



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 INTERIM RESULTS

The Directors of Industrial and Commercial Bank of China (Asia) Limited (the “Bank” or “ICBC (Asia)”) are pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2007 as follows:-

UNAUDITED INTERIM RESULTS

(A) Consolidated Income Statement

	<i>Notes</i>	Six Months Ended		Change %
		30 Jun 2007 HK\$'000	30 Jun 2006 HK\$'000	
Interest income		3,948,360	2,992,583	32%
Interest expense		(2,956,495)	(2,172,200)	36%
Net interest income		991,865	820,383	21%
Fee and commission income	(1)	337,529	236,645	43%
Fee and commission expense	(1)	(14,405)	(7,529)	91%
Net fee and commission income	(1)	323,124	229,116	41%
Net trading income	(2)	78,587	168,853	-53%
Net loss on financial assets and liabilities designated at fair value through profit or loss	(3)	(13,366)	(55,855)	-76%
Net gain on financial investments	(4)	2,510	2,149	17%
Other operating income	(5)	9,362	7,114	32%
Operating income		1,392,082	1,171,760	19%
Operating expenses	(6)	(499,635)	(441,479)	13%
Operating profit before impairment losses		892,447	730,281	22%
Writeback of impairment losses on held- to-maturity securities		1,690	-	-
Impairment losses on loans and advances		(58,483)	(28,462)	105%
Operating profit after impairment losses		835,654	701,819	19%
Net gain/(loss) from disposal/reversal of revaluation deficits of property, plant and equipment		2,848	(796)	458%
Net gain on disposal of available-for-sale securities		12,842	8,500	51%
Operating profit		851,344	709,523	20%
Share of profits of an associate		2,373	1,147	107%
Profit before tax		853,717	710,670	20%
Income tax expense	(7)			
- Hong Kong		(136,901)	(120,592)	14%
- Overseas		(5,866)	(31,962)	-82%
- Deferred tax		7,965	1,804	342%
Profit attributable to equity holders		718,915	559,920	28%
Proposed interim dividend	(8)	262,114	224,252	17%
Earnings per share	(9)	HK\$0.64	HK\$0.50	28%

(B) Consolidated Balance Sheet Information

	Notes	30 Jun 2007 HK\$'000	31 Dec 2006 HK\$'000	Change %	Restated 30 Jun 2006 HK\$'000	Change %
Assets						
Cash and balances with banks and other financial institutions		95,804,175	45,495,112	111%	37,066,920	158%
Placements with and advances to banks and other financial institutions		1,857,956	5,015,135	-63%	2,875,675	-35%
Financial assets held for trading		52,830	56,468	-6%	48,923	8%
Financial assets designated at fair value through profit or loss		1,583,180	1,704,349	-7%	2,108,599	-25%
Derivative financial instruments		788,085	713,202	10%	863,688	-9%
Loans and advances to banks and customers	(10)	105,615,177	75,647,756	40%	68,351,238	55%
Financial investments		16,498,090	15,185,290	9%	13,560,149	22%
- Available-for-sale		12,844,141	11,052,318	16%	10,017,802	28%
- Held-to-maturity		3,653,949	4,132,972	-12%	3,542,347	3%
Investment in an associate		36,858	34,485	7%	29,605	24%
Goodwill and other intangible assets		1,054,007	1,050,773	-	1,058,943	-
Property, plant and equipment		241,323	249,417	-3%	220,847	9%
Leasehold land and land use rights		61,057	61,427	-1%	91,042	-33%
Other assets		1,244,725	1,178,345	6%	979,593	27%
Total assets		224,837,463	146,391,759	54%	127,255,222	77%
Liabilities						
Deposits from banks and other financial institutions		65,370,289	12,007,678	444%	15,241,296	329%
Derivative financial instruments		900,156	773,116	16%	988,546	-9%
Deposits from customers	(11)	124,978,087	99,570,557	26%	78,294,015	60%
- Designated at fair value through profit or loss		289,791	385,298	-25%	483,538	-40%
- At amortised cost		124,688,296	99,185,259	26%	77,810,477	60%
Certificates of deposit issued		8,747,652	10,322,035	-15%	10,479,464	-17%
- Held for trading		4,820,864	5,350,864	-10%	5,230,356	-8%
- At amortised cost		3,926,788	4,971,171	-21%	5,249,108	-25%
Debt securities in issue designated at fair value through profit or loss		3,012,158	2,997,804	-	2,922,978	3%
Current income tax liabilities		276,929	171,787	61%	154,851	79%
Deferred income tax liabilities		171,255	115,885	48%	24,569	597%
Subordinated debt	(12)	7,558,175	7,527,950	-	7,519,580	1%
Other liabilities		1,911,780	1,819,644	5%	1,490,892	28%
Total liabilities		212,926,481	135,306,456	57%	117,116,191	82%
Equity						
Share capital		2,279,255	2,242,518	2%	2,242,518	2%
Retained earnings	(13)	2,934,047	2,734,266	7%	2,272,847	29%
Other reserves	(13)	6,697,680	6,108,519	10%	5,623,666	19%
Total equity		11,910,982	11,085,303	7%	10,139,031	17%
Total equity and liabilities		224,837,463	146,391,759	54%	127,255,222	77%

