



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 2007 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 2007 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 2006 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, which are effective for accounting periods beginning on or after 1 January 2007.

(A) Consolidated Income Statement

	Notes	2007 HK\$'000	2006 HK\$'000	Change %
Interest income	(1)	8,845,058	6,926,521	28%
Interest expense	(1)	(6,457,053)	(5,073,952)	27%
<b>Net interest income</b>	(1)	<b>2,388,005</b>	<b>1,852,569</b>	<b>29%</b>
Fee and commission income	(2)	719,362	582,596	23%
Fee and commission expense	(2)	(43,647)	(20,484)	113%
<b>Net fee and commission income</b>	(2)	<b>675,715</b>	<b>562,112</b>	<b>20%</b>
Net trading income	(3)	185,592	216,031	-14%
Net loss on financial assets and liabilities designated at fair value through profit or loss	(4)	(95,708)	(82,882)	15%
Dividend income from financial investments	(5)	3,800	2,619	45%
Other operating income	(6)	21,281	46,713	-54%
<b>Operating income</b>		<b>3,178,685</b>	<b>2,597,162</b>	<b>22%</b>
Operating expenses	(7)	(1,134,895)	(945,359)	20%
<b>Operating profit before impairment losses</b>		<b>2,043,790</b>	<b>1,651,803</b>	<b>24%</b>
Write-back of/(charge for) impairment losses on loans and advances		114,866	(132,171)	-187%
Write-back of/(charge for) impairment losses on held-to-maturity financial investments		3,131	(5,666)	-155%
Charge for impairment losses on available-for-sale financial investments		(251,929)	-	-
<b>Operating profit after impairment losses</b>		<b>1,909,858</b>	<b>1,513,966</b>	<b>26%</b>
Net revaluation gains on investment properties		2,761	-	-
Net gain/(loss) from disposal/reversal of revaluation deficits of property, plant and equipment		11,102	(15)	74112%
Net gain on disposal of available-for-sale financial investments		16,616	83,271	-80%
<b>Operating profit</b>		<b>1,940,337</b>	<b>1,597,222</b>	<b>21%</b>
Share of profits of associates		11,297	5,739	97%
<b>Profit before tax</b>		<b>1,951,634</b>	<b>1,602,961</b>	<b>22%</b>
Income tax expense	(8)			
- Hong Kong		(326,172)	(277,687)	17%
- Overseas		(17,594)	(90,754)	-81%
- Deferred tax		920	11,072	-92%
<b>Profit attributable to equity holders</b>		<b>1,608,788</b>	<b>1,245,592</b>	<b>29%</b>
<b>Dividends</b> - Interim dividend declared during the year	(9)	262,114	224,252	17%
- Final dividend proposed after the balance sheet date		772,350	515,779	50%
		<b>1,034,464</b>	<b>740,031</b>	<b>40%</b>
<b>Earnings per share - Basic</b>	(10)	<b>HK\$1.41</b>	<b>HK\$1.11</b>	<b>27%</b>

## B) Consolidated Balance Sheet

	Notes	2007 HK\$'000	2006 HK\$'000	Change %
<b>Assets</b>				
Cash and balances with banks and other financial institutions		43,666,354	45,495,112	-4%
Placements with and advances to banks and other financial institutions		1,005,234	5,015,135	-80%
Financial assets held for trading	(11)	54,256	56,468	-4%
Financial assets designated at fair value through profit or loss	(12)	1,754,742	1,704,349	3%
Derivative financial instruments		1,213,738	713,202	70%
Loans and advances to customers, banks and other financial institutions	(13)	121,703,671	75,647,756	61%
Financial investments:		18,640,728	15,185,290	23%
- Available-for-sale	(14)	15,326,911	11,052,318	39%
- Held-to-maturity	(15)	3,313,817	4,132,972	-20%
Investments in associates		184,054	34,485	434%
Goodwill and other intangible assets		1,043,582	1,050,773	-1%
Investment properties		40,624	-	-
Property, plant and equipment		257,753	249,417	3%
Leasehold land and land use rights		44,604	61,427	-27%
Other assets		2,694,720	1,178,345	129%
<b>Total assets</b>		<b>192,304,060</b>	<b>146,391,759</b>	<b>31%</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions		20,235,806	12,007,678	69%
Derivative financial instruments		1,351,698	773,116	75%
Deposits from customers	(16)	137,530,227	99,570,557	38%
- Designated at fair value through profit or loss		298,274	385,298	-23%
- At amortised cost		137,231,953	99,185,259	38%
Certificates of deposit issued		3,705,396	10,322,035	-64%
- Designated at fair value through profit or loss		3,105,399	5,350,864	-42%
- At amortised cost		599,997	4,971,171	-88%
Debt securities in issue at fair value through profit or loss		3,119,872	2,997,804	4%
Current income tax liabilities		134,378	171,787	-22%
Deferred income tax liabilities		336,256	115,885	190%
Subordinated debt	(17)	7,545,620	7,527,950	-
Other liabilities		3,336,668	1,819,644	83%
<b>Total liabilities</b>		<b>177,295,921</b>	<b>135,306,456</b>	<b>31%</b>
<b>Equity</b>				
Share capital		2,451,904	2,242,518	9%
Retained earnings	(18)	3,481,533	2,734,266	27%
Other reserves	(18)	9,074,702	6,108,519	49%
<b>Total equity</b>		<b>15,008,139</b>	<b>11,085,303</b>	<b>35%</b>
<b>Total equity and liabilities</b>		<b>192,304,060</b>	<b>146,391,759</b>	<b>31%</b>

**(C) Consolidated Statement of Changes in Equity**

	2007 HK\$'000	2006 HK\$'000
Total equity as at 1 January	<u>11,085,303</u>	<u>9,869,854</u>
Revaluation surplus on bank premises	22,666	11,332
Reversal of revaluation reserve upon disposal of bank premises	-	(30)
Changes in fair value of available-for-sale financial investments	951,098	697,382
Transfer of available-for-sale financial investments reserve to the income statement on impairment	234,024	-
Recognition of deferred tax liabilities in revaluation reserves on bank premises and available-for-sale financial investments	(221,319)	(122,158)
Exchange differences arising from translation of results of a foreign subsidiary	74,319	24
Net profits not recognised in the income statement	<u>1,060,788</u>	<u>586,550</u>
Profit attributable to equity holders	1,608,788	1,245,592
Dividends	(777,893)	(616,693)
Shares issued in lieu of dividends	504,816	-
Shares issued on exercise of warrants	1,526,826	-
Share issue expenses	(489)	-
Total equity as at 31 December	<u><u>15,008,139</u></u>	<u><u>11,085,303</u></u>

