



中國工商銀行(亞洲)
I C B C (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)

(Stock Code: 349)

ANNOUNCEMENT OF 2004 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 2004 as follows:-

AUDITED ANNUAL ACCOUNTS

The accounting policies and basis of preparation of the audited annual results of the Group are consistent with those adopted in the Group’s audited 2003 annual financial statements. The Bank completed the acquisition of Belgian Bank on 30 April 2004. The results and financial position for the year ended 31 December 2004 are presented on a consolidated basis.

(A) Audited Consolidated Profit and Loss Information

		Year Ended		
	Note	31 Dec 2004	31 Dec 2003	Change
		HK\$'000	HK\$'000	%
Interest income		2,311,367	1,617,989	
Interest expense		(1,036,529)	(794,842)	
Net interest income		1,274,838	823,147	55%
Other operating income	(1)	370,427	321,340	15%
Operating income		1,645,265	1,144,487	44%
Operating expenses	(2)	(689,716)	(314,055)	120%
Amortisation of goodwill		(54,593)	(35,498)	
Operating profit before provisions		900,956	794,934	13%
Write-back of/(charge for) bad and doubtful debts - specific	(3)	79,119	(61,426)	-229%
Charge for bad and doubtful debts - general		(57,562)	(67,810)	-15%
Operating profit after provisions		922,513	665,698	39%
Net gain from disposal of fixed assets		31,504	1,411	
Write-back of/(charge for) impairment loss on bank premises		8,612	(11,858)	
Net gain on disposal and redemption of held-to-maturity securities and non-trading securities		15,567	16,164	

		Year Ended		
	<i>Note</i>	31 Dec 2004	31 Dec 2003	Change
		HK\$'000	HK\$'000	%
Impairment loss on non-trading securities		(200)	—	
Write-back of provisions on property available for sale		—	5,369	
Loss on disposal of an associated company		(43,830)	—	
Share of net profits/(losses) of associated companies		<u>2,513</u>	<u>(31,621)</u>	
Profit before taxation		936,679	645,163	45%
Taxation	(4)			
Bank and subsidiaries				
- Hong Kong		(176,213)	(123,033)	
- Overseas		(75)	—	
Associated companies		<u>—</u>	<u>—</u>	
Profit attributable to shareholders		760,391	522,130	46%
Dividends	(5)	<u>471,584</u>	<u>346,573</u>	
Per share:				
● Basic earnings	(6)			
- reported basis		HK\$0.80	HK\$0.71	13%
- cash basis		HK\$0.86	HK\$0.77	12%
● Diluted earnings	(6)			
- reported basis		HK\$0.76	HK\$0.63	21%
- cash basis		HK\$0.81	HK\$0.67	21%
● Dividends	(5)			
- interim		HK\$0.14	HK\$0.12	17%
- final		HK\$0.31	HK\$0.26	19%
Total		HK\$0.45	HK\$0.38	18%

(B) Audited Consolidated Balance Sheet Information

	Note	31 Dec 2004 HK\$'000	31 Dec 2003 HK\$'000	Change %
Assets				
Cash and short-term funds		13,845,905	13,551,535	2%
Placements with banks and other financial institutions maturing between one and twelve months		5,132,657	4,718,871	9%
Trade bills	(7)	1,859,246	789,998	135%
Certificates of deposit held		6,564,527	7,554,710	-13%
Held-to-maturity securities		7,662,886	4,675,928	64%
Advances and other accounts	(7)	61,366,802	41,465,577	48%
Non-trading securities		1,535,710	1,344,174	14%
Deferred tax assets, net	(8)	27,403	8,026	241%
Investment in associated companies		28,332	161,467	-82%
Intangible assets	(9)	998,054	621,212	61%
Fixed assets		322,128	428,126	-25%
		<u>99,343,650</u>	<u>75,319,624</u>	32%
Liabilities				
Deposits and balances of banks and other financial institutions		17,520,277	22,251,182	-21%
Deposits from customers	(10)	56,058,169	35,392,938	58%
Certificates of deposit issued		7,345,360	6,913,873	6%
Issued debt securities		3,095,423	—	
Current tax liabilities		14,553	14,075	3%
Other accounts and provisions		1,420,221	651,947	118%
		<u>85,454,003</u>	<u>65,224,015</u>	31%
Capital Resources				
Loan capital	(11)	5,348,229	4,178,304	28%
Ordinary share capital of HK\$2 each		2,095,930	1,248,749	68%
Convertible non-cumulative preference share capital of HK\$5 each		—	1,011,096	-100%
Reserves	(12)	6,445,488	3,657,460	76%
		<u>13,889,647</u>	<u>10,095,609</u>	38%
		<u>99,343,650</u>	<u>75,319,624</u>	32%

