

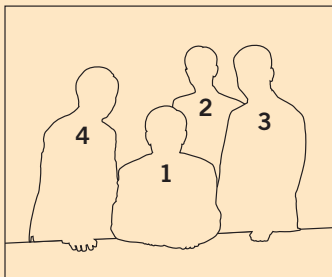


高層管理人員

1. 朱琦 (董事總經理暨行政總裁)
2. 郭鍵雄 (董事暨副總經理)
3. 王岩 (董事暨副總經理)
4. 張懿 (副總經理)

Senior Management

1. Zhu Qi
(Managing Director & Chief Executive Officer)
2. Kwok Kin Hung
(Director & Deputy General Manager)
3. Wang Yan
(Director & Deputy General Manager)
4. Zhang Yi
(Deputy General Manager)



Management's Discussion & Analysis

Overview

Hong Kong's economy was extremely volatile in 2003. The economic woes that persisted during the past few years continued until early 2003. Exacerbated by the Severe Acute Respiratory Syndrome (SARS) outbreak, Hong Kong's economy once came to a standstill, but rebounded swiftly in the middle of the year with the signing of the Closer Economic Partnership Agreement (CEPA) and the relaxation of travel restrictions on mainland visitors to Hong Kong. While rising consumer spending boosted retail sales, the recovery of the property market and the rising stock market soothed the negative asset problem that has adversely affected many homeowners. With improvement in asset quality and increased loan demand, we believe that the worst is over and greater opportunities are expected in the coming year.

Financial Review

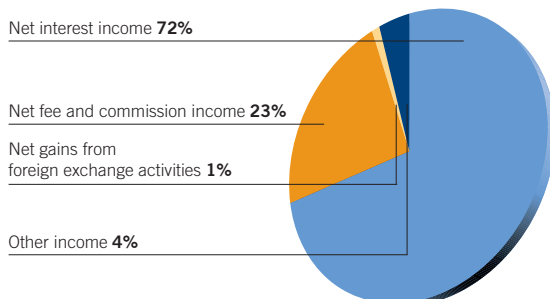
Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)" or "the Bank") achieved notable growth during the year although the operating environment in the first half of the year was unfavorable. With the Board of Directors' and our senior management's leadership and staff members' effort, the consolidated profit attributable to shareholders reached HK\$522 million, representing an increase of 10% over that of HK\$475 million for the year of 2002. The significant growth in earnings was due to expansion of interest-bearing assets in 2003. Earnings per share was HK\$0.71 (2002: HK\$0.69). Return on average assets and return on average common equity were 0.8% and 10.2% respectively (2002: 1% and 10.2%).

Net interest income for the year of 2003 surged by 19% to HK\$823 million over 2002, mainly due to a 27% increase in total loans. The net interest margin actually reduced by 14 basis points to 1.31% in the first half of 2003 but increased by 1 basis point to 1.32% for the second half of 2003.

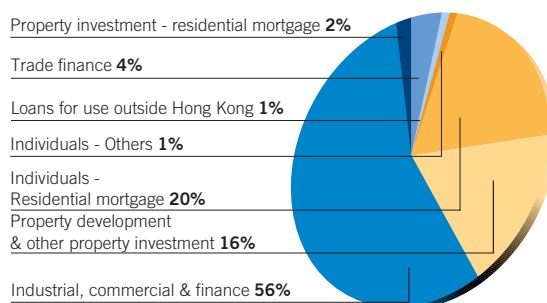
Other operating income decreased slightly by HK\$69 million to HK\$321 million, resulting from weakened demand for loans in 2003. Arrangement and commitment fees from syndication loans tapered off in 2003 as the Bank arranged a HK\$14.8 billion syndication loan for GH Water Supply (Holdings) Ltd., representing the largest syndication loans in Hong Kong in 2002, while no loans of a similar magnitude were recorded in 2003. The proportion of other operating income to total operating income was 28% (2002: 36%).

While total operating income increased 6% to HK\$1,144 million, operating expenses were effectively controlled and only up by 2% to HK\$314 million (2002: HK\$307 million). The cost income ratio (excluding amortisation of goodwill of HK\$35 million) dropped from 29% in 2002 to 27% in 2003. Total number of staff was 591 as at 31st December 2003, compared with 553 at the end of 2002.