**(D) Consolidated Cash Flow Statement**

	2007	2006
	HK\$'000	HK\$'000
Operating activities		
Profit before tax	1,951,634	1,602,961
(Write-back of)/charge for impairment losses on held-to-maturity financial investments	(3,131)	5,666
(Write-back of)/charge for impairment losses on loans and advances	(114,866)	132,171
Charge for impairment losses on available-for-sale financial investments	251,929	-
Amortisation of intangible assets	48,629	45,006
Amortisation of leasehold land	734	1,137
Depreciation	43,243	35,970
Interest paid on a subordinated debt	424,241	348,560
Recoveries of loans and advances written off	63,719	44,028
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment	(9,079)	(2,554)
(Write-back of)/charge for impairment losses on leasehold land and bank premises	(2,023)	2,569
Net revaluation gains on investment properties	(2,761)	-
Net gain on disposal of available-for-sale financial investments	(16,616)	(83,271)
Share of net profits of associates	(11,297)	(5,739)
Dividend income received from listed financial assets held for trading investments	(409)	-
Dividend income received from unlisted available-for-sale financial investments	(3,391)	(2,619)
Operating profit before working capital changes	<u>2,620,556</u>	<u>2,123,885</u>
(Increase)/decrease in operating assets:		
Treasury bills maturing beyond three months	(1,508,330)	491,006
Placements with and advances to banks and other financial institutions maturing beyond three months	(327,407)	1,938,776
Held-to-maturity financial investments	819,134	929,506
Financial assets held for trading	2,212	(56,221)
Financial assets designated at fair value through profit or loss	(50,393)	(14,339)
Available-for-sale financial investments	(5,357,314)	(2,029,436)
Loans and advances to customers, banks and other financial institutions and other assets	(47,517,853)	(5,843,284)
Derivative financial instruments	(443,970)	(103,365)
Increase/(decrease) in operating liabilities:		
Deposits from banks and other financial institutions maturity beyond three months	6,080,482	(11,539,885)
Deposits from customers	39,507,492	37,032,587
Certificates of deposit issued	(6,616,639)	970,730
Debt securities issued at fair value through profit or loss	122,068	19,189
Other liabilities	1,454,496	371,402
Derivative financial instruments	522,016	50,197
Net cash (outflow)/inflow from operating activities before tax	<u>(10,693,450)</u>	<u>24,340,748</u>
Net Hong Kong profits tax paid	(334,870)	(197,070)
Net overseas tax paid	(46,401)	(7,901)
Net cash (outflow)/inflow from operating activities	<u>(11,074,721)</u>	<u>24,135,777</u>
Investing activities		
Purchase of an associate	(138,138)	-
Purchase of intangible assets	(32,217)	(2,625)
Purchase of property, plant and equipment	(50,803)	(67,539)
Proceeds from disposal of property, plant and equipment	8,542	57,365
Proceeds from disposal of available-for-sale financial investments	2,032,530	1,895,582
Dividend income received from listed financial assets held for trading investments	409	-
Dividend income received from unlisted available-for-sale financial investments	3,391	2,619
Net cash inflow from investing activities	<u>1,823,714</u>	<u>1,885,402</u>

**(D) Consolidated Cash Flow Statement (continued)**

	2007 HK\$'000	2006 HK\$'000
Financing activities		
Issuance of subordinated debts	-	2,175,012
Issuance of shares on exercise of warrants	1,526,826	-
Share issue expenses	(489)	-
Interest paid on subordinated debts	(424,241)	(348,560)
Dividends paid on ordinary shares	(273,077)	(616,693)
Net cash inflow from financing activities	<u>829,019</u>	<u>1,209,759</u>
Effects of foreign exchange differences	94,616	13,546
Net (decrease)/increase in cash and cash equivalents	<u>(8,327,372)</u>	<u>27,244,484</u>
Cash and cash equivalents at 1 January	<u>52,021,729</u>	<u>24,777,245</u>
Cash and cash equivalents at 31 December	<u><u>43,694,357</u></u>	<u><u>52,021,729</u></u>

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with an original maturity of three months or less:

	2007 HK\$'000	2006 HK\$'000
Cash and balances with banks and other financial institutions	1,598,983	1,180,089
Placements with banks and other financial institutions	42,095,374	49,330,158
Treasury bills (including Exchange Fund Bills)	-	1,511,482
	<u>43,694,357</u>	<u>52,021,729</u>

## 1. Statutory accounts

The financial information set out in this announcement does not constitute the Group's statutory accounts. There is no material difference between the comparative financial information set out in this announcement and the Group's statutory accounts for the year ended 31 December 2007. The statutory accounts for the year ended 31 December 2007 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 accounts are consistent with those adopted in the Group's 2006 Annual Report except for the adoption of new / revised HKFRSs and HKASs as disclosed in note 3 below.

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

The Group has adopted the following new and revised HKFRSs and HKASs for the first time for the current year's accounts. 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 interpretations has had no material effect on these accounts.

HKFRS 7	<i>Financial Instruments: Disclosures</i>
HKAS 1 Amendment	<i>Capital Disclosures</i>
HK(IFRIC)-Int 9	<i>Reassessment of Embedded Derivatives</i>
HK(IFRIC)-Int 10	<i>Interim Financial Reporting and Impairment</i>

The principal effects of adopting these new and revised HKFRSs are as follows:

### (a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the accounts to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the accounts. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

### (b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the accounts to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note (3) of Section (D) Supplementary Financial Information to these accounts.

### (c) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these accounts.

### (d) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

#### 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 accounts.

HKFRS 8	Operating Segments <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

The revised HKAS 1 Presentation of Financial Statements was issued in December 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credit is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. The adoption of HK(IFRIC)-Int 13 is unlikely to have a significant impact on the Group's results of operations and financial position.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no defined benefit scheme, HK(IFRIC)-Int 14 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

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 HKFRS 8 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.

*Notes:*

**(1) Net interest income**

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Interest income on:		
Cash and balances with banks and other financial institutions	<b>1,964,141</b>	1,408,186
Placements with and advances to banks and other financial institutions	<b>445,676</b>	603,495
Loans and advances to customers, banks and other financial institutions	<b>5,589,240</b>	4,155,868
Financial investments – available-for-sale	<b>586,293</b>	472,063
Financial investments – held-to-maturity	<b>164,922</b>	174,642
	<b>8,750,272</b>	6,814,254
Financial assets held for trading	<b>652</b>	359
Financial assets designated at fair value through profit or loss	<b>94,134</b>	111,908
	<b>8,845,058</b>	6,926,521
Interest expense on:		
Deposits from banks and other financial institutions	<b>748,146</b>	789,524
Deposits from customers	<b>4,700,536</b>	3,139,040
Certificates of deposit issued	<b>186,649</b>	249,077
Subordinated debt	<b>424,241</b>	348,560
Others	<b>50,868</b>	63,845
	<b>6,110,440</b>	4,590,046
Financial liabilities designated at fair value through profit or loss	<b>346,613</b>	483,906
	<b>6,457,053</b>	5,073,952
Net interest income	<b>2,388,005</b>	1,852,569

The amount of interest income on impaired loans and advances to customers, banks and other financial institutions is HK\$14,057,322 for the year ended 31 December 2007 (2006: HK\$14,203,229).

**(2) Net fee and commission income**

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Loans, overdrafts and guarantees	<b>245,433</b>	253,810
Securities and brokerage	<b>182,803</b>	77,148
Trade finance	<b>140,820</b>	119,162
Credit card	<b>32,951</b>	20,512
Remittance	<b>22,837</b>	19,821
Insurance	<b>11,538</b>	9,083
Other retail and commercial banking services	<b>31,693</b>	28,887
Others	<b>51,287</b>	54,173
Fee and commission income	<b>719,362</b>	582,596
Fee and commission expense	<b>(43,647)</b>	(20,484)
Net fee and commission income	<b>675,715</b>	562,112
Of which :		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	<b>386,253</b>	372,973
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	<b>9,020</b>	7,075

**(3) Net trading income**

	2007 HK\$'000	2006 HK\$'000
Equity investments	(976)	14,387
Debt securities	65,259	(27,480)
Derivatives	56,161	100,546
Foreign exchange	65,213	128,578
Others	(65)	-
Total net trading income	<u>185,592</u>	<u>216,031</u>

**(4) Net loss on financial assets and liabilities designated at fair value through profit or loss**

	2007 HK\$'000	2006 HK\$'000
Financial assets designated at fair value through profit or loss	51,867	(16,763)
Financial liabilities designated at fair value through profit or loss	(147,575)	(66,119)
Total net loss on financial assets and liabilities designated at fair value through profit or loss	<u>(95,708)</u>	<u>(82,882)</u>

**(5) Dividend income from financial investments**

	2007 HK\$'000	2006 HK\$'000
Dividend income from listed financial assets held for trading investments	409	-
Dividend income from unlisted available-for-sale financial investments	3,391	2,619
Total dividend income from financial investments	<u>3,800</u>	<u>2,619</u>

**(6) Other operating income**

	2007 HK\$'000	2006 HK\$'000
Management fee income	7,857	6,300
Rental income	887	1,535
Rental income from investment properties	963	-
Less: Direct operating expenses arising from investment properties that generated rental income during the year	(118)	-
Others	11,692	38,878
Total other operating income	<u>21,281</u>	<u>46,713</u>

**(7) Operating expenses**

	2007 HK\$'000	2006 HK\$'000
Staff costs:		
Salaries and other costs	526,392	494,359
Redundancy payments	1,125	401
Retirement benefits costs	30,384	29,225
	<u>557,901</u>	<u>523,985</u>
Premises and equipment expenses, excluding depreciation and amortisation:		
Rental of premises	151,888	97,449
Others	65,818	75,896
	<u>217,706</u>	<u>173,345</u>
Depreciation and amortisation expenses	92,606	82,113
Auditors' remuneration	4,598	3,564
General administration expenses	28,062	27,907
Business promotion expenses	39,648	28,127
Communication expenses	42,390	32,910
Other operating expenses	151,984	73,408
Total operating expenses	<u>1,134,895</u>	<u>945,359</u>

