000
Cash and balances with banks and financial institutions	183,878	176,625
Money at call and short notices	5,694,571	5,892,102
Treasury bills (including Exchange Fund Bills)	206,654	287,704
	6,085,103	6,356,431
Remaining maturity of treasury bills:		
— Three months or less	92,836	185,000
— One year or less, but over three months	73,997	83,000
— Five years or less, but over one year	39,821	19,704
	206,654	287,704

12 Placements with banks and other financial institutions maturing between one and twelve months

	30 Jun 2002	31 Dec 2001
	HK\$'000	HK\$'000
Remaining maturity:		
— Three months or less	1,441,414	308,142
— One year or less, but over three months	200,000	200,000
— Undated	39,000	38,988
	1,680,414	547,130
Less: Provision for bad and doubtful debts – specific	(29,255)	(29,241)
	1,651,159	517,889



13 Total advances and other accounts

	30 Jun 2002			31 Dec 2001
	Consolidated except for UBCBM HK\$'000	UBCBM HK\$'000	Consolidated HK\$'000	Consolidated HK\$'000
Advances to customers	30,714,700	792,117	31,506,817	28,086,680
Advances to banks and other financial institutions	284,149	—	284,149	299,531
Trade bills	130,805	—	130,805	65,390
Provisions for bad and doubtful debts:				
— Specific	(313,993)	(403,960)	(717,953)	(965,669)
— General	(243,115)	(1,658)	(244,773)	(216,530)
	30,572,546	386,499	30,959,045	27,269,402
Accrued interest and other accounts	819,510	58,928	878,438	826,329
Provisions for accrued interest	(887)	(6,831)	(7,718)	(10,489)
	31,391,169	438,596	31,829,765	28,085,242

(a) Non-performing loans

	Gross advances HK\$'000	% of total advances	Market value of collateral HK\$'000	Specific provision made HK\$'000	Interest suspended HK\$'000
As at 30 June 2002					
Consolidated except for UBCBM	812,045	2.5%	522,715	313,785	60,558
UBCBM	626,289	2.0%	182,300	403,960	140,144
Consolidated	1,438,334	4.5%	705,015	717,745	200,702
As at 31 December 2001					
Consolidated	1,929,473	6.8%	925,018	955,944	281,495

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

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

(b) Remaining maturity of advances to customers

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Repayable on demand	2,842,541	1,003,023
Three months or less	3,142,411	2,804,398
One year or less, but over three months	2,025,580	1,917,592
Five years or less, but over one year	13,744,807	13,439,579
Over five years	9,751,478	6,892,628
Undated	—	2,029,460
	31,506,817	28,086,680



13 Total advances and other accounts (continued)

(c) Remaining maturity of advances to banks and other financial institutions

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Payable on demand	80,000	70,000
Three months or less	29,073	46,924
One year or less, but over three months	15,076	22,607
Five years or less, but over one year	160,000	160,000
	284,149	299,531

14 Certificates of deposit held

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Remaining maturity:		
— Three months or less	144,976	184,038
— One year or less, but over three months	369,855	570,251
— Five years or less, but over one year	1,190,482	1,279,751
	1,705,313	2,034,040

15 Trading securities

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Remaining maturity:		
— Five years or less, but over one year	38,879	—

16 Held-to-maturity securities

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Remaining maturity:		
— Three months or less	399,800	44,967
— One year or less, but over three months	738,548	378,966
— Five years or less, but over one year	3,442,321	2,143,203
— Over five years	2,186,682	1,343,384
	6,767,351	3,910,520
Less: Provision for diminution in value	(1,248)	(1,248)
	6,766,103	3,909,272



17 Non-trading securities

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Debt securities	1,635,201	515,793
Equity securities	484,310	622,232
	2,119,511	1,138,025
Remaining maturity of debt securities:		
— One year or less, but over three months	759,441	—
— Five years or less, but over one year	442,825	207,453
— Over five years	432,935	303,733
— Undated	—	4,607
	1,635,201	515,793

