



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 2008 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 2008 as follows:-

UNAUDITED INTERIM RESULTS

(A) Consolidated Income Statement

	Notes	Six Months Ended		Change %
		30 June 2008 HK\$'000	30 June 2007 HK\$'000	
Interest income	(1)	3,905,375	3,948,360	-1%
Interest expense	(1)	(2,378,390)	(2,956,495)	-20%
Net interest income	(1)	1,526,985	991,865	54%
Fee and commission income	(2)	402,204	337,529	19%
Fee and commission expense	(2)	(47,470)	(14,405)	230%
Net fee and commission income	(2)	354,734	323,124	10%
Net trading income	(3)	88,162	55,337	59%
Net (loss)/gain on financial assets and liabilities designated at fair value through profit or loss	(4)	(122,045)	9,884	1335%
Dividend income from financial investments	(5)	13,839	2,510	451%
Other operating income	(6)	7,326	9,362	-22%
Operating income		1,869,001	1,392,082	34%
Operating expenses	(7)	(647,591)	(499,635)	30%
Operating profit before impairment losses		1,221,410	892,447	37%
Charge for impairment losses on loans and advances	(8)	(87,605)	(58,483)	50%
Write-back of impairment losses on held-to-maturity financial investments		779	1,690	-54%
Charge for impairment losses on available-for-sale financial investments		(22,336)	-	-
Operating profit after impairment losses		1,112,248	835,654	33%
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights		3,251	2,848	14%
Net (loss)/gain on disposal of available-for-sale financial investments		(10,549)	12,842	-182%
Loss on disposal of loans and advances		(28,710)	-	-
Operating profit		1,076,240	851,344	26%
Share of profits of associates		1,566	2,373	-34%
Profit before tax		1,077,806	853,717	26%
Income tax expense	(9)			
- Hong Kong		(140,847)	(136,901)	3%
- Overseas		(25,294)	(5,866)	331%
- Deferred tax		4,298	7,965	-46%
Profit attributable to equity holders		915,963	718,915	27%
Dividends - Interim dividend declared during the period	(10)	355,596	262,114	36%
Earnings per share - Basic	(11)	HK\$0.74	HK\$0.64	16%

B) Consolidated Balance Sheet

	Notes	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000	Change %	30 Jun 2007 HK\$'000	Change %
Assets						
Cash and balances with banks and other financial institutions	(12)	30,284,554	43,666,354	-31%	95,804,175	-68%
Placements with and advances to banks and other financial institutions	(13)	906,098	1,005,234	-10%	1,857,956	-51%
Financial assets held for trading	(14)	36,451	54,256	-33%	52,830	-31%
Financial assets designated at fair value through profit or loss	(15)	1,550,788	1,754,742	-12%	1,583,180	-2%
Derivative financial instruments		1,909,708	1,213,738	57%	788,085	142%
Loans and advances to customers, banks and other financial institutions	(16)	141,897,056	121,703,671	17%	105,615,177	34%
Financial investments:		23,129,089	18,640,728	24%	16,498,090	40%
- Available-for-sale	(17)	18,233,554	15,326,911	19%	12,844,141	42%
- Held-to-maturity	(18)	4,895,535	3,313,817	48%	3,653,949	34%
Investments in associates		185,467	184,054	1%	36,858	403%
Goodwill and other intangible assets		1,027,142	1,043,582	-2%	1,054,007	-3%
Investment properties	(19)	41,576	40,624	2%	-	-
Property, plant and equipment		259,531	257,753	1%	241,323	8%
Leasehold land and land use rights		44,236	44,604	-1%	61,057	-28%
Other assets		1,643,651	2,694,720	-39%	1,244,725	32%
Total assets		202,915,347	192,304,060	6%	224,837,463	-10%
Liabilities						
Deposits from banks and other financial institutions		32,286,776	20,235,806	60%	65,370,289	-51%
Derivative financial instruments		1,761,101	1,351,698	30%	900,156	96%
Deposits from customers	(20)	135,764,254	137,530,227	-1%	124,978,087	9%
- Designated at fair value through profit or loss		301,402	298,274	1%	289,791	4%
- At amortised cost		135,462,852	137,231,953	-1%	124,688,296	9%
Certificates of deposit issued		4,457,808	3,705,396	20%	8,747,652	-49%
- Designated at fair value through profit or loss		3,857,808	3,105,399	24%	4,820,864	-20%
- At amortised cost		600,000	599,997	0%	3,926,788	-85%
Debt securities in issue designated at fair value through profit or loss		3,140,224	3,119,872	1%	3,012,158	4%
Current income tax liabilities		289,626	134,378	116%	276,929	5%
Deferred income tax liabilities		170,487	336,256	-49%	171,255	0%
Subordinated debts measured at amortised cost	(21)	7,044,690	7,545,620	-7%	7,558,175	-7%
Other liabilities		2,595,092	3,336,668	-22%	1,911,780	36%
Total liabilities		187,510,058	177,295,921	6%	212,926,481	-12%
Equity						
Share capital		2,539,970	2,451,904	4%	2,279,255	11%
Retained earnings	(22)	3,599,727	3,481,533	3%	2,934,047	23%
Other reserves	(22)	9,265,592	9,074,702	2%	6,697,680	38%
Total equity		15,405,289	15,008,139	3%	11,910,982	29%
Total equity and liabilities		202,915,347	192,304,060	6%	224,837,463	-10%