(C) Consolidated Statement of Changes in Equity

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Total equity as at 1 January	11,085,303	9,869,854
Revaluation deficit on bank premises	-	(27)
Change in fair value of available-for-sale securities	361,871	123,276
Change in deferred tax	(63,335)	(21,574)
Exchange difference arising from translation of results of a foreign subsidiary	<u>20</u>	<u>23</u>
Net profits not recognised in the income statement	<u>298,556</u>	<u>101,698</u>
Profit attributable to equity holders	718,915	559,920
Dividend paid during the period	(515,779)	(392,441)
Shares issued in lieu of dividend	324,017	-
Share issue expenses	<u>(30)</u>	-
Total equity as at 30 June	<u>11,910,982</u>	<u>10,139,031</u>

(D) Consolidated Cash Flow Statement

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
	Restated	
	Six Months Ended	
Net cash inflow from operating activities	44,780,344	11,538,220
Net cash outflow from investing activities	(20,144)	(19,499)
Net cash (outflow)/inflow from financing activities	(402,754)	1,648,446
Effects of foreign exchange differences	<u>32,132</u>	<u>5,879</u>
Net increase in cash and cash equivalents	44,389,578	13,173,046
Cash and cash equivalents at 1 January	<u>52,021,729</u>	<u>24,777,245</u>
Cash and cash equivalents at 30 June	<u>96,411,307</u>	<u>37,950,291</u>

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

	30 Jun 2007	Restated 30 Jun 2006
	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	780,409	991,810
Placements with banks and other financial institutions	95,228,317	36,958,481
Treasury bills (including Exchange Fund Bills)	<u>402,581</u>	<u>-</u>
	<u>96,411,307</u>	<u>37,950,291</u>

1. **Statutory accounts**

The financial information set out in this interim report does not constitute the Group's statutory accounts. There is no material difference between the comparative financial information set out in this interim report as compared to the Group's statutory accounts for the year ended 31 December 2006. The statutory accounts for the year ended 31 December 2006 are 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 this interim announcement are consistent with those adopted in the Group's 2006 Annual Report.

3. **Comparative amounts**

As explained in note 4 below, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform to the current year's presentation and accounting treatment.

4. **Prior year restatements**

In the prior 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\$850,344,000 as at 30 June 2006 to conform to the current year's presentation. In addition, two currency swaps were found to be overstated by HK\$154,488,000 in aggregate as at 30 June 2006 and have also been restated. These restatements have had no significant impact on the income statement.

Management also reviewed the terms and conditions of the loan capital in prior year and determined that this instrument is more appropriate to be renamed as subordinated debt and should be classified as a liability rather than an equity item as disclosed in the interim report as at 30 June 2006. The amount was classified as a liability in the current period and accordingly the comparative figure as at 30 June 2006 was reclassified to conform to the current period's presentation.

Notes:

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

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Loans, overdrafts and guarantees	122,989	86,225
Securities and brokerage	67,747	31,036
Trade finance	64,281	57,917
Credit card	12,852	7,417
Remittance	9,831	9,648
Insurance	4,886	3,353
Other banking services	15,752	14,963
Others	<u>39,191</u>	<u>26,086</u>
Fee and commission income	337,529	236,645
Fee and commission expense	<u>(14,405)</u>	<u>(7,529)</u>
Net Fee and commission income	<u><u>323,124</u></u>	<u><u>229,116</u></u>

(2) **Net trading income**

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Equity investments	(3,800)	6,147
Debt securities	11,100	41,439
Interest rate instruments	(10,499)	15,892
Foreign exchange	47,486	94,775
Others	<u>34,300</u>	<u>10,600</u>
Total net trading income	<u><u>78,587</u></u>	<u><u>168,853</u></u>

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

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Financial assets designated at fair value through profit or loss	(12,311)	(60,014)
Financial liabilities designated at fair value through profit or loss	<u>(1,055)</u>	<u>4,159</u>
Total net loss on financial assets and liabilities designated at fair value through profit or loss	<u><u>(13,366)</u></u>	<u><u>(55,855)</u></u>

(4) **Net gain on financial investments**

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Dividend income from unlisted investments	<u>2,510</u>	<u>2,149</u>

(5) **Other operating income**

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Management fee income	3,000	3,300
Rental income	968	723
Others	<u>5,394</u>	<u>3,091</u>
Total other operating income	<u>9,362</u>	<u>7,114</u>