Notes

(1) Other operating income

	31 Dec 2004 HK\$'000	31 Dec 2003 HK\$'000
Fees and commission income	277,746	264,833
Less: fees and commission expense	<u>(6,427)</u>	<u>(2,620)</u>
Net fees and commission income	271,319	262,213
Net gain from foreign exchange activities	40,019	9,787

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Net gain from trading securities	6,665	1,353
Dividend income from investments in securities:		
- Listed investments	1,512	3,401
- Unlisted investments	5,893	4,451
Others	45,019	40,135
	<u>370,427</u>	<u>321,340</u>

(2) **Operating expenses**

Including depreciation on tangible fixed assets, amortisation of computer software cost and amortisation of trading right for the year ended 31 December 2004 amounting to HK\$30,752,000 (2003: HK\$20,712,000), HK\$3,590,000 (2003: Nil) and HK\$920,000 (2003: Nil) respectively.

(3) **Analysis of provisions (charge)/write-back for bad and doubtful debts - specific**

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Additional provisions	(32,140)	(99,032)
Less: provisions write-back	111,259	37,606
	<u>79,119</u>	<u>(61,426)</u>

(4) **Taxation**

Hong Kong Profits Tax has been calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong for the year.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Current taxation:		
- Hong Kong profits tax	171,960	137,140
- Overseas taxation	75	—
- (Over)/under provisions in prior years	(10,195)	585
Deferred taxation relating to the origination and reversal of temporary differences (<i>note 8</i>)	14,448	(12,818)
Deferred taxation resulting from an increase in tax rate (<i>note 8</i>)	—	(1,874)
	<u>176,288</u>	<u>123,033</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate in Hong Kong as follows:

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Profit before taxation	<u>936,679</u>	<u>645,163</u>
Calculated at a taxation rate of 17.5% (2003: 17.5%)	163,919	112,904
Effect of different taxation rates in other countries	37	—
Income not subject to taxation	(10,913)	(2,359)
Expenses not deductible for taxation purposes	33,440	13,777
Decrease in opening net deferred tax liabilities resulting from an increase in tax rate	—	(1,874)
(Over)/under recognitions in prior years	<u>(10,195)</u>	<u>585</u>
Taxation charge	<u>176,288</u>	<u>123,033</u>

(5) **Dividends**

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Interim dividend, HK\$0.14 (2003: HK\$0.12) per share, paid to:		
- Convertible preference shareholders	—	24,266
- Ordinary shareholders	146,715	74,925
Proposed final dividend, HK\$0.31 (2003: HK\$0.26) per share, to be paid to:		
- Convertible preference shareholders	—	52,577
- Ordinary shareholders	<u>324,869</u>	<u>194,805</u>
	<u>471,584</u>	<u>346,573</u>

(6) **Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders (net of dividends paid and payable on convertible preference shares) for the year of HK\$760,391,000 (2003: HK\$445,287,000) and on 950,121,952 (2003: 624,374,304) 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 ordinary shareholders of HK\$760,391,000 (2003: HK\$522,130,000) and on 1,003,163,059 (2003: 826,593,522) 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.

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

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Advances to customers	60,190,657	40,375,437
Advances to banks and other financial institutions	679,016	637,502
Trade bills	1,869,961	797,978
Provisions for bad and doubtful debts:		
- Specific	(332,544)	(308,459)
- General	(503,535)	(342,291)
	61,903,555	41,160,167
Accrued interest and other accounts	1,322,586	1,096,033
Provisions for accrued interest	(93)	(625)
	<u>63,226,048</u>	<u>42,255,575</u>

(8) **Deferred tax assets and deferred tax liabilities**

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement in deferred tax assets /(liabilities) account is as follows:

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
At 1st January	8,026	(50,722)
Acquisition of subsidiary	17,565	—
Deferred taxation (charged)/credited to profit and loss account (<i>Note 4</i>)	(14,448)	14,692
Deferred taxation credited to equity	16,260	44,056
At 31st December	<u>27,403</u>	<u>8,026</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determining after appropriate offsetting, are shown in the balance sheet:

