
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in International Bank of Asia Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



INTERNATIONAL BANK OF ASIA LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

Directors:

Dr Anwar Ali Al-Mudhaf (*Chairman*)*
Mike M. Murad
*(Vice Chairman, Managing Director and
Chief Executive Officer)*
Poon Kwok Lim, Steven†
Robert James Kenrick†
So Yiu Cho, James†
Eissa Mohamed Al Suwaidi*
Guo You*
Bachar Samra
Khalifa M. Al Kindi*
Zhou Liquan*

Registered Office:

International Bank of Asia Building
38 Des Voeux Road, Central
Hong Kong

* *Non-executive Director*

† *Independent non-executive Director*

10 March 2003

To the Shareholders

Dear Sir or Madam,

PROPOSAL FOR MANDATE FOR ISSUE OF SHARES AND MANDATE FOR THE REPURCHASE BY THE BANK OF ITS OWN SHARES

INTRODUCTION

At the Annual General Meeting of shareholders of International Bank of Asia Limited (“the Bank”) on 3 April 2002 approvals were given by shareholders for the granting of, inter alia, a general mandate to

the directors of the Bank (“the Directors”) to issue ordinary shares of HK\$1.00 each in the capital of the Bank up to a maximum of 20% of the issued share capital of the Bank at the date of passing the relevant resolution and a general mandate to repurchase shares of the Bank on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) up to 10% of the issued share capital of the Bank at the date of passing the relevant resolution. In accordance with the terms of the approval, that general mandates will shortly expire on 10 April 2003 upon the conclusion of the forthcoming Annual General Meeting of the Bank to be held on that day. To keep in line with current corporate practice, the grant of fresh general mandates for the same purpose is being sought from shareholders and ordinary resolutions to grant the share issue mandate and share repurchase mandate to the Directors will be proposed at the forthcoming Annual General Meeting to be held on Thursday, 10 April 2003 at 10:00 am.

In accordance with the Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”), this circular also serves as the explanatory statement to provide shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolutions proposed at the forthcoming Annual General Meeting.

1. GENERAL MANDATE TO ISSUE SHARES

It is proposed at the forthcoming Annual General Meeting to grant a general mandate to the Directors to allot, issue and dispose of shares in the Bank not exceeding 20% of the aggregate nominal amount of the issued share capital of the Bank as at the date the relevant resolution is passed.

The Directors wish to state that concerning this general mandate, they have no immediate plans to issue any new shares of the Bank. Approval is being sought from members for granting such general mandate in order to ensure flexibility and discretion to the Directors when it is desirable to allot additional shares in the capital of the Bank.

2. GENERAL MANDATE TO REPURCHASE SHARES

It is also proposed at the forthcoming Annual General Meeting to grant a general mandate to the Directors to exercise all powers of the Bank to repurchase on the Stock Exchange fully paid-up ordinary shares of HK\$1.00 each in the capital of the Bank representing up to a maximum of 10% of the share capital of the Bank in issue on the date the resolution is passed (“the Repurchase Mandate”). Based on the 1,172,160,000 shares of HK\$1.00 each in the Bank (“Shares”) in issue as at 10 March 2003 (the latest practicable date prior to the printing of this document), the Bank will therefore be allowed under the Repurchase Mandate to repurchase a maximum of 117,216,000 Shares.

Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Mandate will be beneficial to the Bank and its shareholders. Such repurchases may enhance the value of the Shares or earning per Share.

The Directors propose that repurchases of Shares under the Repurchase Mandate will be financed from the available cash flow or working capital facilities of the Bank and its subsidiaries. In repurchasing Shares, the Bank may only supply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the laws of Hong Kong.

There may be material adverse impact on the working capital or gearing position of the Bank (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed share repurchases are to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as will, in the circumstances, have a material adverse effect on the working capital requirements of the Bank or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Bank.

Directors, their associates and connected persons

There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates of the Directors who have a present intention, in the event that the Repurchase Mandate is granted by shareholders, to sell Shares to the Bank.

No connected persons of the Bank (as defined in the Listing Rules) have notified it of a present intention to sell Shares to the Bank or given an undertaking to it not to sell any such Shares to the Bank in the event that the Repurchase Mandate is granted by shareholders.

Undertaking of the Directors

The Directors have undertaken to the Stock Exchange to exercise the power of the Bank to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the laws of Hong Kong and in accordance with the regulations set out in the Memorandum and Articles of Association of the Bank.

Effect of Hong Kong Code on Takeovers and Mergers

The Directors are not aware of any consequences which will arise under the Hong Kong Code on Takeovers and Mergers (the "Code") as a result of any purchases to be made under the Repurchase Mandate. As at 10 March 2003 (being the latest practicable date prior to the printing of this document) there were two substantial shareholders holding more than 10% of the issued share capital of the Bank namely, Arab Banking Corporation (B.S.C.) holding 55% and Tendai Limited holding 20%. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Mandate, the registered shareholding of Arab Banking Corporation (B.S.C.) would be increased to approximately 61.11% of the issued share capital of the Bank and the registered shareholding of Tendai Limited would be increased to approximately 22.22% of the issued share capital of the Bank and such increases will not give rise to an obligation to make a mandatory offer under Rule 26 of the Code.

Repurchases made by the Bank

No purchases have been made by the Bank of its Shares in the six months prior to the date of this document.

Market Prices

The highest and lowest prices at which Shares had traded on the Stock Exchange in each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
March 2002	2.025	1.870
April 2002	1.990	1.880
May 2002	2.225	2.025
June 2002	2.100	1.900
July 2002	2.025	1.820
August 2002	1.930	1.820
September 2002	1.890	1.780
October 2002	1.890	1.730
November 2002	2.075	1.890
December 2002	2.700	1.930
January 2003	3.025	2.150
February 2003	3.100	2.875

RECOMMENDATION

The Directors of the Bank considered the proposals are in the interests of the Bank and its shareholders and accordingly recommend that all shareholders vote in favour of the resolutions at the forthcoming Annual General Meeting of the Bank.

Yours faithfully,
For and on behalf of
INTERNATIONAL BANK OF ASIA LIMITED
Dr Anwar Ali Al-Mudhaf
Chairman