中國工商銀行(亞洲)
ICBC (Asia)

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
中 國 工 商 銀 行 (亞 洲) 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 349)

ANNOUNCEMENT OF 2006 FINAL RESULTS

The Directors of Industrial and Commercial Bank of China (Asia) Limited (the "Bank" or "ICBC (Asia)") are pleased to announce the audited consolidated results of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2006 as follows:-

ANNUAL ACCOUNTS

The accounting policies and basis of preparation of the audited final results of the Group are consistent with those adopted in the Group's audited 2005 annual financial statements, except for the changes in accounting policies made thereafter in adopting certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

(A) **Consolidated Income Statement**

	Notes	**31 Dec 2006** *HK$'000*	31 Dec 2005 *HK$'000*	Change %
Interest income		**6,926,521**	4,180,031	66%
Interest expense		**(5,073,952)**	(2,864,034)	77%
Net interest income		**1,852,569**	1,315,997	41%
Fee and commission income		**582,596**	412,355	41%
Fee and commission expense		**(20,484)**	(9,789)	109%
Net fee and commission income		**562,112**	402,566	40%
Other operating income	(1)	**182,481**	314,422	-42%
Operating income		**2,597,162**	2,032,985	28%
Operating expenses	(2)	**(945,359)**	(890,225)	6%
Operating profit before impairment losses/ provisions		**1,651,803**	1,142,760	45%
Net loss from disposal/reversal of revaluation deficits of property, plant and equipment		**(15)**	(699)	-98%
Net gain on disposal of held-to-maturity securities		**-**	185	-100%
Net gain on disposal of available-for-sale securities		**83,271**	65,509	27%
Net gain on disposal of loans		**-**	6,162	-100%
Impairment losses on held-to-maturity securities		**(5,666)**	-	-
Impairment losses on loans and advances		**(132,171)**	(6,324)	1,990%
Operating profit		**1,597,222**	1,207,593	32%
Share of profits of an associate		**5,739**	260	2,107%
Profit before income tax		**1,602,961**	1,207,853	33%
Income tax expense	(3)			
- Hong Kong		**(277,687)**	(179,757)	54%
- Overseas		**(90,754)**	(23,705)	283%
- Deferred tax		**11,072**	(23,790)	-147%
Profit attributable to equity holders		**1,245,592**	980,601	27%
Earnings per share	(4)			
- Basic		**HK$1.11**	HK$0.91	22%
- Diluted		**HK$1.11**	HK$0.91	22%
Dividends	(5)			
- Interim dividend declared during the year		**224,252**	201,827	11%
- Final dividend proposed after the balance sheet date		**515,779**	392,441	31%
		740,031	594,268	25%

(B) Consolidated Balance Sheet Information

	Notes	31 Dec 2006 HK$'000	*Restated* 31 Dec 2005 HK$'000	Change %
Assets				
Cash and short term funds		**47,481,757**	25,317,238	88%
Placements with and advances to banks and other financial institutions		**5,015,135**	2,469,645	103%
Trade bills	(6a)	**1,267,069**	1,992,380	-36%
Trading securities		**56,468**	247	22762%
Derivative financial instruments		**713,202**	609,837	17%
Financial assets at fair value through profit or loss		**1,704,349**	1,690,010	1%
Loans and advances to customers	(6b)	**74,380,687**	68,152,663	9%
Investment securities:		**13,198,645**	13,219,310	-
- available-for-sale		**11,052,318**	10,137,811	9%
- held-to-maturity		**2,146,327**	3,081,499	-30%
Investment in an associate		**34,485**	28,484	21%
Intangible assets		**1,050,773**	1,080,854	-3%
Property, plant and equipment		**249,417**	211,342	18%
Leasehold land and land use rights		**61,427**	91,704	-33%
Other assets		**1,178,345**	917,963	28%
Total assets		**146,391,759**	115,781,677	26%
Liabilities				
Deposits from banks and other financial institutions		**13,555,500**	25,095,384	-46%
Derivative financial instruments		**773,116**	722,919	7%
Deposits from customers	(7)	**98,022,735**	60,990,148	61%
- At fair value through profit or loss		**385,298**	487,255	-21%
- At amortised cost		**97,637,437**	60,502,893	61%
Certificate of deposits issued		**10,322,035**	9,351,305	10%
- At fair value through profit or loss		**5,350,864**	4,506,081	19%
- At amortised cost		**4,971,171**	4,845,224	3%
Debt securities in issue				
- At fair value through profit or loss		**2,997,804**	2,978,615	1%
Current income tax liabilities		**171,787**	8,333	1962%
Deferred income tax liabilities		**115,885**	4,799	2315%
Subordinated debt	(8)	**7,527,950**	5,338,775	41%
Other liabilities		**1,819,644**	1,421,545	28%
Total liabilities		**135,306,456**	105,911,823	28%
Capital and Reserves attributable to equity holders				
Share capital		**2,242,518**	2,242,518	-
Retained earnings	(9)	**2,734,266**	2,106,340	30%
Other reserves	(9)	**6,108,519**	5,520,996	11%
Total equity		**11,085,303**	9,869,854	12%
Total equity and liabilities		**146,391,759**	115,781,677	26%

(C) **Consolidated statement of changes in equity**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Total equity as at 1 January	**9,869,854**	8,762,886
Revaluation surplus on bank premises	**11,332**	25,791
Reversal upon disposal of bank premises	**(30)**	-
Change in fair value of available-for-sale securities	**697,382**	(171,750)
Change in deferred taxation	**(122,158)**	27,838
Exchange difference arising on translation of results of a foreign subsidiary	**24**	(122)
Net profits/(losses) not recognised in the income statement	**586,550**	(118,243)
Profit attributable to equity holders	**1,245,592**	980,601
Reserves from merger with Belgian Bank, Hong Kong Branch	**-**	1,427
Dividend	**(616,693)**	(526,696)
Issue of ordinary shares	**-**	769,939
Share issue expenses	**-**	(60)
Total equity as at 31 December	**11,085,303**	9,869,854

1. **Statutory accounts**

The financial information set out in this report does not constitute the Group's statutory accounts for the year ended 31 December 2006 but there is no material difference as compared to those accounts. The statutory accounts for the year ended 31 December 2006 will be available from the website of The Stock Exchange of Hong Kong Limited.

