

The Directors have pleasure in presenting their report together with the audited accounts of International Bank of Asia Limited ("the Bank") and its subsidiaries (collectively "the Group") for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The Bank, through its branches and subsidiaries, provides a range of banking, financial and related services.

SUBSIDIARIES

Particulars of the Bank's principal subsidiaries at 31 December 2001 are set out in Note 20 to the accounts.

COMPLIANCE

The Bank has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

In addition, the accounts on pages 51 to 92 together with the unaudited supplementary financial information on pages 93 to 101 comply, in all material respects, with the Guideline "Financial Disclosure by Locally Incorporated Authorised Institutions" issued by the Hong Kong Monetary Authority.

RESULTS AND APPROPRIATIONS

The result of the Group for the year ended 31 December 2001 is set out in the consolidated profit and loss account on page 51. The state of the Bank's and the Group's affairs are set out in the accounts on pages 51 to 92.

During the year the Bank paid an interim dividend of 4.00 Hong Kong Cents per ordinary share, totalling HK\$46,886,400 (2000: 3.00 Cents, HK\$35,164,800). The Directors recommend the payment of a final dividend of 7.00 Hong Kong Cents per ordinary share, totalling HK\$82,051,200 (2000: 5.00 Cents, HK\$58,608,000) in respect of the year ended 31 December 2001.

DIRECTORS

The directors in office during the year were:

Anwar Ali Al-Mudhaf	(Elected on 4 April 2001)
Mike M. Murad	
Poon Kwok Lim, Steven	
Robert James Kenrick	
So Yiu Cho, James	
Eissa M. Al Suwaidi	
Guo You	
Bachar Samra	
Khalifa M. Al Kindi	(Appointed on 19 June 2001)
Zhou Liqun	(Appointed on 1 August 2001)
Sheikh Ali Jarrah Al-Sabah	(Retired on 4 April 2001)
Shao Zhengkang	(Retired on 4 April 2001)
Taher D. Makkiyah	(Resigned on 24 May 2001)

ROTATION OF DIRECTORS IN THE FORTHCOMING ANNUAL GENERAL MEETING

In accordance with Article 81 of the Bank's Articles of Association, Mr Robert J. Kenrick and Mr. James SoYiu Cho retire and, being eligible, offer themselves for re-election. In accordance with Article 77 of the Bank's Articles of Association, Mr. Khalifa M. Al Kindi and Dr. Zhou Liqun retire and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

None of the directors has any interest in, or rights to subscribe for, the share capital of the Bank or any associated corporation.

At no time during the year was the Bank, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or chief executive of the Bank, or any of their spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in, or debentures of the Bank, or any other corporation.

DIRECTORS' SERVICE CONTRACTS

The non-executive directors were appointed by the Bank's shareholders at the Annual General Meeting with appointment terms in accordance with Article 77 and Article 81 of the Bank's Articles of Association. Their remuneration is determined annually by the Bank's shareholders at the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS (continued)

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Bank which is not determinable by the Bank within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Bank's business to which the Bank, its holding company, subsidiaries or fellow subsidiaries was a party and in which the directors of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the register of substantial shareholders showed that the Bank had been notified of the following interests, being 10% or more of the Bank's issued share capital.

	Ordinary shares of HK\$1 each	Percentage of total shareholding
Arab Banking Corporation (B.S.C.)	644,688,000	55
Tendai Limited (wholly owned subsidiary of China Everbright Limited)	234,432,000	20

PURCHASE, SALE OR REDEMPTION OF SHARES

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

FIXED ASSETS

Movements in fixed assets of the Bank and the Group are set out in Note 21 to the accounts.

DONATIONS

Donations made by the Group for charitable purposes during the year amounted to HK\$220,263 (2000: HK\$532,965).

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors and is a sub-committee of the Board of Directors. The audit committee serves as the Board of Directors' "eyes and ears" in monitoring compliance with the policies approved by the Board of Directors and other internal and statutory regulations. It provides oversight of the Group's internal and external auditors and thereby assists the Board in providing independent review of the effectiveness of the financial reporting process and internal control systems of the Group.

AUDITORS

The accounts have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

Anwar Ali Al-Mudhaf

Director

Hong Kong, 7 February 2002