18 Tangible fixed assets

	Bank premises & properties HK\$'000	Leasehold improvements HK\$'000	Furniture & equipments HK\$'000	Total HK\$'000
Cost or valuation:				
At 1 January 2002	712,335	81,997	107,776	902,108
Additions	—	2,100	5,008	7,108
Disposals	—	(3,278)	(1,620)	(4,898)
At 30 June 2002	712,335	80,819	111,164	904,318
Accumulated depreciation:				
At 1 January 2002	46,122	50,197	69,111	165,430
Charge for the period	3,739	3,518	5,517	12,774
Disposals	—	(800)	(1,386)	(2,186)
At 30 June 2002	49,861	52,915	73,242	176,018
Net book value:				
At 30 June 2002	662,474	27,904	37,922	728,300
At 31 December 2001	666,213	31,800	38,665	736,678

19 Deposits and balances of banks and other financial institutions

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Remaining maturity:		
— Repayable on demand	766,779	754,519
— Three months or less	7,287,436	6,010,550
— One year or less, but over three months	—	288,928
	8,054,215	7,053,997



20 Current, fixed, savings and other deposits of customers

	30 Jun 2002	31 Dec 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Remaining maturity:		
— Repayable on demand	2,370,382	2,113,465
— Three months or less	27,945,114	26,294,791
— One year or less, but over three months	4,173,047	1,290,240
— Five years or less, but over one year	43,578	6,811
	34,532,121	29,705,307

21 Certificates of deposit issued

	30 Jun 2002	31 Dec 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Remaining maturity:		
— One year or less, but over three months	700,000	—

22 Loan capital

	30 Jun 2002	31 Dec 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Subordinated floating rate notes:		
— with a final maturity on 2 July 2011 (callable on 3 July 2006)	585,000	584,820
— with a final maturity on 12 December 2011 (callable on 13 December 2006)	624,000	623,808
— with a final maturity on 26 March 2012 (callable on 27 March 2007)	546,000	—
	1,755,000	1,208,628

The subordinated floating rate notes have been fully subscribed by the ultimate holding company. These notes qualified for and have been included in supplementary capital in accordance with the Third Schedule to the Banking Ordinance.

23 Ordinary share capital of HK\$2 each

On 21 May 2002, 93,055,000 new ordinary shares of HK\$2.00 each were placed to independent institutional investors at a placing price of HK\$8.16 each which represented a premium of HK\$6.16 each. These shares rank pari passu with the existing shares.

24 Reserves

	30 Jun 2002	31 Dec 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary share premium	1,786,997	1,224,894
Convertible preference share premium	505,496	505,496
Bank premises revaluation reserve	412,631	412,631
Investment revaluation reserve	7,032	138,766
General reserve	219,200	219,200
Retained profits	548,492	495,969
	3,479,848	2,996,956
Proposed dividends not provided for	82,659	161,378



25 Balances with group company

(a) Included in the following balance sheet captions are balances with the ultimate holding company:

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
On-balance sheet		
Cash and short-term funds	1,817,769	1,583,065
Placements with banks and financial institutions maturing between one and twelve months	6,524	83,938
Advances and other accounts	76,798	80,324
	1,901,091	1,747,327
Deposits and balances of banks and other financial institutions	7,320,494	6,293,676
Certificates of deposit issued	700,000	—
Other accounts and provisions	98,039	96,281
	8,118,533	6,389,957
Loan capital	1,755,000	1,208,628
Off-balance sheet		
Foreign exchange contracts — contractual amount	3,681,554	6,514,671
Interest rate swaps — notional principal	7,541,089	6,346,147
Currency options — contractual amount — options purchased	156,000	236,107
— options written	390,000	80,315
	546,000	316,422
Bond options — contractual amount — options purchased	390,000	233,928
— options written	312,000	155,952
	702,000	389,880
Interest rate option — contractual amount — options written	10,000	—
Other commitments with maturity within 1 year — overdraft facility	1,014,000	549,880