2. **Basis of preparation and accounting policies**

The accounting policies and basis of preparation adopted in these audited consolidated financial statements are consistent with those adopted in the Group's 2005 Annual Report except for the adoption of new / revised HKFRSs and HKASs as disclosed in note 3 below.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. **Impact of new / revised HKFRSs and HKASs**

The HKICPA has issued a number of new / revised HKFRSs, and HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the following new and revised HKFRSs and HKASs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements:

- HKAS 21 Amendment — "Net Investment in a Foreign Operation"
- HKAS 27 Amendment — "Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005"
- HKAS 39 & HKFRS 4 Amendments — "Financial Guarantee Contracts"
- HKAS 39 Amendment — "The Fair Value Option"
- HK(IFRIC)-Int 4 — "Determining whether an Arrangement contains a Lease"

These HKFRSs and HKASs prescribe new accounting measurement and disclosure practices. The major and significant effects of the adoption of these HKFRSs and HKASs on the Group's accounting policies are summarised as follows:

(a) *HKAS 21 The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) *HKAS 27 Consolidated and Separate Financial Statements*

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements. The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the consolidation of the Group. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(c) *HKAS 39 Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The adoption of this amendment has had no material impact on the financial statements.

(d) *HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 Leases. However, the adoption of this interpretation has had no material impact on these financial statements.

4. **Impact of Issued but not yet effective HKFRSs and HKASs**

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Bank regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006 and 1 November 2006, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

5. **Prior year restatements**

(a) During the year, management reviewed the basis of presentation of derivative financial instruments on the balance sheet in light of the legal enforceable rights to set off the recognised amounts and the intention to settle the positions on a net basis; and considered that certain positions are more appropriate to be presented on a gross basis on the balance sheet. Accordingly, the comparatives of derivative financial instruments recorded as assets and liabilities have been restated and increased by HK$565,117,000 as at 31 December 2005 to conform with the current year's presentation. In addition, two currency swaps were found to be overstated by HK$182,763,000 in aggregate as at 31 December 2005 and so have also been restated. These restatements have had no significant impact on the income statement.

(b) During the year, management also reviewed the terms and conditions of the loan capital and determined that this instrument is more appropriate to be named as subordinated debt and classified as a liability item rather than as an equity item as disclosed previously. The amount was reclassified as a liability in the current year and accordingly the comparative was restated to conform with the current year's presentation.

Notes

(1) **Other operating income**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Net gain from foreign exchange activities	**128,578**	199,361
Net gain from trading securities	**15,621**	689
Net gain on disposal of fair value through profit or loss securities	**227**	21,340
Net loss from available-for-sale securities	**(28,940)**	(56,968)
Net loss from fair value through profit or loss financial assets	**(22,850)**	(27,796)
Net (loss)/gain from fair value through profit or loss financial liabilities	**(60,032)**	166,494
Net gain/(loss) on derivative financial instruments	**100,545**	(9,991)
Dividend income from unlisted investments in securities	**2,619**	3,228
Others	**46,713**	18,065
Total other operating income	**182,481**	314,422

(2) **Operating expenses**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Staff costs		
- Salaries and other costs	**494,359**	462,895
- Redundancy payment	**401**	425
- Retirement benefit costs	**29,225**	28,850
	523,985	492,170
Premises and equipment expenses, excluding depreciation		
- Rental of premises	**97,449**	92,822
- Others	**75,896**	71,209
	173,345	164,031
Depreciation	**80,976**	68,248
Auditors' remuneration	**3,564**	3,611
General administration expenses	**27,907**	31,383
Business promotion expenses	**28,127**	24,874
Communication expenses	**32,910**	30,853
Other operating expenses	**74,545**	75,055
	167,053	165,776
Total operating expenses	**945,359**	890,225

(3) **Taxation**

Hong Kong profits tax has been calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(4) **Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	31 Dec 2006	31 Dec 2005
Profit attributable to equity holders (thousands)	**1,245,592**	980,601
Weighted average number of ordinary shares in issue (thousands)	**1,121,259**	1,076,479
Basic earnings per share	**HK$1.11**	HK$0.91

There was no difference between basic and diluted earnings per share as there were no potential dilutive shares outstanding during the years ended 31 December 2006 and 2005.

(5) **Dividends**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.20 (2005: HK$0.18) per ordinary share	**224,252**	201,827
Proposed final dividend of HK$0.46 (2005: HK$0.35) per ordinary share	**515,779**	392,441
	740,031	594,268

(6a) **Trade bills**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Trade bills	**1,264,291**	2,001,557
Accrued interest	**8,264**	-
Less: impairment allowance		
- Individual	**(1,841)**	(3,402)
- Collective	**(3,645)**	(5,775)
	1,267,069	1,992,380

(6b) **Loans and advances to customers**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Advances to customers	**74,481,405**	68,299,287
Accrued interest	**326,433**	321,200
Gross loans and advances	**74,807,838**	68,620,487
Less: impairment allowance		
- Individual	**(199,271)**	(264,016)
- Collective	**(227,880)**	(203,808)
	74,380,687	68,152,663

Impaired loans are analysed as follows

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Gross impaired loans	**898,389**	661,076
As a percentage of total loans and advances	**1.2%**	0.9%
Impairment allowances made in respect of impaired loans	**201,112**	267,418

Impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated.

There were no impaired advances to banks and other financial institutions nor advances on which interest has been placed in suspense or on which interest accrual has ceased as at 31 December 2006 and 31 December 2005 nor were there any individual impairment allowances made for them on these two respective dates.