(6) **Operating expenses**

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Staff costs		
- Salaries and other costs	265,186	230,578
- Redundancy payment	638	401
- Retirement benefit costs	<u>15,295</u>	<u>15,140</u>
	<u>281,119</u>	<u>246,119</u>
Premises and equipment expenses, excluding depreciation and amortisation		
- Rental of premises	59,920	48,144
- Others	<u>28,099</u>	<u>27,927</u>
	<u>88,019</u>	<u>76,071</u>
Depreciation and amortisation expenses	41,146	41,869
Auditors' remuneration	3,950	2,011
General administration expenses	13,145	12,705
Business promotion expenses	14,582	8,786
Communication expenses	18,196	16,347
Other operating expenses	<u>39,478</u>	<u>37,571</u>
Total operating expenses	<u>499,635</u>	<u>441,479</u>

(7) **Taxation**

Hong Kong profits tax has been calculated at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(8) **Proposed interim dividend**

	30 Jun 2007	30 Jun 2006
	HK\$'000	HK\$'000
Proposed interim dividend of HK\$0.23 (2006: HK\$0.20) per ordinary share	<u>262,114</u>	<u>224,252</u>

(9) **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 period.

	30 Jun 2007	30 Jun 2006
Profit attributable to equity holders of the Group (HK\$'000)	718,915	559,920
Weighted average number of ordinary shares in issue (thousands)	1,123,593	1,121,259
Basic earnings per share	<u>HK\$0.64</u>	<u>HK\$0.50</u>

There was no difference between basic and diluted earnings per share as there were no potential dilutive shares outstanding during the period ended 30 June 2007 and 2006.

(10) **Loans and advances to banks and customers**

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Advances to customers	104,369,067	74,481,405
Trade bills	1,337,407	1,264,291
Accrued interest	<u>370,203</u>	<u>334,697</u>
Gross loans and advances	<u>106,076,677</u>	<u>76,080,393</u>
Less: Impairment allowances		
- Individual	(183,937)	(201,112)
- Collective	<u>(277,563)</u>	<u>(231,525)</u>
	<u>105,615,177</u>	<u>75,647,756</u>

Impaired loans and advances are analysed as follows:

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Advances to customers	758,552	895,407
Trade bills	<u>1,624</u>	<u>2,982</u>
	<u>760,176</u>	<u>898,389</u>
	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Gross impaired loans and advances	760,176	898,389
Impairment allowances made in respect of such loans	183,937	201,112
As a percentage of total loans and advances	0.7%	1.2%
Market value of collateral	<u>62,860</u>	<u>97,065</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 advances to banks and other financial institutions as at 30 June 2007 (2006: Nil).

(11) Deposits from customers

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Demand deposits and current accounts	6,061,961	3,586,664
Savings deposits	11,890,694	12,110,797
Time, call and notice deposits	<u>107,025,432</u>	<u>83,873,096</u>
	<u>124,978,087</u>	<u>99,570,557</u>

(12) Subordinated debt

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

(13) Reserves

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Ordinary share premium	5,611,144	5,323,893
Convertible non-cumulative preference share premium	16,126	16,126
Bank premises revaluation reserve	38,142	38,142
Investment revaluation reserve	793,880	495,344
General reserve	238,388	235,014
Retained earnings*	<u>2,934,047</u>	<u>2,734,266</u>
	<u>9,631,727</u>	<u>8,842,785</u>
Proposed dividend not provided for	<u>262,114</u>	<u>515,779</u>

* As at 30 June 2007, the Group has earmarked a "Regulatory Reserve" of HK\$528,532,000 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.

(14) 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:

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Direct credit substitutes	3,568,470	1,360,327
Transaction-related contingencies	302,030	275,079
Trade-related contingencies	3,441,366	3,026,229
Other commitments with an original maturity of:		
- Under 1 year or which are unconditionally cancellable	50,560,995	32,424,706
- 1 year and over	16,802,044	16,493,896
Forward deposits placed	<u>5,908,433</u>	<u>119,892</u>
	<u>80,583,338</u>	<u>53,700,129</u>

(b) **Derivatives**

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

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Exchange rate contracts		
- Forwards	25,567,277	29,908,747
- Swaps	98,596,207	48,181,455
- Currency options purchased	12,789,275	5,491,707
- Currency options written	<u>12,775,161</u>	<u>5,434,703</u>
	<u>149,727,920</u>	<u>89,016,612</u>
Interest rate contracts		
- Interest rate swaps	32,713,708	28,242,952
- Interest rate options purchased	4,654,625	4,087,335
- Interest rate options written	<u>4,688,675</u>	<u>4,047,798</u>
	<u>42,057,008</u>	<u>36,378,085</u>
Other contracts		
- Equity options purchased	34,479	37,339
- Equity options written	<u>34,479</u>	<u>37,339</u>
	<u>68,958</u>	<u>74,678</u>
Total	<u><u>191,853,886</u></u>	<u><u>125,469,375</u></u>

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:

	30 Jun 2007		31 Dec 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	-	12,269,385	-	9,808,957
Exchange rate contracts	295,681	616,504	287,355	231,022
Interest rate contracts	480,706	365,502	412,987	117,870
Other contracts	304	475	292	-
	<u>776,691</u>	<u>13,251,866</u>	<u>700,634</u>	<u>10,157,849</u>

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.