(C) Condensed Consolidated Statement of Changes in Equity

	30 Jun 2008 HK\$'000	30 Jun 2007 HK\$'000
Total equity as at 1 January	<u>15,008,139</u>	<u>11,085,303</u>
Revaluation deficits on premises	(154)	-
Changes in fair value reserve of available-for-sale financial investments	(896,510)	361,871
Transfer from available-for-sale financial investments reserve to income statement on impairment	22,336	-
Recognition of deferred tax liabilities in revaluation reserves on bank premises and available-for-sale financial investments	162,222	(63,335)
Exchange differences arising from translation of results of a foreign subsidiary	68,225	20
Net (expense) / income not recognised in the income statement	<u>(643,881)</u>	<u>298,556</u>
Profit attributable to equity holders	915,963	718,915
Dividends paid during the period	(781,708)	(515,779)
Shares issued in lieu of dividends	608,701	324,017
Shares issued on exercise of warrants	298,166	-
Share issue expenses	(91)	(30)
Total equity as at 30 June	<u>15,405,289</u>	<u>11,910,982</u>

(D) Condensed Consolidated Cash Flow Statement

	Six Months Ended	
	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(12,688,706)	44,780,344
Net cash inflow/(outflow) from investing activities	1,692,212	(20,144)
Net cash outflow from financing activities	(525,272)	(402,754)
Effects of foreign exchange differences	62,098	32,132
Net (decrease)/increase in cash and cash equivalents	(11,459,668)	44,389,578
Cash and cash equivalents at 1 January	43,694,357	52,021,729
Cash and cash equivalents at 30 June	32,234,689	96,411,307

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

	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	2,389,218	780,409
Placements with banks and other financial institutions	27,845,523	95,228,317
Treasury bills (including Exchange Fund Bills)	1,999,948	402,581
	32,234,689	96,411,307

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 unaudited consolidated accounts are consistent with those adopted in the Group's 2007 Annual Report except for the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") as disclosed in note 3 below.

3. Impact of new/revised HKFRSs

The accounting policies adopted in the preparation of the condensed interim accounts are consistent with those used in the preparation of the Group's audited accounts for the year ended 31 December 2007, except for the adoption of new HKFRS interpretations set out below.

(a) HK(IFRIC) Interpretation 11 "HKFRS 2 – *Group and Treasury Share Transactions*"

HK(IFRIC) Interpretation 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) Interpretation 11 also addresses the accounting for sharebased 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.

(b) HK(IFRIC) Interpretation 12 "*Service Concession Arrangements*"

HK(IFRIC) Interpretation 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) Interpretation 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.

(c) HK(IFRIC) Interpretation 14 "*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*"

HK(IFRIC) Interpretation 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) Interpretation 14 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

Adoption of these new HKFRS interpretations did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

4. Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRS and HKASs, which have been issued but are not yet effective, in these interim accounts:

(a) HKFRS 2 Amendment "*Share-Based Payments – Vesting Conditions and Cancellations*" (effective for accounting period beginning on or after 1 January 2009)

This amendment to HKFRS 2 Share-based payments was published in March 2008. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Company has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

- (b) HKFRS 3 (Revised) “*Business Combination*” and HKAS 27 (Revised) “*Consolidated and Separate Financial Statements*” (effective for accounting period beginning on or after 1 July 2009)

The revised HKFRS 3 and HKAS 27 were issued in March 2008 and become effective for financial years beginning on or after 1 July 2009. The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- (c) HKFRS 8 “*Operating Segments*” (effective for accounting period beginning on or after 1 January 2009)

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.

- (d) HKAS 1 (Revised) “*Presentation of Financial Statements*” (effective for accounting period beginning on or after 1 January 2009)

The revised HKAS 1 Presentation of Financial Statements was issued in December 2007. 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.

- (e) HKAS 23 (Revised) “*Borrowing Costs*” (effective for accounting period beginning on or after 1 January 2009)

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.

- (f) HKAS 32 Amendment “*Financial Instruments: Presentation*” and HKAS 1 Amendment “*Puttable Financial Instruments and Obligations Arising on Liquidation*” (effective for accounting period beginning on or after 1 January 2009)

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The revised standard is unlikely to have any financial impact on the Group.

- (g) HK(IFRIC) Interpretation 13 “*Customer Loyalty Programmes*” (effective for accounting period beginning on or after 1 July 2008)

HK(IFRIC) Interpretation 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) Interpretation 13 is unlikely to have a significant impact on the Group’s results of operations and financial position.

The Group expects that the adoption of the above pronouncements will not have significant impacts on the Group as at the date of the interim accounts.

Notes:

(1) Net interest income

	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Interest income on:		
Cash and balances with banks and other financial institutions	516,447	866,837
Placements with and advances to banks and other financial institutions	25,381	249,940
Loans and advances to customers, banks and other financial institutions	2,896,384	2,432,506
Financial investments – available-for-sale	376,241	263,938
Financial investments – held-to-maturity	46,904	86,346
	<u>3,861,357</u>	<u>3,899,567</u>
Financial assets held for trading	142	212
Financial assets designated at fair value through profit or loss	43,876	48,581
	<u>3,905,375</u>	<u>3,948,360</u>
Interest expense on:		
Deposits from banks and other financial institutions	418,099	287,163
Deposits from customers	1,649,951	2,056,656
Certificates of deposit issued	7,625	121,767
Subordinated debts measured at amortised cost	150,340	210,963
Others	10,540	23,448
	<u>2,236,555</u>	<u>2,699,997</u>
Financial liabilities designated at fair value through profit or loss	141,835	256,498
	<u>2,378,390</u>	<u>2,956,495</u>
Net interest income	<u>1,526,985</u>	<u>991,865</u>

The amount of interest income on impaired financial assets for the first half of 2008 is HK\$16,243,455 (First half of 2007: HK\$8,786,859).

