



**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)*

**ANNOUNCEMENT OF 2003 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 2003 as follows:—

**UNAUDITED INTERIM RESULTS**

The accounting policies and basis of preparation of the unaudited interim results of the Group are consistent with those adopted in the Group’s audited 2002 annual financial statements except for the adoption of the revised SSAP 12 “Income Taxes” that prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery and settlement of the carrying amount of assets and liabilities in the Group’s balance sheet and transactions during the current period that should be recognised in the Group’s financial statements. The principal impact of the revision of this SSAP on this announcement is presented in notes 6 and 10, which are now more extensive than previously required and include a reconciliation between the accounting profit and the tax expense for the period.

**(A) Unaudited Consolidated Profit and Loss Information**

		(Restated)		
		Six Months Ended		
	<i>Note</i>	<b>30 Jun 2003</b>	30 Jun 2002	Change
		<b>HK\$'000</b>	HK\$'000	%
Interest income		<b>784,026</b>	703,298	
Interest expense		<b>(404,873)</b>	(376,323)	
<b>Net interest income</b>		<b>379,153</b>	326,975	16%
Other operating income	(4)	<b>137,787</b>	137,146	0%
<b>Operating income</b>		<b>516,940</b>	464,121	11%
Operating expenses	(5)	<b>(151,961)</b>	(147,868)	3%
Amortisation of goodwill		<b>(19,424)</b>	(17,749)	9%
<b>Operating profit before provisions</b>		<b>345,555</b>	298,504	16%
Charge for bad and doubtful debts — specific	(3)	<b>(58,426)</b>	(44,232)	32%
Charge for bad and doubtful debts — general		<b>(18,249)</b>	(28,243)	-35%
<b>Operating profit after provisions</b>	(1)	<b>268,880</b>	226,029	19%
Net loss on disposal of fixed assets		<b>(13)</b>	(2,691)	
Net profit on disposal and redemption of held-to-maturity securities		<b>8,292</b>	8,216	
Net profit on disposal of non-trading securities		<b>8,108</b>	1,059	
Provisions writeback on non-trading securities		<b>—</b>	43	
Share of net loss of associated companies		<b>(4,386)</b>	(1,305)	
<b>Profit before taxation</b>		<b>280,881</b>	231,351	21%
Taxation	(6)	<b>(48,990)</b>	(13,278)	
<b>Profit attributable to shareholders</b>		<b>231,891</b>	218,073	6%
<b>Proposed interim dividends</b>	(7)	<b>99,191</b>	82,659	
<b>Per share:</b>				
• Basic earnings	(8)			
— reported basis		<b>HK\$0.33</b>	HK\$0.36	-8%
— cash basis		<b>HK\$0.36</b>	HK\$0.39	-8%
• Diluted earnings	(8)			
— reported basis		<b>HK\$0.28</b>	HK\$0.29	-3%
— cash basis		<b>HK\$0.30</b>	HK\$0.31	-3%
• Proposed interim dividends		<b>HK\$0.12</b>	HK\$0.10	20%

