



中國工商銀行(亞洲)

ICBC (Asia)

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

中國工商銀行(亞洲)有限公司

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF 2002 ANNUAL RESULTS

The Directors of Industrial and Commercial Bank of China (Asia) Limited (“the Bank” or “ICBC (Asia)”) are pleased to announce the audited consolidated results of the Bank and its subsidiaries (“the Group”) for the year ended 31 December 2002 as follows:—

AUDITED ANNUAL ACCOUNTS

(A) Audited Consolidated Profit and Loss Information

	Note	Year Ended		Change %
		31 Dec 2002 HK\$'000	31 Dec 2001 HK\$'000	
Interest income		1,472,029	1,426,765	
Interest expense		(782,840)	(938,694)	
<b>Net interest income</b>		<b>689,189</b>	488,071	41%
Other operating income		<b>390,732</b>	202,919	93%
<b>Operating income</b>		<b>1,079,921</b>	690,990	56%
Operating expenses	(4)	(307,260)	(289,497)	6%
Amortisation of goodwill	(5)	(36,336)	(17,749)	
<b>Operating profit before provisions</b>		<b>736,325</b>	383,744	92%
Charge for bad and doubtful debts — specific	(3)	(123,561)	(66,010)	87%
Charge for bad and doubtful debts — general		(57,951)	—	
<b>Operating profit after provisions</b>	(1)	<b>554,813</b>	317,734	75%
Net (loss)/gain on disposal of fixed assets		(4,885)	1,350	
Net profit on disposal and redemption of held-to-maturity securities and non-trading securities		<b>28,269</b>	20,694	
Provisions written-back/(charge) on held-to-maturity securities and non-trading securities		<b>1,252</b>	(1,677)	
Provision on property available for sale		—	(10,000)	
Share of net results of associates		(8,620)	3,480	

<b>Profit before taxation</b>		<b>570,829</b>	331,581	72%
Taxation	(6)			
Bank and subsidiaries				
— Hong Kong		<b>(88,400)</b>	11	
— Overseas		—	(1,180)	
Associates		—	—	
<b>Profit attributable to shareholders</b>		<b>482,429</b>	330,412	46%
<b>Dividends</b>	(7)	<b>289,307</b>	<b>198,055</b>	
<b>Per share:</b>				
• Basic earnings	(8)			
— reported basis		<b>HK\$0.70</b>	HK\$0.56	25%
— cash basis		<b>HK\$0.76</b>	HK\$0.60	27%
• Diluted earnings	(8)			
— reported basis		<b>HK\$0.61</b>	HK\$0.56	9%
— cash basis		<b>HK\$0.66</b>	HK\$0.59	12%
• Dividends	(7)			
— interim		<b>HK\$0.10</b>	HK\$0.05	100%
— final		<b>HK\$0.25</b>	HK\$0.17	47%
— special		—	HK\$0.05	N/A
Total		<b>HK\$0.35</b>	HK\$0.27	30%

## (B) Audited Consolidated Balance Sheet Information

	<i>Note</i>	<b>31 Dec 2002</b> <i>HK\$'000</i>	31 Dec 2001 <i>HK\$'000</i>	Change %
<b>Assets</b>				
Cash and short-term funds		<b>15,775,840</b>	6,356,431	148%
Placements with banks and other financial institutions maturing between one and twelve months		<b>1,033,844</b>	517,889	100%
Trade bills	(9)	<b>108,280</b>	64,786	67%
Certificates of deposit held		<b>1,931,179</b>	2,034,040	-5%
Trading securities		<b>38,525</b>	—	
Held-to-maturity securities		<b>6,519,256</b>	3,909,272	67%
Advances and other accounts	(9)	<b>33,266,929</b>	28,020,456	19%
Prepaid taxation		—	53	
Non-trading securities		<b>2,023,640</b>	1,138,025	78%
Investment in associates		<b>193,306</b>	27,391	606%
Goodwill		<b>656,710</b>	692,208	-5%
Fixed assets		<b>714,480</b>	736,678	-3%
		<b>62,261,989</b>	<b>43,497,229</b>	43%