## (8) Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable for overseas branch and subsidiaries have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## (9) Dividends

	2007 HK\$'000	2006 HK\$'000
Paid interim dividend of HK\$0.23 (2006: HK\$0.20) per ordinary share	262,114	224,252
Proposed final dividend of HK\$0.63 (2006: HK\$0.46) per ordinary share	<u>772,350</u>	<u>515,779</u>
	<u><b>1,034,464</b></u>	<u><b>740,031</b></u>

## (10) Earnings per share

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

	2007	2006
Profit attributable to equity holders (HK\$'000)	1,608,788	1,245,592
Weighted average number of ordinary shares in issue (thousands)	1,139,221	1,121,259
Basic earnings per share	<u><b>HK\$1.41</b></u>	<u><b>HK\$1.11</b></u>

There were 50,284,049 warrants outstanding as at 31 December 2007 (2006: Nil). Diluted earnings per share amount for the year ended 31 December 2007 has not been disclosed, as the warrants outstanding had an anti-dilutive effect on the basic earnings per share for the year.

## (11) Financial assets held for trading

	2007 HK\$'000	2006 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	255	100
Unlisted	<u>16,401</u>	<u>13,768</u>
	<u><b>16,656</b></u>	<u><b>13,868</b></u>
Equity securities, at fair value:		
Listed in Hong Kong	<u>37,600</u>	<u>42,600</u>
Total trading assets	<u><b>54,256</b></u>	<u><b>56,468</b></u>

Financial assets held for trading are analysed by category of issuer as follows:

Public sector entities	14,553	13,868
Banks and other financial institutions	<u>39,703</u>	<u>42,600</u>
	<u><b>54,256</b></u>	<u><b>56,468</b></u>

**(12) Financial assets designated at fair value through profit or loss**

	2007 HK\$'000	2006 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	80,983	75,524
Listed outside Hong Kong	715,974	751,039
Unlisted	<u>957,785</u>	<u>877,786</u>
Total financial assets designated at fair value through profit or loss	<u><u>1,754,742</u></u>	<u><u>1,704,349</u></u>
Financial assets designated at fair value through profit or loss are comprised of the following items:		
Certificates of deposit held	100,007	99,704
Other debt securities	<u>1,654,735</u>	<u>1,604,645</u>
	<u><u>1,754,742</u></u>	<u><u>1,704,349</u></u>
Financial assets designated at fair value through profit or loss are analysed by category of issuers as follows:		
Central governments and central banks	209,143	208,116
Public sector entities	203,410	197,231
Banks and other financial institutions	480,758	483,121
Corporate entities	<u>861,431</u>	<u>815,881</u>
	<u><u>1,754,742</u></u>	<u><u>1,704,349</u></u>

**(13) Loans and advances to customers, banks and other financial institutions**

	2007 HK\$'000	2006 HK\$'000
Advances to customers	99,220,723	74,481,405
Advances to banks and other financial institutions	596,333	-
Trade bills	<u>21,610,672</u>	<u>1,264,291</u>
	<u>121,427,728</u>	<u>75,745,696</u>
Accrued interest	<u>611,505</u>	<u>334,697</u>
Gross loans and advances	<u>122,039,233</u>	<u>76,080,393</u>
Less: Impairment allowances		
- Individual	(125,293)	(201,112)
- Collective	<u>(210,269)</u>	<u>(231,525)</u>
	<u><u>121,703,671</u></u>	<u><u>75,647,756</u></u>

Impairment allowances on loans and advances to customers, banks and other financial institutions are analysed as follows:

	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
<b>2007</b>			
Advances to customers	123,845	191,968	315,813
Advances to banks and other financial institutions	-	1,018	1,018
Trade bills	<u>1,448</u>	<u>17,283</u>	<u>18,731</u>
	<u>125,293</u>	<u>210,269</u>	<u>335,562</u>
	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
2006			
Advances to customers	199,271	227,880	427,151
Trade bills	<u>1,841</u>	<u>3,645</u>	<u>5,486</u>
	<u>201,112</u>	<u>231,525</u>	<u>432,637</u>

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Gross impaired loans and advances	<b>646,602</b>	898,389
Impairment allowances made in respect of such loans	<b>125,293</b>	201,112
Gross impaired loans and advances as a percentage of total gross loans and advances	<b>0.5%</b>	1.2%
Market value of collateral	<b><u>772,453</u></b>	<u>435,021</u>

Impaired loans and advances are defined as those loans which are individually determined to have 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 as at 31 December 2007 and 31 December 2006; nor were there any individual impairment allowances made for them on these two dates.

#### **(14) Available-for-sale financial investments**

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Debt securities:		
Listed in Hong Kong	<b>914,530</b>	650,589
Listed outside Hong Kong	<b>5,232,720</b>	4,084,988
Unlisted	<b><u>6,946,681</u></b>	<u>5,270,060</u>
	<b><u>13,093,931</u></b>	<u>10,005,637</u>
Equity securities:		
Listed in Hong Kong	<b>2,387,531</b>	949,303
Unlisted	<b><u>97,378</u></b>	<u>97,378</u>
	<b><u>2,484,909</u></b>	<u>1,046,681</u>
Impairment loss - debt securities	<b>(234,024)</b>	-
- equity securities	<b><u>(17,905)</u></b>	<u>-</u>
Total available-for-sale financial investments	<b><u>15,326,911</u></b>	<u>11,052,318</u>
Market value of listed securities	<b><u>8,300,756</u></b>	<u>5,684,880</u>
Debt securities after taking into account of impairment loss are comprised of the following items:		
Certificates of deposit held	<b>321,449</b>	439,225
Other debt securities	<b><u>12,538,458</u></b>	<u>9,566,412</u>
	<b><u>12,859,907</u></b>	<u>10,005,637</u>
Available-for-sale financial investments are analysed by category of issuer as follows:		
Central governments and central banks	<b>576,654</b>	405,059
Public sector entities	<b>811,415</b>	739,595
Banks and other financial institutions	<b>6,495,092</b>	3,884,102
Corporate entities	<b>7,442,304</b>	6,022,069
Others	<b><u>1,446</u></b>	<u>1,493</u>
	<b><u>15,326,911</u></b>	<u>11,052,318</u>

**(15) Held-to-maturity financial investments**

	2007 HK\$'000	2006 HK\$'000
Debt securities:		
Listed outside Hong Kong	562,630	666,950
Unlisted	<u>2,753,722</u>	<u>3,471,688</u>
	<u>3,316,352</u>	<u>4,138,638</u>
Less: Impairment loss	<u>(2,535)</u>	<u>(5,666)</u>
Total held-to-maturity financial investments	<u>3,313,817</u>	<u>4,132,972</u>
Market value of listed securities	<u>560,972</u>	<u>668,878</u>
Debt securities after taking into account of impairment loss are comprised of the following items:		
Certificates of deposit held	-	232,666
Other debt securities	<u>3,313,817</u>	<u>3,900,306</u>
	<u>3,313,817</u>	<u>4,132,972</u>
Held-to-maturity financial investments are analysed by category of issuer as follows:		
Central governments and central banks	2,143,923	2,152,436
Public sector entities	114,335	180,439
Banks and other financial institutions	326,911	907,262
Corporate entities	<u>728,648</u>	<u>892,835</u>
	<u>3,313,817</u>	<u>4,132,972</u>

**(16) Deposits from customers**

	2007 HK\$'000	2006 HK\$'000
Demand deposits and current accounts	5,347,433	3,586,664
Savings deposits	16,564,063	12,110,797
Time, call and notice deposits	<u>115,618,731</u>	<u>83,873,096</u>
	<u>137,530,227</u>	<u>99,570,557</u>

**(17) Subordinated debt**

The subordinated debt represents floating rate notes qualifying for inclusion as supplementary capital in accordance with the Banking (Capital) Rules.