(2) Net fee and commission income

	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Loans, overdrafts and guarantees	171,482	122,989
Securities and brokerage	70,452	67,747
Trade finance	79,663	64,281
Credit card	25,572	12,852
Remittance	11,409	9,831
Insurance	9,602	4,886
Other retail and commercial banking services	17,901	15,752
Others	16,123	39,191
Fee and commission income	<u>402,204</u>	<u>337,529</u>
Fee and commission expense	(47,470)	(14,405)
Net fee and commission income	<u>354,734</u>	<u>323,124</u>
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	<u>251,145</u>	<u>187,270</u>
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	<u>5,119</u>	<u>4,846</u>

(3) Net trading income

	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Equity investments	(3,000)	(3,800)
Debt securities - financial assets held for trading	983	1,423
- available-for-sale financial investments	(53,880)	(13,573)
Derivatives	114,520	(10,499)
Foreign exchange	29,539	47,486
Others	-	34,300
Total net trading income	<u>88,162</u>	<u>55,337</u>

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

	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Financial assets designated at fair value through profit or loss	(103,753)	(12,311)
Financial liabilities designated at fair value through profit or loss	(18,292)	22,195
Total net (loss)/gain on financial assets and liabilities designated at fair value through profit or loss	<u>(122,045)</u>	<u>9,884</u>

(5) Dividend income from financial investments

	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Dividend income from listed financial assets held for trading	1,138	-
Dividend income from listed available-for-sale financial investments	9,746	-
Dividend income from unlisted available-for-sale financial investments	2,955	2,510
Total dividend income from financial investments	<u>13,839</u>	<u>2,510</u>

(6) Other operating income

	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Management fee income	3,750	3,000
Rental income	41	968
Rental income from investment properties	1,184	-
Less: Direct operating expenses arising from investment properties that generated rental income during the period	(42)	-
Others	2,393	5,394
Total other operating income	<u>7,326</u>	<u>9,362</u>

(7) Operating expenses

	30 Jun 2008	30 Jun 2007
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other costs	319,562	265,186
Redundancy payment	-	638
Retirement benefits cost	18,660	15,295
	<u>338,222</u>	<u>281,119</u>
Premises and equipment expenses, excluding depreciation and amortisation:		
Rental of premises	108,264	59,920
Others	33,424	28,099
	<u>141,688</u>	<u>88,019</u>
Depreciation and amortisation expenses	49,263	41,146
Auditors' remuneration	2,568	2,360
General administration expense	17,900	13,145
Business promotion expense	20,046	14,582
Communication expense	19,204	18,196
Other operating expenses	58,700	41,068
Total operating expenses	<u>647,591</u>	<u>499,635</u>

(8) Charge for impairment losses on loans and advances

	30 Jun 2008 HK\$'000	30 Jun 2007 HK\$'000
Charge for impairment losses on loans and advances		
Individually assessed		
- New allowances	86,810	48,216
- Releases	(10,290)	(31,609)
- Recoveries	(7,703)	(4,112)
Net charge for impairment losses on individually assessed loans and advances	<u>68,817</u>	<u>12,495</u>
Collectively assessed		
- New allowances	18,788	45,988
Net charge for impairment losses on collectively assessed loans and advances	<u>18,788</u>	<u>45,988</u>
Net charge to the income statement	<u>87,605</u>	<u>58,483</u>

(9) Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. 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.

(10) Declared interim dividends

	30 Jun 2008 HK\$'000	30 Jun 2007 HK\$'000
Declared interim dividend of HK\$0.28 (2007: HK\$0.23) per ordinary share	<u>355,596</u>	<u>262,114</u>

(11) Earnings per share

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

	30 Jun 2008	30 Jun 2007
Profit attributable to equity holders (HK\$'000)	915,963	718,915
Weighted average number of ordinary shares in issue (thousands)	1,232,137	1,123,593
Basic earnings per share (HK\$ per share)	<u>HK\$0.74</u>	<u>HK\$0.64</u>

There were 35,375,740 warrants outstanding as at 30 June 2008 (First half of 2007: Nil). Diluted earnings per share amount for the period ended 30 June 2008 has not been disclosed as the warrants outstanding had an anti-dilutive effect on the basic earnings per share for the period.

(12) Cash and balances with banks and other financial institutions

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Cash in hand	212,789	214,809
Balances with central banks	617,219	394,824
Balances with other banks and financial institutions	1,559,210	989,350
Placements with banks and other financial institutions with maturity within one month	<u>27,895,336</u>	<u>42,067,371</u>
	<u>30,284,554</u>	<u>43,666,354</u>

(13) Placements with and advances to banks and other financial institutions

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Placements with banks and other financial institutions maturing between one and twelve months	906,098	955,234
Gross advances to banks and other financial institutions	-	50,000
	<u>906,098</u>	<u>1,005,234</u>

(14) Financial assets held for trading

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	345	255
Unlisted	<u>1,506</u>	<u>16,401</u>
	<u>1,851</u>	<u>16,656</u>
Equity securities, at fair value:		
Listed in Hong Kong	<u>34,600</u>	<u>37,600</u>
Total financial assets held for trading	<u>36,451</u>	<u>54,256</u>
Financial assets held for trading are analysed by category of issuer as follows:		
Public sector entities	505	14,553
Banks	<u>35,946</u>	<u>39,703</u>
	<u>36,451</u>	<u>54,256</u>