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Deferred tax assets	84,579	43,698
Deferred tax liabilities	(57,176)	(35,672)
	<u>27,403</u>	<u>8,026</u>

The amounts shown in the balance sheet include the following:

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Deferred tax assets to be recovered after more than 12 months	84,579	43,698
Deferred tax liabilities to be settled after more than 12 months	<u>(51,367)</u>	<u>(33,953)</u>

(9) **Intangible assets**

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Goodwill	870,514	621,212
Computer software	125,645	—
Trading right	1,895	—
	<u>998,054</u>	<u>621,212</u>

(10) **Deposits from customers**

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Demand deposits and current accounts	3,415,738	1,052,903
Savings deposits	10,843,446	4,674,028
Time, call and notice deposits	41,798,985	29,666,007
	<u>56,058,169</u>	<u>35,392,938</u>

(11) **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.

(12) **Reserves**

	31 Dec 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Ordinary share premium	4,700,602	1,786,686
Convertible preference share premium	16,126	505,496
Bank premises revaluation reserve	110,638	118,816
Investment revaluation reserve	(62,375)	6,080
Exchange reserve	122	(239)
General reserve	219,200	219,200
Retained profits	1,461,175	1,021,421
	<u>6,445,488</u>	<u>3,657,460</u>
Proposed dividends not provided for	<u>324,869</u>	<u>247,382</u>

(C) **Supplementary Information (Unaudited)**

(1) **Advances to customers - By industry sectors**

	31 Dec 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	2,694,880	2,603,588
- Property investment	8,347,495	4,565,689
- Financial concerns	4,022,477	4,703,357
- Stockbrokers	19,159	28,765
- Wholesale and retail trade	2,306,936	1,157,964
- Civil engineering works	665,885	953,962
- Manufacturing	6,354,464	3,312,613
- Transport and transport equipment	8,555,892	6,058,827
- Electricity, gas and telecommunications	1,378,126	1,305,959
- Hotels, boarding houses & catering	2,070,985	1,066,807
- Others	4,825,332	4,081,030
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	128,481	91,024
- Loans for the purchase of other residential properties	12,512,124	7,891,846
- Credit card advances	63,315	—
- Others	1,038,187	597,389
Trade finance	4,547,376	1,566,929
Loans for use outside Hong Kong	659,543	389,688
	<u>60,190,657</u>	<u>40,375,437</u>

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

At 31 December 2004 and 31 December 2003, 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>
As at 31 December 2004	<u>764,877</u>	<u>1.3%</u>	<u>365,141</u>	<u>332,544</u>	<u>69,176</u>
As at 31 December 2003	<u>668,397</u>	<u>1.7%</u>	<u>396,318</u>	<u>308,406</u>	<u>117,679</u>

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 31 December 2004 and 31 December 2003 nor where 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>
As at 31 December 2004						
Three to six months overdue	35,488	0.1%	44,299	28,544	6,944	8,311
Six months to one year overdue	17,875	0.0%	21,287	14,308	3,567	4,133
Over one year overdue	<u>425,329</u>	<u>0.7%</u>	<u>126,326</u>	<u>109,407</u>	<u>315,922</u>	<u>253,572</u>
	<u>478,692</u>	<u>0.8%</u>	<u>191,912</u>	<u>152,259</u>	<u>326,433</u>	<u>266,016</u>
As at 31 December 2003						
Three to six months overdue	38,943	0.1%	44,929	35,556	3,387	3,574
Six months to one year overdue	130,546	0.3%	39,426	35,886	94,660	76,748
Over one year overdue	<u>342,423</u>	<u>0.9%</u>	<u>191,133</u>	<u>151,815</u>	<u>190,608</u>	<u>177,690</u>
	<u>511,912</u>	<u>1.3%</u>	<u>275,488</u>	<u>223,257</u>	<u>288,655</u>	<u>258,012</u>

There were no advances to banks and other financial institutions which were overdue for over three months as at 31 December 2004 and 31 December 2003.

(5) **Other overdue assets**

	31 Dec 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued interest:		
- Three to six months overdue	299	233
- Six months to one year overdue	193	342
- Over one year overdue	188	3,442
	680	4,017
Rescheduled assets	370	78
	1,050	4,095

(6) **Reposessed assets**

Assets acquired by repossession of collateral for realisation continue to be reported as advances. Provision is made on the shortfall between the expected sales proceeds from realisation of the reposessed assets and the outstanding advances.