Income Composition 2003



Loans Composition 2003



Management's Discussion & Analysis

Net charge for bad and doubtful debts for the year of 2003 was HK\$129 million, HK\$68 million of which related to building up of the general provisions as the loan book expanded and HK\$61 million related to net specific charge (after netting off provisions written back). Compared with last year, net specific provisions reduced significantly by HK\$62 million, or 50%, mainly due to a reduced level of new charges by HK\$97 million despite the enlarged loan book.

Share of losses from associated companies enlarged from HK\$9 million in 2002 to HK\$32 million in 2003, mainly due to change of accounting policies of the Tai Ping Insurance Company, Limited.

Balance Sheet

Total assets were HK\$75.3 billion as at 31st December 2003, a 21% rise when compared with 31st December 2002. The asset growth was mainly achieved through the enlargement of loan book.

Additional debt securities were secured in order to achieve higher returns for our assets portfolio. As at 31st December 2003, total investment in debt securities increased 30% to HK\$13.2 billion, representing 18% of total assets. Our investments were concentrated in quality bonds with ratings of BBB- and above.

Customer deposits recorded a slight drop this year, due to an extremely low interest rate environment. Customer deposits were down by 9% to HK\$35.4 billion, standing for 54% of total liabilities as at 31st December 2003. In order to secure longer term funding and lock up the low funding cost during the year, the Bank issued HK\$6.4 billion Certificates of Deposit in total in 2003. The loans to deposits ratio (i.e. customer deposits + certificates of deposit issued) stood at an efficient level of 96% (31st December 2002: 80%).

Asset Quality

Compared with 31st December 2002, the asset quality of the Bank was improved in 2003, and this was reflected in the key asset quality ratio as at 31st December 2003.

Key Asset Quality Ratio

	2003 HK\$'000	2002 HK\$'000
Non-Performing Loans		
– Amount	668,397	738,932
– % of Total Loans	1.7%	2.3%
Overdue Loans		
– Amount	511,912	453,972
– Debt Coverage Ratio	94.0%	97.0%

The debt coverage ratio (i.e. specific provision + collateral) for overdue loans was 94% as at 31st December 2003 (31st December 2002: 97%). The debt coverage ratio for UB China Business Management Co. Ltd.'s overdue portfolio was 87% while the Bank's overdue portfolio was 98%.

Capital and Liquidity Management

At the end of 2003, the adjusted consolidated capital adequacy ratio for the Bank was 16.7%, down 1.1% when compared with the same ratio of 17.8% at the end of 2002, which was a healthy level when compared with International Settlements' minimum requirement of 8%.

In order to effectively manage capital requirements, the Bank issued US\$120 million perpetual subordinated debt in July 2003 to the ultimate holding company for supporting further business expansion.

Loans to Deposits Ratio raised from 80% at the end of 2002 to 96% at the end of 2003.

The Bank's liquidity position remained strong throughout the year of 2003 with an average liquidity ratio of 41.3% (2002: an average of 35.9%), which was well above the statutory requirement of 25%.

Acquisition of Fortis Bank Asia HK

On 31st December 2003, ICBC (Asia) entered into a sale and purchase agreement (the "SPA") with Generale Belgian Holding B.V. ("GBH") and Fortis Bank, pursuant to which ICBC (Asia) has agreed to purchase the entire issued share capital of Fortis Bank Asia HK ("FBAHK") from GBH, following a carve-out of the Excluded Assets (as defined in the SPA), subject to the conditions and on the terms of the SPA (the "Acquisition").

The consideration for the Acquisition was HK\$2,157 million which was to be satisfied by the allotment and issue of new shares in the capital of ICBC (Asia) representing 9% of the total issued share capital as at the date of completion of the Acquisition, as enlarged by such issuance, to GBH and the remaining balance of the consideration will be satisfied by cash. The Acquisition shall be completed on 30th April 2004, conditional upon approvals by the Hong Kong Monetary Authority and other regulatory authorities, as well as the fulfilment of certain conditions as stipulated in the SPA.

The Acquisition will create a substantially larger and stronger banking operation for ICBC (Asia) with an enhanced commercial and retail banking base for the Group and a significantly expanded branch network focusing on small to medium sized enterprises and retail customers, thereby complementing ICBC (Asia)'s current business and product profile with particular emphasis in the corporate banking business.



The acquisition of Fortis Bank Asia HK will enhance ICBC (Asia)'s branch network focusing on small to medium sized enterprises and retail customers.