(7) **Deposits from customers**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Demand deposits and current accounts	**3,586,664**	2,992,817
Savings deposits	**12,110,797**	8,839,142
Time, call and notice deposits	**82,325,274**	49,158,189
	98,022,735	60,990,148

(8) **Subordinated debt**

Subordinated debt represents floating rate notes qualifying for inclusion as supplementary capital in accordance with the Third Schedule to the Banking Ordinance.

(9) **Reserves**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Ordinary share premium	**5,323,893**	5,323,893
Convertible preference share premium	**16,126**	16,126
Bank premises revaluation reserve	**38,142**	26,956
Investment revaluation reserve	**495,344**	(79,996)
General reserve	**235,014**	234,017
Retained profits*	**2,734,266**	2,106,340
	8,842,785	7,627,336
Proposed dividends not provided for	**515,779**	392,441

* As at 31 December 2006, the Group has earmarked a "Regulatory Reserve" of HK$378,728,000 from the retained profits. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

(10) **Off-balance sheet exposures**

(a) Contingent liabilities and commitments

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

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Direct credit substitutes	**1,360,327**	1,429,763
Transaction-related contingencies	**275,079**	131,935
Trade-related contingencies	**3,026,229**	2,698,287
Other commitments		
- With an original maturity of under 1 year or which are unconditionally cancellable	**32,424,706**	13,602,099
- With an original maturity of 1 year and over	**16,493,896**	9,886,108
Forward deposits placed	**119,892**	371,097
	53,700,129	28,119,289

(b) Derivatives

The following is a summary of the contractual or notional amounts of each significant type of derivatives:

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Exchange rate contracts		
- Forwards	**29,908,747**	2,427,966
- Swaps	**48,181,455**	22,484,615
- Currency options purchased	**5,491,707**	1,644,858
- Currency options written	**5,434,703**	1,665,317
	89,016,612	28,222,756
Interest rate contracts		
- Interest rate swaps	**28,242,952**	29,125,145
- Interest rate options purchased	**4,087,335**	4,487,346
- Interest rate options written	**4,047,798**	4,487,346
	36,378,085	38,099,837
Other contracts		
- Equity options purchased	**37,339**	35,505
- Equity options written	**37,339**	35,505
	74,678	71,010
	125,469,375	66,393,603

The contractual or notional amounts of off-balance sheet instruments provide only an indication of the volume of business outstanding at the balance sheet date and bear little relation to the underlying risks of the exposures.

The aggregate replacement costs and credit risk weighted amounts of the above off-balance sheet exposures are:

	31 Dec 2006		31 Dec 2005	
	Replacement cost	**Credit risk weighted amount**	Replacement cost	Credit risk weighted amount
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Contingent liabilities and commitments	**-**	**9,808,957**	-	6,338,082
Exchange rate contracts	**287,355**	**231,022**	111,974	75,752
Interest rate contracts	**412,987**	**117,870**	537,187	149,296
Other contracts	**292**	**-**	533	-
	700,634	**10,157,849**	649,694	6,563,130

The replacement costs and credit risk weighted amounts of the off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

(11) **Segmental information - By class of business**

The Group comprises three business segments. Commercial and retail banking includes retail banking, commercial lending and trade finance. Treasury and markets activities include foreign exchange, money market and capital market activities. Corporate and investment banking activities mainly comprise corporate banking, provision of debt capital markets and corporate finance and advisory services.

	Commercial and retail banking	**Treasury and markets**	**Corporate and investment banking**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2006					
Net interest income	1,261,554	335,086	243,883	12,046	1,852,569
Operating profit before impairment losses/provisions	919,392	338,575	363,663	30,173	1,651,803
Profit before taxation	870,754	355,420	334,483	42,304	1,602,961
For the year ended 31 December 2005					
Net interest income	881,432	181,973	222,265	30,327	1,315,997
Operating profit/(loss) before impairment losses/provisions	597,684	372,260	284,956	(112,140)	1,142,760
Profit/(loss) before taxation	552,456	419,633	283,762	(47,998)	1,207,853

(D) **Supplementary Financial Information (Unaudited)**

(1) **Loans and advances to customer**

(a) **Gross advances to customers - By industry sectors**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	**4,422,104**	4,202,630
- Property investment	**13,304,411**	10,554,322
- Financial concerns	**3,860,244**	3,709,737
- Stockbrokers	**147,042**	91,305
- Wholesale and retail trade	**2,194,440**	1,665,212
- Civil engineering works	**409,532**	830,649
- Manufacturing	**3,255,617**	6,195,831
- Transport and transport equipment	**8,036,027**	9,323,538
- Electricity, gas and telecommunications	**936,168**	1,140,181
- Hotels, boarding houses & catering	**1,121,759**	1,232,911
- Others	**4,796,105**	5,136,568
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**155,421**	130,242
- Loans for the purchase of other residential properties	**10,736,652**	11,447,846
- Credit card advances	**104,831**	51,198
- Others	**1,246,530**	980,815
Trade finance	**5,574,619**	5,501,227
Loans for use outside Hong Kong	**14,179,903**	6,105,075
	74,481,405	68,299,287

(b) **Advances to customers - By geographical areas**

At 31 December 2006 and 31 December 2005, over 80% and 90% respectively of the Group's advances to customers, impaired loans and overdue loans were made to counterparties located in Hong Kong, and there is no single country or geographical area located outside Hong Kong constitutes 10% or more of the relevant disclosure item. In determining this analysis, no account has been taken of transfer of risk with respect to claims guaranteed by a party in a country, which is different from that of the counterparty.

