

# **International Bank of Asia Limited**

(港基國際銀行有限公司)

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 636)

# PRELIMINARY ANNOUNCEMENT OF 2004 FINAL RESULTS

#### SUMMARY OF RESULTS

The Directors of International Bank of Asia Limited ("the Bank") are pleased to announce the audited consolidated results1 of the Bank and its subsidiaries ("the Group") for the year ended 31 December 2004. The financial information presented on this report is prepared on a basis consistent with the accounting policies and methods adopted in the 2003 annual financial statements.

| Consolidated | Income | Statement |
|--------------|--------|-----------|
|--------------|--------|-----------|

| Consolidated Income Statement  |       |                      |                      |               |
|--|-------|----------------------|----------------------|---------------|
|  | Notes | 2004<br>HK\$'000     | 2003<br>HK\$`000     | %             |
| Interest income<br>Interest expense  |       | 971,783<br>(361,602) | 947,786<br>(343,872) |               |
| Net interest income<br>Other operating income  | 2     | 610,181<br>225,097   | 603,914<br>201,927   | 1.04<br>11.47 |
| Operating income<br>Operating expenses   |       | 835,278<br>(602,039) | 805,841<br>(488,844) | 3.65<br>23.16 |
| Operating profit before provisions and gains<br>Charge for bad and doubtful debts<br>Reversal of/(provision for) net impairment<br>losses on investments and assets acquired |       | 233,239<br>(51,173)  | 316,997<br>(186,713) | -26.42        |
| under lending agreements   |       | 46,703               | (71,463)             |               |
| Total provisions   |       | (4,470)              | (258,176)            | -98.27        |
| Operating profit after provisions<br>Gains less losses from disposal of  |       | 228,769              | 58,821               |               |
| non-trading securities<br>Profit on disposal of own property   |       | 93,256<br>16,324     | 90,896<br>0          | 2.60          |
| Profit before taxation<br>Income tax   | 3     | 338,349<br>(37,961)  | 149,717<br>(11,579)  | 125.99        |
| Profit attributable to shareholders  |       | 300,388              | 138,138              | 117.46        |
| Dividends declared and proposed  | 4     | 199,268              | 351,648              |               |

5

25.63

11.78

117.57

5

3.

## Earnings per share (Hong Kong cents) **Extracts from Consolidated Balance Sheet**

| ASSETS   | As at<br>31 December<br>2004<br><i>HK\$'000</i> | As at<br>31 December<br>2003<br><i>HK\$</i> '000 |
|--|---|--|
| Cash on hand   | 85,540  | 82,367   |
| Short term funds   | 13,489,259                                      | 7,101,061  |
| Placements with banks maturing   |   | 1 505 000  |
| between one and twelve months  | 5,813,775                                       | 1,525,929  |
| Trade bills less reserves and certificates of deposit<br>Advances to customers less reserves | 523,071<br>18,002,299                           | 392,037<br>15,566,432                            |
| Accrued interest and other accounts  | 882,883   | 1,266,361  |
| Investments in securities  | 5,752,596                                       | 10,721,335                                       |
| Investment in an associated company  | 6,648   | 8,947  |
| Fixed assets   | 1,204,710                                       | 1,224,339  |
|  | 45,760,781                                      | 37,888,808                                       |
| LIABILITIES  |   |  |
| Deposits and balances of banks   |   |  |
| and other financial institutions   | 4,098,985                                       | 475,435  |
| Deposits from customers  | 30,085,730                                      | 28,796,419                                       |
| Certificates of deposit issued<br>Short position in Exchange Fund Bills/Notes                | 2,367,912                                       | 2,651,647  |
| Other accounts and liabilities   | 4,928,485<br>576,897                            | 1,577,568<br>603,568                             |
|  | 42,058,009                                      | 34,104,637                                       |
|  | 42,058,009                                      | 54,104,057                                       |
| CAPITAL RESOURCES  |   |  |
| Share capital  | 1,172,160                                       | 1,172,160  |
| Share premium  | 749,778   | 749,778  |
| Reserves   | 1,780,834                                       | 1,862,233  |
|  | 3,702,772                                       | 3,784,171  |
|  | 45,760,781                                      | 37,888,808                                       |
| Consolidated Statement of Changes in Equity  |   |  |
|  | As at   | As at  |
|  | 31 December                                     | 31 December                                      |
|  | 2004  | 2003   |
|  | HK\$'000  | HK\$'000   |
| Shareholders' equity at 1 January  | 3,784,171                                       | 3,767,384  |
| Realisation of revaluation surplus of non-trading securities                                 | (1,333)   | (2,210)  |
| Net change in fair value of non-trading securities   | (7,260)   | 26,052   |
| Deferred taxation  | 1,898   | (4,534)  |
|  |   |  |

|                    | 2004      | 2003      |
|--------------------|-----------|-----------|
|                    | HK\$'000  | HK\$'000  |
| Interest received  | 915,426   | 916,916   |
| Interest paid      | (324,470) | (338,093) |
| Dividends received | 12,432    | 4,630     |

#### Notes:

- The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements. Certain financial information in this preliminary announcement is extracted from the statutory 1. financial statements for the year ended 31 December 2004, which will be available from the website of The Stock Exchange of Hong Kong Limited. The auditors have expressed an unqualified opinion on those financial statements in their report dated 1 March 2005. The audit committee has reviewed the accounting principles and practices adopted by the Group and reviewed this preliminary announcement of results.
- Other operating income included gains less losses from dealing in trading securities amounting to HK\$10,350,000 (2003: HK\$2,899,000). 2.
- 3. The provision for Hong Kong Profits Tax for 2004 is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year.

#### Dividends declared and proposed 4.

Cashflows from operating activities include:

|   | 2004     | 2003     |
|---|----------|----------|
|   | HK\$'000 | HK\$'000 |
| Interim dividend declared and paid of 6 cents (2003: 4 cents) per share<br>Special dividend declared during the year of Nil cents | 70,330   | 46,886   |
| (2003: 26 cents*) per share<br>Final dividend of 11 cents (2003: Nil cents) per share   | 0        | 304,762  |
| proposed on 1 March 2005  | 128,938  | 0        |
|   | 199,268  | 351,648  |

\* A Board resolution was passed on 19 December 2003 to declare a special interim dividend for 2003 of 26 Hong Kong cents per share subject to the satisfaction (or, if applicable, waiver) of some specific pre-conditions. On 10 February 2004, these specific pre-conditions were satisfied and the special interim dividend totalling HK\$304,761,600 was paid on 16 February 2004.

Earnings per share are calculated based on the profit attributable to shareholders of HK\$300,388,000 (2003: HK\$138,138,000) on 1,172,160,000 (2003: 1,172,160,000) ordinary shares in issue during the year. There were no convertible loan capital, options, or warrants outstanding which would cause a dilution effect on the earnings per share.