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

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	70,941	80,983
Listed outside Hong Kong	669,015	715,974
Unlisted	810,832	957,785
Total financial assets designated at fair value through profit or loss	<u>1,550,788</u>	<u>1,754,742</u>
Financial assets designated at fair value through profit or loss are comprised of the following items:		
- Certificates of deposit held	-	100,006
- Other debt securities	1,550,788	1,654,736
	<u>1,550,788</u>	<u>1,754,742</u>
Financial assets designated at fair value through profit or loss are analysed by category of issuers as follows:		
Central governments and central banks	205,813	209,143
Public sector entities	197,403	203,410
Banks	343,291	480,758
Corporate entities	804,281	861,431
	<u>1,550,788</u>	<u>1,754,742</u>

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

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Advances to customers	113,023,824	99,220,723
Advances to banks and other financial institutions	25,524,617	20,641,536
Trade bills	2,744,374	1,565,469
Gross loans and advances to customers, banks and other financial institutions	<u>141,292,815</u>	<u>121,427,728</u>
Accrued interest	1,008,190	611,505
	<u>142,301,005</u>	<u>122,039,233</u>
Less: impairment allowances		
- Individually assessed	(174,892)	(125,293)
- Collectively assessed	(229,057)	(210,269)
	<u>141,897,056</u>	<u>121,703,671</u>
	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Gross impaired loans and advances	638,807	646,602
Impairment allowances made in respect of such loans	174,892	125,293
Gross impaired loans and advances as a percentage of total gross loans and advances	0.5%	0.5%
Market value of collateral	<u>752,402</u>	<u>772,453</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 30 June 2008 and 31 December 2007; nor were there any individual impairment allowances made for them on these two dates.

(19) Investment properties

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Carrying amount at 1 January	40,624	-
Transfer from property, plant and equipment and leasehold land and land use rights	-	37,770
Net revaluation gain	-	2,761
Exchange and other adjustments	952	93
Carrying amount at period/year end	<u>41,576</u>	<u>40,624</u>

(20) Deposits from customers

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Demand deposits and current accounts	4,216,851	5,347,433
Savings deposits	16,218,186	16,564,063
Time, call and notice deposits	115,329,217	115,618,731
	<u>135,764,254</u>	<u>137,530,227</u>

(21) Subordinated debts measured at amortised cost

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

(22) Reserves

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Ordinary share premium	7,980,496	7,161,786
Bank premise revaluation reserve	46,798	46,835
Investment revaluation reserve	761,001	1,473,070
Exchange reserve	137,354	69,129
General reserve	339,943	323,882
Retained earnings*	3,599,727	3,481,533
	<u>12,865,319</u>	<u>12,556,235</u>
Declared dividend not provided for	<u>355,596</u>	<u>772,350</u>

*As at 30 June 2008, the Group has earmarked a "Regulatory Reserve" of HK\$970,177,000 (2007: HK\$819,332,000) 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.

(23) 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:

	30 Jun 2008	30 Jun 2008	31 Dec 2007	31 Dec 2007
	Contractual	Credit risk	Contractual	Credit risk
	amount	weighted amount	amount	weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Direct credit substitutes	25,151,023	12,385,511	2,746,878	1,161,243
Transaction-related contingencies	645,740	279,048	370,190	79,906
Trade-related contingencies	3,268,918	565,520	3,456,524	588,696
Other commitments:				
That are unconditionally cancellable	55,415,686	-	66,783,098	-
With original maturity of less than one year	215,505	42,845	1,123,559	223,738
With original maturity of over one year	15,313,466	7,655,476	14,847,747	7,423,184
Forward assets purchased	-	-	270,000	270,000
Forward forward deposits placed	4,225,231	845,046	7,811,705	1,562,341
	<u>104,235,569</u>	<u>21,773,446</u>	<u>97,409,701</u>	<u>11,309,108</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:

	30 Jun 2008	31 Dec 2007
	HK\$'000	HK\$'000
Exchange rate contracts:		
Forwards	96,152,215	34,629,999
Swaps	4,765,260	59,131,245
Currency options purchased	11,125,009	14,354,602
Currency options written	11,020,610	14,111,850
	<u>123,063,094</u>	<u>122,227,696</u>
Interest rate contracts:		
Interest rate swaps	30,999,381	32,760,446
Interest rate options purchased	3,016,499	4,042,470
Interest rate options written	3,016,499	4,042,470
Other interest rate contracts	77,996	-
	<u>37,110,375</u>	<u>40,845,386</u>
Other contracts:		
Equity options purchased	60,407	40,426
Equity options written	60,407	40,426
	<u>120,814</u>	<u>80,852</u>
Total	<u>160,294,283</u>	<u>163,153,934</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.

(b) Derivative financial instruments (continued)

The aggregate replacement costs and credit risk weighted amounts of the above contingent liabilities and commitments and derivative financial instruments are:

	30 Jun 2008		31 Dec 2007	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Contingent liabilities and commitments	-	21,773,446	-	11,309,108
Exchange rate contracts	1,447,659	1,333,187	729,825	1,077,183
Interest rate contracts	452,097	328,982	391,006	356,351
Other contracts	1,967	1,118	1,873	872
	<u>1,901,723</u>	<u>23,436,733</u>	<u>1,122,704</u>	<u>12,743,514</u>

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

(24) 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
For the six months ended 30 June 2008						
Net interest income	537,952	277,217	489,388	201,103	21,325	1,526,985
Operating profit/(loss) before impairment losses	488,009	284,137	364,876	271,247	(186,859)	1,221,410
Profit/(loss) before tax	411,783	277,896	331,754	242,409	(186,036)	1,077,806
Inter-segment elimination	-	(140,931)	-	-	140,931	-
Profit/(loss) before tax and excluding inter-segment transactions	<u>411,783</u>	<u>136,965</u>	<u>331,754</u>	<u>242,409</u>	<u>(45,105)</u>	<u>1,077,806</u>
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 tax	357,137	122,575	134,548	194,909	44,548	853,717
Inter-segment elimination	-	26,309	-	-	(26,309)	-
Profit before 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>