**(B) Consolidated Balance Sheet Information**

	30 Jun 2003	(Restated) 31 Dec 2002	Change	(Restated) 30 Jun 2002	Change	
	Note HK\$'000	HK\$'000	%	HK\$'000	%	
<b>Assets</b>						
Cash and short-term funds		9,844,639	15,775,840	-38%	6,085,103	62%
Placements with banks and other financial institutions maturing between one and twelve months		2,129,478	1,033,844	106%	1,651,159	29%
Trade bills	(9)	309,460	108,280	186%	129,497	139%
Certificates of deposit held		7,223,476	1,931,179	274%	1,705,313	324%
Trading securities		—	38,525		38,879	
Held-to-maturity securities		5,519,240	6,519,256	-15%	6,766,103	-18%
Advances and other accounts	(9)	38,596,066	33,266,929	16%	31,700,271	22%
Non-trading securities		1,055,931	2,023,640	-48%	2,119,511	-50%
Deferred tax assets	(10)	35,950	29,103	24%	24,902	44%
Interests in associated companies		187,277	193,306	-3%	28,077	567%
Goodwill		638,961	656,710	-3%	674,459	-5%
Tangible fixed assets		706,395	714,480	-1%	728,300	-3%
		<u>66,246,873</u>	<u>62,291,092</u>	6%	<u>51,651,574</u>	28%
<b>Liabilities</b>						
Deposits and balances of banks and other financial institutions		15,976,583	12,334,120	30%	8,054,215	98%
Deposits from customers	(11)	37,993,437	38,751,030	-2%	34,532,121	10%
Certificates of deposit issued		2,509,613	1,429,002	76%	700,000	259%
Current taxation		114,833	61,123	88%	17,399	560%
Deferred tax liabilities	(10)	81,799	79,825	2%	114,295	-28%
Other accounts and provisions		422,403	474,348	-11%	821,955	-49%
		<u>57,098,668</u>	<u>53,129,448</u>	7%	<u>44,239,985</u>	29%
<b>Capital Resources</b>						
Loan capital	(12)	3,254,617	3,254,730	0%	1,755,000	85%
Ordinary share capital of HK\$2 each		1,248,749	1,248,749	0%	1,248,749	0%
Convertible non-cumulative preference share capital of HK\$5 each		1,011,096	1,011,096	0%	1,011,096	0%
Reserves	(13)	3,633,743	3,647,069	0%	3,396,744	7%
		<u>9,148,205</u>	<u>9,161,644</u>	0%	<u>7,411,589</u>	23%
		<u>66,246,873</u>	<u>62,291,092</u>	6%	<u>51,651,574</u>	28%

**(1) Analysis of operating profit/(loss)**

	<b>30 Jun 2003</b> <i>HK\$'000</i>	30 Jun 2002 <i>HK\$'000</i>
Consolidated except for UBCBM	<b>288,560</b>	216,583
UB China Business Management Co. Ltd. (“UBCBM”) ( <i>note 2</i> )	<b>(19,680)</b>	9,446
	<b><u>268,880</u></b>	<b><u>226,029</u></b>

**(2) Highlights of the operating results of UBCBM which have been consolidated above as follows:**

	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	<b>5,871</b>	6,563
Interest expense	<b>—</b>	—
Net interest income	<b>5,871</b>	6,563
Other operating income	<b>830</b>	561
Operating income	<b>6,701</b>	7,124
Operating expenses	<b>(73)</b>	(155)
Operating profit before provisions	<b>6,628</b>	6,969
Provisions (charge)/writeback for bad and doubtful debts — specific ( <i>note 3</i> )	<b>(27,740)</b>	1,608
Provisions writeback for bad and doubtful debts — general	<b>1,432</b>	869
Operating (loss)/profit	<b><u>(19,680)</u></b>	<b><u>9,446</u></b>

UB China Business Management Co. Ltd (“UBCBM”) is a wholly-owned subsidiary established by the Bank as a special purpose asset management company for the purpose of maximising the level of recovery of certain classified loans of the Bank which were extended towards Mainland China related business over a five-year term.

**(3) Analysis of provisions (charge)/writeback for bad and doubtful debts — specific**

	<i>HK\$'000</i>	<i>HK\$'000</i>
UBCBM loans ( <i>note 2</i> )	<b>(27,740)</b>	1,608
Non-UBCBM loans	<b>(30,686)</b>	(45,840)
	<b><u>(58,426)</u></b>	<b><u>(44,232)</u></b>
Additional provisions	<b>(73,183)</b>	(96,940)
Less: Provisions writeback	<b>14,757</b>	52,708
	<b><u>(58,426)</u></b>	<b><u>(44,232)</u></b>

(4) Other operating income

	30 Jun 2003 HK\$'000	30 Jun 2002 HK\$'000
Fees and commission income	120,604	98,340
Less: fees and commission expense	<u>(1,224)</u>	<u>(1,479)</u>
Net fees and commission income	119,380	96,861
Net gain from foreign exchange activities	3,238	3,746
Net gain from trading securities	1,117	1,716
Dividend income from investments in securities:		
— Listed investments	1,889	4,874
— Unlisted investments	1,876	780
Others	<u>10,287</u>	<u>29,169</u>
	<u>137,787</u>	<u>137,146</u>

(5) Operating expenses

Including depreciation on tangible fixed assets for the six months ended 30 June 2003 amounting to HK\$11,323,000 (30 June 2002: HK\$12,774,000).