(15) **Segmental information - by class of business**

The Group comprises five business segments. Commercial banking includes commercial lending and trade finance. Retail banking includes retail banking, hire purchase and leasing and credit card business. Treasury and markets includes foreign exchange, money market and capital market activities. Corporate and investment banking mainly comprise corporate banking, the provision of debt capital markets 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
For the six months ended						
30 June 2007						
Net interest income	364,127	256,822	120,310	137,099	113,507	991,865
Operating profit before impairment losses	384,109	111,227	122,193	191,969	82,949	892,447
Profit before income tax	357,137	122,575	134,548	194,909	44,548	853,717
Profit before income tax and excluding inter-segment transactions	<u>357,137</u>	<u>148,884</u>	<u>134,548</u>	<u>194,909</u>	<u>18,239</u>	<u>853,717</u>
For the six months ended						
30 June 2006						
Net interest income	291,968	258,326	89,133	87,767	93,189	820,383
Operating profit before impairment losses	250,651	124,123	144,938	139,618	70,951	730,281
Profit before income tax	224,728	126,280	148,748	127,887	83,027	710,670
Profit before income tax and excluding inter-segment transactions	<u>224,728</u>	<u>108,482</u>	<u>148,748</u>	<u>127,887</u>	<u>100,825</u>	<u>710,670</u>

(D) **Supplementary Financial Information**

(1) **Loans and advances to banks and customers**

(a) **Gross advances to banks and customers - by industry sectors**

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	5,400,069	4,422,104
- Property investment	15,441,735	13,304,411
- Financial concerns	3,803,010	3,860,244
- Stockbrokers	14,744,348	147,042
- Wholesale and retail trade	2,860,662	2,194,440
- Civil engineering works	397,977	409,532
- Manufacturing	3,207,324	3,255,617
- Transport and transport equipment	7,944,644	8,036,027
- Electricity, gas and telecommunications	1,803,612	936,168
- Hotels, boarding houses & catering	1,084,557	1,121,759
- Others	8,756,007	4,796,105
Individuals		
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	240,219	155,421
- Loans for the purchase of other residential properties	11,253,251	10,736,652
- Credit card advances	87,161	104,831
- Others	1,434,081	1,246,530
Trade finance	5,832,517	5,574,619
Loans for use outside Hong Kong	<u>20,077,893</u>	<u>14,179,903</u>
	<u>104,369,067</u>	<u>74,481,405</u>

(b) Advances to banks and customers - by geographical areas

The Group's gross advances to banks and customers by countries or geographical areas after taking into account any risk transfers are as follows:

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Hong Kong	71,312,270	63,646,666
People's Republic of China	22,957,329	2,118,439
Macau	723,931	608,717
Asia Pacific Region excluding Hong Kong, People's Republic of China and Macau	3,995,637	2,718,003
United Kingdom	1,209,168	883,871
Others	4,170,732	4,505,709
	<u>104,369,067</u>	<u>74,481,405</u>

(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 30 June 2007						
Six months or less but over three months	85,765	0.1	174,311	72,050	13,715	14,820
One year or less but over six months	45,832	0.0	41,225	27,950	17,882	11,684
Over one year	49,128	0.0	22,546	14,806	34,322	25,155
	<u>180,725</u>	<u>0.1</u>	<u>238,082</u>	<u>114,806</u>	<u>65,919</u>	<u>51,659</u>
As at 31 December 2006						
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 general principles of an eligible collateral should satisfy the following:

- 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 we have the means of locating its whereabouts.

The eligible collaterals are mainly properties, deposits and shares.

(b) Other overdue assets

	30 Jun 2007	30 Jun 2007	31 Dec 2006	31 Dec 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Accrued	Other	Accrued	Other
	interest	assets	interest	assets
Six months or less but over three months	114	-	320	2,361
One year or less but over six months	-	-	1	-
Over one year	<u>1</u>	<u>1,451</u>	<u>1</u>	<u>1,444</u>
	115	1,451	322	3,805
Rescheduled assets	<u>-</u>	<u>-</u>	<u>12</u>	<u>-</u>
	<u>115</u>	<u>1,451</u>	<u>334</u>	<u>3,805</u>

Other assets refer to trade bills and receivables.

