



**DR. JIANG JIANQING**      **CHAIRMAN**

# Chairman's Statement

The expansion of China economy accelerated the economic integration between China and Hong Kong, and thus strengthened Hong Kong's position being the international financial hub. Meanwhile, following the Hong Kong economy's broad-based upturn, the property price, consumer spending and even employment prospects showed solid improvement, which have provided a great opportunity for the banking industry. Given ample funds in the banking system and global and local economy maintaining the upward trend, the overall asset quality of the banking sector remained stable. However, the abundant funds triggered keen competition in interest rate, which also posed a challenging year for the business operation and development of the local banking industry.

The Group's audited consolidated profit after tax was HK\$1,246 million in 2006, representing an increase of 27%. The Group's consolidated total assets were HK\$146.4 billion, representing an increase of 26% over last year. In 2006, the Group's consolidated total customer deposits amounted to HK\$108.3 billion, representing an increase of 54% over last year. The Group implemented the credit risk management policy strictly in order to refine the management mechanism and efficiency. Consequently, the impaired loan ratio (previously stated as "Non-performing loan ratio") remained in low level at 1.2%.

The Group is dedicated to business diversification with one of the strategies as "Vertical and Horizontal Expansion on Top of Solid Foundation". Our Group remains as the leading bank in the local corporate syndication finance market. In order to explore more sources of income, we are expanding our business to international corporations and markedly developing corporate acquisition and merger financing services. We successfully served as the receiving bank of Initial Public Offering (IPO) business for many major China corporations, these experiences firmly established our expertise in the receiving bank business of IPO issues. In view of continued opening and the steady reformation of financial policies in China and mainland enterprises targeting Hong Kong to raise funds, our Group will continue to develop capital market businesses to expand our source of revenue.

In January 2007, Chinese Mercantile Bank, a wholly-owned subsidiary of ICBC (Asia), gained approval from China Banking Regulatory Commission to operate the RMB banking business. The Group will focus on enhancing business development in the coming year, especially the business potential between Hong Kong and China to expand its sources of revenue. We will capitalize on the advantages of parent company – Industrial and Commercial Bank of China and reinforce the relationship with our shareholders Fortis Group in order to establish the compelling advantages of customer relationships in China, Hong Kong and Europe.

The Bank's parent company, Industrial and Commercial Bank of China was successfully listed on the stock markets of Shanghai and Hong Kong simultaneously on 27 October 2006, marking the largest public offering activity in the world. This has also written a new chapter in the evolution of the China financial market. The Group has also benefited from the successful listing of its parent company and the brand of Industrial and Commercial Bank of China has been further established in Hong Kong. The Group will focus on strengthening relationship with its customers and will soon launch "Elite Club" designed for high-end customers. In this connection, the same brand used in mainland China will be adopted so as to achieve the objective of "Most Outstanding Chinese Wealth Management Brand in the World".

Looking forward in 2007, the management and staff of ICBC (Asia) are full of confidence. We strongly believe that through cooperation with branches of our parent company, we will play an even more effective role in Hong Kong. The Bank will strengthen its cooperation with local credit card acquiring merchants, with various promotional packages focusing on our unique Dual Currency Card, Xplore VISA and various affinity cards. The Group will continue to upgrade the computer platform, introduce new customer relationship management system and work with the professional management and the sales team to enhance its brand image and increase its profits. The Group will also strengthen its overall competitive edge with the ultimate goal of becoming one of the leading commercial banks in Hong Kong, as a result to maximize return for our customers and shareholders.

**Dr. Jiang Jianqing**  
*Chairman*

20 March 2007