## Liabilities

Deposits and balances of banks and other financial institutions	12,334,120	7,053,997	75%
Deposits from customers	38,751,030	29,705,307	30%
Certificates of deposit issued	1,429,002	—	
Deferred taxation	6,289	6,289	
Current taxation	61,123	—	
Other accounts and provisions	474,348	452,317	5%
	<u>53,055,912</u>	<u>37,217,910</u>	43%

## Capital Resources

Loan capital	(10)	3,254,730	1,208,628	169%
Ordinary share capital of HK\$2 each	(11)	1,248,749	1,062,639	18%
Convertible non-cumulative preference share capital of HK\$5 each		1,011,096	1,011,096	
Reserves	(12)	3,691,502	2,996,956	23%
		<u>9,206,077</u>	<u>6,279,319</u>	47%
		<u>62,261,989</u>	<u>43,497,229</u>	43%

## Notes

### (1) Analysis of operating results

	31 Dec 2002 HK\$'000	31 Dec 2001 HK\$'000
Consolidated except for UBCBM	563,351	330,309
UB China Business Management Co. Ltd. ("UBCBM") (note 2)	<u>(8,538)</u>	<u>(12,575)</u>
	<u>554,813</u>	<u>317,734</u>

### (2) Highlights of the operating results of UBCBM which have been consolidated above are as follows:

	HK\$'000	HK\$'000
Interest income	12,476	22,620
Interest expenses	—	—
Net interest income	12,476	22,620
Other operating income	890	705
Operating income	13,366	23,325
Operating expenses	<u>(156)</u>	<u>(88)</u>
Operating profit before provisions	13,210	23,237
Provisions charge for bad and doubtful debts — specific (note 3)	(22,617)	(33,285)
Provisions writeback/(charge) for bad and doubtful debts — general	869	(2,527)
Operating loss	<u>(8,538)</u>	<u>(12,575)</u>

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

	<i>HK\$'000</i>	<i>HK\$'000</i>
UBCBM loans ( <i>note 2</i> )	(22,617)	(33,285)
Non-UBCBM loans	<u>(100,944)</u>	<u>(32,725)</u>
	<u>(123,561)</u>	<u>(66,010)</u>
Additional provisions	(195,854)	(237,682)
Less: Provisions writeback	<u>72,293</u>	<u>171,672</u>
	<u>(123,561)</u>	<u>(66,010)</u>

(4) **Operating expenses**

Including depreciation on fixed assets for the year ended 31 December 2002 amounting to HK\$25,479,000 (31 December 2001: HK\$24,884,000).

(5) **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.

(6) **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 year 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.

(7) **Dividends**

	<b>31 Dec 2002</b>	31 Dec 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend, HK\$0.10 (2001: HK\$0.05) per share, paid to:		
— Convertible preference shareholders	20,222	10,111
— Ordinary shareholders	62,437	26,566
Proposed final dividend, HK\$0.25 (2001: HK\$0.17) per share, to be paid to:		
— Convertible preference shareholders	50,555	34,377
— Ordinary shareholders	156,093	90,324
Proposed special dividend, HK\$nil (2001: HK\$0.05) per share, to be paid to:		
— Convertible preference shareholders	—	10,111
— Ordinary shareholders	—	<u>26,566</u>
	<u>289,307</u>	<u>198,055</u>

**(8) Earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders (net of dividends paid and payable on convertible preference shares) for the year of HK\$411,652,000 (2001: HK\$275,813,000) and on 588,681,975 (2001: 491,000,336) shares, being the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$482,429,000 (2001: HK\$330,412,000) and on 790,901,193 (2001: 591,832,933) shares, being the weighted average number of ordinary shares and convertible preference shares in issue during the year.