(b) Included in the following balance sheet captions are balances with fellow subsidiaries:

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
On-balance sheet		
Advances and other accounts	—	14,111
Deposits and balances of banks and other financial institutions	8,400	—
Current, fixed, savings and other deposits of customers	694,280	563,313
Other accounts and provisions	477	—
	703,157	563,313
Off-balance sheet		
Foreign exchange contracts — contractual amount	139,780	—
Interest rate swaps — notional principal	101,400	—



26 Related party transactions

Transactions entered into between the Group and the ultimate holding company and fellow subsidiaries during the period are as follows:

	30 Jun 2002 HK\$'000	30 Jun 2001 HK\$'000
Interest income		
— Placement (Note (i))	16,708	7,835
— Interest rate swaps (Note (ii))	146,128	14,860
Management fee income (Note (iii))	2,250	—
Net option premium expense (Note (iv))	(289)	—
Interest expense		
— Deposits with banks and other financial institutions (Note (v))	(74,640)	(54,423)
— Certificates of deposits issued	(3,353)	—
— Loan capital	(16,889)	—
— Interest rate swaps (Note (ii))	(171,049)	(17,625)
Premises expense (Note (vi))	(2,870)	—
Computer expense (Note (vii))	(1,240)	—

Note :

- (i) Interest income was received on the deposits placed with the ultimate holding company at rates prevailing in the financial market.
- (ii) Interest income and expense was received from and paid to the ultimate holding company on interest rate swaps. These interest rate swaps included those entered into with the Branch as part of the Acquisition pursuant to the Business Transfer Agreement. The other interest rate swaps have been entered into for the purpose of balance sheet and interest rate risk management or as a result of customer-driven transactions. All of these interest rate swaps were entered into on a back-to-back basis and their terms mirrored those swaps which the Branch has entered into with the third party counterparties.
- (iii) Management fee income was received from the Branch for the provision of services such as accounting and budgeting, internal audit, marketing and back office settlement and clearing. The basis, being the time costs of the Bank's personnel, has been set out in the Collaboration Agreement dated 3 July 2001.
- (iv) Net option premium expense was paid to the ultimate holding company on the various option contracts. The option contracts have been priced based on market rates.
- (v) Interest expense, calculated at market rates, were paid on the deposits received from the ultimate holding company and fellow subsidiaries and the Bank's utilization of the HK\$6,000,000,000 (2001: HK\$6,000,000,000) stand-by credit facility (the "Facility") granted by the ultimate holding company to the Bank in July 2000 for working capital purposes.

The Bank's utilisation of the Facility as at 30 June 2002 was nil (31 December 2001: HK\$233,928,000) and is included in the balance sheet under "Deposits and balances of banks and other financial institutions".
- (vi) Premises expense represented rental and other miscellaneous expenses paid to the Branch for using a portion of floor area rented by the Branch. The basis of the rent charged is set out in the Collaboration Agreement dated 3 July 2001 and a license agreement dated 27 December 2001.
- (vii) Computer expense represented the services charge paid to the ultimate holding company for the provision of data processing services to the Bank. The basis of the service charge has been set out in the Service Levels Agreement dated 21 February 2002.
- (viii) During the six months ended 30 June 2002, the Bank entered into various capital market transactions on terms that are no less favorable than those contracted with other independent third parties. These transactions included sub-participation in syndicated loans of the Bank by the Branch for a total of HK\$2,633,300,000 (2001: nil) and similar sub-participation in syndicated loans of the Branch by the Bank for a total of HK\$1,295,000,000 (2001: nil).
- (ix) During the six months ended 30 June 2002, the Bank acquired and sold debt securities with a carrying value of HK\$522,576,000 (2001: nil) and HK\$2,207,181,000 (2001: nil) respectively from and to the ultimate holding company and fellow subsidiaries. These transactions were entered into on normal commercial terms with reference to prevailing market rates.