(c) Rescheduled advances

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Rescheduled advances (excluding overdue loans over 3 months)	<u>31,583</u>	<u>43,044</u>
As % of advances to customers	<u>0.0</u>	<u>0.1</u>

There were no advances to banks and other financial institutions which were overdue for over 3 months; nor were there any rescheduled advances to banks and other financial institutions as at 30 June 2007 and 31 December 2006.

(d) Repossessed assets

At 30 June 2007, the estimated market value of the repossessed assets of the Group amounted to HK\$25,590,500 (31 December 2006: HK\$37,065,000).

(3) Capital adequacy ratio and capital base

(a) Capital adequacy ratio

	30 Jun 2007	31 Dec 2006
Core capital ratio	<u>6.7%</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:

	30 Jun 2007	31 Dec 2006
	HK\$'000	HK\$'000
Core capital:		
Paid up ordinary share capital	2,279,255	2,242,518
Share premium	5,627,270	5,340,019
Reserves	1,692,514	1,286,434
Profit and loss account	421,139	556,376
Deduct: Goodwill	(964,199)	(951,787)
Other intangible assets	(86,528)	-
50 per cent of total unconsolidated investments and other deductions	(304,839)	-
	<u>8,664,612</u>	<u>8,473,560</u>
Eligible supplementary capital:		
Fair value gains on the revaluation of land and buildings	1,066	1,368
Fair value (losses)/gains on the revaluation of available-for-sale equities and debt securities	(43,600)	33,346
Unrealised fair value gains arising from equities and debt securities designated at fair value through profit or loss	8,438	-
Collective impairment allowances and regulatory reserve	810,464	615,919
Perpetual subordinated debts	3,501,440	3,488,960
Subordinated debts	4,056,735	4,038,990
Deduct: 50 per cent of total unconsolidated investments and other deductions	(304,840)	-
	<u>8,029,703</u>	<u>8,178,583</u>
Total capital base before deductions	16,694,315	16,652,143
Deductions from total capital base	-	(610,686)
Total capital base after deductions	<u>16,694,315</u>	<u>16,041,457</u>
Risk-weighted assets		
Credit risk	123,280,788	99,376,679
Market risk	1,237,300	883,113
Operational risk	4,336,875	-
Total risk-weighted assets	<u>128,854,963</u>	<u>100,259,792</u>

The capital ratios as at 30 June 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 effective from 1 January 2007. In view of the Capital Rules, the Bank has adopted the “standardized (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 “standardized (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 excluding subsidiaries which are mainly conduct non-banking related business and 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 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 Hong Kong Banking Ordinance.

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

(b) Liquidity ratio

	30 Jun 2007	30 Jun 2006
Average liquidity ratio for the six months ended	<u>43.7%</u>	<u>42.7%</u>

The average liquidity ratio for the period 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
As at 30 June 2007				
Spot assets	105,175,961	1,037,686	3,478,377	109,692,024
Spot liabilities	(58,280,603)	(247,132)	(3,157,730)	(61,685,465)
Forward purchases	37,931,438	2,687,578	13,820,362	54,439,378
Forward sales	(85,039,315)	(3,328,575)	(13,568,831)	(101,936,721)
Net option position	<u>143,153</u>	<u>(41,375)</u>	<u>-</u>	<u>101,778</u>
Net (short)/long position	<u>(69,366)</u>	<u>108,182</u>	<u>572,178</u>	<u>610,994</u>
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	<u>69,636</u>	<u>(31,481)</u>	<u>-</u>	<u>38,155</u>
Net long position	<u>1,273,225</u>	<u>96,519</u>	<u>200,951</u>	<u>1,570,695</u>

The net options position is calculated using the delta equivalent approach.

There were no net structural position in a particular foreign currency constitutes (in absolute terms) not less than 10% of its total net structural position in all currencies as at 30 June 2007 and 31 December 2006.

(5) **Cross-border claims**

The Group analyses cross-border claims by geographical areas. In determining this analysis, it has been taken into account of any 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 30 June 2007				
Asia Pacific excluding Hong Kong	9,449	1,930	29,344	40,723
Europe	<u>84,465</u>	<u>-</u>	<u>1,967</u>	<u>86,432</u>
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	<u>38,425</u>	<u>-</u>	<u>2,228</u>	<u>40,653</u>

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

The analysis of non-bank Mainland exposure is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA return for non-bank Mainland exposures, which includes the mainland exposures extended by the Bank and its overseas subsidiary and branch.