Corporate Banking

Against the background of sluggish economy and the outbreak of Severe Acute Respiratory Syndrome (SARS), Hong Kong corporate loan transactions, by way of either new demand or re-financing, dropped by approximately 20% in the year 2003. Coupled with a continuously strong liquidity position of the banking sector, corporate loan yield was driven down, by about one-fifth.

Despite this, the Bank's Corporate Banking Department continued to record strong growth in loan portfolio by 25%, and a decent profitability. It remains to be a key contributor to the Bank, constituting 48% of the Bank's profit before tax. Fee income remained to form a significant part of the department's revenue, constituting 55% and indicating the department's strong ability in leveraging the Bank's relationship and balance sheet to enhance return to shareholders.

The Bank's leading position in the Hong Kong corporate loan market remains unchanged, evidenced by the Bank's high ranking in the Hong Kong syndicated loan market as an arranger. For example, *Basis Point*, a renowned Asian debt market publication, ranked the Bank/ICBC third in its Hong Kong/China Syndicated Loan Top-Tier Arrangers league table.

During the year, we cautiously extended our reach beyond Hong Kong, by successfully forming alliances with key players in the international syndication market. Because of our leading position in Hong Kong and our gradual involvement internationally, our present position in the Asian syndication market is commendable. For example, *Basis Point* ranked the Bank/ICBC fifth in its Asian Syndicated Loan Top-Tier Arranger league table. Credit safety, like usual, remains to be our top priority in expanding business.

The Bank's achievements in the corporate banking arena is attributable to the strong support of our parent, our customers and our business partners, the strong marketing and execution capability of the Bank and our unreserved commitment to quality corporations, among others.



The Bank acted as a Financial Advisor to NWS Holdings Limited in its acquisition of certain business of the New World Group.

Management's Discussion & Analysis

A crucial factor for future growth lies with our ability to enhance our product range. Corporate Advisory, Mergers and Acquisition Finance, Transportation Finance and Project Finance, are among the expanding product range of the Bank, complementing our traditional strength in Property and General Funding Finance.

For example, during the year, we acted as a Financial Advisor to Pacific Ports Company Limited (now renamed as NWS Holdings Limited) in its acquisition of certain business of the New World Group, a Financial Advisor to Top Glory International Holdings Limited in its privatisation and a Financial Advisor to Asia Netcom Corporation Limited in relation to its acquisition of certain submarine cable assets of Asia Global Crossing. We also arranged Ship Finance for COSCO Group and COFCO Group involving 27 Bulk Carriers as well as the first international syndicated loan for International Lease Finance Corporation, one of the World's largest aircraft leasing companies. We are also involved as a Facility Agent for APT Satellite Company Limited in relation to its acquisition of three satellites; such specialised assets have traditionally been a domain of selected premium international banks only.

Being a learning organisation is a key in assuring the Bank's continuous growth in the Corporate Banking sector. Our achievements in this respect are significant.

Treasury and Markets

Despite continued suppression of spreads between deposit and lending yields, Treasury and Markets ("T&M") has achieved impressive results this year. Revenue surged by 22% over 2002 to HK\$304 million on the back of our investment strategy, which followed the market conditions closely. In addition, various underlying income streams have registered double-digit growth.

Importantly, the strategic emphasis over enhancing asset yields has not compromised asset quality and risk management criterion. About 95% of the debt investment was maintained at investment grade securities. T&M also rigorously monitored the portfolio with standard risk tools. Furthermore, the Bank set up a middle office to ensure the operations of T&M could fulfill regulatory requirement.

T&M continued to be actively involved in primary market. The Bank acted as lead manager or arranger in 19 primary market deals in Hong Kong, including the co-led of the very first retail bond issued by a foreign company, Ford Motor Credit. T&M was ranked the 14th in the HKD Capital Markets according to *MCM Market Watch*.

Under the environment of low interest rates and lack of investment opportunities, T&M offered a wide range of yield enhancing and capital guaranteed products to both individual investors and institutions. T&M has expanded services to high-net-worth individuals through active marketing of structured products.

In order to further diversify funding source, T&M doubled the size of ICBC (Asia)'s Certificate of Deposit Programme to HK\$10 billion, under which HK\$6.4 billion of Certificates of Deposit ("CDs") have been issued, enabling T&M to increase long-term funding and improve the relationship with customers.



The Bank recorded considerable growth in its hire purchase and leasing business.

Management's Discussion & Analysis

In 2004, T&M will expand its operations and implement a more stringent risk management system so that T&M will be able to provide better services for the customers and to strengthen the foundation of profitability and risk control.