## **Supplementary Financial Information**

## 1. Advances to customers less reserves

|                             | 2004       | 2003       |
|-----------------------------|------------|------------|
|                             | HK\$'000   | HK\$'000   |
| Advances to customers*      | 18,218,573 | 15,768,144 |
| Reserves for doubtful debts |            |            |
| – General                   | (145,816)  | (126,145)  |
| – Specific                  | (70,458)   | (75,567)   |
|                             | 18,002,299 | 15,566,432 |
|                             |            |            |

# \* Stated net of interest in suspense

## 2. Advances to customers – by industry sectors

The information concerning advances to customers by industry sectors has been classified in accordance with the industry categories contained in the banking returns of "Quarterly Analysis of Loans and Advances and Provisions" (MA(BS)2A) and "Asset and Liabilities of an Authorised Institution" (MA(BS)1) submitted to the Hong Kong Monetary Authority ("HKMA").

|  | 2004<br>HK\$'000 | 2003<br><i>HK\$</i> '000 |
|--|------------------|--------------------------|
| Loans for use in Hong Kong                                     |                  |                          |
| Industrial, commercial and financial                           |                  |                          |
| <ul> <li>Property development</li> </ul>                       | 113,061          | 69,691                   |
| - Property investment  | 3,322,410        | 2,860,186                |
| - Financial concerns   | 201,525          | 205,792                  |
| <ul> <li>Stockbrokers</li> </ul>                               | 59,730           | 28,746                   |
| – Wholesale and retail trade                                   | 107,505          | 116,675                  |
| <ul> <li>Manufacturing</li> </ul>                              | 2,227,544        | 1,485,924                |
| - Transport and transport equipment                            | 502,927          | 496,537                  |
| – Others   | 1,952,865        | 2,283,172                |
| Individuals  |                  |                          |
| - Loans for the purchase of flats in the Home Ownership Scheme |                  |                          |
| and Private Sector Participation Scheme                        | 17,974           | 20,626                   |
| - Loans for the purchase of other residential properties       | 7,729,150        | 6,857,637                |
| - Credit card advances   | 484,604          | 449,121                  |
| – Others   | 610,544          | 694,619                  |
|  | 17,329,839       | 15,568,726               |
| Trade finance  | 360,372          | 123,223                  |
| Loans for use outside Hong Kong                                | 528,362          | 76,195                   |
| Loans for use outside frong Kong                               | 526,502          | /0,195                   |
|  | 18,218,573       | 15,768,144               |

## Repossessed assets and assets acquired under lending agreements

The total repossessed assets and assets acquired under lending agreements of the Group as at 31 December 2004

# 7. Rescheduled advances to customers

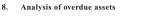
|  | HK\$'000 | % of<br>gross<br>advances | HK\$'000 | % of<br>gross<br>advances |
|--|----------|---------------------------|----------|---------------------------|
| Rescheduled advances to customers <sup>i</sup> |          |                           |          |                           |
| Interest accrual rescheduled advances          | 94,891   | 0.52                      | 198,272  | 1.26                      |
| Interest non-accrual rescheduled advances      | 65,281   | 0.36                      | 85,631   | 0.54                      |
|  | 160,172  | 0.88                      | 283,903  | 1.80                      |
| Amount of collateral held in respect of        |          |                           |          |                           |
| rescheduled advances                           | 148,794  |                           | 246,574  |                           |
| Secured rescheduled advances                   | 135,181  |                           | 234,620  |                           |
| Unsecured rescheduled advances                 | 24,991   |                           | 49,283   |                           |
|  | 160,172  |                           | 283,903  |                           |
| Amount of specific reserves made against       |          |                           |          |                           |
| rescheduled advances                           | 6,808    |                           | 16.208   |                           |

2004

2003

Total

#### Net of rescheduled advances which have been overdue for over three months and were reported in Note (5) Overdue advances to customers.



| 2004   | Loans<br>HK\$'000            | Accrued<br>interest<br>HK\$'000         | overdue<br>assets<br>HK\$'000  |
|--|------------------------------|---|--------------------------------|
| Overdue for<br>6 months or less but over 3 months<br>1 year or less but over 6 months<br>Over 1 year | 37,959<br>20,132<br>108,909  | 0<br>0                                  | 37,959<br>20,132<br>108,909    |
|  | 167,000                      | 0                                       | 167,000                        |
|  |                              |   | Total                          |
| 2003   | Loans<br><i>HK\$</i> '000    | Accrued<br>interest<br><i>HK\$</i> '000 | overdue<br>assets<br>HK\$ '000 |
| Overdue for<br>6 months or less but over 3 months<br>1 year or less but over 6 months<br>Over 1 year | 50,923<br>134,126<br>100,944 | 6<br>0<br>0                             | 50,929<br>134,126<br>100,944   |
|  | 285,993                      | 6                                       | 285,999                        |
| 9. Investments in securities   |                              |   |                                |
|  |                              | 2004<br>HK\$'000                        | 2003<br>HK\$'000               |
| Non-trading securities at fair value<br>Debt securities  |                              |   |                                |
| – Listed in Hong Kong<br>– Listed outside Hong Kong  |                              | 1,652,927<br>1,706,869                  | 0<br>1,622,266                 |
| – Unlisted   |                              | 2,180,354                               | 8,939,767                      |
|  |                              | 5,540,150                               | 10,562,033                     |
| Equity shares<br>– Listed in Hong Kong<br>– Unlisted   |                              | 61,477<br>24,043                        | 40,559<br>20,110               |
|  | -                            | 85,520                                  | 60,669                         |
| Sub-total  | -                            | 5,625,670                               | 10,622,702                     |
| <b>Trading securities at fair value</b><br>Debt securities   |                              |   |                                |
| – Listed in Hong Kong<br>– Unlisted  |                              | 6,844<br>120,082                        | 0<br>98,633                    |
| Sub-total  | -                            | 126,926                                 | 98,633                         |
| Total  | -                            | 5,752,596                               | 10,721,335                     |
| The non-trading securities are issued by:  | -                            |   |                                |
|  |                              | 2004<br>HK\$'000                        | 2003<br>HK\$`000               |
| Central governments and central banks<br>Public sector entities                                      |                              | 2,894,248<br>966,704                    | 8,536,000<br>936,496           |
| Banks and other financial institutions<br>Corporate entities   |                              | 933,780<br>830,938                      | 743,839<br>406,367             |
|  | -                            | 5,625,670                               | 10,622,702                     |
| The trading securities are issued by:  | -                            |   |                                |
|  |                              | 2004<br>HK\$'000                        | 2003<br>HK\$`000               |
| Central governments and central banks  |                              | 5,307                                   | 0                              |
| Public sector entities<br>Corporate entities   | _                            | 120,082<br>1,537                        | 98,633                         |
|  | -                            | 126,926                                 | 98,633                         |
| 10. Off-balance sheet items  |                              |   |                                |

| in the consolidated income statement                      | (6,695)              | 19,308               |
|---|----------------------|----------------------|
| Net profit for the year<br>Dividends paid during the year | 300,388<br>(375,092) | 138,138<br>(140,659) |
| Shareholders' equity as at 31 December                    | 3,702,772            | 3,784,171            |