**(18) Reserves**

	2007 HK\$'000	2006 HK\$'000
Ordinary share premium	7,145,660	5,323,893
Convertible non-cumulative preference share premium	16,126	16,126
Bank premise revaluation reserve	46,835	38,142
Investment revaluation reserve	1,473,070	495,344
Exchange reserve	69,129	-
General reserve	323,882	235,014
Retained earnings*	<u>3,481,533</u>	<u>2,734,266</u>
	<u>12,556,235</u>	<u>8,842,785</u>
Proposed dividend not provided for	<u>772,350</u>	<u>515,779</u>

\*As at 31 December 2007, the Group has earmarked a "regulatory reserve" of HK\$819,332,000 (2006: HK\$378,728,000) from the retained earnings. 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.

## (19) Contingent liabilities and commitments and derivative financial instruments

### (a) Contingent liabilities and commitments

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

	2007 Contractual amount HK\$'000	2007 Credit risk weighted amount HK\$'000	2006 Contractual amount HK\$'000	2006 Credit risk weighted amount HK\$'000
Direct credit substitutes	2,746,878	1,161,243	1,360,327	988,349
Transaction-related contingencies	370,190	79,906	275,079	39,251
Trade-related contingencies	3,456,524	588,696	3,026,229	510,431
Other commitments:				
With original maturity of less than one year or which are unconditionally cancellable	67,906,657	223,738	32,424,706	-
With original maturity of over one year	14,847,747	7,423,184	16,493,896	8,246,948
Forward assets purchased	270,000	270,000	-	-
Forward deposits placed	7,811,705	1,562,341	119,892	23,978
	<u>97,409,701</u>	<u>11,309,108</u>	<u>53,700,129</u>	<u>9,808,957</u>

### (b) Derivative financial instruments

The following is a summary of the contractual or notional amounts of each of the significant types of derivative financial instruments:

	2007 HK\$'000	2006 HK\$'000
Exchange rate contracts:		
Forwards	34,629,999	29,908,747
Swaps	59,131,245	48,181,455
Currency options purchased	14,354,602	5,491,707
Currency options written	14,111,850	5,434,703
	<u>122,227,696</u>	<u>89,016,612</u>
Interest rate contracts:		
Interest rate swaps	32,760,446	28,242,952
Interest rate options purchased	4,042,470	4,087,335
Interest rate options written	4,042,470	4,047,798
	<u>40,845,386</u>	<u>36,378,085</u>
Other contracts:		
Equity options purchased	40,426	37,339
Equity options written	40,426	37,339
	<u>80,852</u>	<u>74,678</u>
Total	<u>163,153,934</u>	<u>125,469,375</u>

The contractual or notional amounts of contingent liabilities and commitments and derivative financial 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 contingent liabilities and commitments and derivative financial instruments are:

	2007		2006	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Contingent liabilities and commitments	-	11,309,108	-	9,808,957
Exchange rate contracts	729,825	1,077,183	287,355	231,022
Interest rate contracts	391,006	356,351	412,987	117,870
Other contracts	1,873	872	292	-
	<u>1,122,704</u>	<u>12,743,514</u>	<u>700,634</u>	<u>10,157,849</u>

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

## (20) Segment information - By class of business

The Group comprises five business segments. Commercial banking represents commercial lending and trade financing. Retail banking represents retail banking, hire purchase and leasing, and credit card business. Treasury and markets represents foreign exchange, money market and capital market activities. Corporate and investment banking mainly comprise corporate banking, the provision of debt capital market and investment banking. Unallocated items mainly comprise the central management unit, bank premises and any items which cannot be reasonably allocated to specific business segments.

	Commercial banking HK\$'000	Retail banking HK\$'000	Treasury and markets HK\$'000	Corporate and investment banking HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>2007</b>						
Net interest income	810,496	527,977	576,057	321,141	152,334	2,388,005
Operating profit/(loss) before impairment losses	764,002	628,273	510,797	415,802	(275,084)	2,043,790
Profit/(loss) before tax	740,176	648,180	280,396	487,939	(205,057)	1,951,634
Inter-segment elimination	-	(312,070)	-	-	312,070	-
Profit before tax and excluding inter-segment transactions	<u>740,176</u>	<u>336,110</u>	<u>280,396</u>	<u>487,939</u>	<u>107,013</u>	<u>1,951,634</u>
<b>2006</b>						
Net interest income	684,990	576,564	335,086	243,883	12,046	1,852,569
Operating profit/(loss) before impairment losses	627,634	332,640	338,575	363,663	(10,709)	1,651,803
Profit before tax	586,984	324,652	355,420	334,483	1,422	1,602,961
Inter-segment elimination	-	(40,882)	-	-	40,882	-
Profit before tax and excluding inter-segment transactions	<u>586,984</u>	<u>283,770</u>	<u>355,420</u>	<u>334,483</u>	<u>42,304</u>	<u>1,602,961</u>

**(E) Supplementary Financial Information (Unaudited)****(1) Loans and advances to customers, banks and other financial institutions**

<b>(a) Gross advances to customers, banks and other financial institutions - by industry sectors</b>	<b>2007</b>		<b>2006</b>	
	<b>Gross advances HK\$'000</b>	<b>% of secured advances %</b>	<b>Gross advances HK\$'000</b>	<b>% of secured advances %</b>
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	6,932,715	29.30%	4,422,104	13.87%
- Property investment	17,544,326	65.74%	13,304,411	66.18%
- Financial concerns	5,044,113	2.60%	3,860,244	2.05%
- Stockbrokers	115,996	98.87%	147,042	17.35%
- Wholesale and retail trade	3,730,013	54.47%	2,194,440	66.01%
- Civil engineering works	380,307	31.23%	409,532	25.19%
- Manufacturing	3,854,159	45.91%	3,255,617	42.88%
- Transport and transport equipment	7,865,445	59.99%	8,036,027	56.51%
- Electricity, gas and telecommunications	2,091,023	2.94%	936,168	2.69%
- Hotels, boarding houses and catering	937,490	9.18%	1,121,759	22.08%
- Others	4,746,507	26.23%	4,796,105	32.05%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	310,275	84.49%	155,421	71.42%
- Loans for the purchase of other residential properties	11,789,246	97.84%	10,736,652	99.55%
- Credit card advances	100,844	0.00%	104,831	0.00%
- Others	1,501,626	96.02%	1,246,530	94.86%
Trade finance	27,688,336	9.92%	6,838,910	52.37%
Loans for use outside Hong Kong	<u>26,795,307</u>	<u>18.04%</u>	<u>14,179,903</u>	<u>18.26%</u>
	<u>121,427,728</u>	<u>36.78%</u>	<u>75,745,696</u>	<u>48.81%</u>

Individually impaired loans and individual impairment allowances in respect of industry sectors that constitute 10% or more of the total advances to customers, banks and other financial institutions are as follows:

	<b>2007 HK\$'000</b>	<b>2006 HK\$'000</b>
(a) Property investment		
Individually impaired loans	186,068	28,743
Individual impairment allowances	3,035	2,187
Collective impairment allowances	36,460	38,398
(b) Loans for the purchase of other residential properties		
Individually impaired loans	111,715	119,453
Individual impairment allowances	5,166	8,102
Collective impairment allowances	24,508	30,940
(c) Trade Finance		
Individually impaired loans	70,209	109,694
Individual impairment allowances	31,636	49,140
Collective impairment allowances	29,830	19,490

**(b) Advances to customers, banks and other financial institutions - by geographical areas**

The Group's gross advances to customers, banks and other financial institutions by country or geographical area after taking into account any risk transfers are as follows:

	<b>Gross advances to banks and customers HK\$'000</b>	<b>Overdue advances for over three months HK\$'000</b>	<b>Impaired loans and advances HK\$'000</b>	<b>Individual impairment allowances HK\$'000</b>	<b>Collective impairment allowances HK\$'000</b>
<b>2007</b>					
Hong Kong	80,072,327	98,122	640,984	119,703	168,449
Mainland China	25,100,485	5,557	5,548	5,590	15,688
Macau	796,440	70	70	-	1,366
Asia Pacific Region excluding Hong Kong, Mainland China and Macau	5,461,426	-	-	-	10,353
United Kingdom	1,188,098	-	-	-	1,527
Others	8,808,952	-	-	-	12,886
	<u>121,427,728</u>	<u>103,749</u>	<u>646,602</u>	<u>125,293</u>	<u>210,269</u>
	Gross advances to banks and customers HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowances HK\$'000	Collective impairment allowances HK\$'000
<b>2006</b>					
Hong Kong	64,910,957	195,540	513,501	113,457	186,678
Mainland China	2,118,439	-	-	-	20,770
Macau	608,717	7,655	7,655	7,655	1,737
Asia Pacific Region excluding Hong Kong, Mainland China and Macau	2,718,003	-	377,233	80,000	6,765
United Kingdom	883,871	-	-	-	2,554
Others	4,505,709	-	-	-	13,021
	<u>75,745,696</u>	<u>203,195</u>	<u>898,389</u>	<u>201,112</u>	<u>231,525</u>

Risk transfers are only made 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.