At 31 December 2004, the reposessed assets of the Group amounted to HK\$25,003,000 (2003: HK\$35,464,000).

(7) **Rescheduled advances**

	31 Dec 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rescheduled advances (net of overdue loans over 3 months)	115,945	61,487
% of advances to customers	0.2%	0.2%

There were no advances to banks and other financial institutions which were rescheduled as at 31 December 2004 and 31 December 2003.

(8) **Reconciliation**

	31 Dec 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue loans (<i>Note 1</i>)	478,692	511,912
Rescheduled loans (<i>Note 2</i>)	115,945	61,487
	594,637	573,399
Less: Overdue loans on which interest is still being accrued	(11,176)	(3,367)
Less: Rescheduled loans on which interest is still being accrued	(5,789)	(14,516)
Add: Non-performing loans which are not overdue or rescheduled	187,205	112,881
Non-performing loans	764,877	668,397

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) 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:

	31 Dec 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct credit substitutes	1,448,759	2,107,357
Transaction-related contingencies	292,890	188,505
Trade-related contingencies	2,742,368	919,114
Other commitments		
- With an original maturity of under 1 year or which are unconditionally cancellable	15,102,129	5,307,690
- With an original maturity of 1 year and over	8,027,091	8,066,276
Forward forward deposits placed	247,339	87,069
	<u>27,860,576</u>	<u>16,676,011</u>

(ii) Derivatives

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

	31 Dec 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange rate contracts		
Forwards	5,993,405	2,089,629
Swaps	22,016,734	28,803,775
Currency options purchased	2,266,297	335,466
Currency options written	2,272,254	335,466
	<u>32,548,690</u>	<u>31,564,336</u>
Interest rate contracts		
Interest rate swaps	35,220,123	16,424,687
Interest rate options purchased	4,502,864	2,072,947
Interest rate options written	4,352,864	1,301,891
	<u>44,075,851</u>	<u>19,799,525</u>

	31 Dec 2004	31 Dec 2003
	HK\$'000	HK\$'000
Other contracts		
Equity options purchased	83,455	50,116
Equity options written	83,455	50,116
	166,910	100,232
	76,791,451	51,464,093

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 costs and credit risk weighted amounts of the above off-balance sheet exposures are:

	31 Dec 2004		31 Dec 2003	
	Replacement	Credit risk	Replacement	Credit risk
	cost	weighted	cost	weighted
	HK\$'000	amount	HK\$'000	amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments		5,159,075		4,441,136
Exchange rate contracts	85,360	92,370	60,765	76,905
Interest rate contracts	320,926	95,144	337,633	85,374
Other contracts	1,010	—	334	—
	407,296	5,346,589	398,732	4,603,415

The replacement costs and credit risk weighted amounts of the off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

(10) Segmental information - By class of business

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

	Commercial and retail banking HK\$'000	Treasury and markets HK\$'000	Corporate and investment banking HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the year ended					
31 December 2004					
Net interest income	778,637	386,609	162,145	(52,553)	1,274,838
Operating profit before provisions	534,599	376,458	175,020	(185,121)	900,956
Profit before taxation	<u>500,574</u>	<u>389,717</u>	<u>168,080</u>	<u>(121,692)</u>	<u>936,679</u>
For the year ended					
31 December 2003					
Net interest income	337,466	312,017	159,310	14,354	823,147
Operating profit before provisions	206,768	293,836	326,446	(32,116)	794,934
Profit before taxation	<u>144,881</u>	<u>304,059</u>	<u>312,805</u>	<u>(116,582)</u>	<u>645,163</u>

(11) **Capital adequacy ratio and capital base**

	31 Dec 2004		31 Dec 2003	
	Unadjusted ratio	Adjusted ratio	Unadjusted ratio	Adjusted ratio
Capital adequacy ratio	<u>17.4%</u>	<u>17.4%</u>	<u>16.7%</u>	<u>16.7%</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:

	31 Dec 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Core capital:		
Paid up ordinary share capital	2,095,930	1,248,749
Convertible non-cumulative preference shares	—	1,011,096
Ordinary share premium	4,700,602	1,786,686
Convertible non-cumulative preference share premium	16,126	505,496
Reserves	1,309,690	990,966
Deduct: Goodwill	(870,514)	(621,212)
	<u>7,251,834</u>	<u>4,921,781</u>
Eligible supplementary capital:		
Reserves on revaluation of land and interests in land	77,420	83,172
Reserves on revaluation of holding of securities not held for trading purpose	(2,390)	(15,852)
General provision for doubtful debts	503,535	342,291
Perpetual subordinated debts	1,932,904	1,931,584
Term subordinated debts	3,415,325	2,246,720
	<u>5,926,794</u>	<u>4,587,915</u>
Total capital base before deductions	13,178,628	9,509,696
Deductions from total capital base	(608,471)	(697,287)
Total capital base after deductions	<u>12,570,157</u>	<u>8,812,409</u>

(12) Liquidity ratio

	31 Dec 2004	31 Dec 2003
Average liquidity ratio for the year ended	<u>37.8%</u>	<u>41.3%</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.

(13) 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\$ <i>HK\$'000</i>	EUR <i>HK\$'000</i>	AUD <i>HK\$'000</i>	RMB <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2004					
Spot assets	35,587,000	3,964,000	3,219,000	175,000	42,945,000
Spot liabilities	(51,425,000)	(1,852,000)	(3,178,000)	(116,000)	(56,571,000)
Forward purchases	27,449,000	482,000	131,000	1,296,000	29,358,000
Forward sales	(11,622,000)	(2,598,000)	(159,000)	(1,294,000)	(15,673,000)
Net long/(short) position	<u>(11,000)</u>	<u>(4,000)</u>	<u>13,000</u>	<u>61,000</u>	<u>59,000</u>
As at 31 December 2003					
Spot assets	26,204,000	475,000	—	50,000	26,729,000
Spot liabilities	(40,430,000)	(114,000)	—	—	(40,544,000)
Forward purchases	23,079,000	32,000	—	566,000	23,677,000
Forward sales	(8,678,000)	(407,000)	—	(566,000)	(9,651,000)
Net long/(short) position	<u>175,000</u>	<u>(14,000)</u>	<u>—</u>	<u>50,000</u>	<u>211,000</u>

(14) Cross-border claims

The Group analyses cross-border claims by geographical areas. In determining this analysis, it has been taken into account the 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 <i>HK\$ million</i>	Public sector entities <i>HK\$ million</i>	Others <i>HK\$ million</i>	Total <i>HK\$ million</i>
As at 31 December 2004				
Asia Pacific excluding Hong Kong	12,045	569	4,702	17,316
North and South America	838	303	3,865	5,006
Europe	<u>9,698</u>	<u>2,146</u>	<u>1,181</u>	<u>13,025</u>
As at 31 December 2003				
Asia Pacific excluding Hong Kong	13,479	1,269	4,275	19,023
North and South America	895	95	3,309	4,299
Europe	<u>9,665</u>	<u>—</u>	<u>928</u>	<u>10,593</u>

Results

Despite the improving economy and strong rebound in property market, keen competition within the banking industry remained fierce. In this challenging operating environment, the Group managed to achieve a notable growth during the year. For the year ended 31 December 2004, the Group recorded consolidated profit attributable to shareholders of HK\$760 million, representing an increase of 46% over 2003. Earnings per share increased by 13% amounted to HK\$0.80.

Final Dividend

The Directors are pleased to declare a final dividend of HK\$0.31 per ordinary share for the year ended 2004 (2003: final dividend of HK\$0.26). The dividends will be paid in cash to shareholders whose names are on the Register of Members at the close of business on 6 April 2005. The payment will be made by cheque to be dispatched to shareholders by ordinary mail on or about 4 May 2005.

Closure of Register of Members

The Register of Members of the Bank will be closed from Thursday, 7 April 2005 to Thursday, 14 April 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the dividend, all transfers documents, accompanied by the relevant share certificates must be lodged for registration with the Bank's Share Registrars, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, 6 April 2005.

Financial Review

The Board of Directors is pleased to announce that despite the challenges and opportunities presented in 2004, the Group recorded substantial growth in profitability during the year. Consolidated profit attributable to shareholders reached HK\$760 million, representing an increase of 46% over the HK\$522 million achieved in 2003. The remarkable growth in earnings was due to significant growth in net interest income. Interest-bearing assets increased from HK\$61.3 billion to HK\$85.5 billion. Earnings per share was HK\$0.80 (2003: HK\$0.71). Return on average assets and return on average common equity were 0.9 % and 10.3% respectively (2003: 0.8% and 10.2%).