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

(a) Gross loans and advances to customers, banks and other financial institutions - by industry sectors	30 Jun 2008 Gross loans and advances HK\$'000	30 Jun 2008 % of secured advances %	31 Dec 2007 Gross loans and advances HK\$'000	31 Dec 2007 % of secured advances %
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	7,060,620	24.06%	6,932,715	29.30%
- Property investment	19,410,500	71.38%	17,544,326	65.74%
- Financial concerns	4,356,018	3.81%	5,044,113	2.60%
- Stockbrokers	20,207	98.98%	115,996	98.87%
- Wholesale and retail trade	4,138,732	64.21%	3,730,013	54.47%
- Civil engineering works	280,277	55.40%	380,307	31.23%
- Manufacturing	4,522,280	44.61%	3,854,159	45.91%
- Transport and transport equipment	8,120,340	69.29%	7,865,445	59.99%
- Electricity, gas and telecommunications	2,140,925	2.14%	2,091,023	2.94%
- Hotels, boarding houses and catering	1,108,688	35.05%	937,490	9.18%
- Others	4,889,897	29.33%	4,746,507	26.23%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	339,281	89.34%	310,275	84.49%
- Loans for the purchase of other residential properties	12,412,992	99.92%	11,789,246	97.84%
- Credit card advances	80,929	0.00%	100,844	0.00%
- Others	1,978,450	96.23%	1,501,626	96.02%
Trade finance	33,276,335	8.57%	27,688,336	9.92%
Loans for use outside Hong Kong	<u>37,156,344</u>	<u>23.85%</u>	<u>26,795,307</u>	<u>18.04%</u>
	<u><u>141,292,815</u></u>	<u><u>38.49%</u></u>	<u><u>121,427,728</u></u>	<u><u>36.78%</u></u>

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

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
(a) Property investment		
Individually impaired loans	148,702	186,068
Individual impairment allowance	2,375	3,035
Collective impairment allowance	38,549	36,460
New impairment allowances charged to income statement	3,063	21,509
Impaired loans and advances written off during the period/year	-	503
(b) Trade Finance		
Individually impaired loans	102,813	70,209
Individual impairment allowance	48,079	31,636
Collective impairment allowance	30,592	29,830
New impairment allowances charged to income statement	50,005	51,643
Impaired loans and advances written off during the period/year	18,410	30,366

(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:

	Gross advances to customers, banks and other financial institutions HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000
As at 30 Jun 2008					
Hong Kong	87,796,344	175,102	635,056	174,892	180,109
Mainland China	38,092,403	-	3,751	-	18,599
Macau	1,558,051	-	-	-	3,118
Asia Pacific Region excluding Hong Kong, Mainland China and Macau	4,843,751	-	-	-	9,702
United Kingdom	14,891	-	-	-	5
Others	8,987,375	-	-	-	17,524
	<u>141,292,815</u>	<u>175,102</u>	<u>638,807</u>	<u>174,892</u>	<u>229,057</u>
	Gross advances to customers, banks and other financial institutions HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowance HK\$'000	Collective Impairment allowance HK\$'000
As at 31 Dec 2007					
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>

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
As at 30 June 2008						
Six months or less but over three months	124,581	0.1	30,086	26,495	98,086	53,239
One year or less but over six months	38,546	0.0	33,555	29,935	8,611	8,447
Over one year	10,327	0.0	3,680	2,175	8,152	11,437
	<u>173,454</u>	<u>0.1</u>	<u>67,321</u>	<u>58,605</u>	<u>114,849</u>	<u>73,123</u>
As at 31 December 2007						
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>

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**

	30 Jun 2008 HK\$'000	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000	31 Dec 2007 HK\$'000
	Accrued interest	Other assets	Accrued interest	Other assets
Six months or less but over three months	-	200	25	-
Over one year	1	1,448	1	1,448
Rescheduled assets	-	-	2	-
	<u>1</u>	<u>1,648</u>	<u>28</u>	<u>1,448</u>

Other assets refer to trade bills and receivables.

(c) **Rescheduled advances**

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Rescheduled advances (excluding overdue loans of more than three months)	<u>108,340</u>	<u>109,883</u>
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 30 June 2008 and 31 December 2007.

(d) **Repossessed assets**

At 30 June 2008, the estimated market value of the repossessed assets of the Group amounted to HK\$29,150,000 (31 December 2007: HK\$34,360,000).