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

**(9) Total advances and other accounts**

	<b>(Audited)</b>			<b>(Audited)</b>
	<b>31 Dec 2002</b>			<b>31 Dec 2001</b>
	<b>Consolidated</b>			
	<b>except for</b>			
	<b>UBCBM</b>	<b>UBCBM</b>	<b>Consolidated</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Advances to customers	<b>32,073,558</b>	<b>336,427</b>	<b>32,409,985</b>	28,086,680
Advances to banks and other financial institutions	<b>354,994</b>	—	<b>354,994</b>	299,531
Trade bills	<b>109,374</b>	—	<b>109,374</b>	65,390
Provisions for bad and doubtful debts:				
— Specific	<b>(130,109)</b>	<b>(140,018)</b>	<b>(270,127)</b>	(965,669)
— General	<b>(272,822)</b>	<b>(1,659)</b>	<b>(274,481)</b>	(216,530)
	<b>32,134,995</b>	<b>194,750</b>	<b>32,329,745</b>	27,269,402
Accrued interest and other accounts	<b>992,613</b>	<b>54,293</b>	<b>1,046,906</b>	826,329
Provisions for accrued interest	<b>(1,003)</b>	<b>(439)</b>	<b>(1,442)</b>	(10,489)
	<b><u>33,126,605</u></b>	<b><u>248,604</u></b>	<b><u>33,375,209</u></b>	<b><u>28,085,242</u></b>

**(10) Loan capital**

Loan capital represents floating rate subordinated debt qualifying for inclusion as supplementary capital in accordance with the Third Schedule to the Banking Ordinance.

**(11) 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 investors at 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.

**(12) Reserves**

	(Audited) 31 Dec 2002 HK\$'000	(Audited) 31 Dec 2001 HK\$'000
Ordinary share premium	1,786,686	1,224,894
Convertible preference share premium	505,496	505,496
Bank premises revaluation reserve	408,511	412,631
Investment revaluation reserve	33,149	138,766
Exchange reserve	(21)	—
General reserve	219,200	219,200
Retained profits	738,481	495,969
	<u>3,691,502</u>	<u>2,996,956</u>
Proposed dividends not provided for	<u>206,648</u>	<u>161,378</u>

**(C) Supplementary Information***(1) Advances to customers — By industry sectors*

	(Unaudited) 31 Dec 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	1,549,711	—	1,549,711	1,384,403
— Property investment	4,662,265	76,431	4,738,696	4,507,171
— Financial concerns	2,383,681	—	2,383,681	3,429,683
— Stockbrokers	30,636	—	30,636	29,705
— Wholesale and retail trade	1,367,101	172,099	1,539,200	1,790,310
— Civil engineering works	759,760	6,795	766,555	240,256
— Manufacturing	1,452,387	—	1,452,387	975,222
— Transport and transport equipment	4,832,851	—	4,832,851	3,836,087
— Electricity, gas and telecommunications	1,518,066	—	1,518,066	1,404,365
— Hotels, boarding houses & catering	1,138,859	—	1,138,859	801,429
— Others	3,337,679	20,435	3,358,114	2,075,800
Individuals				
— Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	118,356	—	118,356	118,255
— Loans for the purchase of other residential properties	6,331,747	5,528	6,337,275	4,514,148
— Others	696,274	1,037	697,311	876,309
Trade finance	1,025,291	33,173	1,058,464	949,344
Loans for use outside Hong Kong	868,894	20,929	889,823	1,154,193
	<u>32,073,558</u>	<u>336,427</u>	<u>32,409,985</u>	<u>28,086,680</u>

(2) *Advances to customers — By geographical areas*

At 31 December 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.

(3) *Non-performing loans*

	Gross advances <i>HK\$'000</i>	% of advances to customers	Market value of collateral <i>HK\$'000</i>	Specific provision made <i>HK\$'000</i>	Interest suspended <i>HK\$'000</i>
<b>As at 31 December 2002 (Audited)</b>					
Consolidated except for UBCBM	473,242	1.5%	372,981	127,257	49,719
UBCBM	265,690	0.8%	115,673	140,018	108,261
<b>Consolidated</b>	<b>738,932</b>	<b>2.3%</b>	<b>488,654</b>	<b>267,275</b>	<b>157,980</b>
<b>As at 31 December 2001 (Audited)</b>					
Consolidated	1,929,473	6.8%	925,018	955,944	281,495

Non-performing loans are advances to customers 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 31 December 2002 and 31 December 2001 nor where is there any specific provision made for them on these two days.

