

The Directors have pleasure in presenting the interim consolidated financial report of International Bank of Asia Limited (“the Bank”) and its subsidiaries (collectively “the Group”) for the six months ended 30 June 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors of the Bank is aware of information which would reasonably indicate that the Bank is not or was not in compliance with the Code of Best Practice, as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules at any time during the six months ended 30 June 2002.

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 six months was the Bank or its subsidiaries or its holding company or any of its 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 corporation.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, 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 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

DIRECTORS

The Directors in office during the six months ended 30 June 2002 were:

Dr. Anwar Ali Al-Mudhaf
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
Zhou Liqun

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

The Bank has not redeemed any of its listed shares during the six months ended 30 June 2002. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's shares during the period.

CORPORATE GOVERNANCE

IBA is a long-time practitioner of sound corporate governance. Priority is given to investor relations and transparency. Independent directors were elected to the Board prior to listing on the stock exchange and their number has since been increased to three. The Audit Committee, which is composed solely of independent directors and attended by both the Chief Internal Auditor and a partner of the external auditors, meets a minimum of four times a year. The Audit Committee reviews the reports of both the external and internal auditors, and reports to the full board on credit quality, provisions, charge-offs and key balance sheet and income statement figures. The Remuneration Committee, which is composed of non-executive directors and includes two independent directors, reviews and approves the remuneration of the senior officers of the Bank.

The full board meets a minimum of four times per year. These meetings are supplemented by meetings of the

Executive Committee of the Board, as well as frequent communication between management and non-executive directors. The Board plays a supervisory role, delegating executive authority to professional managers. The Board approves Bank policies recommended by management. The Board approves the Asset and Liability Policy and the Investment Policy of the Bank, and amendments to these policies. Two directors sit on the Asset and Liability Committee and the Investment Committee, and all directors are provided with periodic reports on asset and liability management and investment performance both at board meetings and through direct communication between board meetings.

Directors are provided with a copy of the *“Corporate Governance of Locally Incorporated Authorised Institutions”* under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority (“HKMA”).

In addition to the Audit Committee and the reports of both external and internal auditors, the Board has access to the reports of the Corporate Governance and Compliance Unit, an independent body established to verify the Bank’s adherence to the Hong Kong Banking Ordinance, regulations and directives of the Hong Kong Monetary Authority and the Securities and Futures Commission, as well as the regulations of Hong Kong Exchanges and Clearing Company, Limited. Senior staff of the HKMA meet with the full Board on an annual basis to provide a comprehensive report on their assessment of the Bank. This supplements the annual Capital, Asset Quality, Management Quality, Earnings and Liquidity (“CAMEL”) rating by the HKMA which is also reported to the Board.

The Bank is an equal opportunity employer and is environmentally aware and has issued policies on both of these issues. Service to the community is one of the cardinal principles of the Bank.