- (x) On 3 July 2001, the ultimate holding company and the Bank entered into a guarantee whereby the ultimate holding company agreed to guarantee to the extent of HK\$9,000,000,000 the payment obligations of certain customers whose "large exposures" were transferred to the Bank pursuant to the Business Transfer Agreement and to indemnify the Bank in respect of any losses incurred if any obligation of such customers becomes unenforceable. The amount of such large exposures of the Bank covered by this guarantee as at 30 June 2002 was HK\$5,976,719,000 (30 June 2001: Nil) and comprised amounts included in the following balance sheet captions:

30 June 2002
HK\$'000

On-balance sheet

Advances and other accounts	3,648,705
Held-to-maturity securities	580,000
Certificates of deposit held	90,000
Non-trading securities	14,000
	<hr/>
	4,332,705

Off-balance sheet

Direct credit substitutes	455,000
Other commitments with an original maturity of:	
— Under 1 year or which are unconditionally cancellable	522,347
— 1 year and over	666,667
	<hr/>
	1,644,014
	<hr/>
	5,976,719

27 **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:

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Direct credit substitutes	2,590,223	2,265,182
Transaction-related contingencies	65,480	—
Trade-related contingencies	607,704	508,438
Other commitments		
— With an original maturity of under 1 year or which are unconditionally cancellable	3,083,383	1,977,302
— With an original maturity of 1 year and over	7,088,293	6,272,577
Forward asset purchases	1,227,720	—
Forward forward deposits placed	1,051,031	—
	<hr/>	
	15,713,834	11,023,499



(b) Derivatives

The following is a summary of the notional amounts of each significant type of derivatives:

	30 Jun 2002 HK\$'000	31 Dec 2001 HK\$'000
Exchange rate contracts		
Forwards	424,752	399,496
Swaps	16,019,442	13,877,839
Currency options purchased	1,829,242	236,107
Currency options written	2,219,278	236,107
	20,492,714	14,749,549
Interest rate contracts		
Interest rate swaps	11,750,025	7,813,078
Interest rate options purchased	10,000	—
Interest rate options written	10,000	—
	11,770,025	7,813,078
Other contracts		
Bond options purchased	390,000	233,928
Bond options written	1,443,000	233,928
	1,833,000	467,856
	34,095,739	23,030,483

The contractual or notional amounts of off-balance sheet instruments provide only an indication of the volume of business outstanding at the balance sheet date and bear little relation to the underlying risk of the exposures.

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

	30 Jun 2002		31 Dec 2001	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Contingent liabilities and commitments		5,530,565		3,373,838
Exchange rate contracts	14,102	42,227	32,066	35,642
Interest rate contracts	256,886	67,855	134,990	41,746
Other contracts	3,652	731	2,852	570
	274,640	5,641,378	169,908	3,451,796

There was no bilateral netting arrangement on the above off-balance sheet instruments.



SUPPLEMENTARY FINANCIAL INFORMATION

1 Capital adequacy ratio and capital base

	(Unaudited) 30 Jun 2002		(Unaudited) 31 Dec 2001	
	Unadjusted ratio	Adjusted ratio	Unadjusted ratio	Adjusted ratio
Capital adequacy ratio	15.9%	15.9%	16.1%	16.1%

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

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

The components of the total capital base after deductions include the following items:

	(Unaudited) 30 Jun 2002 HK\$'000	(Unaudited) 31 Dec 2001 HK\$'000
Core capital:		
Paid up ordinary share capital	1,248,749	1,062,639
Paid up irredeemable non-cumulative convertible preference shares	1,011,096	1,011,096
Ordinary share premium	1,786,996	1,224,894
Irredeemable non-cumulative convertible preference share premium	505,496	505,496
Reserves	639,221	506,861
Deduct: Goodwill	(674,459)	(692,208)
	4,517,099	3,618,778
Eligible supplementary capital:		
Reserves on revaluation of land and interests in land	157,669	157,669
Reserves on revaluation of holding of securities not held for trading purpose	6,860	9,618
General provisions for doubtful debts	244,773	216,530
Term subordinated debts	1,755,000	1,208,628
	2,164,302	1,592,445
Total capital base before deductions	6,681,401	5,211,223
Deductions from total capital base	(519,180)	(518,936)
Total capital base after deductions	6,162,221	4,692,287

2 Liquidity ratio

	(Unaudited) 30 Jun 2002	(Unaudited) 30 Jun 2001
Average liquidity ratio for the six months ended	36.5%	41.8%

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



3 Currency concentration

The US dollar net position constitutes more than 10% of the total net position in all foreign currencies and is reported as follows:

	(Unaudited) 30 Jun 2002 HK\$'000	(Unaudited) 31 Dec 2001 HK\$'000
Equivalent in Hong Kong dollars		
Spot assets	14,574,000	11,333,000
Spot liabilities	(22,189,000)	(16,089,000)
Forward purchases	12,454,000	10,210,000
Forward sales	(4,884,000)	(5,432,000)
Net option position	(390,000)	—
Net (short)/long position	(435,000)	22,000

4 Segmental information

(i) Gross advances to customers — by industry sectors

	(Unaudited) 30 Jun 2002		(Unaudited) 31 Dec 2001	
	Consolidated except for UBCBM HK\$'000	UBCBM HK\$'000	Consolidated HK\$'000	Consolidated HK\$'000
Loans for use in Hong Kong				
Industrial, commercial and financial				
— Property development	2,178,894	—	2,178,894	1,384,403
— Property investment	4,438,664	139,176	4,577,840	4,507,171
— Financial concerns	3,180,383	20,599	3,200,982	3,429,683
— Stockbrokers	35,697	—	35,697	29,705
— Wholesale and retail trade	1,858,223	355,207	2,213,430	1,790,310
— Manufacturing	1,025,975	—	1,025,975	975,222
— Transport and transport equipment	4,304,807	—	4,304,807	3,836,087
— Civil engineering works	525,529	14,282	539,811	240,256
— Electricity, gas and telecommunications	1,771,939	—	1,771,939	1,404,365
— Hotels, boarding house and catering	1,263,802	—	1,263,802	801,429
— Others	1,480,748	38,077	1,518,825	2,075,800
Individuals				
— Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	102,425	—	102,425	118,255
— Loans for the purchase of other residential properties	5,780,313	5,528	5,785,841	4,514,148
— Others	791,719	1,070	792,789	876,309
Trade finance	1,041,321	79,709	1,121,030	949,344
Loans for use outside Hong Kong	934,261	138,469	1,072,730	1,154,193
	30,714,700	792,117	31,506,817	28,086,680

(ii) Advances to customers — by geographical areas

At 30 June 2002 and 31 December 2001, over 90% of the Group's advances to customers, non-performing loans and overdue loans were made to counterparties located in Hong Kong. In determining this analysis no account has been taken of transfer of risk with respect to claims guaranteed by a party in a country which is different from that of the counterparty.