(4) *Overdue advances*

	Gross advances <i>HK\$'000</i>	% of advances to customers	Market value of collateral <i>HK\$'000</i>	Amount of secured balance <i>HK\$'000</i>	Amount of unsecured balance <i>HK\$'000</i>	Specific provision made <i>HK\$'000</i>
<b>As at 31 December 2002 (Unaudited)</b>						
<b>Consolidated except for UBCBM</b>						
Three to six months overdue	52,925	0.2%	47,905	41,562	11,363	9,570
Six months to one year overdue	22,505	0.1%	26,355	21,907	598	1,304
Over one year overdue	194,959	0.6%	195,326	173,891	21,068	22,640
	<u>270,389</u>	<u>0.9%</u>	<u>269,586</u>	<u>237,360</u>	<u>33,029</u>	<u>33,514</u>
<b>UBCBM</b>						
Over one year overdue	<u>183,583</u>	<u>0.5%</u>	<u>109,973</u>	<u>78,065</u>	<u>105,518</u>	<u>91,331</u>
<b>Consolidated</b>						
Three to six months overdue	52,925	0.2%	47,905	41,562	11,363	9,570
Six months to one year overdue	22,505	0.1%	26,355	21,907	598	1,304
Over one year overdue	378,542	1.1%	305,299	251,956	126,586	113,971
	<u>453,972</u>	<u>1.4%</u>	<u>379,559</u>	<u>315,425</u>	<u>138,547</u>	<u>124,845</u>
<b>As at 31 December 2001 (Unaudited)</b>						
<b>Consolidated</b>						
Three to six months overdue	92,392	0.3%	29,257	28,371	64,021	62,022
Six months to one year overdue	135,758	0.4%	58,143	51,837	83,921	70,533
Over one year overdue	1,405,124	5.0%	727,078	601,556	803,568	722,923
	<u>1,633,274</u>	<u>5.7%</u>	<u>814,478</u>	<u>681,764</u>	<u>951,510</u>	<u>855,478</u>

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

(5) *Other overdue assets*

	Placements with banks and other financial institutions <i>HK\$000</i>	Accrued interest <i>HK\$000</i>
<b>As at 31 December 2002 (Unaudited)</b>		
<b>Three to six months overdue</b>	—	<b>473</b>
<b>Six months to one year overdue</b>	—	<b>488</b>
<b>Over one year overdue</b>	—	<b>4,422</b>
	—	<b>5,383</b>
<b>Rescheduled assets</b>	—	<b>71</b>
	—	<b>5,454</b>
<b>As at 31 December 2001 (Unaudited)</b>		
Three to six months overdue	—	355
Six months to one year overdue	—	940
Over one year overdue	38,988	11,671
	38,988	12,966
<b>Rescheduled assets</b>	—	135
	38,988	13,101

(6) *Rescheduled advances*

	(Unaudited) 31 Dec 2002		(Unaudited) 31 Dec 2001	
	Consolidated except for UBCBM <i>HK\$'000</i>	UBCBM <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Rescheduled advances (net of overdue loans over 3 months)	<u>154,535</u>	<u>78,147</u>	<u>232,682</u>	<u>346,161</u>
% of advances to customers	0.5%	0.2%	0.7%	1.2%

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

(7) *Reconciliation*

	<b>(Unaudited)</b>			<b>(Unaudited)</b>
	<b>31 Dec 2002</b>			<b>31 Dec 2001</b>
	<b>Consolidated</b>			
	<b>except for</b>			
	<b>UBCBM</b>	<b>UBCBM</b>	<b>Consolidated</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Overdue loans ( <i>Note 1</i> )	<b>270,389</b>	<b>183,583</b>	<b>453,972</b>	1,633,274
Rescheduled loans ( <i>Note 2</i> )	<b>154,535</b>	<b>78,147</b>	<b>232,682</b>	346,161
	<b>424,924</b>	<b>261,730</b>	<b>686,654</b>	1,979,435
Less: Overdue loans on which interest is still being accrued	<b>(3,475)</b>	—	<b>(3,475)</b>	(109,823)
Less: Rescheduled loans on which interest is still being accrued	<b>(20,796)</b>	—	<b>(20,796)</b>	(43,178)
Add: Non-performing loans which are not overdue or rescheduled	<b>72,589</b>	<b>3,960</b>	<b>76,549</b>	103,039
Non-performing loans	<b>473,242</b>	<b>265,690</b>	<b>738,932</b>	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.