## **Consolidated Cash Flow Statement**

Net (losses)/gains not recognised

|   | 2004     |          | 200       | 3        |
|---|----------|----------|-----------|----------|
|   | HK\$'000 | HK\$'000 | HK\$'000  | HK\$'000 |
| Operating activities                        |          |          |           |          |
| Profit before taxation                      | 338,349  |          | 149,717   |          |
| Adjustments for non-cash items:             |          |          |           |          |
| Provision for advance to                    |          |          |           |          |
| an associated company                       | 2,216    |          | 0         |          |
| Exchange difference in translation of       |          |          |           |          |
| advance to an associated company            | 83       |          | 0         |          |
| Depreciation                                | 60,190   |          | 54,919    |          |
| Gain on disposal of fixed assets            | (16,181) |          | 0         |          |
| Charge for bad and doubtful debts           | 51,173   |          | 186,713   |          |
| Advances written off net of recoveries      | (36,602) |          | (185,152) |          |
| (Reversal of)/provisions for net impairment |          |          |           |          |
| losses on investments and assets acquired   |          |          |           |          |
| under lending agreements                    | (46,703) |          | 71,463    |          |
|   |          | 352,525  |           | 277,660  |

(4,854,947)

(5,347,299)

(2, 450, 429)

4,989,531

449,879

(28,293)

(269,727)

1,289,311

(283,735)

(45,761)

3,350,917

(7,373,693)

4,041,005

(132,135)

772,406

176.672

(100, 547)

(606,561)

(280.773)

(8,818,136)

(91,302)

145,066

841,153

6,725,612

(2,517,363) 360,090

| (Increase)/decrease in operating assets: |
|--|
| Short-term funds with original maturity  |
| of over three months                     |
| Placements maturing between              |

| one and twelve months with original     |  |
|---|--|
| maturity of over three months           |  |
| Trade bills and certificates of deposit |  |
| Advances to customers                   |  |
| Accrued interest and other accounts     |  |
| Trading securities                      |  |
| Non-trading securities                  |  |
| 0                                       |  |

Increase/(decrease) in operating liabilities: Deposits and balances of banks and other financial institutions Deposits from customers Certificates of deposit (redeemed)/issued

Short position in Exchange Fund Bills/Notes Other accounts and liabilities

| Net cash used in operations<br>Hong Kong Profits Tax paid<br>Hong Kong Profits Tax refunded |           | (2,980,163)<br>(18,871)<br>0 |           | (3,116,023)<br>(8,050)<br>1,972 |
|---|-----------|------------------------------|-----------|---------------------------------|
| Net cash used in operating activities   |           | (2,999,034)                  |           | (3,122,101)                     |
| Investing activities  |           |                              |           |                                 |
| Payments for purchase of fixed assets   | (52,176)  |                              | (22,811)  |                                 |
| Net proceeds from disposal of fixed assets<br>Repayment from investment in                  | 9,996     |                              | 0         |                                 |
| an associated company   | 0         |                              | 927       |                                 |
| Net cash used in investing activities   |           | (42,180)                     |           | (21,884)                        |
| Financing activities  |           |                              |           |                                 |
| Dividends paid  | (375,092) |                              | (140,659) |                                 |
| Deposits from fellow subsidiaries   | 3,893,277 |                              | 0         |                                 |
| Net cash generated from/(used in)   |           |                              |           |                                 |
| financing activities  |           | 3,518,185                    |           | (140,659)                       |
| Net increase/(decrease) in cash   |           |                              |           |                                 |
| and cash equivalents  |           | 476,971                      |           | (3,284,644)                     |
| Cash and cash equivalents at 1 January  |           | 8,709,357                    |           | 11,994,001                      |
| Cash and cash equivalents at 31 December  |           | 9,186,328                    |           | 8,709,357                       |

mounted to HK\$186,740,000 (2003: HK\$591,033,000)

#### Advances to customers on which interest is being placed in suspense or on which interest accrual has ceased ("Non-performing advances")

#### Contingent liabilities and commitments (a)

The following is a summary of the contractual and credit risk-weighted amounts of each significant class of contingent liabilities and commitments:

2004 2003 Credit risk Credit risk Contractual weighted Contractual weighted amounts amounts amounts HK\$'000 HK\$'000 HK\$'000 HK\$'000 Direct credit substitutes 462,247 462,247 439,445 439,445 Transaction-related contingencies Trade-related contingencies 10,381 252,940 5,191 50,588 10,194 194,322 5,097 38,864 Undrawn loan facilities -with an original maturity of under 1 year or which are unconditionally cancellable -with an original maturity of 1 year or over 6,129,359 4,997,652 417,733 208,867 629,478 314,740 Forward forward deposits placed 307,519 61,504 797,873 159,575 7,580,179 788,397 7,068,964 957,721

## (b) Derivatives

1.99

2.53

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices

The following is a summary of the contractual amounts, credit risk-weighted amounts and replacement costs of each significant type of derivatives:

|  |                    | 2004<br>Credit risk |              |
|--|--------------------|---------------------|--------------|
|  | Contractual        | weighted            | Replacement  |
|  | amounts            | amounts             | costs        |
|  | HK\$'000           | HK\$'000            | HK\$'000     |
| Trading  |                    |                     |              |
| Exchange rate contracts  |                    |                     |              |
| - Forward exchange contracts   | 1,296,388          | 1,061               | 107,045      |
| – Swaps  | 452,508            | 2,263               | (            |
| <ul> <li>Options purchased</li> </ul>                                | 589,805            | 452                 | 5,084        |
| – Options written  | 588,868            | N/A                 | N/A          |
| Equity option contracts  | 214 802            | 400                 | 1 491        |
| <ul> <li>Options purchased</li> <li>Options written</li> </ul>       | 314,803<br>314,803 | 400<br>N/A          | 1,481<br>N/A |
| Options written  |                    |                     |              |
|  | 3,557,175          | 4,176               | 113,610      |
| <u>Hedging</u>   |                    |                     |              |
| Exchange rate contracts<br>– Swaps                                   | 2,875,498          | 8,697               | 14,730       |
| Interest rate contracts<br>– Interest rate swaps                     | 3,180,335          | 24,298              | 103,510      |
| incress rate smaps   |                    |                     |              |
|  | 6,055,833          | 32,995              | 118,240      |
|  | 9,613,008          | 37,171              | 231,850      |
|  |                    | 2003                |              |
|  |                    | Credit risk         |              |
|  | Contractual        | weighted            | Replacemen   |
|  | amounts            | amounts             | cost         |
|  | HK\$'000           | HK\$'000            | HK\$'000     |
| Trading  |                    |                     |              |
| Exchange rate contracts  |                    |                     |              |
| <ul> <li>Forward exchange contracts</li> </ul>                       | 1,989,459          | 7,181               | 86,682       |
| - Swaps  | 928,247            | 4,641               |              |
| - Options purchased  | 590,129            | 0<br>N/A            | 824<br>N/A   |
| <ul> <li>Options written</li> <li>Equity option contracts</li> </ul> | 603,529            | IN/A                | 1N/P         |
| – Options purchased  | 265,473            | 0                   | 1,612        |
| – Options written  | 265,473            | N/A                 | N/A          |
|  | 4,642,310          | 11,822              | 89,118       |
| Hedging  |                    |                     |              |
| Exchange rate contracts  |                    |                     |              |
| - Swaps  | 7,623,301          | 20,419              | 25,862       |
| Interest rate contracts<br>– Interest rate swaps                     | 2,536,810          | 12,630              | 44,947       |
| κ."  | 10,160,111         | 33,049              | 70,809       |
|  |                    |                     |              |
|  | 14,802,421         | 44,871              | 159,927      |