Net interest income for the year 2004 surged by 55% to HK\$1,275 million, mainly due to 50% increase in total loans, from HK\$41.8 billion in 2003 increased HK\$20.9 billion to HK\$62.7 billion in 2004 as well as the net interest margin having widened by 14 basis points from 1.32% to 1.46%.

Other operating income also recorded an increase of HK\$49 million to HK\$370 million. The Group has yet materialized the revenue synergy from the acquisition of Belgian Bank. The proportion of non-interest income to total operating income was 23% (2003: 28%).

Operating expenses increased HK\$376 million to HK\$690 million (2003: HK\$314 million) mainly due to inclusion of the Belgian Bank. Hence, the cost to income ratio (excluding amortization of goodwill of HK\$54 million) increased from 27.4% in 2003 to 41.9% in 2004. The Group's total number of staff was 1,345 as at 31 December 2004, compared with 591 at the end of 2003.

As a result of the recovering economy and our prudent credit assessment policies, the Group recorded a HK\$22 million net write-back of bad and doubtful debts for the year 2004, among which HK\$57 million general provision was made as the loan book expanded and HK\$79 million specific provision was written back. Compared with last year, net specific provision reduced significantly by HK\$141 million, or 229%, mainly due to strong rebound in the market price of property collaterals for mortgage loans.

Total exceptional income was HK\$55 million including HK\$40 million mainly arising from disposals and revaluation of the bank premises, of which profit from sell and leaseback of the ICBC Asia Building and write-back of impairment loss were HK\$32 million and HK\$8 million respectively and profit from sale of held-to-maturity and non-trading securities was HK\$15 million.

The associated company, The Tai Ping Insurance Company, Limited, 24.9% shares originally owned by ICBC (Asia), in November 2004 our shareholding was diluted to 12.45% due to no participation in the capital injection program. In compliance with the accounting standard, other investment account instead, booked to recognize the loss of HK\$44 million representing the current year's share of the loss and the goodwill charge off.

Balance Sheet

Following the successful completion of the acquisition of Belgian Bank on 30 April 2004, the total assets of the Group were increased to HK\$99.34 billion as at 31 December 2004, a 32% rise when compared with 31 December 2003. As at 31 December 2004, total loan outstanding amounted to HK\$62.7 billion, compared with HK\$41.8 billion over the same period last year, an increase of 50% or HK\$20.9 billion. The additional new loans were mainly derived from blue chip and PRC companies, resulting in an improvement in the quality of loans. In addition, residential mortgages, trade finance, hire purchase and leasing also contributed to the assets growth.

Additional debt securities were secured in order to achieve higher return of our assets portfolio. As at 31 December 2004, total investment in debt securities increased 25% to HK\$17.1 billion, representing 17% of total assets. Our investments were concentrated on quality bonds with ratings of BBB- and above.

In line with our business development efforts and in order to improve our loan to deposit ratios, the Group has issued HK\$7.35 billion Certificates of Deposits in total. For the first time, the Group issued a 5 year US\$400 million Eurodollar bond in September 2004. The issue received extremely strong demand, attributable to the brand name of the Bank and "A2" long term credit rating given by Moody's. Subscription amount topped US\$1,400 million, which was 4.7 times the amount initially offered. As a response, the final amount issued was increased from US\$300 million to US\$400 million.

Capital Adequacy Ratio and Liquidity Ratio

The capital base was augmented via the issuance of new ordinary shares and subordinated floating rate notes. In February 2004, the Bank issued 124,874,000 new ordinary shares at a price of HK\$11.25 per share through placement. Moreover, the Bank issued US\$150 million subordinated floating rate notes to the ultimate holding company to further strengthen the capital base in April 2004 to cope with future business development.

At the end of 2004, the adjusted consolidated capital adequacy ratio for the Group was 17.4%, up 0.7% when compared with the same ratio of 16.7% at the end of December 2003. The Group maintained an adequate level of capital in 2004 and the average liquidity ratio amounted to 37.8% (2003: an average of 41.3%).