(8) *Off-balance sheet exposures*

(i) *Contingent liabilities and commitments*

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	<b>(Audited)</b>	<b>(Audited)</b>
	<b>31 Dec 2002</b>	<b>31 Dec 2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Direct credit substitutes	<b>2,491,814</b>	2,265,182
Transaction-related contingencies	<b>126,649</b>	—
Trade-related contingencies	<b>627,797</b>	508,438
Other commitments		
— With an original maturity of under 1 year or which are unconditionally cancellable	<b>4,161,036</b>	1,977,302
— With an original maturity of 1 year and over	<b>9,261,792</b>	6,272,577
Others	<b>49,438</b>	—
	<b>16,718,526</b>	11,023,499

(ii) *Derivatives*

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

	(Audited) 31 Dec 2002 <i>HK\$'000</i>	(Audited) 31 Dec 2001 <i>HK\$'000</i>
Exchange rate contracts		
Forwards	6,574,033	399,496
Swaps	13,738,041	13,877,839
Currency options purchased	5,690,033	236,107
Currency options written	5,690,038	236,107
	<u>31,692,145</u>	<u>14,749,549</u>
Interest rate contracts		
Interest rate swaps	10,582,050	7,813,078
Interest rate options purchased	1,469,850	—
Interest rate options written	1,085,886	—
	<u>13,137,786</u>	<u>7,813,078</u>
Other contracts		
Equity options purchased	44,914	—
Equity options written	44,914	—
Bond options purchased	—	233,928
Bond options written	—	233,928
	<u>89,828</u>	<u>467,856</u>
	<u>44,919,759</u>	<u>23,030,483</u>

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 risks of the exposures.

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

	31 Dec 2002		31 Dec 2001	
	Replacement cost <i>HK\$'000</i>	Credit risk weighted amount <i>HK\$'000</i>	Replacement cost <i>HK\$'000</i>	Credit risk weighted amount <i>HK\$'000</i>
Contingent liabilities and commitments		4,942,607		3,373,838
Exchange rate contracts	48,251	46,153	32,066	35,642
Interest rate contracts	405,508	98,022	134,990	41,746
Other contracts	238	—	2,852	570
	<u>453,997</u>	<u>5,086,782</u>	<u>169,908</u>	<u>3,451,796</u>

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

(9) *Segmental information — 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 includes foreign exchange, money market and capital market activities. Corporate and investment banking mainly comprises corporate banking, the provision of debt capital markets and corporate finance advisory services.

	Commercial and retail banking <i>HK\$'000</i>	Treasury and markets <i>HK\$'000</i>	Corporate and investment banking <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended</b>					
<b>31 December 2002 (Audited)</b>					
Net interest income	257,108	219,945	147,951	64,185	689,189
Operating profit before provisions	177,713	222,864	372,084	(36,336)	736,325
Profit before taxation	<u>82,924</u>	<u>249,383</u>	<u>325,967</u>	<u>(87,445)</u>	<u>570,829</u>
For the year ended					
31 December 2001 (Audited)					
Net interest income	246,153	68,933	82,676	90,309	488,071
Operating profit before provisions	156,274	74,414	170,756	(17,700)	383,744
Profit before taxation	<u>121,635</u>	<u>95,108</u>	<u>170,859</u>	<u>(56,021)</u>	<u>331,581</u>

(10) *Capital adequacy ratio and capital base*

	<b>(Audited)</b>		<b>(Unaudited)</b>	
	<b>31 Dec 2002</b>		<b>31 Dec 2001</b>	
	<b>Unadjusted ratio</b>	<b>Adjusted ratio</b>	Unadjusted ratio	Adjusted ratio
Capital adequacy ratio	<u>17.9%</u>	<u>17.8%</u>	<u>16.1%</u>	<u>16.1%</u>