(2) Overdue, rescheduled and repossessed assets

(a) Overdue advances to customers, banks and other financial institutions (excluding trade bills and receivables)

	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
<b>2007</b>						
Six months or less but over three months	44,540	0.0	39,209	33,079	11,461	10,857
One year or less but over six months	43,207	0.0	27,340	20,284	22,923	21,881
Over one year	14,554	0.0	9,238	4,365	10,189	13,215
	<u>102,301</u>	<u>0.0</u>	<u>75,787</u>	<u>57,728</u>	<u>44,573</u>	<u>45,953</u>
<b>2006</b>						
Six months or less but over three months	95,707	0.1	104,466	68,006	27,701	17,174
One year or less but over six months	71,967	0.1	39,934	32,872	39,095	24,575
Over one year	31,716	0.0	11,903	7,848	23,868	25,921
	<u>199,390</u>	<u>0.2</u>	<u>156,303</u>	<u>108,726</u>	<u>90,664</u>	<u>67,670</u>

The criteria for eligible collateral are as follows:

- The market value of the collateral is readily determinable or can be reasonably established and verified;
- The collateral is marketable and there exists a readily available secondary market for disposing of the collateral;
- The Bank's right to repossess the collateral is legally enforceable and without impediment; and
- If the collateral is a moveable asset, it should be under the Bank's custody, or the bank has the means of locating its whereabouts.

The eligible collateral is mainly properties, deposits and shares.

(b) Other overdue assets

	2007 HK\$'000	2007 HK\$'000	2006 HK\$'000	2006 HK\$'000
	Accrued interest	Other assets	Accrued interest	Other assets
Six months or less but over three months	25	-	320	2,361
One year or less but over six months	-	-	1	-
Over one year	1	1,448	1	1,444
	<u>26</u>	<u>1,448</u>	<u>322</u>	<u>3,805</u>
Rescheduled assets	2	-	12	-
	<u>28</u>	<u>1,448</u>	<u>334</u>	<u>3,805</u>

Other assets refer to trade bills and receivables.

(c) Rescheduled advances

	2007 HK\$'000	2006 HK\$'000
Rescheduled advances (excluding overdue loans of more than three months)	<u>109,883</u>	<u>43,044</u>
	<b>2007</b>	<b>2006</b>
As % of advances to customers	<u>0.1</u>	<u>0.1</u>

Rescheduled advances which have been overdue for more than three months under the revised repayment terms are included in the analysis of overdue advances in (a) above.

There were no advances to banks and other financial institutions which were overdue for more than three months; nor were there any rescheduled advances to banks and other financial institutions as at 31 December 2007 and 31 December 2006.

**(d) Repossessed assets**

At 31 December 2007, the estimated market value of the repossessed assets of the Group amounted to HK\$34,360,000 (31 December 2006: HK\$37,065,000).

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

**(a) Capital adequacy ratio**

	2007	2006
Core capital ratio	<u>7.3%</u>	<u>8.5%</u>
Capital adequacy ratio	<u>13.0%</u>	<u>16.0%</u>

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

	2007 HK\$'000	2006 HK\$'000
Core capital:		
Paid up ordinary share capital	2,451,904	2,242,518
Share premium	7,161,786	5,340,019
Reserves	1,476,433	1,286,434
Income statement	545,763	556,376
Deduct: Goodwill	(973,419)	(951,787)
Other intangible assets	(66,882)	-
50% of total unconsolidated investments and other deductions	<u>(459,898)</u>	<u>-</u>
	<u>10,135,687</u>	<u>8,473,560</u>
Eligible supplementary capital:		
Fair value gains on the revaluation of land and buildings	5,378	1,368
Fair value gains on the revaluation of available-for-sale equities and debt securities	21,899	33,346
Unrealised fair value gains arising from equities and debt securities designated at fair value through profit or loss	37,330	-
Collective impairment allowances and regulatory reserve	1,032,136	615,919
Perpetual subordinated debts	3,496,256	3,488,960
Subordinated debts	3,807,539	4,038,990
Deduct: 50% of total unconsolidated investments and other deductions	<u>(459,898)</u>	<u>-</u>
	<u>7,940,640</u>	<u>8,178,583</u>
Total capital base before deductions	18,076,327	16,652,143
Deductions from total capital base	<u>-</u>	<u>(610,686)</u>
Total capital base after deductions	<u>18,076,327</u>	<u>16,041,457</u>
Risk-weighted assets		
Credit risk	130,839,560	99,376,679
Market risk	3,120,400	883,113
Operational risk	4,914,788	-
Total risk-weighted assets	<u>138,874,748</u>	<u>100,259,792</u>

The capital ratios as at 31 December 2007 were computed in accordance with the Banking (Capital) Rules (the "Capital Rules") issued by the Hong Kong Monetary Authority under section 98A of the Hong Kong Banking Ordinance for the implementation of the "Basel II" with effect from 1 January 2007. In view of the Capital Rules, the Bank has adopted the "standardised (credit risk) approach" for the calculation of the risk-weighted assets for credit risk, "basic indicator approach" for the calculation of the operational risk and the "standardised (market risk) approach" for the calculation of market risk. Under the Capital Rules, the basis of consolidation in calculating the capital ratios follows that of the financial reporting with the exclusion of subsidiaries which are "regulated financial entities" (e.g. insurance and securities companies) as defined by the Capital Rules. Accordingly the investment costs of these unconsolidated subsidiaries are deducted from the capital base. There is no capital shortfall of these unconsolidated subsidiaries. Unconsolidated subsidiaries include ICBC (Asia) Investment Holdings Limited, ICBC (Asia) Bullion Company Limited, ICBC (Asia) Securities Limited, ICBC (Asia) Trustee Company Limited, ICBC (Asia) Asset Management Company Limited and ICBC (Asia) Wa Pei Nominees Limited.

The capital ratios as at 31 December 2006 were 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, which takes into account market risks as at the balance sheet date in accordance with the Guideline “Maintenance of Adequate Capital Against Market Risks”, and is in accordance with the Third Schedule to the Banking Ordinance (the “Third Schedule”).

In view of the significant differences of the basis of consolidation and the calculation of the capital base and risk-weighted assets between the Capital Rules and the Third Schedule, the capital ratios are not comparable directly.

**(b) Liquidity ratio**

	<b>2007</b>	2006
Average liquidity ratio for the year	<u><u>43.9%</u></u>	<u><u>44.1%</u></u>

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 Hong Kong 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\$ HK\$’000	JPY HK\$’000	RMB HK\$’000	Total HK\$’000
<b>2007</b>				
<b>Spot assets</b>	<b>89,116,280</b>	<b>1,272,890</b>	<b>6,525,871</b>	<b>96,915,041</b>
<b>Spot liabilities</b>	<b>(70,308,657)</b>	<b>(177,033)</b>	<b>(5,781,351)</b>	<b>(76,267,041)</b>
<b>Forward purchases</b>	<b>36,820,381</b>	<b>1,507,977</b>	<b>20,766,501</b>	<b>59,094,859</b>
<b>Forward sales</b>	<b>(55,872,158)</b>	<b>(2,207,743)</b>	<b>(20,650,376)</b>	<b>(78,730,277)</b>
<b>Net option position</b>	<u><b>1,113,220</b></u>	<u><b>(931,660)</b></u>	<u><b>-</b></u>	<u><b>181,560</b></u>
<b>Net long/(short) position</b>	<u><u><b>869,066</b></u></u>	<u><u><b>(535,569)</b></u></u>	<u><u><b>860,645</b></u></u>	<u><u><b>1,194,142</b></u></u>
<b>2006</b>				
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	<u>69,636</u>	<u>(31,481)</u>	<u>-</u>	<u>38,155</u>
Net long position	<u><u>1,273,225</u></u>	<u><u>96,519</u></u>	<u><u>200,951</u></u>	<u><u>1,570,695</u></u>

Foreign currency exposures include those arising from trading position. The net option position is calculated using the delta equivalent approach.