Bad and Doubtful Debts

Non-performing loans as at 31 December 2004 amounted to HK\$765 million (2003: HK\$668 million). Non-performing loan ratio decreased further from 1.7% as at 31 December 2003 to 1.3% as at 31 December 2004.

As at 31 December 2004, provisions for bad and doubtful debts aggregated HK\$836 million, which included HK\$333 million of specific provisions and general provisions of HK\$503 million.

As a matter of fact, overdue loans decreased from HK\$512 million as at 31 December 2003 to HK\$479 million as at 31 December 2004.

Review and Prospects

With the continuous supports from the Central Government by introducing various policies, included “Pan-PRD Regional Cooperation Agreement” besides the “CEPA”, “Individual Traveler” and “Renminbi business arrangement”, which had stimulated the economic recovery of Hong Kong and obviously boomed the climate of retail business sector. The property market, stock market and the whole economy showed strong ascending sign while the overall business-operating environment of 2004 was relatively stable under the continuous capital inflow with the expectation of revaluation of Renminbi.

In the area of residential mortgage business, our revenue performance was significantly improved. The low interest rate environment and continuous price rise of property market had led to improvement of negative-equity cases and the confidence of Hong Kong people to purchase residential property. However, as the accumulative price rise became significant, purchase transactions started to slow down. Banks were shifting to mortgage re-financing business and the interest spread for mortgage loan had further tightened. During the year, we had co-operated with several main estate developers to provide special tailor-made mortgage loan plans to homebuyers. Although the competition was fierce, our total mortgage loans outstanding increased by 58% to HK\$12.64 billion as at 31 December 2004 compared with last year. The Group shall also strive to keep the portfolio stable by proactively monitoring the market situation and adjusting our business strategies accordingly.

Following the green light shed by the People's Bank of China, the Group was the first lot of banks in Hong Kong providing personal Renminbi banking services, included Savings Account, Fixed Deposit, Exchange and Remittance services in February 2004. To continue providing our customers with innovative and value-added services, the Group launched Personal Predetermined Rate ("PDR") Remittance Service, 95588 Roaming Service ("95588") Phone Banking Service and Mortgage Plus — Auto Remittance ("Mortgage Plus") for repayment of mortgage loan in the Mainland China during the year.

For 2004, "Mortgage Plus", our mortgage product for Mainland China, had successfully lined up 8 quality projects with cooperative developers located mainly in Shanghai and Beijing. The performance was outstanding compared with last year; there were totally 210 loan applications and HK\$276 million loan booked.

On the insurance side, two more insurance companies were lined up and various insurance products such as Super Life Retirement Plan, Prosperous Life Insurance Plan, HospitalCare Protection Plan, HospitalCash Protection Plan and Accidental Emergency Medical Insurance, were launched in 2004.

We shall broaden our e-channels and provide more cost-efficient and value-added services by further using innovative technology, and by adopting the Customer Relationship Management System, we shall build and strengthen the customer relationships, increase product cross-selling and non-interest income.

In order to provide a comprehensive services to our customers, we shall keep on upgrading and expanding our domestic branch network progressively through reformation and rationalization. In September 2004, our Yaumatei branch was relocated and expanded with new additional services such as ATM, safe deposit box and securities investment center. At the end of 2004, our branch network had increased to 42 retail branches (including those currently operating under the name of "Belgian Bank") in Hong Kong. Besides, the Group has embarked on a retail network enhancement program to relocate certain branches to more convenient locations and to expand further in 2005 by following our planning schedule in order to rationalise the branch network.

For 2005, we shall keep on promoting residential mortgage loans and hire purchase and leasing businesses along the track to increase our market share and return. We still look forward to the markets of Shanghai and Beijing in future, especially target on high-end customers. It is expected that the mainland mortgage loan portfolio shall grow further during 2005. We also expect a remarkable growth in the area of being IPO receiving bank and IPO financing business for mainland enterprises going for listing in Hong Kong.

In branch rationalization, we expect to relocate and expand several branches, in order to provide a more comfortable environment as well as diversified services such as securities trading and safe deposit box services to our customers.

In order to provide advanced and comprehensive services to our respective customers, we will continue to provide professional training for our staff, reinforce our marketing oriented culture, transplant Customer Relationship Management System, enhance cross-selling and

sales management, strengthen wealth management business capability, rationalize branch network, and speed up product development. Through these initiatives, we shall be able to build up a more solid, massive and profitable retail customer base, strengthen our economy of scale, and improve our operational efficiency and profitability.