Derivatives arise from forward, swap and option transactions undertaken by the Group in the foreign exchange, interest rate and equity markets. The contractual amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

| The non-performing advances, togethe collateral held in respect of such advance | 00 0     | nt of specific | reserves held and | amount o |
|---|----------|----------------|-------------------|----------|
|   | 2004     |                | 2003              |          |
|   | HK\$'000 | <sup>i</sup> % | HK\$'000          | iç       |
| Non-performing advances <sup>ii</sup><br>– Rescheduled                          | 65,281   | 0.36           | 85,631            | 0.5      |

192,537 314,252 Others 1.05 257,818 1.41 399,883 Amount of specific reserves held against non-performing advances Amount of collateral held in respect of 70,458 73,138 non-performing advances<sup>i</sup> 180,851 301,247 251,309 374,385 33,885 Amount of interest suspended 41,153

As a percentage of gross advances to customers

*ii* Net of suspended interest.

Including expected recoveries of HK\$8.83 million (2003: HK\$10.42 million) from companies in liquidation. iii

|   | 5. | Overdue advances to customers  |                             |                           |                              |                           |
|---|----|--|-----------------------------|---------------------------|------------------------------|---------------------------|
|   |    |  | 200                         | 4                         | 200                          | 3                         |
|   |    |  | HK\$'000                    | % of<br>gross<br>advances | HK\$'000                     | % of<br>gross<br>advances |
| (8,948,241)   |    | Overdue advances to customers <sup>1</sup><br>6 months or less but over 3 months<br>1 year or less but over 6 months<br>Over 1 year                          | 37,959<br>20,132<br>108,909 | 0.21<br>0.11<br>0.60      | 50,923<br>134,126<br>100,944 | 0.32<br>0.85<br>0.64      |
| (0,,, 0,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,   |    |  | 167,000                     | 0.92                      | 285,993                      | 1.81                      |
|   |    | Amount of collateral held in respect of overdue advances <sup>ii</sup>   | 108,765                     |                           | 225,913                      |                           |
|   |    | Secured overdue advances<br>Unsecured overdue advances   | 103,356<br>63,644           |                           | 218,365<br>67,628            |                           |
| 5,554,558   |    |  | 167,000                     |                           | 285,993                      |                           |
| $     \begin{array}{r}         \hline             (3,116,023) \\             (8,050) \\             1,972 \\             \hline             (3,122,101)         \end{array}     $ |    | Amount of specific reserves made against<br>overdue advances <sup>i</sup> Net of suspended interest. <sup>ii</sup> Including expected recoveries of HK\$8.83 | 60,724                      | 10.42 million) fro        | 54,163                       | avidation                 |
|   |    | Including expected recoveries of 11K90.05  | <i>minion</i> (2005: 11K¢   |                           | 2004<br>5'000                | 2003<br><i>HK\$</i> '000  |
|   |    | Advances overdue for more than 3 months and o<br>is still being accrued ("Interest accrual overd   |                             |                           | 0                            | 221                       |
| (21,884)  |    | Advances overdue for 3 months or less and on v<br>placed in suspense or on which interest accru<br>("Interest non-accrual but not overdue advance            | al has ceased               | -                         | ),818                        | 114,111                   |
|   | 6. | Reconciliation between overdue advances and  | l non-performing a          | dvances                   |                              |                           |

|  | 2004<br>HK\$'000 | 2003<br><i>HK\$</i> '000 |
|--|------------------|--------------------------|
| Overdue advances to customers  | 167,000          | 285,993                  |
| <i>Less:</i> Interest accrual overdue advances <i>Add:</i> Interest non-accrual but not overdue advances | 0<br>90,818      | (221)<br>114,111         |
| Non-performing advances  | 257,818          | 399,883                  |

The trading transactions include positions arising from the execution of trade orders from customers and transactions taken to hedge these positions. No significant proprietary positions are maintained by the Group. The hedging contracts are used to hedge the Group's own exposure to market risks as part of its asset and liability management.

The replacement costs and credit risk-weighted amounts of the off-balance sheet exposures disclosed in parts (a) and (b) of this note do not take into account the effects of bilateral netting arrangements. They are assessed in accordance with the HKMA's guidelines which implement the Basle agreement on capital adequacy. Replacement cost represents the cost of replacing all contracts which have a positive value when marked to market. The credit risk-weighted amount refers to the amount as computed in accordance with the Third Schedule to the Hong Kong Banking Ordinance on capital adequacy and depends on the status of the counterparty and the maturity characteristics. The credit risk-weights used range from 0% to 100% for contingent liabilities and commitments, and from 0% to 50% for exchange rate and interest rate contracts.

## 11. Foreign exchange exposures

## The net positions or net structural positions in foreign currencies are disclosed as follows:

|                            |               |         | 20                     | 004                   |         |         |
|----------------------------|---------------|---------|------------------------|-----------------------|---------|---------|
|                            | US            |         | New Zealand            | Australian            |         |         |
| Equivalent in HK\$'Million | Dollars       | Euros   | Dollars                | Dollars               | Others  | Total   |
| Spot assets                | 10,713        | 23      | 367                    | 1,446                 | 1,423   | 13,972  |
| Spot liabilities           | (10,005)      | (206)   | (352)                  | (1,416)               | (1,055) | (13,034 |
| Forward purchases          | 2,078         | 369     | 8                      | 381                   | 838     | 3,674   |
| Forward sales              | (2,781)       | (187)   | (21)                   | (393)                 | (1,206) | (4,588  |
| Net option position        | 0             | 0       | 0                      | 0                     | 0       | 0       |
| Net long/(short) position  | 5             | (1)     | 2                      | 18                    | 0       | 24      |
|                            | US<br>Dollars | Euros   | New Zealand<br>Dollars | Australian<br>Dollars | Others  | Total   |
| Net structural position    | 0             | 0       | 0                      | 0                     | 0       | 0       |
|                            |               |         | 20                     | 003                   |         |         |
|                            | US            |         | New Zealand            | Australian            |         |         |
| Equivalent in HK\$'Million | Dollars       | Euros   | Dollars                | Dollars               | Others  | Total   |
| Spot assets                | 5,467         | 914     | 547                    | 1,290                 | 947     | 9,165   |
| Spot liabilities           | (7,008)       | (606)   | (447)                  | (1,199)               | (809)   | (10,069 |
| Forward purchases          | 6,050         | 1,640   | 42                     | 677                   | 1,011   | 9,420   |
| Forward sales              | (4,579)       | (1,951) | (132)                  | (737)                 | (1,149) | (8,548  |
| Net option position        | 0             | 0       | 0                      | 0                     | 0       | 0       |
| Net long/(short) position  | (70)          | (3)     | 10                     | 31                    | 0       | (32     |
|                            | US            |         | New Zealand            | Australian            |         |         |
|                            | Dollars       | Euros   | Dollars                | Dollars               | Others  | Total   |
| Net structural position    | 0             | 0       | 0                      | 0                     | 0       | 0       |

12. Cross-border claims

13.

