

# Chairman's Statement



Dr. Jiang Jianqing *Chairman*

In 2004, the further implementation of the “Mainland and Hong Kong Closer Economic Partnership Arrangement”, the persistent development of the Renminbi business and the individual traveller policy all contributed to boost tourist arrivals. This led to the growing demand for the consumer goods of Hong Kong as well as the gradual rebound in the Hong Kong economy. The unemployment rate and the deflation rate have also seen a decline. Despite the betterment of our economic environment and the improvement in the operating environment of the banking industry, there are still immense challenges faced by the Group, such as the intensified competition in the industry and the further narrowing of interest margin. Nevertheless, under the joint efforts of the management and the staff of the Group, we managed to achieve outstanding advancement in the scale of operation, financial results, business structure, market positioning and corporate governance.

For the year 2004, the Group's audited consolidated profit after tax increased 46% to HK\$760 million. The Group has been making great efforts to improve the quality of its assets and implement stringent credit control policies. The non-performing loans ratio dropped from 1.7% to 1.3%. The consolidated total assets grew by 32% to HK\$99.3 billion. By adopting successful marketing strategies, our retail and commercial banking divisions recorded a growth of 65% and 264% in loans portfolio respectively. The Group also engaged actively in bond investment. Our investments were concentrated on quality bonds with ratings of BBB- and above.

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In February, ICBC (Asia) successfully placed approximately 125,000,000 ordinary shares in the market. The placement was actively subscribed by independent professional, institutional and individual investors. The proceeds from the placement amounted to over HK\$1.4 billion. This reflected the Bank fully exploited the potential of the securities market. In addition, the Bank was assigned A2 long-term credit ratings by Moody's Investor Services, an international credit ratings company, in April. Such positive ratings reflected that the Group possesses a strong and healthy financial position with a stable prospect, which allows us to lay a solid foundation in such a competitive environment in Hong Kong.

For the first time, ICBC (Asia) issued a 5 year Eurodollar bond in September. The issue received extremely strong demand, leveraged on the brand name of the ICBC Group and the unique positioning among the industry players. Subscription amount exceeded US\$1,400 million, which was 4.7 times oversubscribed. As a response, the final amount issued was increased from US\$300 million to US\$400 million.

In November, the core banking integrated business system newly developed by the Bank was officially put into operation. The system provides a better operating platform for the overall development of the Bank. To keep pace with the development of the Group, we relocated our office at the end of 2004 to a prestigious commercial building, with a gross floor area of over 100,000 square feet, in Garden Road situated at the heart of Central. The building is named "ICBC Tower", which marks a new symbol of ICBC in Hong Kong.

Following the successful completion of the acquisition of Belgian Bank at the end of April, the two banks underwent a smooth integration and it is expected that the merger would be completed in October 2005. Furthermore, the Bank announced the acquisition of the Chinese Mercantile Bank at the end of 2004. It marks a new era for the Group to explore the PRC market and expand its business in the Great China region. It also recognizes gradually our competitive edge among the customers in the Mainland, Hong Kong and Europe.

Looking forward to 2005, with the recovery of the Hong Kong economy and closer economic links between Hong Kong and the Mainland, we expect a rapid increase in the demand of financial services and ample development opportunities for the banking industry. We will continue to capitalize on the reputation and resources of our parent company, implement excellent marketing strategy by our professional team, and interact closely with ICBC branches in the Mainland to further expand our corporate banking service, as well as our commercial and retail banking activities and wealth management services in order to enhance our competitive edge. ICBC (Asia) also endeavours to become one of the leadings banks in Hong Kong and to maximize return for our customers and shareholders.

I wish to take this opportunity to extend my sincere gratitude to our customers, business partners and shareholders for their enormous support, and express my heartfelt thanks to the hard work of all members of our staff.

**Dr. Jiang Jianqing**

*Chairman*

7 March 2005