Although we were facing keen competition, business result of Hire Purchase and Leasing was out-performed with good quality loans and volume growth by over 50% in 2004. As of 30 September 2004, ICBC (Asia)'s market share of taxi and public light bus increased to 11.8% and ranked top 5 in the market. We expect intensive competition will continue in the coming year. Nonetheless, we are committed to render excellent customer services and obtain quality loan with reasonable profitability to achieve targeted business growth.

Overall performance from Commercial Banking has exceeded market average and recorded growth almost of 300% for 2004 due to the increase in loan demand among local entrepreneurs and favorable global economy. Recognition of our stable lending policy among SME sector and strong network of the Bank's ultimate holding company; The Industrial and Commercial Bank of China ("ICBC"), in China are the two main factors contributed to our remarkable result. After our acquisition of Belgian Bank, the expanded customer base and additional product range should give us solid foundation for business growth in 2005.

The year 2004 had been a challenging year for Hong Kong corporate bankers, with Hong Kong wholesale loan market saw only modest volume recovery yet pricing fall further, in some cases, to unattractive levels. Our expansion to overseas markets, which offers higher yield on risk basis, has been fruitful. For example, during the year we won the Group's first mandate in Australia, providing US\$360 million syndicated aircraft finance for Qantas Airways. We also won the Group's first syndication mandate in Korea, providing US\$86.1 million syndicated ship finance for SK Shipping. Furthermore, we successfully co-arranged a US\$150 million syndicated loan for Chunghwa Picture Tubes, a Taiwan based corporation. The Group strives to be among the major arrangers of financier for aircraft, ships, mergers and acquisitions as well as infrastructure projects, which pose a high demand on our professional skill and execution power. Our achievements so far are encouraging. Meanwhile, we have continued to strengthen our relationship with top tier corporations in Hong Kong by providing unreserved support as well as delivering practical investment and risk management advices. The Group's enhanced retail platform over the last few years also allows us to serve our corporate clients better. Looking ahead, a strong foundation is in place to take advantage of opportunities that may arise in 2005 and thereafter.

In April 2004, Moody's assigned first-time ratings to the Bank. Long-term deposit ratings of A2, stable outlook; Short-term deposit ratings of Prime-1, stable outlook; Bank financial strength rating of D, positive outlook.

In 2004, resulting from the successful marketing strategies, ICBC Hong Kong Credit Card Centre attained a very remarkable achievement by having 200% growth in new cards issuance and 300% growth in sales volume, including both Hong Kong Dollar and Renminbi sales. The credit card products were widened with the introduction of Hong Kong's first "Dual Currency VISA Card" (HKD and RMB) targeting frequent travelers between Hong Kong and China for business or leisure, "ICBC Xplore VISA" targeting youth segment and co-brand "Yan Oi Tong VISA Card" for a meaningful cause.

For the Treasury products and activities, during 2004, the Bank acted as one of the co-managers for the institutional tranche of the “Hong Kong Link” bonds issued by the Government. The tranche, totalled HK\$3.8 billion, was well-received by the market and was finally over-subscribed by 4 times.

On the funding side, the Group issued the first Eurodollar bond for international investors in September 2004. Attributable to the brand name of the Bank and “A2” long term rating given by Moody’s, the issue received extremely strong demand, which topped US\$1,400 million and was over-subscribed by 4.7 times. The final amount issued was increased from US\$300 million to US\$400 million.

In order to take advantage of the low interest rate environment, the Group issued HK\$4.97 billion equivalent structural certificates of deposit to institutional investors and HK\$1.02 billion equivalent structural certificates of deposit to retail customers during the year to lock in the long-term low-cost funding.

The Group also strives to keep its risk management and control capability in line with business development. The new deal capturing and risk management system — Kondor+ has been fully implemented during the year and a Value-at-risk (VaR) risk measurement methodology has been adopted to measure the risk of our debt securities portfolio. Policies and guidelines were established for better risk and operational control.

Looking to the year ahead, the banking industry faces various challenges such as shrinking in interest margin with continuous rising in interest rate, higher wage cost because of upturn in the employment market, ever demanding requirements from regulatory bodies, new accounting requirements such as HKAS39 and customers’ expectation on value for money, Year 2005 will be another challenging year to come.

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 (the “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, 7 March 2005