(6) Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period.

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	30 Jun 2003 HK\$'000	(Restated) 30 Jun 2002 HK\$'000
Current taxation:		
— Hong Kong profits tax	(53,710)	(17,449)
Deferred taxation ( <i>note 10</i> )	<u>4,720</u>	<u>4,171</u>
	<u>(48,990)</u>	<u>(13,278)</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate in Hong Kong as follows:

	30 Jun 2003 HK\$'000	30 Jun 2002 HK\$'000
Profit before taxation	<u>280,881</u>	<u>231,351</u>
Calculated at a taxation rate of 17.5% (2002: 16%)	49,154	37,016
Income not subject to taxation	(2,112)	(905)
Expenses not deductible for taxation purposes	1,948	3,188
Utilisation of previously unrecognised tax losses	<u>—</u>	<u>(26,021)</u>
Taxation charge	<u>48,990</u>	<u>13,278</u>

(7) **Proposed interim dividends**

	<b>30 Jun 2003</b> <i>HK\$'000</i>	30 Jun 2002 <i>HK\$'000</i>
Proposed interim dividends, HK\$0.12 per share (2002: HK\$0.10 per share), to be paid to:		
— Convertible preference shareholders	<b>24,266</b>	20,222
— Ordinary shareholders	<b>74,925</b>	62,437
	<b>99,191</b>	82,659

(8) **Earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders (net of dividends payable on convertible preference shares) for the period of HK\$207,625,000 (2002: HK\$197,851,000) and on 624,374,304 (2002: 552,398,061) shares, being the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$231,891,000 (2002: HK\$218,073,000) and on 826,593,522 (2002: 754,617,279) shares, being the weighted average number of ordinary shares and convertible preference shares in issue during the period.

The calculation of earnings per share on cash basis is based on the respective earnings per share adjusted for goodwill amortised for the period. This supplementary information is considered a useful additional indication of performance.

(9) **Total advances and other accounts**

	<b>30 Jun 2003</b>			31 Dec 2002
	<b>Consolidated except for UBCBM HK\$'000</b>	<b>UBCBM HK\$'000</b>	<b>Consolidated HK\$'000</b>	<b>Consolidated HK\$'000</b>
Advances to customers	<b>37,609,151</b>	<b>286,981</b>	<b>37,896,132</b>	32,409,985
Advances to banks and other financial institutions	<b>352,025</b>	—	<b>352,025</b>	354,994
Trade bills	<b>312,586</b>	—	<b>312,586</b>	109,374
Provisions for bad and doubtful debts:				
— Specific	<b>(154,942)</b>	<b>(149,421)</b>	<b>(304,363)</b>	(270,127)
— General	<b>(292,503)</b>	<b>(227)</b>	<b>(292,730)</b>	(274,481)
	<b>37,826,317</b>	<b>137,333</b>	<b>37,963,650</b>	32,329,745
Accrued interest and other accounts	<b>889,315</b>	<b>54,796</b>	<b>944,111</b>	1,046,906
Provisions for accrued interest	<b>(1,064)</b>	<b>(1,171)</b>	<b>(2,235)</b>	(1,442)
	<b>38,714,568</b>	<b>190,958</b>	<b>38,905,526</b>	33,375,209

**(10) Deferred tax assets and deferred tax liabilities**

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

The movement in deferred tax assets and liabilities during the period/year is as follows:

	<b>30 Jun 2003</b> <i>HK\$'000</i>	31 Dec 2002 <i>HK\$'000</i>
Deferred tax assets:		
At the beginning of period/year, as previously stated	—	—
Effect of adoption of SSAP 12	<u>29,103</u>	<u>19,991</u>
At the beginning of period/year, as restated	29,103	19,991
Credited to profit and loss	5,922	9,112
Credited to equity	<u>925</u>	<u>—</u>
At the end of period/year	<u><u>35,950</u></u>	<u><u>29,103</u></u>
Deferred tax liabilities:		
At the beginning of period/year, as previously stated	6,289	6,289
Effect of adoption of SSAP 12	<u>73,536</u>	<u>128,660</u>
At the beginning of period/year, as restated	79,825	134,949
Charged/(credited) to profit and loss	1,202	(37,248)
Charged/(credited) to equity	<u>772</u>	<u>(17,876)</u>
At the end of period/year	<u><u>81,799</u></u>	<u><u>79,825</u></u>

The amounts shown in the balance sheet include the following:

	<b>30 Jun 2003</b> <i>HK\$'000</i>	31 Dec 2002 <i>HK\$'000</i>
Deferred tax assets to be recovered after more than 12 months	35,950	29,103
Deferred tax liabilities to be settled after more than 12 months	<u>79,264</u>	<u>77,935</u>

**(11) Deposits from customers**

	<b>30 Jun 2003</b> <i>HK\$'000</i>	31 Dec 2002 <i>HK\$'000</i>
Demand deposits and current accounts	784,909	689,385
Savings deposits	2,682,687	2,150,712
Time, call and notice deposits	<u>34,525,841</u>	<u>35,910,933</u>
	<u><u>37,993,437</u></u>	<u><u>38,751,030</u></u>

**(12) Loan capital**

Loan capital represents floating rate subordinated debts qualifying for inclusion as supplementary capital in accordance with the Third Schedule to the Banking Ordinance.

**(13) Reserves**

	<b>30 Jun 2003</b>	(Restated) 31 Dec 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary share premium	<b>1,786,686</b>	1,786,686
Convertible preference share premium	<b>505,496</b>	505,496
Bank premises revaluation reserve	<b>337,022</b>	343,149
Investment revaluation reserve	<b>(5,168)</b>	27,794
Exchange reserve	<b>11</b>	(21)
General reserve	<b>219,200</b>	219,200
Retained profits	<b>790,496</b>	764,765
	<b><u>3,633,743</u></b>	<b><u>3,647,069</u></b>
Proposed dividends not provided for	<b><u>99,191</u></b>	<b><u>206,648</u></b>

**(C) Supplementary Information****(1) Advances to customers — by industry sectors**

	<b>30 Jun 2003</b>			31 Dec 2002
	Consolidated except for UBCBM <i>HK\$'000</i>	UBCBM <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Loans for use in Hong Kong				
Industrial, commercial and financial				
— Property development	2,867,273	—	2,867,273	1,549,711
— Property investment	3,678,659	58,047	3,736,706	4,738,696
— Financial concerns	4,306,998	—	4,306,998	2,383,681
— Stockbrokers	26,853	—	26,853	30,636
— Wholesale and retail trade	1,323,970	160,129	1,484,099	1,539,200
— Civil engineering works	809,189	6,416	815,605	766,555
— Manufacturing	1,973,989	—	1,973,989	1,452,387
— Transport and transport equipment	4,969,320	—	4,969,320	4,832,851
— Electricity, gas and telecommunications	2,077,787	—	2,077,787	1,518,066
— Hotels, boarding house and catering	1,129,228	—	1,129,228	1,138,859
— Others	4,145,386	22,654	4,168,040	3,358,114
Individuals				
— Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	104,392	—	104,392	118,356
— Loans for the purchase of other residential properties	7,396,179	5,528	7,401,707	6,337,275
— Others	624,921	1,036	625,957	697,311
Trade finance	1,516,555	33,171	1,549,726	1,058,464
Loans for use outside Hong Kong	658,452	—	658,452	889,823
	<b><u>37,609,151</u></b>	<b><u>286,981</u></b>	<b><u>37,896,132</u></b>	<b><u>32,409,985</u></b>

(2) *Advances to customers — by geographical areas*

At 30 June 2003 and 31 December 2002, over 90% of the Group's advances to customers, non-performing loans and overdue loans were made to counterparties located in Hong Kong. In determining this analysis, no account has been taken of transfer of risk with respect to claims guaranteed by a party in a country which is different from that of the counterparty.