The information of cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

| 2004<br>Figures in HKS'Million                     | Banks and<br>other financial<br>institutions | Public sector<br>entities | Others    | Total                                   |
|--|--|---------------------------|-----------|---|
| Asia Pacific excluding Hong Kong                   |  |                           |           |   |
| – Australia  | 297  | 0                         | 332       | 629                                     |
| - Singapore  | 2,314  | 0                         | 53        | 2,367                                   |
| - Others   | 647  | 4                         | 381       | 1,032                                   |
| North America<br>– Canada                          | 7  | 0                         | 5         | 12                                      |
| – Canada<br>– United States                        | 430  | 1,172                     | 53        | 1,655                                   |
| Caribbean  | 430  | 1,1/2                     | 55        | 1,055                                   |
| – Cavman Islands                                   | 0  | 0                         | 428       | 428                                     |
| - Others   | 0  | 0                         | 131       | 131                                     |
| Western Europe                                     |  |                           |           |   |
| – Belgium  | 127  | 0                         | 0         | 127                                     |
| - France   | 261  | 0                         | 0         | 261                                     |
| – Germany  | 320  | 0                         | 0         | 320                                     |
| – Italy  | 97   | 156                       | 0         | 253                                     |
| <ul> <li>Luxembourg</li> </ul>                     | 18   | 0                         | 19        | 37                                      |
| - Switzerland                                      | 527  | 0                         | 0         | 527                                     |
| <ul> <li>United Kingdom</li> <li>Others</li> </ul> | 1,967<br>1                                   | 0<br>0                    | 1<br>5    | 1,968<br>6                              |
|  | 7,013  | 1,332                     | 1,408     | 9,753                                   |
|  | .,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,      |                           |           | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |
|  | Banks and                                    |                           |           |   |
| 2003   | other financial                              | Public sector             |           |   |
| Figures in HK\$'Million                            | institutions                                 | entities                  | Others    | Total                                   |
| Asia Pacific excluding Hong Kong                   |  |                           |           |   |
| – Australia  | 562  | 0                         | 211       | 773                                     |
| – Singapore  | 1,478  | 0                         | 45        | 1,523                                   |
| – Japan  | 15   | 0                         | 0         | 15                                      |
| – Others   | 3  | 0                         | 71        | 74                                      |
| North America                                      |  |                           |           |   |
| – Canada   | 107  | 0                         | 1         | 108                                     |
| – United States                                    | 200  | 1,632                     | 34        | 1,866                                   |
| Caribbean  |  |                           |           |   |
| – Bermuda  | 0  | 0                         | 12        | 12                                      |
| – Cayman Islands                                   | 0  | 0                         | 81        | 81                                      |
| - Others   | 0  | 0                         | 80        | 80                                      |
| Middle East – Bahrain                              | 233  | 0                         | 0         | 233                                     |
| Western Europe<br>– Belgium                        | 15   | 0                         | 0         | 15                                      |
| – Germany  | 13   | 0                         | 0         | 13                                      |
| – Italy  | 2  | 156                       | 0         | 158                                     |
| – Luxembourg                                       | 41   | 0                         | 19        | 60                                      |
| – Netherlands                                      | 458  | 0                         | 0         | 458                                     |
| - Switzerland                                      | 227  | 0                         | 0         | 227                                     |
| - United Kingdom                                   | 1,237  | 0                         | 7         | 1,244                                   |
| – Others   | 5  | 0                         | 0         | 5                                       |
|  | 4,594  | 1,788                     | 561       | 6,943                                   |
| Capital adequacy and liquidity ratios              |  |                           |           | 2007                                    |
|  |  |                           | 2004<br>% | 2003<br>%                               |
| Unadjusted capital adequacy ratio at year en       | d  |                           | 18.46     | 19.79                                   |
| Adjusted capital adequacy ratio at year end i      |  | riek                      | 18.22     | 19.72                                   |
| Adjusted capital adequacy fatto at year end i      |  | IJAK                      |           |   |
| Average liquidity ratio for December               | meorporating market                          | lisk                      | 50.06     | 57.89                                   |

| The unadjusted capital adequacy ratio is computed on a consolidated basis as required by the HKMA for its regulat |                                |                          |                         |                     |                     |
|---|--------------------------------|--------------------------|-------------------------|---------------------|---------------------|
|   | The unadjusted capital adequac | v ratio is computed on a | consolidated basis as 1 | reauired by the HKM | MA for its regulate |