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000	Individually assessed allowances HK\$'000
As at 30 June 2007				
Mainland entities	7,110,928	756,171	7,867,099	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	7,073,985	1,081,323	8,155,308	65,293
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	<u>2,061,735</u>	<u>13,491</u>	<u>2,075,226</u>	<u>5,897</u>
	<u>16,246,648</u>	<u>1,850,985</u>	<u>18,097,633</u>	<u>71,190</u>
As at 31 December 2006				
Mainland entities	6,436,075	421,926	6,858,001	-
Companies and individuals outside Mainland where the credit is granted for use in 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	<u>951,076</u>	<u>10,970</u>	<u>962,046</u>	<u>-</u>
	<u>14,141,134</u>	<u>432,896</u>	<u>14,574,030</u>	<u>45,203</u>

Interim Results

The Board of Directors are pleased to announce that the unaudited consolidated profit attributable to the equity holders of the Bank for the six months ended 30 June 2007 was HK\$719 million. This represented a 28% growth over the same period last year (First half of 2006: HK\$560 million). Basic earnings per share for the six months ended 30 June 2007 were HK\$0.64 (First half of 2006: HK\$0.50). Return on average assets and return on average equity were 1.0% and 13.3% respectively (First half of 2006: 1.0% and 11.6% respectively).

Interim Dividend

The Directors are pleased to declare an interim dividend of HK\$0.23 per ordinary share for the six months ended 30 June 2007 (First half of 2006: HK\$0.20). The interim 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 Friday, 7 September 2007. Details of the scrip dividend and the election form will be sent to shareholders on or about Monday, 10 September 2007. 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, 12 October 2007.

Closure of Register of Members

The Register of Members of the Bank will be closed from Tuesday, 4 September 2007 to Friday, 7 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above interim dividend, all transfer documents accompanied by the relevant share certificates 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 Monday, 3 September 2007.

Financial Review

In the first half of 2007, the Group has achieved remarkable results. Consolidated profit attributable to equity holders was HK\$719 million, representing an increase of HK\$159 million or 28% over HK\$560 million achieved for the corresponding period in 2006.

Net interest income increased HK\$172 million or 21% to HK\$992 million. The improvement mainly came from a 26% increase in average interest-earning assets, while the interest margin slightly declined from 1.44% to 1.38%.

Non-interest income also increased HK\$49 million or 14% to HK\$400 million from HK\$351 million for the same period of 2006. The increase is mainly due to the growth of fee and commission income received by the Bank while acting as receiving bank for a number of IPOs during the period. The ratio of non-interest income to total operating income decreased to 29%, compared with 30% for the corresponding period in 2006.

Operating expenses increased by HK\$59 million or 13% to HK\$500 million compared with HK\$441 million for the corresponding period in 2006. With total operating income rising faster than the operating expenses, the cost to income ratio has further declined from 37.7% in 2006 to 35.9% in 2007.

The impairment losses on loans and advances and held-to-maturity securities for the period were HK\$57 million, where HK\$44 million was made as additional provision for collective assessment.

Financial Position

The total assets of the Group reached HK\$224,837 million as at 30 June 2007, representing an increase of 77% and 54% over the position as at 30 June 2006 and 31 December 2006 respectively. This huge increase was mainly attributable to the IPO loans granted and monies received as a result of the Bank acting as an IPO receiving bank that crossed over 30 June 2007.

Loans and advances increased by HK\$29,967 million or 40% to HK\$105,615 million as at 30 June 2007 as compared with HK\$75,648 million as at 31 December 2006. The increase was mainly due to the HK\$18,479 million IPO loans outstanding as at 30 June 2007.

Customer deposits amounted to HK\$124,978 million, representing an increase of HK\$25,407 million or 26%, as compared with HK\$99,571 million as at 31 December 2006. The increase was mainly contributed by the IPO receiving bank business that amounted to HK\$22,555 million as at 30 June 2007, as well as our marketing effort to solicit low cost funding.

Capital Adequacy Ratio and Liquidity Ratio

The Group's capital adequacy ratio decreased to 13.0% as at 30 June 2007 from 16.0% as at 31 December 2006. The average liquidity ratio amounted to 43.7% (Average for the first half of 2006: 42.7%).

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

Asset Quality

Impaired loans and advances decreased by HK\$138 million to HK\$760 million as at 30 June 2007, compared with HK\$898 million as at 31 December 2006. The impaired loan ratio was significantly reduced from 1.2% to 0.7%.

As at 30 June 2007, the cumulative loan impairment allowances aggregated to HK\$462 million (31 December 2006: HK\$433 million), which included HK\$184 million (31 December 2006: HK\$201 million) of individual impairment allowance and HK\$278 million (31 December 2006: HK\$232 million) of collective impairment allowance.

Overdue advances decreased from HK\$199 million as at 31 December 2006 to HK\$181 million as at 30 June 2007.

Business Review

Below is a summary of the performances of our individual business operations in the first half of 2007 and their outlook for second half of the year.

Retail Banking Business

In the first half of 2007, our retail customer deposit base grew significantly while our residential mortgage loan and hire purchase loan balance increased moderately. In particular, our commission income from stock broking and investment business grew massively, as a result of which our retail banking profit increased quite significantly as compared with same period of 2006.