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

(a) Capital adequacy ratio

	30 Jun 2008	31 Dec 2007
Core capital ratio	<u>8.9%</u>	<u>7.3%</u>
Capital adequacy ratio	<u>14.2%</u>	<u>13.0%</u>

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

	30 Jun 2008 HK\$'000	31 Dec 2007 HK\$'000
Core capital:		
Paid up ordinary share capital	2,539,970	2,451,904
Share premium	7,980,496	7,161,786
Reserves	2,013,172	1,476,433
Income statement	548,213	545,763
Deduct: Goodwill	(978,576)	(973,419)
Other intangible assets	(45,285)	(66,882)
50% of total unconsolidated investments and other deductions	<u>(420,321)</u>	<u>(459,898)</u>
	<u>11,637,669</u>	<u>10,135,687</u>
Eligible supplementary capital:		
Fair value gains on the revaluation of land and buildings	5,378	5,378
Fair value (loss) / gains on the revaluation of available-for-sale equities and debt securities	<u>(531,166)</u>	21,899
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	1,200,989	1,032,136
Perpetual subordinated debts	3,495,872	3,496,256
Subordinated debts measured at amortised cost	3,197,836	3,807,539
Deduct: 50% of total unconsolidated investments and other deductions	<u>(420,321)</u>	<u>(459,898)</u>
	<u>6,948,588</u>	<u>7,940,640</u>
Total capital base before deductions	18,586,257	18,076,327
Deductions from total capital base	-	-
Total capital base after deductions	<u>18,586,257</u>	<u>18,076,327</u>
Risk-weighted assets		
Credit risk	123,356,041	130,839,560
Market risk	1,951,163	3,120,400
Operational risk	<u>5,521,575</u>	<u>4,914,788</u>
Total risk-weighted assets	<u>130,828,779</u>	<u>138,874,748</u>

The capital ratios as at 30 June 2008 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 UB China Business Management Co. Ltd, 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.

(b) Liquidity ratio

	30 Jun 2008	30 Jun 2007
Average liquidity ratio for the six months ended	<u><u>35.9%</u></u>	<u><u>43.7%</u></u>

The average liquidity ratio for the six months ended 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	RMB HK\$'000	Other foreign currencies HK\$'000	Total HK\$'000
As at 30 June 2008				
Non-structural position:				
Spot assets	88,961,791	9,144,922	11,382,607	109,489,320
Spot liabilities	(89,668,694)	(8,184,940)	(9,599,443)	(107,453,077)
Forward purchases	50,166,346	23,472,451	5,053,108	78,691,905
Forward sales	(49,309,342)	(23,407,349)	(6,629,564)	(79,346,255)
Net option position	(245)	-	6,629	6,384
Net long position	<u><u>149,856</u></u>	<u><u>1,025,084</u></u>	<u><u>213,337</u></u>	<u><u>1,388,277</u></u>
As at 31 December 2007				
Non-structural position:				
Spot assets	89,116,280	6,525,871	9,971,669	105,613,820
Spot liabilities	(70,308,657)	(5,781,351)	(6,878,080)	(82,968,088)
Forward purchases	36,820,381	20,766,501	4,410,669	61,997,551
Forward sales	(55,872,158)	(20,650,376)	(7,061,411)	(83,583,945)
Net option position	1,113,220	-	(910,914)	202,306
Net long/(short) position	<u><u>869,066</u></u>	<u><u>860,645</u></u>	<u><u>(468,067)</u></u>	<u><u>1,261,644</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 30 June 2008 and 31 December 2007.

(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:

	Banks and other financial institutions HK\$' million	Public sector entities HK\$' million	Others HK\$' million	Total HK\$' million
As at 30 Jun 2008				
Asia Pacific excluding Hong Kong	38,940	3,166	63,413	105,519
Europe	<u><u>20,869</u></u>	<u><u>-</u></u>	<u><u>497</u></u>	<u><u>21,366</u></u>
As at 31 Dec 2007				
Asia Pacific excluding Hong Kong	25,857	2,889	15,323	44,069
Europe	<u><u>40,875</u></u>	<u><u>-</u></u>	<u><u>884</u></u>	<u><u>41,759</u></u>

(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.

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000	Individually assessed allowances HK\$'000
As at 30 Jun 2008				
Mainland entities	18,153,767	729,438	18,883,205	-
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	12,716,043	1,204,611	13,920,654	120,192
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	1,908,682	60,546	1,969,228	-
	<u>32,778,492</u>	<u>1,994,595</u>	<u>34,773,087</u>	<u>120,192</u>
As at 31 Dec 2007				
Mainland entities	16,100,628	1,329,091	17,429,719	-
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	7,660,219	1,093,919	8,754,138	74,657
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	2,039,396	629,079	2,668,475	5,558
	<u>25,800,243</u>	<u>3,052,089</u>	<u>28,852,332</u>	<u>80,215</u>

Interim Results

The Board of Directors is pleased to announce that the unaudited consolidated profit attributable to the equity holders of the Bank for the six months ended 30 June 2008 was HK\$916 million. This represented a 27% growth over the same period last year (First half of 2007: HK\$719 million). Basic earnings per share for the six months ended 30 June 2008 were HK\$0.74 (First half of 2007: HK\$0.64). Return on average assets and return on average equity were 1.0% and 13.0% respectively (First half of 2007: 1.0% and 13.3% respectively).

Interim Dividend

The Directors are pleased to declare an interim dividend of HK\$0.28 per ordinary share for the six months ended 30 June 2008 (First half of 2007: HK\$0.23). 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 Tuesday, 9 September 2008. Details of the scrip dividend and the election form will be sent to shareholders on or about Wednesday, 10 September 2008. The scrip dividend scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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, 10 October 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, 4 September 2008 to Tuesday, 9 September 2008, both days inclusive, during which period no transfers of shares or warrants will be registered. In order to qualify for the above interim 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 4:30 p.m. on Wednesday, 3 September 2008.

Financial Review

In the first half of 2008, the Group has achieved satisfactory results. Consolidated profit attributable to equity holders was HK\$916 million, representing an increase of HK\$197 million or 27% over HK\$719 million achieved for the corresponding period in 2007.

Net interest income increased HK\$535 million or 54% to HK\$1,527 million. The improvement mainly came from a 30% increase in average interest-earning assets and remarkable increment of the net interest margin from 1.38% to 1.64%.