Retail Banking

The division recorded a remarkable performance in 2003 as a result of its creative and flexible marketing strategies. Through closer cooperation with major property developers – including Hutchison Whampoa Property, Cheung Kong Holdings and New World Development – the division secured a number of exclusive equitable mortgage financing programmes and recorded remarkable results. According to Centanet statistics, ICBC (Asia) ranked number six in terms of market share, after the top five banks in Hong Kong – Hang Seng, Bank of China, HSBC, Standard Chartered and DBS Hong Kong. The Bank recorded an increase of HK\$1,600 million, or 26% in residential mortgages, and reached HK\$7,800 million in its total portfolio in this area of business.

The Bank also recorded considerable growth in its hire purchase and leasing business, registering an increase of 52% over 2003. The Bank's market share in taxi and public light bus financing was approximately 9.4%, placing it among the top six lending institutions in this area. With a low interest rate environment, interest margin widened, resulting in a significant growth in total interest income and profit. Due to improvement in quality loans, delinquency rate was able to maintain at below 0.5% throughout the year. Competition in taxi and public light bus financing is expected to remain keen in the coming year, but we will continue to develop this area of business through quality service and a prudent approach in risk management.

As part of our ongoing effort to enhance our personal financial services, we have significantly expanded the range of our investment products during the year with encouraging results achieved in security and investment services, and significant growth recorded in income and market share. Arrangements were made with two renowned international fund houses, bringing the number of funds available for investors to over 150. Apart from traditional open-ended funds, we also involved in the marketing of guaranteed funds, retail bonds and the rapidly expanding retail-structured products. In 2003, we participated in 14 offerings and achieved satisfactory results. The Bank will continue to offer cost-efficient and value-added services, strengthen customer relations and broaden our scope of products to increase our non-interest income. We will also increase our cross selling efforts and expand our market share.

On the other hand, in view of overwhelming demand in Retail Certificates of Deposit ("RCDs"), the Bank issued three batches of RCDs with a total value of HK\$150 million and US\$10 million. In addition, we introduced an innovative investment product – the Target Redemption



FBAHK business focus on retail customers and small to medium sized enterprises.

Deposit – and was well received by our customers. The Bank's Equity-Linked Deposit was approved by Securities and Futures Commission in the fourth quarter. Meanwhile, a new fund, Macquarie ELI, which requires a lower minimum investment amount, was introduced to meet different customers' needs.

To strengthen our insurance business, we reached a partnership agreement with China Life Insurance (Overseas) Co. Ltd in the third quarter, offering more comprehensive insurance services to our retail customers.

We continued to leverage on the strength of our parent company to offer quality services to our customers in Hong Kong and the Mainland. Remittance Express and Mortgage Plus, launched in previous years, attained especially encouraging results in 2003. Towards year-end, in conjunction with ICBC Guangdong Provincial Branch, Shenzhen Branch and Macau Branch, we launched a joint program to promote "Remittance Express" during the festive seasons of Christmas, New Year and the Lunar New Year to meet increased demand.

The Bank continued to rationalise its branch network rationalization through actively streamlining work procedures, strengthening our marketing efforts and customer service. To consolidate our retail network, the Bank continued to accomplish and develop branches in order to enhance service quality and cost efficiency. As at 31st December 2003, the Bank operated 20 branches in Hong Kong. Relocation of small branches and opening of new branches in strategic locations will continue.

The Bank will reach a new milestone in 2004 with the acquisition of FBAHK, a bank primarily targeted at serving Hong Kong retail customers and small to medium sized enterprises with 22 retail branches and 5 dedicated business centers for small to medium sized enterprises.

The Acquisition will create a stronger position providing more comprehensive services and products to a larger number and cross-section of customers, which is expected to result in increased operating income, larger asset base, and improved cross-selling opportunities.

The retail banking business is expected to become increasingly competitive in the coming year. We will continue to promote residential mortgage loans and hire purchase and leasing businesses in order to increase our market share and rate of return. We shall continue to leverage on, and enhance our mutual co-operation and connections with ICBC Mainland branches in order to increase our business opportunities within the region. Through continuous efforts in strengthening our wealth management centres, streamlining our branch network, speeding up product development and planning for our integration with FBAHK, we aim to strengthen our economy of scale, reinforce our marketing-oriented culture, improve operational efficiency and ultimately enhance our profitability.