Facing with the keen competition in mortgage business, our bank participates actively in the primary market through cooperation with property developers to promote special mortgage loan plans that attract new customers. Our bank also launched a brand new deposit-linked mortgage product named “Wise Mortgage” in March 2007, which offers the repayment account a preferential deposit rate equivalent to the mortgage rate. Such product completes the overall spectrum of our mortgage products and keeps us competitive in this market. As a result, despite an increasing pressure for refinancing, we still recorded a more than 6% growth in mortgage loans outstanding as compared to the end of 2006.

Our hire purchase and leasing business recorded a stable growth. However, under fierce competition, our lending interest rate was squeezed inevitably, in addition to the rising funding cost, it further reduced the overall profitability.

During the first half of 2007, we leveraged on our expanded branch network to actively acquire new target customers and deposits, and achieved a 16% increase of customer deposits. The revenue so generated partially offset the negative effect of narrowing margin of our retail loans.

Wealth management is the strategic focus of our Retail Banking business in 2007. A brand new wealth management service named “Elite Club” was launched on 28 March 2007 in line with ICBC’s strategy to establish an international brand name for wealth management service. It is the same brand name of wealth management service offered by ICBC in the Mainland and aligns with its essence: “Confidence, Nature, Freedom”, and “3Ps” service, i.e. “Preferential, Professional, Private” service. It allows high net-worth customers to enjoy the unique cross-border services and to manage their finance with ease. Unique features available at our branches in Hong Kong are also extended to the Mainland, such as access to private guest rooms, priority counters and 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 network with Wealth Management Centre and dedicated counters. The number of customers in the high net worth customer segment grew by 19% and the number of customers in the mass affluent segment also grew by 11% as compared to the end of 2006.

In addition, we have lined up with two more renowned fund houses to widen the spectrum of investment funds. We issued 3 batches of our own Certificate of Deposit and participated

in the distribution of 11 structured products linked to stock prices or credit performance, 2 capital guaranteed funds and 2 retail bonds. Sales of investment products including the mutual funds and equity-linked products also grew remarkably, with the corresponding sale volume in the first half of 2007 almost doubled that of the whole of last year's figure.

We acted as the receiving bank of the following 13 enterprises' IPO in the first half of 2007, namely China Agri-Industries Holdings Limited, Ajisen (China) Holdings Limited, Regal REIT, Noble Jewelry Holdings Limited, China CITIC Bank, Pacific Textiles Holdings Limited, Sunny Optical Technology (Group) Company Limited, KWG Property Holding Limited, Centron Telecom International Holding Limited, ANTA Sports Products Limited, Vinda International Holdings Limited, China Automation Group Limited and Fosun International Limited. Such success strengthened our capability to develop further our IPO receiving bank business in the future.

We have opened 2 new branches in April 2007, namely Mei Foo Branch and Wan Chai Road Branch. Our To Kwa Wan Branch was merged into Mok Cheong Street Branch in April due to termination of tenancy. Our Mongkok Branch was renovated to adopt new design theme. By the end of June 2007, we have one quarter of our branches adopted new branch design theme, which further strengthens our unified bank image. We have also set up additional securities trading center in two of our branches, providing efficient in person service to our customers.

In the second half of 2007, we shall continue to actively acquiring new target customers, and solidify our retail banking businesses through cross selling activities. To enhance the competitive edge on wealth management products and services, we shall continue to line up with different financial institutions to offer a more diversified range of investment products to our customers. We shall also launch new promotion offers to support the growth of wealth management business.

Treasury and Markets

Other than traditional treasury activities, Treasury & Markets ("T&M") has shifted its focus to other profitable business activities, such as asset and liability management business for clients. Revenue generated from such businesses has been growing rapidly in the past several years. We expect that fee income generated from such businesses continuing to be an important part of our future growth and will constitute a greater proportion of T&M's total income. Taking advantage of the rapidly growing China market and the full support from ICBC, we aim to become a major player of the offshore RMB market in Hong Kong (particularly for RMB Non Delivery Forward contracts) and continue to explore opportunities to cross sell treasury products to PRC clients via ICBC and our wholly owned subsidiary, Chinese Mercantile Bank. In the future, we also expect to benefit from the newly developed QDII business in the Mainland.

From an investment perspective, T&M is focusing more on risk-adjusted return and performance measurement of its bond portfolio rather than further expanding that portfolio. On the other hand, T&M has made some new investments in structure debt securities, such

as convertible bonds with asset swap, in order to achieve better return. Apart from portfolio management, T&M had also participated in origination activities, such as arranging a 2-year 5 billion RMB bond for China Development Bank in June 2007, which is the first RMB bond issued outside the Mainland.