(2) **Overdue, Rescheduled and Repossessed Assets**

(a) **Overdue advances**

	Gross advances *HK$'000*	% of advances to customers	Market value of collateral *HK$'000*	Amount of secured balance *HK$'000*	Amount of unsecured balance *HK$'000*	Individual impairment allowance *HK$'000*
As at 31 December 2006						
Three to six months overdue	**98,068**	**0.1%**	**106,618**	**70,158**	**27,910**	**17,174**
Six months to one year overdue	**71,967**	**0.1%**	**39,934**	**32,872**	**39,095**	**24,575**
Over one year overdue	**33,160**	**0.0%**	**11,903**	**7,848**	**25,312**	**27,365**
	203,195	**0.2%**	**158,455**	**110,878**	**92,317**	**69,114**
As at 31 December 2005						
Three to six months overdue	107,362	0.2%	52,429	27,500	79,862	42,894
Six months to one year overdue	96,417	0.1%	22,797	12,039	84,378	71,133
Over one year overdue	136,180	0.2%	21,114	13,326	122,854	107,994
	339,959	0.5%	96,340	52,865	287,094	222,021

There were no advances to banks and other financial institutions which were overdue for over three months as at 31 December 2006 and 31 December 2005.

(b) **Other overdue assets**

	31 Dec 2006 ***HK$'000***	31 Dec 2005 *HK$'000*
Accrued interest:		
- Three to six months overdue	**320**	105
- Six months to one year overdue	**1**	-
- Over one year overdue	**1**	2
	322	107
Rescheduled assets	**12**	152
	334	259

(c) **Rescheduled advances**

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Rescheduled advances (net of overdue loans over 3 months)	**43,044**	68,749
% of advances to customers	**0.1%**	0.1%

There were no advances to banks and other financial institutions which were rescheduled as at 31 December 2006 and 31 December 2005.

(d) **Repossessed assets**

At 31 December 2006, the estimated market value of the repossessed assets of the Group amounted to HK$37,065,000 (2005: HK$9,110,000).

(3) **Capital adequacy ratio and capital base**

(a) **Capital adequacy ratio**

	31 Dec 2006		31 Dec 2005	
	Unadjusted ratio	**Adjusted ratio**	Unadjusted ratio	Adjusted ratio
Capital adequacy ratio	16.1%	16.0%	15.8%	15.7%

The unadjusted capital adequacy ratio is computed on the consolidated basis which comprises the positions of the Bank and its subsidiaries as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Third Schedule to the Banking Ordinance.

The adjusted capital adequacy ratio which takes into account market risks as at the balance sheet date is computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority and on the same consolidated basis as for unadjusted capital adequacy ratio.

The components of the total capital base after deductions include the following items:

	31 Dec 2006	31 Dec 2005
	HK$'000	*HK$'000*
Core capital:		
Paid up ordinary share capital	**2,242,518**	2,242,518
Ordinary share premium	**5,323,893**	5,323,893
Convertible preference share premium	**16,126**	16,126
Reserves	**1,842,810**	1,404,323
Deduct: Goodwill	**(951,787)**	(936,520)
	8,473,560	8,050,340
Eligible supplementary capital:		
Reserves on revaluation of land and interests in land	**1,368**	18,917
Reserves on revaluation of holding of securities not held for trading purpose	**33,346**	(67,821)
Collective impairment allowances for impaired assets and regulatory reserve	**615,919**	561,611
Perpetual subordinated debts	**3,488,960**	1,930,612
Term subordinated debts	**4,038,990**	3,408,163
	8,178,583	5,851,482
Total capital base before deductions	**16,652,143**	13,901,822
Deductions from total capital base	**(610,686)**	(624,075)
Total capital base after deductions	**16,041,457**	13,277,747

(b) **Liquidity ratio**

	31 Dec 2006	31 Dec 2005
Average liquidity ratio for the year ended	**44.1%**	36.5%

The average liquidity ratio for the year is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Fourth Schedule to the Banking Ordinance.

(4) **Currency concentration**

The net position in foreign currencies are disclosed when each currency constitutes 10% or more of the total net position in all foreign currencies.

	US$	**JPY**	**RMB**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2006				
Spot assets	**72,055,601**	**770,773**	**296,608**	**73,122,982**
Spot liabilities	**(60,871,421)**	**(344,128)**	**(214,685)**	**(61,430,234)**
Forward purchases	**35,505,948**	**1,523,062**	**13,141,674**	**50,170,684**
Forward sales	**(45,486,539)**	**(1,821,707)**	**(13,022,646)**	**(60,330,892)**
Net option position	**69,636**	**(31,481)**	**-**	**38,155**
Net long position	**1,273,225**	**96,519**	**200,951**	**1,570,695**
As at 31 December 2005				
Spot assets	45,309,000	1,806,000	274,000	47,389,000
Spot liabilities	(54,237,000)	(227,000)	(193,000)	(54,657,000)
Forward purchases	17,817,000	420,000	1,485,000	19,722,000
Forward sales	(8,349,000)	(1,921,000)	(1,508,000)	(11,778,000)
Net option position	(16,000)	(1,000)	-	(17,000)
Net long position	524,000	77,000	58,000	659,000

(5) **Cross-border claims**

The Group analyses cross-border claims by geographical areas. In determining this analysis, it has been taken into account the transfer of risk with respect to claims guaranteed by a party in a country different from that of the counterparty. Those areas which constitute 10% or more of the aggregate cross-border claims are as follows:

	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
As at 31 December 2006				
Asia Pacific excluding Hong Kong	**12,843**	**894**	**8,094**	**21,831**
North and South America	**2,444**	**434**	**6,495**	**9,373**
Europe	**38,425**	**-**	**2,228**	**40,653**
As at 31 December 2005				
Asia Pacific excluding Hong Kong	10,659	483	8,569	19,711
North and South America	1,001	438	5,776	7,215
Europe	20,334	97	1,049	21,480

Results

The Board of Directors is pleased to announce that the Group has achieved a record high consolidated profit attributable to shareholders of HK$1,246 million for the year ended 31 December 2006, representing an increase of 27% as compared to HK$981 million in 2005. Earnings per share was HK$1.11 (2005: HK$0.91). Return on average assets and return on average common equity were 0.95% and 12.3% respectively (2005: 0.9% and 11%).

