

# DIRECTORS' REPORT



The directors have pleasure in presenting their report together with the audited financial statements of International Bank of Asia Limited ("the Bank") and its subsidiaries (collectively "the Group") for the year ended 31 December 2003.

## PRINCIPAL ACTIVITIES

The Bank, through its branches and subsidiaries, provides a range of banking, financial and related services.

## SUBSIDIARIES

Particulars of the Bank's principal subsidiaries at 31 December 2003 are set out in Note 24 to the financial statements.

## COMPLIANCE

The Bank has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

In addition, the financial statements on pages 30 to 110 together with the unaudited supplementary financial information on pages 111 to 133 fully comply with the Supervisory Policy Manual "Financial Disclosure by Locally Incorporated Authorised Institutions" issued by the Hong Kong Monetary Authority ("HKMA").

## RESULTS AND APPROPRIATIONS

The result of the Group for the year ended 31 December 2003 is set out in the consolidated income statement on page 30. The state of the Bank's and Group's affairs as at 31 December 2003 are set out in the financial statements on pages 30 to 110.

During the year the Bank paid an interim dividend of 4.00 Hong Kong cents per ordinary share, totalling HK\$46,886,400 (2002: 4.00 Hong Kong cents, HK\$46,886,400). A Board resolution was passed on 19 December 2003 to declare a special interim dividend for 2003 of HK\$0.26 per share subject to the satisfaction (or, if applicable, waiver) of the Relevant Pre-Conditions (as referred to in the Bank and Fubon Financial Holding Co. Ltd.'s joint announcement dated 6 December 2003). This special interim dividend is not recognised as a dividend payable in these financial statements as, at the balance sheet date, it was subject to the satisfaction or waiver of the Relevant Pre-Conditions.

On 10 February 2004, these Pre-Conditions were satisfied and the special interim dividend was paid on 16 February 2004. In view of this special interim dividend, the Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2003 (2002: 8.00 Hong Kong cents, HK\$93,772,800).

### DIRECTORS

The directors in office during the financial year were:

Dr. Anwar Ali Al-Mudhaf	(Resigned on 8 March 2004)
Mike M. Murad	
Poon Kwok Lim, Steven	(Resigned on 8 March 2004)
Robert James Kenrick	
So Yiu Cho, James	(Resigned on 8 March 2004)
Eissa M. Al Suwaidi	(Resigned on 16 February 2004)
Guo You	(Resigned on 8 March 2004)
Bachar Samra	
Khalifa M. Al Kindi	(Resigned on 16 February 2004)
Zhou Liqun	(Resigned on 8 March 2004)

The following directors were appointed after the end of the financial year:

Ming-Hsing (Richard) Tsai	(Appointed on 16 February 2004)
Ming-Chung (Daniel) Tsai	(Appointed on 16 February 2004)
Moses Tsang	(Appointed on 16 February 2004)
Hung Shih	(Appointed on 16 February 2004)
Wing-Fai Ng	(Appointed on 16 February 2004)
Victor Kung	(Appointed on 16 February 2004)
Jesse Ding	(Appointed on 16 February 2004)

### RE-ELECTION OF DIRECTORS IN THE FORTHCOMING ANNUAL GENERAL MEETING

In accordance with Article 77 of the Bank's Articles of Association, Ming-Hsing (Richard) Tsai, Ming-Chung (Daniel) Tsai, Wing-Fai Ng, Victor Kung, Jesse Ding, Moses Tsang and Hung Shih will hold office until the 2004 Annual General Meeting and being eligible, be recommended for re-election at the 2004 Annual General Meeting.

### DIRECTORS' INTERESTS IN SHARES

None of the directors has any interest in, or rights to subscribe for, the share capital of the Bank or any associated corporation.

At no time during the year was the Bank, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or chief executive of the Bank, or any of their spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in, or debentures of the Bank, or any other body corporate.

### DIRECTORS' SERVICE CONTRACTS

The non-executive directors were appointed by the Bank's shareholders at the Annual General Meeting with appointment terms in accordance with Article 77 and Article 81 of the Bank's Articles of Association. Their remuneration is determined annually by the Bank's shareholders at the Annual General Meeting.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Bank which is not determinable by the Bank or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

### DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Bank's business to which the Bank, its holding company, subsidiaries or fellow subsidiaries was a party and in which the directors of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2003, the register of substantial shareholders showed that the Bank had been notified of the following interests, being 10% or more of the Bank's issued share capital.

	<b>Ordinary shares of HK\$1 each</b>	<b>Percentage of total shareholding</b>
Arab Banking Corporation (B.S.C.) ("ABC")	644,688,000	55
Tendai Limited (wholly owned subsidiary of China Everbright Limited)	234,432,000	20

On 16 February 2004, Fubon Financial Holding Co., Ltd. ("Fubon Financial") made a general offer for the whole of the Bank's issued share capital. ABC accepted the offer on the same day for all of its 55% shareholding in the bank. As a result, Fubon Financial became the holding company of the Bank.

Prior to the close of the general offer on 8 March 2004, Tendai Limited also accepted Fubon Financial's offer in respect of its 20% shareholding in the Bank.

### PURCHASE, SALE OR REDEMPTION OF SHARES

The Bank has not redeemed any of its shares during the year. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's shares during the year.

### FIXED ASSETS

Movements in fixed assets of the Bank and the Group are set out in Note 25 to the financial statements.

### DONATIONS

The Group made no donation for charitable purposes during the year (2002: HK\$34,000).

### AUDIT COMMITTEE

The audit committee comprises three non-executive directors, a majority of whom are independent, and is a committee of the Board of Directors. The audit committee oversees the work of the Group's internal auditors and thereby monitors the effectiveness of the Group's internal control systems and compliance with policies approved by the Board of Directors and the requirements of the regulatory authorities. The audit committee meets regularly with the Group's external auditors and reviews the Group's financial reports prior to approval by the Board of Directors.

### AUDITORS

The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Bank is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board,

**Ming-Hsing (Richard) Tsai**

Chairman

Hong Kong, 19 March 2004