Commercial Banking

Our Commercial Banking business had achieved a remarkable performance in the first half of 2007. As a result of the flourishing local economy, loan advances saw strong growth of over 60% as compared to the end of 2006.

By offering tailor-made banking and financial services to customers, our Diamond Trade Finance, European Banking and Indian Banking units have all become more reputable in the Hong Kong banking sector. Furthermore, our cross-border co-operation with ICBC had achieved a great success and provided a significant contribution to the business growth. Such co-operation will continue and we aim to collaborate with more ICBC branches in the future. We had also been able to capture the booming economy in Macau as local and international investors sought financing for their new investments in Macau.

In the second half of 2007, we shall continue to focus on providing tailor-made and “one stop” banking facilities to Small and Medium Enterprises (SME) enterprises. By continuing to invest in human resources and business outlets, we are able to widen and deepen our relationship with our SME clients. Also, we shall expand our professional relationship management team to actively pursue new business and to serve our existing customers. We shall enhance our e-banking system and promoting trade finance, factoring and equipment finance services that will generate stable non-interest income.

Corporate and Investment Banking

We have continued to pursue the strategic transformation from traditional corporate banking businesses of syndication and bilateral lending to focus more on structured finance business. In particular, through closer co-operation with investment banks and fund managers, we had executed various transactions to provide finance for merger and acquisition transaction, project finance, cross-border multi-currencies finance etc. The result is encouraging and both interest income and fee income had shown significant growth.

While proactively expanding the structured finance business, we continue to maintain a leading position in the syndication loan market. For example, we were entrusted by Sun Hung Kai Properties, Sino Land, Road King, Kingboard, China Resources Land, China Oil and Gas Fund, China Vanke, Tysan Holdings, Citic Pacific, Cosco Pacific and China Travel to arrange syndicated loan facilities. We are proud to have further deepened our close relationship with these important members of Hong Kong business community.

In addition to our solid foundation in both the Hong Kong and Mainland China markets, we have successfully expanded our geographic coverage to Australia, New Zealand, Southeast Asia, Middle East and India. All these enrich our business portfolio and enhance the overall profitability.

At the same time, we continue to pay strong emphasis on acquiring stable source of funding at reasonable cost. This is achieved through better understanding of our clients' needs and provision of a wide range of treasury products. Our aim is to build up a mutually beneficial relationship with our clients.

Financial Institutions

The overall result for our Financial Institutions business in the first half of 2007 has outperformed that of the same period in 2006.

As a result of the formation of the Non-Bank Financial Institutions Section in 2006, we are able to capture a wider scope of business opportunities and revenue sources. Trade finance, custody and IPO related products had achieved significant growth in business volume. Interest income is still the main revenue contributor of that section. However, fees and non-credit related interest income are increasing in their proportions.

We are confident that the momentum for business growth will continue at an upward trend in the second half of 2007.

Credit Card Business

We continued to launch different promotional programs to stimulate cardholder spending. Specific marketing actions have been devoted to stimulate customer borrowing. A direct mail program was launched to cross-sell installment loan to selected cardholders, and the result was satisfactory. We have developed a mechanism to monitor the evolution of the receivable balance of each of the core revolving customers closely so that we can take fast actions on revolving customers with declining receivable balance.

In the second half of 2007, we intend to launch our first Dual Currency Corporate Card and chip cards. Merchant benefits for spending with ICBC cards will be, for the first time, extended to Macau.

Chinese Mercantile Bank

With the booming economy of Mainland China in the first half of 2007, the total assets of Chinese Mercantile Bank ("CMB") reached HK\$6,253 million as at 30 June 2007, representing an increase of 237% as compared to the end of 2006. As at 30 June 2007, the total loans and deposits of CMB were HK\$3,672 million and HK\$292 million respectively. Net profit increased 374% over the same period last year to HK\$40.3 million.

The paid-up capital of CMB stood at RMB1.11 billion after capital injection of RMB 0.39 billion on 14 March 2007.

CMB and its Shekou Branch have been licensed to operate RMB business to customers other than Chinese citizens within the PRC. CMB is currently applying for its RMB business licence to be extended to Chinese local citizens. An application to China Banking Regulatory Commission (CBRC) to open a new Guangzhou branch is under preparation.

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 HKMA 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 throughout the six months ended 30 June 2007, except for the following deviations: -

1. 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.

2. 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 30 June 2007, no Director of the Bank held office for over three years.

3. 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 board members (including the Chairman or the Alternate Chairman of each of the Audit, Remuneration and Nomination Committees) 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 were set out in the Corporate Governance Report of the Bank’s 2006 Annual Report.

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

During the period, 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.

Interim Financial Information

The Audit Committee of the Bank has reviewed the results for the six months ended 30 June 2007 of the Group. The financial information in this interim results announcement is unaudited and does not constitute statutory accounts.

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

Hong Kong, 16 August 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.