Final Dividend

The Directors are pleased to recommend a final dividend of HK$0.46 per ordinary share for the year ended 31 December 2006 (2005: final dividend of HK$0.35). The Bank proposes that a scrip dividend option will be offered to shareholders. The dividends will be paid to shareholders whose names are on the Register of Members at the close of business on 10 May 2007. Distribution of dividend will be made to shareholders by ordinary mail on or about 8 June 2007.

Closure of Register of Members

The Register of Members of the Bank will be closed from Thursday, 3 May 2007 to Thursday, 10 May 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the dividend, all transfers documents, accompanied by the relevant share certificates must be lodged for registration with the Bank's Share Registrars, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:00 p.m. on Wednesday, 2 May 2007.

Financial Review

The Group has achieved a consolidated profit attributable to equity holders of HK$1,246 million for the year ended 31 December 2006, representing an increase of 27% as compared to HK$981 million in 2005.

Net interest income for the year ended December 2006 increased HK$537 million or 41% to HK$1,853 million. The improvement was attributable to a strong growth of money market placements during 2006, coupled with the widening of overall net interest margin from 1.19% to 1.45%.

Total net fee and commission income and other operating income increased slightly by 4% to HK$745 million from HK$717 million for 2005. The increase was mainly due to the gain on mark-to-market of derivatives, together with an increase in fees and commission income, mainly from acting as a receiving bank for the robust IPO business throughout the year. Overall, the ratio of total net fee and commission and other operating income to the total operating income decreased to 29%, compared with 35% for 2005.

Operating expenses increased HK$55 million or 6% to HK$945 million from HK$890 million for 2005. The cost to income ratio dropped from 43.8% to 36.4%, mainly due to the huge increase in net interest income, together with effective cost control over the year, as well as cost synergy effect coming in place after the merger with Belgium Bank in October 2005.

The consolidated impairment losses for loans and advances and held-to-maturity securities were HK$138 million for the year.

The Group realized a HK$83 million gain from disposal of investment securities, an increase of 27% as compared to HK$65 million for 2005.

Share of profit from an associated company reached HK$6 million, which came solely from China Ping An Insurance (Hong Kong) Company Limited, represents an increase of 2,107% as compared to HK$0.3 million for 2005.

Financial Position

The consolidated total assets of the Group reached HK$146,392 million as at 31 December 2006, representing an increase of HK$30,610 million or 26% as compared to HK$115,782 million as at 31 December 2005.

Consolidated total loans and advances increased by HK$5,340 million or 8% to HK$75,746 million as at 31 December 2006, as compared to HK$70,406 million as at 31 December 2005.

Total customer deposits amounted to HK$98,023 million, representing an increase of 61% as compared to HK$60,990 million as at 31 December 2005.

Total certificates of deposits issued amounted to HK$10,322 million, representing an increase of 10% as compared to HK$9,351 million as at 31 December 2005. These deposits can provide the Bank with long-term and low cost funding.

Capital Adequacy Ratio and Liquidity Ratio

At the end of 2006, the adjusted consolidated capital adequacy ratio for the Group was 16.0% (2005: 15.7%). The Group maintained an adequate level of capital in 2006 and the average liquidity ratio amounted to 44.1% (2005: an average of 36.5%).

Impaired loans

Consolidated impaired loans increased by HK$237 million to HK$898 million as at 31 December 2006, as compared to HK$661 million as at 31 December 2005. As a result, the consolidated impaired loan ratio was up from 0.9% to 1.2%.

As at 31 December 2006, the cumulative loan impairment allowances (previously referred to as the "provisions for bad and doubtful debts") aggregated to HK$432 million (2005: HK$477 million). This included HK$201 million (2005: HK$267 million) of individual impairment allowance and HK$231 million (2005: HK$210 million) of collective impairment allowances. The decrease of the impairment allowance was mainly due to the improvement of assets quality and the adoption of HKAS 39.

Overdue loans decreased from HK$340 million as at 31 December 2005 to HK$203 million as at 31 December 2006, which represents 0.2% of advances to customers.

Business Review

Below are the summaries of the performances of our individual business operations in 2006 and their respective outlook for 2007.

Retail Banking

2006 was a fruitful year for our Retail Banking business. We leveraged on our expanded branch network to actively acquire new customers. Our retail customer deposit base grew significantly while the interest margin of loans improved. Profit contribution from our Retail Banking business grew significantly to HK$283.8 million in 2006 as compared to HK$165.7 million in 2005.

The residential mortgage business among banks in Hong Kong remained highly competitive. A major bank launched a massive rate-cut residential mortgage promotional campaign in February 2006, which triggered reaction of rate re-pricing from most other banks in order to protect their respective market share. The volume of our newly acquired retail mortgage business in 2006 maintained more or less the same level as that in 2005. However, due to an increase in refinancing, our residential mortgage loan balance outstanding suffered a slight decrease.

Our loan portfolio of hire purchase and leasing business recorded a moderate growth with good net interest income generated attributable to our pro-active approach to successfully capture market opportunities. Our market share on taxi and public light bus financing expanded further to rank us among the top 4 in the market.

Our bank continued to ride on our edge to develop and promote Mainland China related banking products and services. In addition to deposit account service for “designated merchants” launched in 2005, RMB current account service was launched to better serve the active cross-border customers.

The Hong Kong stock market was particularly active during 2006, which led to a remarkable increase in our brokerage income. We also endeavored to enhance our wealth management services and to expand the range of investment products offered to customers. New products distributed in 2006 include 4 batches of certificate of deposit issued by our bank, 13 structured products that linked to stock prices or credit performance, 1 capital guaranteed fund and 1 retail bond. The sale of structured investment products and mutual funds amounted to over HK$1 billion, with exceptionally good result attained in the sale of equity-linked products. In addition, we continued to grow and develop our insurance business by cross-selling to existing and new customers. Several new life insurance products were introduced to provide customers with a better selection of life protection and savings plans.