Non-interest income recorded a decline of HK\$58 million or 15% to HK\$342 million from HK\$400 million for the corresponding period in 2007. The decline is mainly due to the loss from mark-to-market revaluation of derivative instruments as well as financial assets and liabilities, together with the drastic reduction in fee income from IPO related business. The ratio of non-interest income to total operating income decreased to 18%, compared with 29% for the corresponding period in 2007.

Operating expenses increased by HK\$148 million or 30% to HK\$648 million compared with HK\$500 million for the corresponding period in 2007. However, with the proportionately larger increase in total income, the cost to income ratio has slightly decreased from 35.9% in 2007 to 34.7% in 2008.

The impairment losses on loans and advances, available-for-sale and held-to-maturity financial investments for the period were HK\$109 million, where HK\$91 million and HK\$18 million were made as additional provision for individual and collective assessments respectively.

Balance Sheet

The total assets of the Group reached HK\$202,915 million as at 30 June 2008, representing an increase of HK\$10,611 million or 6% over the position as at 31 December 2007. Increases in securities investments and total loans and advances are the main contributors to the increment.

Loans and advances increased by HK\$20,193 million or 17% to HK\$141,897 million as at 30 June 2008 as compared to HK\$121,704 million as at 31 December 2007. The increase is mainly from revolving loan, installment loan and term and demand loan products.

Taken the market opportunities, we have increased our securities investments to HK\$24,716 million, which represents an increase of HK\$4,266 million or 21% as compared to HK\$20,450 million as at 31 December 2007.

The Group has issued a total of HK\$2,076 million new certificates of deposits issue in HKD and USD during the period. As a result, total certificates of deposits issued increased HK\$753 million or 20% to HK\$4,458 million as at 30 June 2008 as compared to HK\$3,705 million as at 31 December 2007.

Customer deposits amounted to HK\$135,764 million, representing a slightly decrease of HK\$1,766 million or 1%, as compared to HK\$137,530 million as at 31 December 2007.

Capital and Liquidity Management

The Group's capital adequacy ratio increased to 14.2% as at 30 June 2008 from 13.0% as at 31 December 2007. The average liquidity ratio amounted to 35.9% (Average for the first half of 2007: 43.7%).

Asset Quality

Impaired loans and advances decreased slightly by HK\$8 million to HK\$639 million as at 30 June 2008, compared with HK\$647 million as at 31 December 2007. The impaired loan ratio remains at 0.5% as at 30 June 2008.

As at 30 June 2008, the cumulative loan impairment allowances aggregated to HK\$404 million (31 December 2007: HK\$336 million), which included HK\$175 million (31 December 2007: HK\$126 million) of individual impairment allowance and HK\$229 million (31 December 2007: HK\$210 million) of collective impairment allowance.

Overdue advances increased from HK\$104 million as at 31 December 2007 to HK\$175 million as at 30 June 2008.

Business Review

Below is a summary of the performances of our individual business operations in the first half of 2008 and their outlook for second half of the year.

Retail Banking

In the first half of 2008, our Retail Banking business grew steadily.

The residential mortgage market continued to be buoyant at the beginning of 2008, but as a result of the uncertain economic outlook and stock market volatility, it began to slow down gradually toward the end of the first quarter. Nevertheless, we still recorded a moderate increase in mortgage loans outstanding as compared to the end of 2007.

Our hire purchase and leasing business recorded a stable growth. However, due to fierce competition, our lending interest rate was squeezed inevitably.

Our securities business recorded year-on-year growth. The increase in business volume was supported by our continuous effort in enhancing our services and the stock-trading platform. However, the slowing down of the US economy, global trend of inflation, increasing uncertainties and rapid changing market environment in first half of 2008 depressed overall investment sentiment. This had resulted in a lower growth on our sale of investment products such as fund and structured products.

On customer acquisition, we continue to leverage on our parent company, ICBC, in flourishing cross-border relationships/referrals to further expand our wealth management business. To enhance the competitive edge on wealth management products and services, we have developed different types of investment products and also line up with different financial institutions to offer a diversified range of investment products for customers. We also launched various promotion offers to further sustain the growth of our wealth management business.

To further upgrade the quality of our services to high net worth customers, we have set up a new private banking business in June 2008. In addition, we have entered into an agreement to acquire the entire issued share capital of Worldsec Asset Management Limited in order to further expand our business scope and we expect to complete the acquisition shortly.

In order to strengthen the geographic coverage of our branch network, we opened another new branch at Aberdeen in May 2008. We also relocated our Jordan Branch in June 2008 to expand our business scope and scale in Central Kowloon. As at 30 June 2008, we had 42 branches in which about one-third of branches adopted the renowned branch design theme. Meanwhile, we continue to study the expansion or renovation of our current branch premises in order to strengthen our competitive edge.

In the second half of 2008, we shall continue to expand our Retail Banking business. We shall actively acquire new target customers and deposits, with focus to develop the high net worth customer base by offering dedicated wealth management and private banking service. Through cross selling, we shall be developing and solidifying our various retail banking businesses.

Treasury and Markets

In the first half of 2008, our Treasury & Markets (“T&M”) business achieved a strong growth in net interest income. New products such as interest rate futures, interest rate swaps and digital options were undertaken in proprietary trading. To better internal control, we improved the organizational structure to strengthen our capability in new product development and risk management. In addition, we revised the policies and procedures and upgraded the computer system so as to commensurate with the latest business need.

In the second half of 2008, T&M will seize the market opportunities to expand the scope of investment in high quality debt securities with a view to enhance the overall yield of the entire portfolio. At the same time, in addition to the development of customer services and proprietary trading businesses, we shall continue to work closely with other departments of the Bank to provide suitable financial solutions to customers and to satisfy their need on treasury products by keeping up with the latest market development. Simultaneously, we shall continue our effort on the implementation of risk assessment and control by bringing in advanced technology that will assist us in upgrading on market risk analysis and monitoring.