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:

	<b>(Audited)</b> <b>31 Dec 2002</b> <i>HK\$'000</i>	(Unaudited) 31 Dec 2001 <i>HK\$'000</i>
Core capital:		
Paid up ordinary share capital	<b>1,248,749</b>	1,062,639
Paid up irredeemable non-cumulative convertible preference shares	<b>1,011,096</b>	1,011,096
Ordinary share premium	<b>1,786,686</b>	1,224,894
Irredeemable non-cumulative convertible preference share premium	<b>505,496</b>	505,496
Reserves	<b>717,691</b>	506,861
Deduct: Goodwill	<b>(656,710)</b>	(692,208)
	<b><u>4,613,008</u></b>	<u>3,618,778</u>
Eligible supplementary capital:		
Reserves on revaluation of land and interests in land	<b>136,487</b>	157,669
Reserves on revaluation of holding of securities not held for trading purpose	<b>5,304</b>	9,618
General provision for doubtful debts	<b>274,481</b>	216,530
Perpetual subordinated debts	<b>1,000,000</b>	—
Term subordinated debts	<b>2,254,730</b>	1,208,628
	<b><u>3,671,002</u></b>	<u>1,592,445</u>
Total capital base before deductions	<b>8,284,010</b>	5,211,223
Deductions from total capital base	<b>(697,322)</b>	(518,936)
Total capital base after deductions	<b><u>7,586,688</u></b>	<u>4,692,287</u>

*(11) Liquidity ratio*

	<b>(Unaudited)</b> <b>31 Dec 2002</b>	(Unaudited) 31 Dec 2001
Average liquidity ratio for the year ended	<b><u>35.9%</u></b>	<u>39.7%</u>

The average liquidity ratio for the year 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.

(12) *Currency concentration*

The net position in foreign currencies are disclosed when each currency constitutes 10% or more of the total net position in all foreign currencies.

	US\$ HK\$'000	EUR HK\$'000	RMB HK\$'000	Total HK\$'000
<b>As at 31 December 2002 (Unaudited)</b>				
Spot assets	18,360,000	199,000	51,000	18,610,000
Spot liabilities	(29,789,000)	(224,000)	(40,000)	(30,053,000)
Forward purchases	16,903,000	38,000	79,000	17,020,000
Forward sales	(5,415,000)	(29,000)	(79,000)	(5,523,000)
<b>Net long/(short) position</b>	<b>59,000</b>	<b>(16,000)</b>	<b>11,000</b>	<b>54,000</b>
<b>As at 31 December 2001 (Unaudited)</b>				
Spot assets	11,333,000	107,000	52,000	11,492,000
Spot liabilities	(16,089,000)	(99,000)	(41,000)	(16,229,000)
Forward purchases	10,210,000	260,000	—	10,470,000
Forward sales	(5,432,000)	(266,000)	—	(5,698,000)
<b>Net long position</b>	<b>22,000</b>	<b>2,000</b>	<b>11,000</b>	<b>35,000</b>

(13) *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 counterparty. Those areas which constitute 10% or more of the aggregate cross-border claims are as follows:

	Banks and other financial institutions HK\$'million	Public sector entities HK\$'million	Others HK\$'million	Total HK\$'million
<b>As at 31 December 2002 (Unaudited)</b>				
Asia Pacific excluding Hong Kong	11,634	332	5,984	17,950
North and South America	229	—	1,554	1,783
Europe	8,428	—	385	8,813
<b>As at 31 December 2001 (Unaudited)</b>				
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

## **FINAL RESULTS**

Amid the background of prolonged economic slowdown and the ever challenging banking landscape, ICBC (Asia), backed by the full support of its parent bank, ICBC, was able to deliver a strong result with remarkable growth both in assets and in profit.

For the year ended 31 December 2002, consolidated profit after tax of the Group was HK\$482 million, which represented a 46% growth over preceding year's profit. Earnings per share was HK\$0.70.