5 Overdue advances

	Gross advances HK\$'000	% of total advances	Market value of collateral HK\$'000	Amount of secured balance HK\$'000	Amount of unsecured balance HK\$'000	Specific provision made HK\$'000
As at 30 June 2002 (Unaudited)						
Consolidated except for UBCBM						
— 3 to 6 months overdue	46,786	0.2%	44,526	35,776	11,010	12,743
— 6 months to 1 year overdue	74,526	0.2%	20,600	18,954	55,572	56,318
— Over 1 year overdue	352,187	1.1%	267,957	225,314	126,873	133,668
	473,499	1.5%	333,083	280,044	193,455	202,729
UBCBM						
— 3 to 6 months overdue	—	—	—	—	—	—
— 6 months to 1 year overdue	—	—	—	—	—	—
— Over 1 year overdue	539,648	1.7%	180,387	164,381	375,267	355,096
	539,648	1.7%	180,387	164,381	375,267	355,096
Consolidated						
— 3 to 6 months overdue	46,786	0.2%	44,526	35,776	11,010	12,743
— 6 months to 1 year overdue	74,526	0.2%	20,600	18,954	55,572	56,318
— Over 1 year overdue	891,835	2.8%	448,344	389,695	502,140	488,764
	1,013,147	3.2%	513,470	444,425	568,722	557,825
As at 31 December 2001 (Unaudited)						
Consolidated						
— 3 to 6 months overdue	92,392	0.3%	29,257	28,371	64,021	62,022
— 6 months to 1 year overdue	135,758	0.4%	58,143	51,837	83,921	70,533
— Over 1 year overdue	1,405,124	5.0%	727,078	601,556	803,568	722,923
	1,633,274	5.7%	814,478	681,764	951,510	855,478

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30 June 2002 and 31 December 2001.



6 Other overdue assets

	Placements with banks and other financial institutions HK\$'000	Accrued interest HK\$'000
As at 30 June 2002 (Unaudited)		
— 3 to 6 months overdue	—	121
— 6 months to 1 year overdue	—	213
— Over 1 year overdue	39,000	7,771
	39,000	8,105
Rescheduled assets	—	720
	39,000	8,825
As at 31 December 2001 (Unaudited)		
— 3 to 6 months overdue	—	355
— 6 months to 1 year overdue	—	940
— Over 1 year overdue	38,988	11,671
	38,988	12,966
Rescheduled assets	—	135
	38,988	13,101

7 Rescheduled advances

	(Unaudited) 30 Jun 2002		(Unaudited) 31 Dec 2001	
	Consolidated except for UBCBM HK\$'000	UBCBM HK\$'000	Consolidated HK\$'000	Consolidated HK\$'000
Rescheduled advances (net of overdue loans over 3 months)	304,739	85,579	390,318	346,161
% of total advances	0.9%	0.3%	1.2%	1.2%

There were no advances to banks and other financial institutions which were rescheduled as at 30 June 2002 and 31 December 2001.



8 Reconciliation

	(Unaudited) 30 Jun 2002		(Unaudited) 31 Dec 2001	
	Consolidated except for UBCBM HK\$'000	UBCBM HK\$'000	Consolidated HK\$'000	Consolidated HK\$'000
Overdue loans (<i>Note 1</i>)	473,499	539,648	1,013,147	1,633,274
Rescheduled loans (<i>Note 2</i>)	304,739	85,579	390,318	346,161
	778,238	625,227	1,403,465	1,979,435
Less: Overdue loans on which interest is still being accrued	(15,962)	—	(15,962)	(109,823)
Less: Rescheduled loans on which interest is still being accrued	(30,669)	—	(30,669)	(43,178)
Add: Non-performing loans which are not overdue or rescheduled	80,438	1,062	81,500	103,039
Non-performing loans	812,045	626,289	1,438,334	1,929,473

Notes:

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

9 Cross-border claims

The Group analyses cross-border claims by geographical areas. In determining this analysis, it has been taken into account of transfer of risk with respect to claims guaranteed by a party in a country different from that of the company. Those areas which constitute 10% or more of the aggregate cross-border claims are as follows:

	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
As at 30 June 2002 (Unaudited)				
Asia Pacific excluding Hong Kong	4,840	404	6,162	11,406
North and South America	509	—	1,199	1,708
Europe	6,170	—	290	6,460
As at 31 December 2001 (Unaudited)				
Asia Pacific excluding Hong Kong	4,132	392	6,353	10,877
North and South America	395	—	1,751	2,146
Europe	3,914	—	14	3,928