

CHAIRMAN'S STATEMENT



Mr. Hong Yuncheng
Chairman

Mr. Kong Dan
Chairman

Content but not Complacent: Continue to Make Steady Progress

The year 2000 will be marked in the Bank's history of development as a meaningful year.

Firstly, the record earnings for the year demonstrated that not only the Bank has overcome the severe challenges brought about by the Asian financial crisis, it is also making significant strides forward into the new century.

These strong results also reflect the success of the management and operational reforms implemented by the Bank over the past three years. We have improved our quality, and actively participated in market competition with a visible corporate image. Indeed, the efforts were well received and recognized by our customers. During a year of intense competition, besides stepping up the efficacy of our risk management, we successfully developed various lines of businesses, launched high yield loan products and services, and expanded our customer base. At the same time, we recorded satisfactory growth in deposits and loans. In particular, the overall return on loans had been raised and net interest margins widened, resulting in a continuous improvement of our operational efficiency.

Our problem loans reduced sharply from HK\$6.9 billion in early 1998 to HK\$2.1 billion at the end of 2000. The proportion of problem loans has been gradually declining year-by-year, and now it is basically on a par with our peers. We have not only successfully arrested our inherited problems, but also established a management mechanism that places great emphasis on stringent credit risk control.

Our total assets surpassed HK\$55 billion at year-end 2000, signifying that we have emerged from a small local bank to enter the rank of a medium-sized bank.

Such an achievement is the result of the profound support from our shareholders, customers and the general public; as well as the collaborative efforts and enterprising spirit of our entire management team and workforce. I would like to take this opportunity to express my gratitude to each and every one of them. It has been a pleasure working in a close-knit and harmonious environment with a group of highly qualified banking professionals and this has made my job as Chairman so much the easier. However, having reached retirement age, I have submitted my

resignation as Chairman to the Board of Directors and will retire shortly. Looking back, while I am sufficiently satisfied with the performance and progress achieved, I am by no means complacent. Looking ahead, I hope the Bank can adhere to its spirit of reform and innovation, and continue to maintain a healthy rate of growth so as to achieve steady progress.

I would also like to take this opportunity to warmly welcome and recommend, the new Chairman of CITIC Ka Wah Bank, Mr. Kong Dan. Mr. Kong is the Vice Chairman and President of CITIC, and has been unanimously elected by the Bank's Board of Directors as the new Chairman. He is a highly experienced veteran in the world of finance and a strong leader. I believe that under Mr. Kong's leadership, CITIC Ka Wah Bank will further develop its businesses, reach new milestones, and achieve even stronger results.



Hong Yuncheng
Chairman



Embracing Opportunities to Reach New Heights

I am extremely honored to present to you our Annual Report for the first time as Chairman of CITIC Ka Wah Bank.

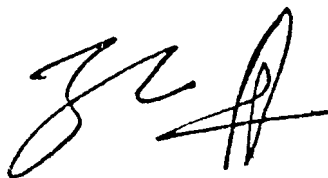
Firstly, on behalf of the Board of Directors, I would like to express my most sincere gratitude to, and highest affirmation of, Mr. Hong's valuable contributions to the Bank and his inspired leadership during his three-year tenure as Chairman. During the past few years, the Bank has been faced with numerous historical problems and external challenges, and operated under very difficult circumstances. Responding to such a difficult environment, Mr. Hong and the management team swiftly analyzed the situation and set about implementing innovative reforms. The bravery to explore amidst the adverse situation had led the Bank to capitalize on market opportunities, resulting in a steady and healthy development of the Bank's businesses. The significant improvement of the Bank in many aspects of its businesses, which gained broad market recognition, cannot be achieved without Mr. Hong's outstanding leadership.

Building on this solid foundation, we will adhere to the proven business strategies of the past few years, and continue to develop various areas of our banking businesses. We will further enhance our management capabilities and improve profitability, and strive to become one of the best medium-sized banks in Hong Kong. China's imminent admission into the World Trade Organization, the trend towards globalization, computerization, as well as the rapid development of networks — all these will bring about unforeseen business opportunities and challenges for Hong Kong's banking industry. Now more than ever, efficiency and innovation are keys to our success. As the President of CITIC, as well as the Chairman of CITIC Ka Wah Bank, I aim to foster beneficial co-operation and greater synergy between the Bank and other members of the CITIC group. We shall embrace the opportunities that lie ahead, and provide our customers with a more comprehensive range of quality financial services.

The Bank recruited a large number of experienced and talented individuals under the comprehensive

personnel reform program. This resulted in an enhancement of our management quality and helped pave the way for further business development. I look forward to working closely with our people, and through our collective efforts, we will strive to reach new heights and achieve the goal of making CITIC Ka Wah Bank the best medium-sized bank in Hong Kong.

Finally, on behalf of the Board, I would like to take this opportunity to express my sorrow for the loss of our Director, Mr. Nelson Youn Zain Tsao. Mr. Tsao was appointed as Director of the Bank in June 1986 and was formerly General Manager of the Bank. During the past ten-plus years, Mr. Tsao made a tremendous contribution to the development of the Bank. His passion for his work, his industrious spirit, together with the care and motivation he brought to the staff, deserve our respect and fond remembrance.



Kong Dan
Chairman