Commercial Banking

Commercial Banking recorded a remarkable loan growth over 40% in 2003. The growth has been contributed by new business development as well as increasing business from existing customers. With strong back-up of PRC services from our parent and comprehensive services provided locally, the Bank has gained favourable reputation among the SME sectors. As for 2004, the year started positively in many aspects. We are confident to continue our growth and achieve successful results for the Bank.

Financial Institutions

With the nationwide branch network of ICBC, our Financial Institutions Department strengthened its traditional correspondent banking businesses such as remittance and documentary letter of credit, and pressed ahead in exploring new business opportunities such as risk participation and forfeiting, i.e. buy/sell the risk of transactions of issuing banks in the Mainland, Taiwan and South Korea without recourse basis. This service has been well received by the market since its full launch in March 2003 and recorded an accumulated loan commitment of US\$200 million in the year. Through wider and deeper relationship with local and international financial institutions, we have established a broad business network and outstanding reputation in the market.

To capitalize on opportunities arising from the acquisition of FBAHK and growing economic integration between the Mainland and Taiwan, we will further strengthen our position of acting as a bridge linking the financial activities between the Mainland China and Taiwan, undertake to provide a comprehensive correspondent banking products and services to different financial institutions. Meanwhile, the Bank continues to provide the PRC intermediate remittance service for other financial institutions. We anticipate that trade finance risk participation and forfeiting and PRC remittance will be continuously improved through our comprehensive marketing promotion and professional teams.



ICBC Xplore Visa targets at the juvenile market segment.

Credit Card Business

In spite of the difficulties in 2003, ICBC Hong Kong Credit Card Centre achieved encouraging results during the year, with the issuance of more than 30,000 new cards and sales volume of about HK\$100 million, in both Hong Kong Dollar and Renminbi transactions.

To further expand credit card business, a Hong Kong Dollar credit card – the ICBC Xplore Visa, which targets at the juvenile market segment, was issued by ICBC Hong Kong Credit Card Centre during the year in addition to its leading product – the global use dual-currency credit card that carries both Renminbi and Hong Kong Dollar accounts .

2004 is a year of opportunity for the banking sector in Hong Kong. With the announcement of the People's Bank of China on 18 November 2003 which allows local banks to conduct individual Renminbi businesses, including card business in Hong Kong, ample business opportunities will be created for local credit card market players. With our definite edge of leveraging on the enormous card base of our parent company, we are ready to seize this excellent business opportunity to commence our card merchant acquiring business in Hong Kong.

In addition to promoting the exciting card products, we will help ICBC Hong Kong Credit Card Centre to market other new products including corporate cards, in order to diversify our portfolio. Other value-added services in relation to card products will also be offered to enhance our service quality to cardholders.



The Bank holds Staff Annual Dinner which enhances a sense of belonging

Human Resources

At the end of 2003, ICBC (Asia) had a total of 591 employees. We believe that superior staff are our greatest asset. During the year, the Bank continued to invest in human resources and recruited quality staff to further strengthen its team. Through a variety of training programmes, the Bank actively enhanced the professional knowledge of its staff, strengthened customer service skills, promoted marketing initiatives and ensured that all its employees observe regulatory requirements.

The Bank places great emphasis on the value contribution and performance of its employees. As a result, the Bank has implemented a bonus system that is commensurable with the performance of its staff and in line with the Bank's profitability, objectives and values, and the performance of the respective divisions.

ICBC (Asia) also pays special attention to the creation of a unique corporate culture. During the year, the Recreation Committee (the "Committee") organised a greater number of activities than in the year before. The Bank took part in the drum-playing activity of Drum Festival organised by the Hong Kong Chinese Orchestra. With over 3,000



The Bank took part in the drum-playing activity of Drum Festival.

participants, the performance broke the Guinness World Record for having the largest number of participants in a single performance. The Committee also organised an annual dinner, which let the Board of Directors and all staff enjoy a good time. Other activities included staff picnics and basketball and badminton matches, fostering a greater sense of belonging and team spirit among staff members.



憑藉母公司優勢

加強 企業客戶 基礎

本行於企業貸款業務取得的驕人業績，有賴母公司、客戶及合作夥伴的鼎力支持，有效的營銷策略和果敢迅速的業務處理能力及我們對客戶的優質服務。



Broadening our corporate client base

The Bank's achievements in the corporate banking arena is attributable to the great support of our holding company, customers and business partners as well as marketing strategies, our effective decisive and responsive management and our quality services.