|   | Retail                               | Wholesale                               | Financial                             | Real                        |                                   | Inter-segment                              | •                              |
|---|--------------------------------------|---|---------------------------------------|-----------------------------|-----------------------------------|--|--------------------------------|
| 2004  | Banking<br>HK\$'000                  | Banking<br>HK\$'000                     | Market<br>HK\$'000                    |                             |                                   | elimination (<br>HK\$'000                  |                                |
| Operating profit/(loss) before provisions and gains<br>Charge for bad and doubtful debts<br>Reversal of/(provision for) assets          | 241,629<br>(44,372)                  | 129,527<br>(39,616)                     | 72,571<br>0                           | (160)<br>32,159             | (210,328)<br>656                  |  | 233,239<br>(51,173)            |
| acquired under lending agreements<br>Gains less losses from disposal of non-trading securities<br>Profit on disposal of own property    | 0<br>0<br>0                          | 0<br>0<br>0                             | 0<br>100,511<br>0                     | 44,390<br>0<br>0            | 2,313<br>(7,255)<br>16,324        |  | 46,703<br>93,256<br>16,324     |
| Profit/(loss) before taxation   | 197,257                              | 89,911                                  | 173,082                               | 76,389                      | (198,290)                         |  | 338,349                        |
| Income tax  | 0                                    | 0                                       | 0                                     | 0                           | (37,961)                          |  | (37,961)                       |
| Profit/(loss) attributable to shareholders  | 197,257                              | 89,911                                  | 173,082                               | 76,389                      | (236,251)                         |  | 300,388                        |
| Operating expenses – depreciation   | (18,439)                             | (1,562)                                 | (2,516)                               | 0                           | (37,673)                          |  | (60,190)                       |
| Segment assets<br>Unallocated assets <sup>i</sup>   | 11,181,573                           | 7,741,945                               | 25,737,855                            | 182,980                     |                                   |  | 44,844,353<br>916,428          |
| Total assets  |                                      |   |                                       |                             |                                   |  | 45,760,781                     |
| Segment liabilities<br>Unallocated liabilities <sup>i</sup>   | 27,557,385                           | 4,004,058                               | 10,258,039                            | 0                           |                                   |  | 41,819,482<br>238,527          |
| Total liabilities   |                                      |   |                                       |                             |                                   |  | 42,058,009                     |
| Capital expenditure incurred during the year  | 13,063                               | 9,045                                   | 30,068                                | 0                           |                                   |  | 52,176                         |
| 2003  | Retail<br>Banking<br>HK\$'000        | Wholesale<br>Banking<br><i>HK\$'000</i> | Financial<br>Market<br>HK\$'000       | "Real<br>Estate<br>HK\$'000 |                                   | Inter-segment<br>elimination (<br>HK\$'000 | Consolidated<br>HK\$ '000      |
| Interest income from external customers<br>Interest expense to external customers<br>Inter-segment income<br>Inter-segment expense      | 409,395<br>(274,561)<br>287,790<br>0 | 256,675<br>(28,696)<br>0<br>(51,271)    | 273,122<br>(38,848)<br>0<br>(199,875) | 0<br>0<br>(13,437)          | 8,594<br>(1,767)<br>0<br>(23,207) | (287,790)                                  | 947,786<br>(343,872)<br>0<br>0 |
| Net interest income<br>Other operating revenue from external customers  | 422,624                              | 176,708 20,472                          | 34,399                                | (13,437)<br>(12,293         |                                   |  | 603,914<br>210,806             |
| Inter-segment revenue<br>Fees and commission expenses   | 0<br>(242)                           | 0<br>(1,780)                            | 0<br>(6,327)                          | 0<br>0                      | 35,153<br>(530)                   | (35,153)                                   | 0<br>(8,879)                   |
| Other operating income  | 106,264                              | 18,692                                  | 57,701                                | 12,293                      | 42,130                            |  | 201,927                        |
| Operating income<br>Operating expenses<br>Inter-segment expenses  | 528,888<br>(273,479)<br>(31,153)     | 195,400<br>(77,393)<br>(3,337)          | 92,100<br>(34,262)<br>(663)           | (1,144)<br>0<br>0           | 25,750<br>(103,710)<br>0          | 35,153                                     | 805,841<br>(488,844)<br>0      |
| Operating profit/(loss) before provisions and gains<br>Charge for bad and doubtful debts<br>Reversal of/(provision for) assets acquired | 224,256<br>(151,023)                 | 114,670<br>(34,874)                     | 57,175<br>0                           | (1,144)<br>0                | (77,960)<br>(816)                 |  | 316,997<br>(186,713)           |
| under lending agreements<br>Gains less losses from disposal of non-trading securities<br>Profit on disposal of own property             | 0<br>0<br>0                          | 0<br>0<br>0                             | 0<br>90,896<br>0                      | (71,463)<br>0<br>0          | 0<br>0<br>0                       |  | (71,463)<br>90,896<br>0        |
| Profit/(loss) before taxation   | 73,233                               | 79,796                                  | 148,071                               | (72,607)                    | (78,776)                          |  | 149,717                        |
| Income tax  | 0                                    | 0                                       | 0                                     | 0                           | (11,579)                          |  | (11,579)                       |
| Profit/(loss) attributable to shareholders  | 73,233                               | 79,796                                  | 148,071                               | (72,607)                    | (90,355)                          |  | 138,138                        |
| Operating expenses - depreciation   | (16,981)                             | (1,306)                                 | (1,682)                               | 0                           | (34,950)                          |  | (54,919)                       |
| Segment assets<br>Unallocated assets <sup>i</sup>   | 10,358,296                           | 6,160,071                               | 19,898,424                            | 557,792                     |                                   |  | 36,974,583<br>914,225          |
| Total assets  |                                      |   |                                       |                             |                                   |  | 37,888,808                     |
| Segment liabilities<br>Unallocated liabilities <sup>i</sup>   | 26,516,028                           | 3,575,259                               | 3,893,297                             | 0                           |                                   |  | 33,984,584<br>120,053          |
| Total liabilities   |                                      |   |                                       |                             |                                   |  | 34,104,637                     |
| Capital expenditure incurred during the year  | 6,489                                | 3,858                                   | 12,464                                | 0                           |                                   |  | 22,811                         |

Unallocated items mainly comprise interest income derived from shareholders' funds not used by the busines: segments, staff housing loans and the related interest income and funding costs, staff deposits and the related interest expenses and the head office premises, furniture, fixtures and equipment and the related depreciation.

The loss for the year ended 31 December 2003 incurred by Real Estate was mainly caused by the decline in value of the properties acquired under lending agreements during the year.

#### Geographical segments

The geographical segmental analysis is based on the locations of the principal operations of the subsidiaries or on the location of the branches of the Bank responsible for reporting the results or booking the assets, the location of customers and the location of the assets. For the year ended 31 December 2004 and 2003, all of the Group's operating income and profit before taxation were generated by assets booked by the principal operations of the branches and subsidiaries of the Bank located in Hong Kong. More than 90% of assets were either located in Hong Kong or were extended to companies and individuals domiciled in Hong Kong, mainly in China.

#### HONG KONG AND CHINA ECONOMIC REVIEW

During the year 2004, Hong Kong achieved strong economic growth after six years of economic hardship. GDP for the full year 2004 expanded by an estimated 7.5%, driven by strong performance in external trade, solid improvement in domestic demand, a revived property market and a surge in tourist arrivals, especially from China. Indeed, China's strong growth along with the benefits of the Closer Economic Partnership Arrangement ("CEPA") and liberalization of travel between China and Hong Kong were major factors in Hong Kong's rebound. In addition, Hong Kong saw its first rise in the Composite Consumer Price Index in July 2004 after five and one half years of falling prices. Both personal bankruptcy petitions and mortgages in negative equity have recorded decline in 2004. All these signs have indicated that the economic growth was genuine.

China's economy also recorded remarkable growth in 2004, driven by both the domestic demand and strong growth in the external sectors. Nevertheless, the rapid growth put a strain on all resources, resulting in the fastest rise in the consumer price index in 7 years, and triggering concerns for inflation. With a view to controlling the overheated economy, the Chinese government took a number of steps to cool down the economy. Early signs at the end of fourth quarter in 2004 showed that these measures have been successful but it is still too early to conclude that the soft landing has been achieved.

China's huge trade surpluses with the United States, Japan and Europe (while they run trade deficits with Asia and parts of Latin America) gave rise for calls to break the Renminbi's peg to the U.S. dollar. While the Chinese government has denied that it will make the Renminbi fully convertible in the near

#### COMPLIANCE WITH THE CODE OF BEST PRACTICE

No director of the Bank is aware of information which would reasonably indicate that the Bank is not or was not in compliance with the Code of Best Practice, as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") at any time during the year ended 31 December 2004.

#### CORPORATE GOVERNANCE

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules during the year. The Bank has made specific enquiry with all directors and obtained their confirmation on the compliance with the requirements as set out in the Model Code during the year.