There was no net structural position in a particular foreign currency which constitutes (in absolute terms) not less than 10% of its total net structural position in all currencies as at 31 December 2007 and 31 December 2006.

**(5) Cross-border claims**

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

	<b>Banks and other financial institutions HK\$' million</b>	<b>Public sector entities HK\$' million</b>	<b>Others HK\$' million</b>	<b>Total HK\$' million</b>
<b>2007</b>				
<b>Asia Pacific excluding Hong Kong</b>	<b>25,857</b>	<b>2,889</b>	<b>15,323</b>	<b>44,069</b>
<b>Europe</b>	<b>40,875</b>	<b>-</b>	<b>884</b>	<b>41,759</b>
<b>2006</b>				
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

**(6) Non-bank Mainland exposures**

The analysis of non-bank Mainland exposure is based on the categories of non-bank counter parties and the type of direct exposures defined by the Hong Kong Monetary Authority under the Banking (Disclosure) Rules with reference to the completion instructions for note (6) of the "Returns of Quarterly Analysis of Loans and Advances and Provisions – MA(BS)2A", which includes the Mainland exposures extended by the Bank and its overseas subsidiary and branch.

	<b>On-balance sheet exposure HK\$'000</b>	<b>Off-balance sheet exposure HK\$'000</b>	<b>Total exposures HK\$'000</b>	<b>Individually assessed allowances HK\$'000</b>
<b>2007</b>				
<b>Mainland entities</b>	<b>16,100,628</b>	<b>1,329,091</b>	<b>17,429,719</b>	<b>-</b>
<b>Companies and individuals outside the Mainland where the credit is granted for use in the Mainland</b>	<b>7,660,219</b>	<b>1,093,919</b>	<b>8,754,138</b>	<b>74,657</b>
<b>Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure</b>	<b>2,039,396</b>	<b>629,079</b>	<b>2,668,475</b>	<b>5,558</b>
	<b>25,800,243</b>	<b>3,052,089</b>	<b>28,852,332</b>	<b>80,215</b>
<b>2006</b>				
Mainland entities	6,436,075	421,926	6,858,001	-
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	6,753,983	-	6,753,983	45,203
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	951,076	10,970	962,046	-
	14,141,134	432,896	14,574,030	45,203

## **RESULTS**

The Directors are pleased to announce that the Group has achieved a consolidated profit attributable to equity holders of HK\$1,609 million for the year ended 31 December 2007, representing an increase of 29% as compared to HK\$1,246 million in 2006. Earnings per share was HK\$1.41 (2006: HK\$1.11). Return on average assets and return on average common equity were 0.97% and 13.6% respectively (2006: 0.95% and 12.3%).

## **FINAL DIVIDEND**

The Directors are pleased to recommend a final dividend of HK\$0.63 per ordinary share for the year ended 31 December 2007 (2006: final dividend of HK\$0.46). The final dividend will be payable in cash with an option to receive new, fully paid shares in lieu of cash, to shareholders whose names appear on the Register of Members of the Bank at the close of business on Thursday, 22 May 2008. Details of the scrip dividend and the election form will be sent to shareholders on or about Monday, 26 May 2008. The scrip dividend scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the scrip dividend scheme. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Friday, 20 June 2008.

## **CLOSURE OF REGISTER OF MEMBERS AND REGISTER OF WARRANT HOLDERS**

The Register of Members and the Register of Warrant Holders of the Bank will be closed from Thursday, 15 May 2008 to Thursday, 22 May 2008, both days inclusive, during which period no transfers of shares or warrants will be registered. In order to qualify for the above final dividend, all transfer documents, accompanied by the relevant share certificates or in the case of warrant holders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged for registration with the Bank's Share Registrars, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:00 p.m. on Wednesday, 14 May 2008.

## **FINANCIAL REVIEW**

The Group has achieved a consolidated profit attributable to equity holders of HK\$1,609 million for the year ended 31 December 2007, representing an increase of 29% as compared to HK\$1,246 million in 2006.

Net interest income for the year ended 31 December 2007 increased HK\$535 million or 29% to HK\$2,388 million. The improvement was attributable to a strong growth in our loan portfolio during 2007, coupled with the slight improvement of overall net interest margin from 1.45% to 1.47%.

Net fee and commission income increased by 20% to HK\$676 million from HK\$562 million for 2006. The increase was mainly due to a significant growth in our commission income derived from stock broking business. Overall, the ratio of total net fee and commission and other operating income to the total operating income decreased to 25%, as compared to 29% in 2006.

Operating expenses increased HK\$190 million or 20% to HK\$1,135 million from HK\$945 million in 2006. The cost to income ratio dropped slightly from 36.4% to 35.6%, mainly due to the increase in total operating income, together with effective cost control over the year.

The consolidated impairment losses reduced by HK\$4 million or 3% to HK\$134 million in 2007. This included the write back of HK\$115 million and HK\$3 million for impairment losses on loans and advances and held-to-maturity securities respectively, while impairment losses on available-for-sale financial investments reached HK\$252 million in 2007. Of this, HK\$234 million or US\$30 million was impairment loss on note issued by a structured investment vehicle.

The Group only realized a HK\$17 million gain from disposal of investment securities, a drop of 80% as compared to HK\$83 million in 2006.

Share of profits from associates reached HK\$11 million, which included HK\$7.6 million profit contribution from China Ping An Insurance (Hong Kong) Company Limited. This represents an increase of 83% as compared to HK\$6 million for 2006.

### **Balance Sheet**

The consolidated total assets of the Group reached HK\$192,304 million as at 31 December 2007, representing an increase of HK\$45,912 million or 31% as compared to HK\$146,392 million as at 31 December 2006.

Consolidated total loans and advances increased significantly by HK\$46,056 million or 61% to HK\$121,704 million as at 31 December 2007, as compared to HK\$75,648 million as at 31 December 2006.

Total customer deposits amounted to HK\$137,530 million, representing an increase of 38% as compared to HK\$99,571 million as at 31 December 2006.

Total certificates of deposits issued amounted to HK\$3,705 million, representing a decrease of 64% as compared to HK\$10,322 million as at 31 December 2006.

Investments in associates reached HK\$184 million as a result of the acquisition of a 40% stake in IEC Investments Limited in September 2007. This represents an increase of HK\$150 million, as compared to HK\$34 million as at 31 December 2006.

### **Capital and Liquidity Management**

At the end of 2007, the capital adequacy ratio for the Group was 13.0% (2006: 16.0%). The Group maintained an adequate level of capital in 2007 and the average liquidity ratio amounted to 43.9% (2006: an average of 44.1%).

### **Asset Quality**

Consolidated impaired loans decreased by HK\$251 million to HK\$647 million as at 31 December 2007, as compared to HK\$898 million as at 31 December 2006. As a result, the consolidated impaired loan ratio was down drastically from 1.2% to 0.5%.

As at 31 December 2007, the cumulative loan impairment allowances (previously referred to as the "provisions for bad and doubtful debts") aggregated to HK\$336 million (2006: HK\$432 million). This included HK\$126 million (2006: HK\$201 million) of individual impairment allowance and HK\$210 million (2006: HK\$231 million) of collective impairment allowances. The decrease of the impairment allowance was mainly due to the improvement of asset quality and the enhancement in risk and credit control.

Overdue loans decreased from HK\$203 million as at 31 December 2006 to HK\$104 million as at 31 December 2007, which represents less than 0.1% of advances to customers.

## **BUSINESS REVIEW**

Below are the summaries of the performance of our individual business operations in 2007 and their respective outlook for 2008.