Commercial Banking

Our Commercial Banking business achieved satisfactory results in the first half of 2008. At the same time, we managed to maintain a lower-than-market average of loan impairment ratio.

By offering tailor-made banking and financial service to customers, our Diamond Trade Finance, European Banking and Indian Banking continued to enjoy good reputation in the Hong Kong banking sector and contributed to overall profitability. Furthermore, our cross-border co-operation with ICBC had achieved great success and generated a significant contribution to business growth especially for trade finance related products. Such co-operation will continue and we aim to collaborate with more ICBC branches in the future.

In second half of 2008, we shall continue to provide tailor-made and “one stop” banking facilities to our customers. Also, we shall further 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 promote IPO business, trade finance and factoring services that will generate stable interest and non-interest income.

Corporate and Investment Banking

In the first half of 2008, our Corporate Banking business obtained satisfactory performance. We were committed to applying high-end, professional and thorough marketing strategies in serving our large corporate customers. We endeavoured to build up a professional marketing team in order to provide comprehensive and integrated service for our customers. At the same time, we capitalized on the trend of steadily rising loan demand to negotiate for better credit spread. In order to further strengthen our liability management business, we shall continue to solicit new deposits from large corporations and also to cross-sell innovative financial products.

During the period, we took the lead arranger role in major property development projects in Hong Kong, including Sino Land’s residential project in Aberdeen and the acquisition of Langham Place by The Champion REIT. We also provided financing to major developers in Hong Kong, Shanghai and Beijing for their business expansion. In addition, we acted as arranger in an US\$2.23 billion and GBP 796 million financing for Borse Dubai and as mandated lead arranger in an US\$291 million acquisition financing sponsored by Macquarie Group. Furthermore, we successfully acted as advisor to a RMB2.7 billion acquisition financing for an enterprise in Mainland China.

Through a close cooperation with our wholly-owned subsidiary, Chinese Mercantile Bank, which can offer RMB facilities, we continue to provide one-stop cross-border financial services to existing and potential customers.

Financial Institutions

Our Financial Institutions business recorded outstanding performance in the first half of 2008 as compared to the same period in 2007.

The Financial Institutions business platform was functioning effectively and the business activities and revenue sources were widened and diversified. Transactional banking products were also enhanced to cater for market volatility and to satisfy the growing need of our clients.

In second half of 2008, we shall continue to focus on product enhancement and development. In particular, our transactional banking product range will be further expanded and non-transactional banking products will be customized to suit our sophisticated financial institution clients.

Credit Card Business

Total revenue of our Credit Card business increased remarkably in the first half of 2008 as compared with same period in 2007. That was the combined result of a number of strategies such as differential pricing, automatic credit limit review as well as marketing promotions launched from time to time.

We adopt a systematic approach in cross-selling credit cards to banking customers with more and more banking customers being turned into credit cardholders. In addition, our cooperation with ICBC is enhanced by providing mutual merchant privileges under the same platform which extends cardholder benefits to major Mainland China cities such as Beijing, Tianjin, Shanghai, Shenzhen, Zhuhai, Hangzhou and Wenzhou.

In the second half of 2008, the outlook of our Credit Card business remains positive. Firstly, the recent adjustment in tariff will bring in more fee revenue. Secondly, the launch of the Platinum Card and the Zurich Co-branded Card will start to generate income. Thirdly, the growing merchant business will generate increasing contribution. Finally, the shortening of the maximum interest free period will reduce related funding cost.

Chinese Mercantile Bank

In the first half of 2008, Chinese Mercantile Bank (“CMB”) achieved remarkable results with net profit of HK\$106 million, representing an increase of HK\$66 million or 165%, compared with HK\$40 million for the same period in 2007. As at 30 June 2008, total asset increased by HK\$2,554 million or 32% to HK\$10,639 million, compared with HK\$8,085 million as at 31 December 2007.

During the first half of 2008, CMB attained outstanding achievement in its corporate banking and syndication business. As one of the mandated lead arrangers, CMB successfully launched a HK\$3,128 million syndicated loan for a reputable enterprise in Zhuhai City. As a result, total operating income of CMB increased by HK\$113 million or 192% to HK\$172 million for the six months ended 30 June 2008, including non-interest income of HK\$27 million, as compared to HK\$59 million for the same period in 2007.

In January 2008, CMB successfully completed and implemented the upgrade of its core banking system, which enables CMB to enhance risk management, internal control, product innovation and market analysis.

With the soon opening of its Guangzhou Branch, CMB is expected to further increase its presence in Mainland China.

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 Bank has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 June 2008, except for the following deviations: -

1. Under 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 are not appointed for specific term but subject to the retirement by rotation and re-election at the annual general meetings in accordance with the Bank’s Articles of Association.

2. Under 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 22 May 2008 due to other important business engagements. Nonetheless, the board members (including the Chairman or the Alternate Chairman or the respective committee members 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 code provisions as set out in the Code, details of which were set out in the Corporate Governance Report of the Bank's 2007 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 2008 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, 14 August 2008

As at the date of this announcement, the Board of Directors comprises Mr. Chen Aiping, Mr. Wong Yuen Fai and Mr. Zhang Yi as Executive Directors, Dr. Jiang Jianqing and Ms. Wang Lili as Non-Executive Directors and Professor Wong Yue Chim, Richard, S.B.S., J.P., Mr. Tsui Yiu Wa, Alec and Mr. Yuen Kam Ho, George as Independent Non-Executive Directors.