Remark: A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

#### BOARD OF DIRECTORS

As at the date of this announcement, the directors of the Bank are:

| Executive Directors:                 | Jin-Yi Lee (Managing Director and Chief Executive Officer)<br>Fan Sheung Yam, Horace  |
|--------------------------------------|---|
| Non-Executive Directors:             | Ming-Hsing (Richard) Tsai <i>(Chairman)</i><br>Ming-Ching (Daniel) Tsai <i>(Vice Chairman)</i><br>Wing-Fai Ng<br>Victor Kung<br>Jessie Ding |
| Independent Non-Executive Directors: | Robert James Kenrick<br>Moses K. Tsang<br>Hung Shih   |
|                                      | By Order of the Board<br><b>Ivan Young</b><br><i>Company Secretary</i>  |
| Hong Kong, 1 March 2005              |   |

#### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of the Bank will be held in the Auditorium, 7th Floor, International Bank of Asia Building, 38 Des Voeux Road Central, Hong Kong on Thursday, 28 April 2005 at 9:30 a.m. for the following purposes:

#### ORDINARY BUSINESS

 To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the year ended 31 December 2004;

- (2) To declare a final dividend
- (3) To elect Directors of the Bank;
- (4) To appoint Auditors of the Bank; and

#### SPECIAL BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions:

#### (5) THAT

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Bank to allot, issue and deal with any unissued shares in the capital of the Bank and to make or grant offers, agreements and options which would or might require any unissued shares of the Bank to be allotted and issued be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph 5(a) shall authorise the Directors during the Relevant Period to make and grant offers, agreement and options which would or might require shares to be allotted, issued or disposed of after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued, or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise), by the Directors pursuant to the approval in paragraph 5(a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Bank and/ or any of its subsidiaries of shares or rights to acquire shares of the Bank; (iii) any scrip dividend or similar arrangement providing for the allottment of shares of the Bank in lieu of the whole or part of a dividend payable in respect of shares of the Bank in accordance with the Articles of Association of the Bank; or (iv) any specific authority, shall not exceed the sum of (aa) 20 (twenty) per cent of the aggregate nominal amount of the share capital of the Bank in issue as at the date hereof and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Bank since the granting of the general mandate (up to a maximum number of shares as will represent 10 (ten) per cent of the issued share capital of the Bank) as at the date hereof, and the said approval shall be limited accordingly; and

#### (d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Bank; or
- (ii) the expiration of the period within which the next annual general meeting of the Bank is required by the Companies Ordinance to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Bank in general meeting; and

"Rights Issue" means an offer of shares or other securities open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holding of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory including without limitation, arrangements relating to the disposal of shares or other securities which, by reason of such exclusions or arrangements, are not allotted to the shareholders which would otherwise have been entitled thereto).

purposes, and is in accordance with the Third Schedule of the Hong Kong Banking Ordinance. The adjusted capital adequacy ratio incorporating market risk is computed on the same consolidated basis, and is in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the HKMA.

The average liquidity ratio for the year is computed as the simple average of each calendar month's average ratio, as reported in Part I (2) of the banking return "Return of Liquidity Position of an Authorised Institution" (MA(BS)1E) calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

14. The components of the total capital base after deductions as reported under Part I of the banking return "Capital Adequacy Return" (MA(BS)3) calculated in accordance with the Third Schedule of the Hong Kong Banking Ordinance are as follows:

|   | 2004      | 2003      |
|---|-----------|-----------|
|   | HK\$'000  | HK\$'000  |
| Core capital  |           |           |
| Paid up ordinary share capital                        | 1,172,160 | 1,172,160 |
| Reserves (including retained earnings)                | 1,670,086 | 1,774,178 |
| Share premium   | 749,778   | 749,778   |
| Eligible supplementary capital                        |           |           |
| Reserves on revaluation of land and interests in land | 36,868    | 36,868    |
| Reserves on revaluation of holdings of securities     |           |           |
| not held for trading purposes                         | (4,350)   | 1,917     |
| General reserves for doubtful debts                   | 145,919   | 126,239   |
| Total capital base before deductions                  | 3,770,461 | 3,861,140 |
| Deductions from total capital base                    | (67,930)  | (69,821)  |
| Total capital base after deductions                   | 3,702,531 | 3,791,319 |
| Segmental reporting                                   |           |           |

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because substantially all of the Group's business is attributable to a single geographical segment, Hong Kong.

The Bank and its subsidiaries are principally engaged in the provision of banking and related financial services

Retail Banking comprises the Consumer Banking and the Retail Distribution Network businesses. Consumer Banking comprises credit card merchant acquiring, provision of credit card advances, insurance and unit trust businesses. Retail Distribution Network business mainly comprises private banking, deposit account services, residential mortgage and other consumer lending.

Wholesale Banking comprises the Small and Medium Enterprise businesses and the Corporate Banking Business. Small and Medium Enterprise businesses includes both personal and corporate equipment financing, commercial lending to small and medium enterprises, automobile and other consumer leasing contracts and lending activities. Corporate Banking business covers trade financing, syndicated loans and other corporate lending.

Financial Market mainly provides securities brokerage, foreign exchange services and centralised cash management for deposit taking and lending, management of trading securities, execution of management's investment strategies in money market investment instruments and the overall funding of the Group.

Real Estate is responsible for the management and orderly realisation of the Group's repossessed properties and properties acquired under lending agreements.

Unallocated items mainly comprise the central management unit, management of investments in securities, premise and property management and other activities which cannot be reasonably allocated to specific business segments.

In 2004, there was reorganisation of business segments for internal reporting purpose. As a consequence, the former Retail Banking segment has been expanded to include a majority of the business of the former Consumer Banking segment, private banking, insurance and unit trust businesses. A new Wholesale Banking segment was established to include the Small and Medium Enterprise business and the Corporate Banking business. In addition, private banking, insurance and unit trust businesses of the previous Investment Banking were allocated to the Retail Banking. The directors consider that the reclassification of the business segments with reference to the Group's organisation and internal reporting structure provides a better segmental analysis.

The comparative figures have been restated accordingly to conform with the new business segments classification.

|   | Retail    | Wholesale<br>Banking | Financial<br>Market | Real Inter-segment              |           |                          |           |
|---|-----------|----------------------|---------------------|---------------------------------|-----------|--------------------------|-----------|
| 2004  | Banking   |                      |                     | Estate <sup>i</sup> Unallocated |           | elimination Consolidated |           |
|   | HK\$'000  | HK\$'000             | HK\$'000            | HK\$'000                        | HK\$'000  | HK\$'000                 | HK\$'000  |
| Interest income from external customers         | 372,740   | 237,559              | 353,696             | 0                               | 7,788     | 0                        | 971,783   |
| Interest expense to external customers          | (273,240) | (31,469)             | (55,516)            | 0                               | (1,377)   | 0                        | (361,602) |
| Inter-segment income                            | 364,444   | 0                    | 0                   | 0                               | 0         | (364,444)                | 0         |
| Inter-segment expense                           | 0         | (16,460)             | (251,890)           | (6,521)                         | (89,573)  | 364,444                  | 0         |
| Net interest income                             | 463,944   | 189,630              | 46,290              | (6,521)                         | (83,162)  | 0                        | 610,181   |
| Other operating revenue from external customers | 121,287   | 22,567               | 75,269              | 6,361                           | 13,025    |                          | 238,509   |
| Inter-segment revenue                           | 0         | 0                    | 0                   | 0                               | 31,866    | (31,866)                 | 0         |
| Fees and commission expenses                    | (9,679)   | 3,060                | (5,829)             | 0                               | (964)     |                          | (13,412)  |
| Other operating income                          | 111,608   | 25,627               | 69,440              | 6,361                           | 43,927    |                          | 225,097   |
| Operating income                                | 575.552   | 215.257              | 115,730             | (160)                           | (39,235)  |                          | 835,278   |
| Operating expenses                              | (305,878) | (82,726)             | (42,342)            | 0                               | (171,093) |                          | (602,039) |
| Inter-segment expenses                          | (28,045)  | (3.004)              | (817)               | 0                               | (1,1,1,0) | 31.866                   | (,)       |