During 2006, we acted as the receiving bank for the IPO of 15 PRC enterprises, including those of ICBC, Bank of China, Ming An Holdings and China Communications Services. Such success solidified our role as a major player in local IPO receiving bank business.

In the information technology area, a new system called risk profiling-products matching system (RPPM) was developed for front office use. This system helps improve our sales delivery process with enhanced risk management and service quality to customers.

Since our successful integration of Belgian Bank in October 2005, we completed the merger of 4 branches in overlapping areas with minimal attrition of customers and business. Moreover, we expanded and relocated our Causeway Branch, North Point Branch and Central Branch in March, June and August 2006 respectively to provide a more comfortable branch environment with diversified banking facilities such as Securities Investment Centre to our customers, which eventually improved the business development capability of the branches. We also upgraded the Central Branch as our flagship branch by developing a new style and sizable Wealth Management Centre. Furthermore, in August 2006, we opened a brand new Kwai Fong Branch in the busy commercial mall of Kwai Chung Plaza. By the end of 2006, about one fifth of our branches adopted new branch design theme which strengthens our unified bank image and was well accepted by our customers.

To strengthen our branch management, we not only held regular meeting at different levels and branch visits to communicate the market dynamics and update our business development, but we also developed a Sale Target Management System to monitor the key performance of our relationship managers and branches. This system has effectively enhanced the marketing performance and efficiency of our retail business.

In 2007, we shall continue to actively acquire new target customers and deposits, and our focus will be to further develop the high net worth customer base by offering a well packaged wealth management business. Through cross selling, we shall be developing and solidifying our various retail banking businesses.

For our mortgage business in Hong Kong, we expect that after the upgrade and improvement of our computer systems, we shall be able to provide more versatile products and services like "Smart Mortgage" to our valued customers so as to maintain our market share. It is expected that the Hong Kong property market will become very active in 2007, and that mortgage business will increase 20% to 30% as a whole. As market interest rate will remain at a low level, we expect that competition for mortgage business will remain keen. Nevertheless, we shall strive in 2007 to grow our mortgage business significantly as compared to 2006.

Our mortgage business in Mainland China is expected to grow steadily in 2007 despite of the macroeconomic tuning policy since we shall continue our strategy to develop the high-end target customers markets. Other than the well-developed market in Beijing, Shanghai, Guangdong (such as Zhongshan, Dongguan, Changping, etc.), we had successfully cooperated with our parent bank to extend our market to Hainan and Jiangsu Provinces. Cities like Hangzhou, Xian and Suzhou are new markets targeted where negotiation is in progress. Besides, we shall put particular emphasis on the Shenzhen market through Chinese Mercantile Bank, our wholly-owned subsidiary in the PRC.

We shall enhance our electronic channel services including improving the existing personal internet banking services and offering new internet securities services functionalities, automated phone securities services, and commercial internet banking.

To enhance the competitive edge on wealth management products and services, we shall continue to develop different types of investment products and line up with different financial institutions to offer diversified investment products for customers. Our bank will also design different promotion offers to further sustain the growth of wealth management business.

To summarise our plan for 2007, we aim to upgrade our IT system platform, to improve the new Customer Relationship Management System and Sales Target Management System to raise our marketing capability and quality, and to provide more comprehensive, convenience and quality banking services to our different segments of customers. Moreover our branch network rationalization program will continue so as to create a comprehensive and well-covered network.

Treasury and Markets

Profit contribution from our Treasury & Markets ("T&M") business amounted to HK$304 million in 2006 as compared to HK$397.6 million in 2005, the decrease of which was mainly attributable to the effect of rising U.S. short-term interest rate over the decreasing long-term interest rate which had adversely affected the performance of our debt securities portfolio. Notwithstanding the difficult market conditions, we managed to capture valuable business opportunities at the time of the listing of ICBC in Hong Kong in October 2006. For instance, our bank was appointed to act as the sole Foreign Currency Account Opening Bank for ICBC's IPO. At the same time, we had developed various equity-linked products in order to capitalise on strong investor sentiment and robust investors' demand for ICBC shares.

To capture the demand arising from the increasing popularity of investment products with steady income, we successfully launched an array of related treasury products, which were well received by our clients. Although T&M was a small department, we succeeded in providing customized services for domestic and PRC clients by using the mechanism of cross-selling through other departments. By leveraging the Bank's retail and corporate distribution channels, the number of treasury customers increased dramatically in 2006.

In collaboration with our parent bank, we rolled out a variety of sophisticated treasury products geared to PRC customers' needs, thus deepening our market penetration and enriching clients' investment portfolio. The pluralism of products and the cross-selling pattern are in favor of the different product requirements of our clients, as well as the future development of the bank.

In the area of capital markets, we have actively participated in a number of primary deals. Besides, given the cooperation with The Hong Kong Mortgage Corporation Limited ("HKMC") for issuing regular retail bonds, we successfully and solely managed HKMC's 2-year Composite Interest Rate Notes issue in the first quarter of 2006. The issue was the first ever Composite Rate Note in Hong Kong where the coupon was computed on the basis of the weighted average of all Hong Kong dollar interest-bearing liabilities of retail banks. This enabled us to promote product diversification in the Hong Kong debt market. We, joined the HKMC to launch the first-ever partially un-guaranteed Mortgaged-Backed Securities issue as Co-Lead Manager in the fourth quarter of 2006. The deal was successfully issued and attracted an overwhelming demand.

We have been appointed by the Treasury Markets Association as one of the contributing banks to provide the price quotes for Reuters Limited to calculate the USD interest rate fixings in Hong Kong interbank market and RMB Swap Offer Rate ('CNY SOR') fixings on a daily basis.