### **Retail Banking**

Our Retail Banking business achieved satisfactory results in 2007. Retail customer deposit base grew significantly while residential mortgage loan and hire purchase loan balance increased moderately. Commission income from stock broking and investment business reached another record high. Profit contribution from our Retail Banking business grew to HK\$336 million in 2007 as compared to HK\$284 million in 2006.

The residential mortgage market in Hong Kong remained highly competitive. In order to protect their respective market share, local banks tended to offer attractive mortgage plans through rate-cut. Due to the fierce price competition and upsurge of inter-bank market rates, the interest margin of our mortgage loans tightened further. This led to a big draw back in our revenue from mortgage business for the whole year after netting off the funding cost. Nevertheless, our market share stepped further upward from 1.98% in 2006 to 2.7% in 2007 and newly acquired retail mortgage business in 2007 was amounted to HKD5.1 billion which was more than double that of 2006.

Hire purchase and leasing business recorded a stable growth in 2007. Our market share on taxi and public light bus financing further increased to approximately 16% to rank us among the top 4 in the market. However, lending interest rates were squeezed inevitably, and coupled with rising funding cost, these factors further reduced the overall profitability.

During 2007, we leveraged on our expanded branch network to actively acquire new target customers. In particular, customer deposits increased 25% as compared to last year. This contributed to a reduction in funding cost, which partially offset the negative effect of tightening margin of retail loans. Benefiting from the favorable investment environment and our continuous effort in developing the non-interest income base, the commission earned from our stock broking business grew more than 100% as compared to 2006. Sale of investment products including mutual funds and equity-linked products also grew remarkably. In particular, total sale of mutual funds in 2007 was almost triple of that in 2006. Even better, insurance sale grew about 10 times as compared to last year.

Wealth management is the strategic focus of our Retail Banking business in 2007. The brand new wealth management service “Elite Club” was launched on 28 March 2007 in line with our parent company’s strategy to establish an internationally well-known wealth management brand. It provides high quality service allowing high net-worth customers to enjoy the unique cross-border services and to manage their finance with ease. Unique privileges at our branches in Hong Kong are also extended to Mainland China, such as access to private guest rooms and priority counters. Customers also enjoy privileges on wealth management product subscription at any ICBC branch. At the service launch, there were large-scale marketing and promotion campaigns and revamps of branch premises with Wealth Management Centre and dedicated counters. The number of customers in the high net-worth customer segment grew by 21% and the number of customers in the mass affluent segment also grew by 34% as compared to our position at the end of 2006.

During 2007, we acted as the receiving bank for the IPO of 28 enterprises, including China Agri-Industries Holdings Limited, Ajisen (China) Holdings Limited, Regal REIT, China CITIC Bank, Dah Chong Hong Holdings Limited, Alibaba.com Limited, Sinotruk (Hong Kong) Limited, China Railway Group Limited and BYD Electronic (International) Limited. Such success further strengthened our position as one of the core IPO receiving banks in Hong Kong.

We continued our branch network rationalization project and began to set up new branches for the first time since 2006. In order to strengthen the geographic coverage of our branch network, we opened 3 new branches, namely Meifoo Branch and Wan Chai Road Branch in April 2007, and Hung Hom Branch in October 2007. We have also commenced the renovation project on branches with old design theme in 2007. Our Mongkok Branch renovation project was completed in November 2007. “Elite Club” Centres are set up in the following branches to provide prestige and professional financial services, i.e. Hennessy Road Branch, Tsimshatsui Branch, Tsimshatsui East Branch, Central Branch, Sheung Wan Branch, Mongkok Branch, Wan Chai Road Branch and Hung Hom Branch. Up to the end of 2007, we had 41 branches in which about one-fourth of them adopted our new design theme.

In 2008, we shall strengthen our marketing effort to acquire new target customers and deposits, and solidify our various retail banking business lines through more active cross-selling activities. We shall continue the branch network rationalization project in order to extend the geographic coverage of our network and to improve the branch environment with a view to provide better service experience to our customers.

For mortgage business, we expect that the local property market will continue its boom in 2008 due to the effect of “negative interest rate”. We shall leverage this favorable market condition to acquire new loans to further strengthen our mortgage business. Through tailor-made mortgage loan plans (e.g. Wise Mortgage), we aim to attract those cash rich homebuyers, and to convert them as customers for our “Elite

Club” banking service.

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 a diversified range of investment products for our customers. We shall also design different promotion offers with an aim to sustain the growth of our wealth management business.

In telephone banking business, we shall strive to attain higher service standards. While placing call centre to satisfy the growing service aspiration of customers, we shall further develop customer care with an aim to cross-sell, up-sell and do referral services. We believe that it will create value to both our customers and the Bank.

We shall enhance the electronic channel services including improving the existing Personal Internet Banking Services and offering new Internet Securities Services functions, Automated Phone Securities Services, and Commercial Internet Banking.

Above all, we shall keep on upgrading our IT system platform, improving the new Customer Relationship Management System and Sales Target Management System in order to raise our marketing capability and quality, and to provide more comprehensive, convenience and quality banking services to our different segments of customers.

### **Treasury and Markets**

Profit contribution from our Treasury & Markets (“T&M”) business amounted to HK\$280 million in 2007 as compared to HK\$355 million in 2006. The decline in profitability of T&M was mainly attributable to the sub-prime crisis in the U.S., which adversely affected the performance of our debt securities portfolio. In particular, an impairment loss of HK\$234 million or US\$30 million was made against our total holding of a US\$40 million note issued by a structured investment vehicle, namely Cullinan Finance Limited. Despite the difficult market conditions, T&M still managed to report a strong growth in net interest income.

The transaction volume for RMB Non Delivery Forward contracts executed by T&M rose sharply during the year as a new business model was put in place. In addition, we acted as a co-manager and placing bank for the 2-year 5 billion RMB bond issued by China Development Bank in June 2007, which is the first RMB bond issued outside of Mainland China. Leveraging on our parent company’s strength and our solid base in the local market, T&M will strive to become a major player of the offshore RMB market in Hong Kong.

During 2008, T&M will focus on expanding its debt securities portfolio in order to take advantage of the current situation of widening credit spread and anticipated rate cut by the U.S. Federal Reserve. In addition, T&M will continue to make use of the support and the sales network of ICBC and our wholly-owned subsidiary, Chinese Mercantile Bank, to cross-sell treasury products and provide “one stop” cross-border financial services to existing and potential clients in Mainland China.

### **Commercial Banking**

2007 was another very successful year for our Commercial Banking business, which recorded a profit contribution of HK\$740 million as compared to HK\$587 million in 2006. In general, Small and Medium Enterprises (SME) in Hong Kong benefited from the booming global and local economy. Our loan advances and deposits achieved strong growth by 31% and 68% respectively as a result of a steady expansion and diversification of our customer base. In addition, we were able to maintain a below market average loan impairment ratio, which was one of key factors contributed to the favorable results.

We continued to focus on providing a broad range of products and services to our customers, including commercial loans, trade finance, factoring, foreign exchanges and remittances, currency swaps and derivatives, equipment and machinery financing, internet banking and other specialised services for Diamond Trade Finance, European Banking and Indian Banking. In particular, through our successful IPO receiving bank business, we were able to attract new commercial clients for deposits following their listing as well as for dividend payment service.

Looking ahead, the business environment is getting more challenging in 2008. We shall remain

supportive to our SME clients and at the same time, we shall continue to carefully monitor the underlying loan quality since they may be adversely affected to a certain extent by the trend of rising production cost and downturn in economic conditions of overseas markets.

Through our cooperation with Chinese Mercantile Bank and with various branches of ICBC in Mainland China, we aim to further develop our customer base particularly for those Chinese enterprises planning to expand their business overseas.

### **Corporate and Investment Banking**

Profit contribution from our Corporate and Investment Banking business grew significantly to HK\$488 million in 2007 as compared to HK\$334 million in 2006. The remarkable increase was attributable to a strong growth in the net interest income of around 30 % over 2006.

Riding on the property market boom supported by expectation of continual interest rate cuts, we achieved considerable growth in the loan portfolio for property related lending. Major deals include acting as mandated coordinating arranger in a HK\$15.2 billion syndicated loan for Sun Hung Kai Properties Limited and a HK\$17.3 billion syndicated facility for IFC II Development Limited.