future, speculation of an adjustment in the exchange rate attracted a substantial amount of hot money inflows, even affecting the value of the Hong Kong dollar, and contributed to the boom in the Hong Kong stock market during 2004. By early 2005 some of these inflows started to recede and the impact on the Hong Kong financial markets remains to be seen.

The key question that Hong Kong faces is whether the strong economic growth in the 2004 can be sustained in the year 2005.

## **IBA'S PERFORMANCE**

Net interest income rose slightly from HK\$604 million to HK\$610 million despite the 16% growth in the loan portfolio due to the keen competition in the banking industry. Non-interest income has recorded an increase of 11% to HK\$225 million, with major contributions coming from new investment products, stock brokerage and wealth management activities. Operating income reached HK\$835 million, reflecting an increase of 4% as compared with the year 2003.

Operating expenses increased to HK\$602 million as a result of opening new branches and wealth management centers, increased staffing in the Small and Medium Enterprises ("SME") lending and treasury operations, depreciation of new information technology systems and one-off retirement expenses. Nevertheless, the charge for specific provision for bad and doubtful debts fell by 83% to HK \$31 million, while the charge for general provision increased to HK\$20 million, reflecting the expansion of the loan portfolio. As a result of write-backs following the disposal of repossessed assets (which were reduced by HK\$40 million) and other recoveries, the Group recorded a significant reversal of provision for impairment loss on investments and repossessed assets of HK\$47 million. Gains on the sale of non-trading securities also contributed HK\$93 million, compared to HK\$91 million in 2003.

Total assets as of 31 December 2004 were HK\$46 billion, an increase of 21%. The loan portfolio grew by 16% over the course of the year to reach HK\$18 billion, with a substantial increase coming in the second half. Equipment leasing and loans to small and medium enterprises showed steady growth over the year, reflecting the Group's leading position in this market segment. Residential mortgages also increased, and personal loans resumed growth with our strong risk management systems having proven their effectiveness. The Group's portfolio of Hong Kong Exchange Fund bills and notes and US Treasuries, along with a modest amount of high grade corporate bonds and bank certificate of deposits, reduced by 46% to HK\$6 billion. The Group's high level of liquidity was evident from the HK\$19 billion in interbank placements and short term funds.

Overall, the Group achieved an impressive rebound in 2004 with profit before tax rising 126% to HK\$338 million. In addition, the net profit attributable to shareholders and return on average equity of HK\$300 million and 8% respectively, more than double the results in 2003.

With new market segments opening up as a result of integration into the parent company, Fubon Group, the stage has been set for sustained growth. In 2005, the Group will continue to expand treasury operations and wealth management services, increase lending to small and medium enterprises and equipment financing, all round personal lending services, and become the platform to service Fubon's individual and corporate clients in Hong Kong and Southern China.

#### SUBSEQUENT EVENT

Pursuant to a special resolution passed at the extraordinary general meeting of the Bank held on 21 February 2005, shareholders approved the change of the Bank's name from "International Bank of Asia Limited" to "Fubon Bank (Hong Kong) Limited". The change of name, subject to completion of legal requirements, will become effective on 6 April 2005.

#### FINAL DIVIDEND

The Directors will propose the payment of a final dividend of 11 Hong Kong cents per ordinary share in respect of the year ended 31 December 2004, totalling HK\$128,937,600 at the forthcoming Annual General Meeting to be held on Thursday, 28 April 2005. The final dividend, if approved, will be paid on or after Wednesday, 4 May 2005 to the shareholders whose names are on the Register of Members on Thursday, 14 April 2005.

#### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Bank will be closed from Monday, 11 April 2005 to Thursday, 14 April 2005, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Bank's Share Registrars, Computershare Hong Kong Investor Services Limited, Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 8 April 2005.

## PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SHARES

The Bank has not redeemed any of its listed shares during the year ended 31 December 2004. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's shares during the year.

#### (6) **THAT**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Bank to repurchase issued shares in the capital of the Bank on The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Bank may be listed and recognised by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited for this purpose be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of share capital repurchased by the Bank pursuant to the approval in paragraph 6(a) shall not exceed 10 (ten) per cent of the issued share capital of the Bank as at the date hereof and the said approval shall be limited accordingly.
- (c) for the purposes of the Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Bank; or
- (ii) the expiration of the period within which the next annual general meeting of the Bank is required by the Companies Ordinance to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Bank in general meeting.
- (7) THAT the Directors of the Bank be and they are hereby authorised to exercise the powers of the Bank referred to in paragraph (a) of the Resolution set out as Resolution (5) in the notice of the meeting of which this Resolution forms a part in respect of the share capital of the Bank referred to in sub-paragraph (bb) of paragraph (c) of such Resolution.

By Order of the Board Ivan Young Company Secretary

#### Hong Kong, 1 March 2005

Notes:

- (i) The Register of Member of the Bank will be closed from Monday, 11 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 final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Bank's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 pm on Friday, 8 April 2005.
- (ii) A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote in his or her place. The number of proxy so appointed shall not exceed two. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions thereon. All proxies must be deposited with the Company Secretary, International Bank of Asia Limited at 8th Floor, International Bank of Asia Building, 38 Des Voeux Road Central, Hong Kong, not less than 48 hours before the time of the Meeting.

As at the date of this notice, the Board comprises Jin-Yi Lee (Managing Director and Chief Executive Officer), Fan Sheung Yam, Horace as Executive Directors; Ming-Hsing (Richard) Tsai (Chairman), Ming-Chung (Daniel) Tsai (Vice Chairman), Wing-Fai Ng, Victor Kung, Jesse Ding as Non-Executive Directors; and Robert James Kenrick, Moses Tsang, Hung Shih as Independent Non-Executive Directors.



# **IBA Credit Limited**

## NOTICE UNDER SECTION 161BA(5) OF THE COMPANIES ORDINANCE (CAP. 32)

IBA Credit Limited hereby gives notice that its Annual General Meeting will be held on Thursday, 28 April 2005 at 9:00 a.m. at the International Bank of Asia Building, 38 Des Voeux Road Central, Hong Kong.

By Order of the Board Admiralty Finance Company Limited Secretaries

Dated this 1st day of March, 2005.