In anticipation of the further opening of RMB banking business, such as the issuance of RMB-denominated bonds in Hong Kong, we shall equip and prepare ourselves for new businesses opportunities and challenges. We shall also continue to develop and expand the range of treasury-related products and services that are tailored for customers' needs. Last but not the least, we shall continue to collaborate closely with our parent bank and Chinese Mercantile Bank to grow our Mainland China and cross-border businesses, deliver superior services to customers and to create value to our bank as a whole.

Commercial Banking

In 2006, our Commercial Banking business recorded a profit contribution of HK$587 million as compared to HK$387 million in 2005. Benefiting from unabated global and local economic boom, loan advances and deposits saw strong growth by 28% and 42% respectively as a result of increasing commercial activities of our Commercial Banking clients.

Our business approach remained to be totally customer-oriented and solution-driven to serve our target groups, of which Small and Medium Enterprises (SME) are our prime focus. To make our services more versatile, we offer specialised expertise through our European Banking, Indian Banking and Diamond Trade Finance units. Due to the strong presence of our parent bank in Mainland China and our established connection in Europe, cross-border co-operations contributed significantly to our business growth. We also leveraged on Macau's flourishing economy to capture business opportunities by successfully participating in project finance business there.

One of our key elements of success is our ability to provide an "one stop" service to our clients. We offer a wide variety of products and services, e.g. trade finance, factoring, derivatives, equipment and machinery finance, commercial loans, IPO finance, internet banking and other tailor-made services to take care of different needs of customers in different sectors.

Our merge with Belgian Bank in October 2005 continued to pay off with synergy effect coming in place not only in operation but also in use of manpower.

In light of our successful marketing strategies and well-identified portfolio focus, we are confident that 2007 will be another challenging but rewarding year for our Commercial Banking business through the unreserved endeavour of our professional relationship managers.

Corporate and Investment Banking

Profit contribution from our Corporate and Investment Banking business amounted to HK$334.4 million in 2006 as compared to HK$283.8 million in 2005. The remarkable increase was attributable partly to the profit derived from the disposal of part of our portfolio of equity securities. In addition, the deposit base of our Corporate Banking clients grew significantly, which contributed to a reduction in our funding cost. In 2006, we continued to be among the leading arrangers of syndicated loan in Hong Kong. During the year, we arranged general purpose syndicated loans for Cheung Kong, China Overseas Land & Investment, CITIC Pacific, Guangzhou Investment, Hang Lung Properties, Henderson Land, Hongkong Land, Hopewell, Hutchison Whampoa, Investcorp, Kerry Properties, Lenovo, PCCW, PCCW-HongKong Telephone, Shanghai Industrial Investment, Shenzhen Investment, Shougang Concord, Shun Tak, Sino Land and Sun Hung Kai Properties. In addition, we continued to enhance our position in value-added transactions, with cheering results. Highlights of selected value-added transactions arranged by us during the year are as follows:

Merger and Acquisition Finance:

US$250 million syndicated loan for GS Capital Partners, a Goldman Sachs managed fund, to acquire a minority stake in Hana Bank, South Korea.

US$53 million syndicated loan for a US multinational to acquire a glass fiber factory in the PRC.

Project Finance:

US$2,000 million syndicated loan for India's Reliance group to build an oil refinery in India.

HK$600 million syndicated loan for an international consortium to build a hotel nearby to the Hong Kong international airport.

Infrastructure Finance:

US$50 million bilateral loan to a Hong Kong incorporated company to acquire a toll road in Zhejiang Province, PRC.

Property Development Finance:

HK$4,400 million syndicated loan for Sino Land to develop a residential property at Wu Kai Sha.

HK$1,730 million syndicated loan for an international property fund to develop a luxury residential property in Macau.

Real Estate Investment Trust Finance:

HK$7,200 million syndicated loan for Champion REIT to acquire the Citibank Plaza , Central.

USS135 million bridge loan for a Special Purpose Vehicle to acquire a Grade A office property in Beijing, to prepare for its planned REIT listing.

We have also always made deliberate effort in leveraging our corporate customer base to promote the Bank's other businesses. In 2006 we pushed our momentum further to pitch for main IPO receiving bank position and were honored to be appointed by China Communications Services and Ming An Holdings, for which the IPOs were of overwhelming success.

For 2007, China property finance, REIT related finance, aviation and ship finance, merger and acquisition finance, project finance, natural resources finance and infrastructure finance will be our leading products. Building expertise, expanding market coverage, maximizing resources, and promoting cross-selling to benefit other units of our bank will lead our Corporate Banking business through to excellence.

Financial Institutions

Our Financial Institutions business had achieved tremendous success in 2006, with a 38% growth in revenue. Transactional banking business continued to be the main and stable source of recurrent income. Despite the intense competition in the overall Financial Institutions industry, we were successful not only to protect our market share but also to maintain the business momentum.

Throughout the year, we had made tremendous effort of building a new business platform. A new Non-Bank Financial Institutions Section was formed to diversify the client base as well as to expand the product deliveries. Since implementation in the middle of 2006, the result was very encouraging. In particular, many non-bank financial institutions established account relationships with us and various new products, such as IPO related financing, custodial services, credit and treasury related services were introduced and implemented with these clients.

In 2007, we shall continue our effort to improve the recurrent income level by incorporating more value-added features to transactional banking business, and shall maximize the utilization of newly introduced products/services by expanding the market coverage.

Credit Card Business

Benefited from the merger with the credit card business of ICBC, Hong Kong Branch during the year, our overall credit card business had remarkable achievements in 2006 with a 40% and 115% growth in outstanding balance and turnover. While active credit card customers grew by 15%, average balance per borrowing card and average turnover per active card grew by 14% and 73% respectively.

Our strategic focus is to build the credit card business as an integral part of our Retail Banking business and to tap into resources, supports and business opportunities of common customer base from all other business lines. This helped to reduce the card acquisition cost by 89% and 20% for new merchants in 2006. The Credit Card Centre also shared solo-card database with other business lines for cross selling of our bank products.