We continued the strategic move to diversify from traditional corporate banking business. As part of the transformation exercise, a syndication team was officially set up in October 2007 to upgrade and strengthen our corporate banking and syndication capabilities. Although syndication and bilateral lending remain as our focus, we also put more resources in structured finance business. Such change was evidenced in the lending composition where our structured finance team observed a robust increase in the size of its loan portfolio. This team dealt with local and offshore transactions including leveraged buyout and acquisition financing at relatively higher margins. Major deals include acting as mandated lead arranger in an US\$5,000 million financing for Dubai World and in an US\$1,500 million Islamic financing transaction. An US\$100 million bilateral facility was also extended to a multinational private equity fund for a general mandatory offer of Digital China Holdings Limited.

As a result of the increasing trend of Chinese big corporations expanding overseas, we expect that the prospects of our Corporate and Investment Banking business to be reasonably encouraging in 2008.

### **Financial Institutions**

In 2007, our Financial Institutions business achieved satisfactory results through diversification over a full range of transactional banking businesses, including but not limited to cash management, trade finance and credit related products.

The new business platform built in 2006 became fully operational throughout 2007. This platform consists of three sections, namely Bank Financial Institutions, Non-Bank Financial Institutions and Intra-group Business sections, each of which caters for the different business requirements of our diverse client base. Since competition in the financial institutions industry is very intense, all three sections will continue to enhance their respective transactional banking products in order to satisfy the growing needs of our clients.

In 2008, our Financial Institutions business will focus mainly on diversifying its existing client base, and to provide more value-added services to our customers.

### **Credit Card Business**

Our credit card business continued to improve during 2007. Average monthly turnover and average monthly outstanding balance grew by 45% and 27% respectively. Average monthly revolving balance grew by 13% against an overall declining revolving balance in the overall credit card market. Merchant outlets turnover grew by 70%. Such business growth was achieved as the result of vigorous marketing events and promotions and new business initiatives. Services streamlining measures like tier-pricing (for both issuance and merchant business), tailor-made segment events, anti-attribution direct mail promotions, and new credit bearing policies were made. Our Dual Currency Card is now enhanced with PPS and autopay channels for RMB. A new Dual Currency Business Card was introduced during the year. Cross-selling of credit cards to our existing bank customers was actively pursued at the introduction

of simplified application procedure. An agreement for mutual merchant support in Mainland China and Hong Kong has been signed with ICBC Peony Card Centre, under which cardholders of our Bank and Peony Card holders enjoy the same merchant privileges in both Mainland China and Hong Kong.

We expect to achieve further growth in our credit card business in 2008. A new Dragon Centre MasterCard will be launched in 2008. Further co-branded cards with insurance companies are in the pipeline. We also intend to introduce our first Platinum Card in order to meet customers' need.

### **Chinese Mercantile Bank**

In 2007, Chinese Mercantile Bank ("CMB") accelerated its expansion in RMB banking business on the back of a strong economy in Mainland China. CMB achieved a net profit of HK\$73 million for the year ended 31 December 2007, representing an increase of HK\$50 million or 217%, as compared to HK\$23 million for the year ended 31 December 2006.

Total assets of CMB was HK\$8,085 million as at 31 December 2007, representing an increase of 336% over the end of 2006. Total customer deposit of CMB was HK\$1,353 million as at 31 December 2007. The existing paid-up capital of CMB amounts to RMB1.06 billion.

CMB had been licensed to operate RMB banking business for customers other than Chinese citizens within the PRC in early 2007. With the expected opening a new branch office in Guangzhou by the middle of 2008 following the approval of China Banking Regulatory Committee (CBRC), the overall competitive edge of CMB will be further enhanced.

### **Human Resources**

The number of staff of the Bank as at 31 December 2007 was 1,377. During 2007, measures were in place to enhance our position to attract, develop, and retain the knowledgeable and skillful employees. These included active and flexible recruitment and selection effort, emphasis of business-oriented training programs, promotion of job skills development, a more productive work environment for employees, and closer communication with employees to better understand their needs.

At the same time, we offer support to our Staff Association to organise and promote various recreational and social gathering activities for staff, such as picnics, buffet gatherings, interest classes, sports events and Annual Dinner, in order to maintain and promote good employer-employee relationship and a better work and life balance for employees.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Hong Kong Council of Social Service awarded the Bank with the Caring Company '5 Year Plus Award Logo' in recognition of Bank and its staff's contribution and commitment to the community over all these years. The Caring Company Logo is to recognise private companies with business operations in Hong Kong that demonstrated good corporate citizenship.

The Bank was honored that we were appointed again as the Chairman of the Caritas Fund Raising Committee for the year 2007-2008. The Bank and its staff volunteers were committed to support Caritas-Hong Kong by soliciting donations from business associates and customers through various fund raising activities including donation boxes at branches, television charity show, sales of raffle tickets and bazaars. The Bank also donated to Caritas-Hong Kong part of retail spending revenue from the jointly issued affinity card, Caritas-HK MasterCard.

The Bank hosted the fourth Study Tour entitled 'Economic Development & Exchange with Minority Races at Yunnan'. It was successfully held in late July 2007. 32 students were fully sponsored by the Bank, business partners and customers. The students had taken the opportunity to learn the economies and cultural development of minority races in Yunnan.

To celebrate the 10th Anniversary of the HKSAR, the Bank hosted a charity dance performance, 'Qingming Riverside', at the Grand Theatre of The Hong Kong Culture Centre whereby Hong Kong Dance Company presented the dance performance. With the support from the Bank's customers,

business partners and the public, a donation amount of over HK\$900,000 was raised. All the proceeds from the dance performance go to support Caritas-Hong Kong and the Hong Kong Dance Company.

The Bank's parent company, Industrial and Commercial Bank of China Limited, and the Leisure and Cultural Services Department of the Government of the Hong Kong SAR jointly presented " The Development of Banks in Shanghai and Hong Kong " exhibition. It is the first time for Hong Kong to organise a large-scale banking industry exhibition, in which the story of development of banking industry in both cities and their long history of cooperation in trade and commerce are told. Most of the exhibits are sponsored by ICBC Shanghai Bank Museum. The exhibition is held at the Hong Kong Museum of History from 28 November 2007 to 26 May 2008.

In 2008, the Bank will continue to contribute to the community service and demonstrate good corporate citizenship towards the harmonious society.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Bank is committed to maintain high standards of corporate governance practices and also follows the module set out in the Supervisory Policy Manual entitled "Corporate Governance of Locally Incorporated Authorized Institutions" issued by Hong Kong Monetary Authority on 21 September 2001.

In the opinion of the Directors, the Group has complied with all the Code Provisions of the 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 ended 31 December 2007, except for the following deviations: -

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The Non-Executive Directors and the Independent Non-Executive Directors of the Bank were not appointed for specific term but subject to the retirement by rotation and re-election at the annual general meeting in accordance with the Bank's Articles of Association.

Under the Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years.

According to the Bank's Articles of Association, at each annual general meeting one-third of the Directors for the time being (except the Managing Director) or, if their number is not a multiple of three, then the number nearest but not exceeding one-third shall retire from office by rotation. The Managing Director of the Bank had offered himself for retirement at the annual general meeting of the Bank held on 27 April 2006 and was re-elected the Managing Director of the Bank. As at 31 December 2007, no Director of the Bank held office for over three years.

Under the Code Provision E.1.2, the chairman of the board should attend the annual general meeting.

The Chairman of the Bank was unable to attend the annual general meeting of the Bank held on 10 May 2007 due to other important business engagements. Nonetheless, the Chairman and/or its members of each of the Audit Committee, the Remuneration Committee and the Nomination Committee attended the above annual general meeting to answer questions from shareholders.

The Bank considered that sufficient measures have been taken to ensure that the Bank's corporate governance practices are no less exacting than those in the above Code Provisions, details of which will be set out in the Corporate Governance Report of the Bank's 2007 Annual Report.

The Audit Committee of the Bank has reviewed the results for the year ended 31 December 2007.

## **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 transaction. 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 2007.

### **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, 13 March 2008

*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 and Mr. Chen Aiping 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.*