## **FINAL DIVIDEND**

The Directors are pleased to declare a final dividend of HK\$0.25 per ordinary and convertible preference share for the year ended 2002 (2001: final dividend of HK\$0.17 and special dividend of HK\$0.05). The dividends will be paid in cash to shareholders whose names are on the Register of Members at the close of business on 8 April 2003. The payment will be made by cheque to be dispatched to shareholders by ordinary mail on or about 16 May 2003.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Bank will be closed from Wednesday, 9 April 2003 to Wednesday, 16 April 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the dividend, all transfers of shares must be lodged for registration with the Bank's Share Registrars, Tengis Limited at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Tuesday, 8 April 2003.

## **FINANCIAL REVIEW**

Amidst a difficult operating environment and a challenging year in 2002, the Directors of the Bank are pleased to announce another year of remarkable earnings growth. Consolidated profit attributable to shareholders recorded HK\$482 million, representing an increase of 46% over that of HK\$330 million for the year of 2001. The significant growth in earnings was attributed to strong performance in fee income and by exercising stringent cost control. Earnings per share was HK\$0.70 (2001: HK\$0.56). Return on average assets and return on average common equity were 1.0% and 10.4% respectively (2001: 1.1% and 9.3%).

Consolidated net interest income for the year of 2002 surged by 41% to HK\$689 million over 2001, mainly due to a 16% increase in total loans that had largely compensated the squeeze in net interest margin. The net interest margin actually dropped 17 basis points to 1.49% in the first half of 2002 and further decreased by 4 basis points to 1.45% for the second half of 2002. Through a judicious approach to asset and liability management, the net interest margin distinctly narrowed from the decline of 17 basis points in the first half of 2002 despite pressure on pricing.

Other operating income recorded a substantial increase of 93% to HK\$391 million (2001: HK\$203 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 36% (2001: 29%).

While total operating income increased 56% to HK\$1,080 million, operating expenses were effectively controlled and only up by 6% to HK\$307 million (2001: HK\$289 million), resulting in a more efficient cost income ratio (excluding amortisation of goodwill of HK\$36 million) of 28% compared to 42% last year. Total number of staff was 553 as at 31 December 2002 compared with 558 at the end of 2001.

In addition, the net charge for bad and doubtful debts for the year of 2002 was HK\$182 million, HK\$58 million of which related to building up of the general provision as the loan book expanded and HK\$124 million related to net specific charge (i.e. after netting of provision writebacks). Compared with last year, net specific provision edged up moderately by HK\$58 million mainly due to reduced level of provision writebacks. New charges were in fact decreased by HK\$42 million despite the enlarged loan book.

## **Balance Sheet**

Total assets were HK\$62,262 million as at 31 December 2002, a 43% rise when compared with 31 December 2001.

Despite the lackluster lending environment in Hong Kong, the Bank's loan book maintained a strong growth of 16%, up HK\$4,423 million since 31 December 2001. The majority of new loans were syndicated loans to large cap blue-chip corporations and other China or China affiliated blue-chip companies, resulting in a much improved risk profile of the loan book. Other growth was recorded in residential mortgages, 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 31 December 2002, total investment in debt securities amounted to HK\$10,212 million, or 16% of total assets (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 20 September 2002, ICBC (Asia) has strengthened its participation in the China insurance market by acquiring the stake of 24.9% in The Tai Ping Insurance Company, Limited ("Tai Ping Insurance") from China Insurance International Holdings Company Limited and China Insurance (Holdings) Company, Limited (formerly known as China Insurance Company, Limited) for a total consideration of HK\$176 million.

On the funding side, customers' deposits amounted to HK\$38,751 million or 73% of total liabilities as at 31 December 2002. When compared to 2001, customers' deposits achieved encouraging growth of 30%. During the year, the Bank also issued Certificates of Deposits of HK\$1,429 million in total to secure longer term funding. 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 80% (31 December 2001: 92%).