The cross-border collaboration allows us to ride on the extensive network / facilitation of our parent bank to gain a competitive edge in Mainland China, where holders of our Dual Currency Card are able to enjoy mutual merchant offers and ATM supports. Alternatively, locally acquiring merchants are lined up offer discount programs to huge number of ICBC card customers visiting Hong Kong.

Innovative marketing programs were launched in 2006 to boost card acquisition and utilization. Lucky draws, jackpots, buffet tickets, traveling packages, leisure activities and generous bonus points benefits were offered and were all well received by customers. We had further streamline the autopay arrangement for RMB payment and our Dual Currency Card had been added in the Octopus Automatic.

In 2007, we shall strive to further improve our efficiency and service quality, which will ultimately contribute to revenue generation. Also, to further diversify our product range, we shall begin the issue of chip cards and CUP cards.

Chinese Mercantile Bank

Chinese Mercantile Bank (CMB) made great process in 2006. As of 31 December 2006, CMB's total assets amounted to HK$1,854 million, representing an increase of HK$333 million or 22% over the end of 2005. Net profit for 2006 amounted to HK$23 million, representing an increase of HK$21 million or 1,025% from HK$2 million in 2005. CMB had made best use of the synergy with our bank by integrating the resources in Hong Kong and Mainland China.

During 2006, CMB further improved its corporate governance. An independent director joined its board of directors and a new supervisor was nominated by our bank. In January 2007, CMB obtained its approval of the RMB Business License from China Banking Regulatory Commission, which allows CMB to better serve its existing and potential customers in future.

To take the advantage of prosperous future of the banking sector in the PRC, an additional capital of RMB 390 million will be injected into CMB. Afterward, the total capital of CMB will be further strengthened and increase to RMB 1,100 million.

Human Resources

The number of staff of the Bank as of 31 December 2006 was 1,324. We completed the merger with the credit card business of ICBC, Hong Kong Branch in 2006, and the relevant workforce was smoothly integrated into our bank during the second quarter of the year.

We believe that a well-motivated and skilful workforce is our most treasured asset. To this end, we have enhanced our recruitment effort during 2006, by holding recruitment days as well as taking part in job fairs with the objective to attract talents. We had also introduced business-oriented training programs to enhance the skill and widen the knowledge of our staff in order to meet its operational needs. In addition, our key executives had participated in various management workshops to upgrade their managerial expertise.

At the same time, we recognize the need to promote good employer-employee relationship with a view to foster a sense of belonging among staff members. We offer support to our Staff Association to organize and promote various recreational and social gathering activities for the staff, including picnics, buffet gatherings, interest classes, sports events and our Annual Dinner.

Corporate Social Responsibility

The Hong Kong Council of Social Service awarded our bank with the Caring Company "5 Year Award Logo" in recognition of our achievements on various social services and commitment in the community in the past 5 years. The Caring Company Logo recognizes private companies with business operations in Hong Kong that demonstrated good corporate citizenship.

We were honored and appointed again as the Chairman of the Caritas Fund Raising Committee for the year 2006-07. Our bank and our staff volunteers were again committed to support Caritas-Hong Kong by soliciting donations from its business partners and customers through various fund raising activities including donation boxes at our branches, a TV charity show, sales of Caritas raffle tickets, and seven bazaars. In November 2006, we sponsored a charity dance performance "The Smiling, Proud Wanderer" at the Grand Theatre of The Hong Kong Culture Centre, which raised a record amount of over HK$1.2 million. Moreover, we also donated part of the retail-spending revenue of the Caritas-Hong Kong MasterCard, the affinity card issued by us for Caritas-Hong Kong, as an alternate channel to raise donation fund.

In addition, the third Study Tour entitled "Ancient Capitals in Central Plains - Henan Study Tour" was successfully held in July 2006. 38 students nominated either by their schools or Caritas-Hong Kong had participated in the Tour, most of them were subsidized by our bank and our business partners. This Tour provided the students with a good opportunity to better understand the history and culture of China.

In 2007, we shall continue to provide support to community service to demonstrate our good corporate citizenship and help the less privileged to work towards the harmonious development of our society.

Compliance with the Guideline on "Financial Disclosure by Locally Incorporated Authorized Institutions"

The Bank has fully complied with the disclosure requirements as set out in the Supervisory Policy Manual entitled "Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority on 8 November 2002.

Corporate Governance

In the opinion of the Directors, the Group has complied with all the Code Provisions set out in the Appendix 14 Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, except for the following deviations from certain code provisions as listed below:

Code Provision A.4.1:	non-executive directors should be appointed for a specific term;
Code Provision A.4.2:	all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director should be subject to retirement by rotation at least once every three years; and
Code Provision E.1.2:	The chairman of the board should attend the annual general meeting.

Details of the considered reasons for the above deviations and/or steps taken or proposed to be taken by the Bank in order to comply with the relevant code provisions will be set out in the Corporate Governance Report of the Bank's Annual Report for the year ended 31 December 2006.

The Audit Committee of the Bank has reviewed the results for the year ended 31 December 2006.

Model Code for Securities Transactions by Directors

The Bank has adopted the model code for securities transactions by directors set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Bank confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2006.

Purchase, Sale or Redemption of the Bank's Listed Securities

During the year, the Bank has not redeemed any of its listed securities. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's listed securities.

On behalf of the Board
Industrial and Commercial Bank of China (Asia) Limited
Dr. Jiang Jianqing
Chairman

Hong Kong, 20 March 2007

As at the date of this announcement, the Board of Directors comprises Mr. Zhu Qi, Mr. Wong Yuen Fai and Mr. Zhang Yi as executive directors, Dr. Jiang Jianqing, Ms. Wang Lili, Mr. Chen Aiping and Mr. Damis Jacobus Ziengs as non-executive directors and Professor Wong Yue Chim, Richard, SBS, JP, Mr. Tsui Yiu Wa, Alec and Mr. Yuen Kam Ho, George as independent non-executive directors.

Please also refer to the published version of this announcement in South China Morning Post.