



**DR. JIANG JIANQING** Chairman

# Chairman's Statement

The year 2005 was a remarkable one for the Hong Kong banking industry. Following the Hong Kong economy's broad-based upturn, both property price and consumer spending, even employment prospects showed solid improvement. As a result, increased demand for loan financing created an optimistic market environment for the banking community. At the same time, last year was also a challenging time for Hong Kong banking industry. The interest rate soared progressively, property investment slowed down, the price of petroleum remained high and avian flu spread out. All these factors had an impact on the development of our industry. For Industrial and Commercial Bank of China (Asia) Limited, the year 2005 represented a milestone in our development. We not only successfully merged with Belgian Bank, Hong Kong Branch, but also upgraded our Core Banking System during the year. Our group activities achieved satisfactory results, it was all due to the joint efforts of management and staff member.

The group's audited consolidated profit after tax was HK\$981 million in 2005, representing a 29% growth. Of this, non-interest income was increased by 94% to HK\$717 million in 2005. The ratio of non-interest income to operating income increased to 35%. Concerning our assets quality, the group continues to improve the quality of its assets by implementing close monitoring of credit risk policy. As a result, the impaired loan/NPL ratio dropped to 0.9% from 1.3%. Our bank's consolidated total assets reached HK\$115.4 billion which was 16% higher than the previous year. Due to a successful market strategic plan, our bank recorded remarkable growth in the personal, small and medium enterprises and corporate banking businesses. Therefore, the assets structure continued to grow in a healthy way. For our bond investment strategy, we continue to concentrate our investments in those high quality bonds with grade BBB- or above.

Our Group remains as the leading bank in the local corporate syndication finance market. In order to explore more sources of fee income, we are expanding our business to international corporation and markedly developing corporate finance and financial advisory services, etc. 2005 was also a milestone year for our retail banking development. The successful integration with Belgian Bank, Hong Kong Branch on 10 October 2005 which contributed a double growth in our branch network. Moreover, under the united brand name of ICBC (Asia), we can provide more comprehensive, convenient and high quality retail banking services and products to our valuable customers.

Our Group is dedicated to business diversification. In 2005, we successfully served as the receiving bank of Initial Public Offering (IPO) business for many major China corporations. These experiences firmly established our expertise in the receiving bank business of IPO issues. In view of the steady reformation of economic and financial policies in China and mainland enterprises targeting Hong Kong to raise funds, our group will continue to develop capital market businesses to expand our source of revenue. Additionally, ICBC (Asia) completed the acquisition of Chinese Mercantile Bank (CMB) in Shenzhen on 12 August 2005. We have strengthened the company structure and upgraded the company policy and its operating procedure. In future, CMB will focus on enhancing business development, especially the business potential between Hong Kong and China to expand its sources of revenue.

Looking forward in 2006, management and staff of ICBC (Asia) are full of confidence. At present, our group has already acquired the credit card business from Industrial and Commercial Bank of China, Hong Kong Branch, and will adopt various activities to promote the credit card business. Furthermore, it will fully utilize the cross-selling opportunity to promote product plans and credit card consumption plans to build closer relationships with our customers. In future, our Group will capitalize on the advantages of parent company – Industrial and Commercial Bank of China and reinforce the relationship with our Belgian shareholders in order to establish the compelling advantages of customer relationships in China, Hong Kong and Europe. The Group is dedicated to strengthening the overall competitive edge in order to enhance its brand image and with ultimate goals of becoming one of the leading commercial banks, as a result to maximize return for our customers and shareholders.

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

**Dr. Jiang Jianqing**  
*Chairman*

21 March 2006