## **Capital Adequacy and Liquidity**

The capital base was augmented via the issuance of subordinated floating rate notes and new ordinary shares. In March 2002, the Bank issued US\$70 million term subordinated floating rate notes to the ultimate holding company. In December 2002, the Bank continued to issue HK\$1.5 billion subordinated floating rate notes into two tranches: (a) HK\$500 million term subordinated notes, the Lower Tier II Capital and (b) HK\$1 billion perpetual subordinated notes, the Upper Tier II Capital. All of which were fully subscribed by the ultimate holding company to further enhance its capital base for future business development.

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.

The adjusted consolidated capital adequacy ratio of ICBC (Asia) increased by 1.7% to 17.8% at the end of 2002 when compared to 16.1% at the end of December 2001. The liquidity position remained strong throughout the year of 2002 with an average liquidity ratio of 35.9% (Average for the year of 2001: 39.7%).

### **Bad and Doubtful Debts**

Compared to the year end of 2001, the gross non-performing loans (NPLs) as at 31 December 2002 dropped HK\$1,191 million to HK\$739 million, of which HK\$518 million was due to recoveries while another HK\$843 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 2.3% as at 31 December 2002. The exposure to unsecured personal credits remained insignificant.

As at 31 December 2002, the cumulative provisions for bad and doubtful debts were HK\$545 million, comprising specific provision of HK\$270 million and general provision of HK\$275 million.

Compared with 31 December 2001, overdue loans reduced by HK\$1,179 million to HK\$454 million as at 31 December 2002. The debt coverage ratio (i.e. specific provision + collateral) for overdue loans was 97.0% as of 31 December 2002 (31 December 2001: 94.1%). The debt coverage ratio for UB China Business Management Co. Ltd.'s portfolio was 92.3% while the Bank's remaining portfolio was fully covered.

## **BUSINESS REVIEW AND OUTLOOK**

In 2002, the Bank led managed 32 syndicated deals amounting to HK\$96 billion and was one of the top 3 arrangers in the loan syndication market. On the HKD capital market front, the Bank also engaged in 29 deals amounting to HK\$18 billion.

Up to 31 December 2002, the Bank has already strengthened co-operation with 7 Taiwanese banks in order to facilitate remittance and trade finance services between Taiwan to China. The Bank also extended the fast and reliable "Remittance Express" service to Beijing and Shanghai during the year. Customers can now enjoy same day remittance service to Guangdong, Beijing and Shanghai at a low price. To get an extra peace of mind, beneficiaries may also be advised the receipt of proceeds by phone. The service is well received by the customers and the Bank will continue to extend the service to other provinces in the future.

The 24.9% stake in Tai Ping Insurance offers the Bank another stepping stone to benefit from the growing China insurance market. The Bank is expecting this arm to deliver profit contribution by means of rising underwriting profits and investment return in the future.

The retail banking arm offers full-fledged products and services including Bancassurance, MPF, unit trust, structured deposits, residential mortgage with flexible payment options, internet banking and Remittance Express. The Bank is also actively exploring residential mortgage lending opportunities in the Mainland by the newly launched "Mortgage Plus" service.

On 18 December 2002, the Branch successfully launched a dual currency credit card, this program should help the Bank to increase its fee income, mainly achieved by acting as an agency bank to introduce existing and potential customers to card business.

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. Above all, the Bank is committed to explore the merger and acquisition opportunities, which will enable it to increase its competitiveness in the marketplace and to progress towards its goal of becoming a premier financial group in Hong Kong, the Mainland and the region.

### **COMPLIANCE WITH THE GUIDELINE ON “FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORIZED INSTITUTIONS”**

The Bank has fully complied with the disclosure requirements as set out in the Supervisory Policy Manual entitled “Financial Disclosure by Locally Incorporated Authorized Institutions” issued by the Hong Kong Monetary Authority on 8 November 2002.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (“LISTING RULES”)**

In the opinion of the Directors, the Group has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year, except that the Non-Executive Directors and the Independent Non-Executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bank's Articles of Association.

### **PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES**

During the year, the Bank has not redeemed any of its listed securities. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's listed securities.

### **DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“HKSE”)**

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be subsequently published on HKSE's website in due course.

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

Hong Kong, 4 March 2003

Please also refer to the published version of this announcement in the South China Morning Post.