(3) *Non-performing loans*

	Gross advances HK\$'000	% of advances to customers	Market value of collateral HK\$'000	Specific provision made HK\$'000	Interest suspended HK\$'000
<b>As at 30 June 2003</b>					
Consolidated except for UBCBM	502,654	1.3%	373,507	154,520	38,639
UBCBM	264,327	0.7%	108,089	149,248	110,729
<b>Consolidated</b>	<b>766,981</b>	<b>2.0%</b>	<b>481,596</b>	<b>303,768</b>	<b>149,368</b>
<b>As at 31 December 2002</b>					
Consolidated	738,932	2.3%	488,654	267,275	157,980

Non-performing loans are advances on which interest is being placed in suspense or on which interest accrual has ceased.

There were no advances to banks and other financial institutions on which interest is being placed in suspense or on which interest accrual has ceased as at 30 June 2003 and 31 December 2002 nor where there any specific provisions made for them on these two dates.

(4) *Overdue advances*

	Gross advances <i>HK\$'000</i>	% of advances to customers	Market value of collateral <i>HK\$'000</i>	Amount of secured balance <i>HK\$'000</i>	Amount of unsecured balance <i>HK\$'000</i>	Specific provision made <i>HK\$'000</i>
<b>As at 30 June 2003</b>						
<b>Consolidated except for UBCBM</b>						
Three to six months overdue	60,602	0.2%	44,312	42,502	18,100	19,662
Six months to one year overdue	134,229	0.3%	36,778	32,862	101,367	84,348
Over one year overdue	158,692	0.4%	155,777	138,454	20,238	30,709
	<u>353,523</u>	<u>0.9%</u>	<u>236,867</u>	<u>213,818</u>	<u>139,705</u>	<u>134,719</u>
<b>UBCBM</b>						
Three to six months overdue	80,077	0.2%	—	—	80,077	48,352
Six months to one year overdue	—	—	—	—	—	—
Over one year overdue	147,810	0.4%	99,642	69,226	78,584	70,061
	<u>227,887</u>	<u>0.6%</u>	<u>99,642</u>	<u>69,226</u>	<u>158,661</u>	<u>118,413</u>
<b>Consolidated</b>						
Three to six months overdue	140,679	0.4%	44,312	42,502	98,177	68,014
Six months to one year overdue	134,229	0.3%	36,778	32,862	101,367	84,348
Over one year overdue	306,502	0.8%	255,419	207,680	98,822	100,770
	<u>581,410</u>	<u>1.5%</u>	<u>336,509</u>	<u>283,044</u>	<u>298,366</u>	<u>253,132</u>
<b>As at 31 December 2002</b>						
<b>Consolidated</b>						
Three to six months overdue	52,925	0.2%	47,905	41,562	11,363	9,570
Six months to one year overdue	22,505	0.1%	26,355	21,907	598	1,304
Over one year overdue	378,542	1.1%	305,299	251,956	126,586	113,971
	<u>453,972</u>	<u>1.4%</u>	<u>379,559</u>	<u>315,425</u>	<u>138,547</u>	<u>124,845</u>

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30 June 2003 and 31 December 2002.

(5) *Other overdue assets*

	30 Jun 2003 <i>HK\$'000</i>	31 Dec 2002 <i>HK\$'000</i>
<b>Accrued interest:</b>		
— Three to six months overdue	488	473
— Six months to one year overdue	385	488
— Over one year overdue	<u>4,383</u>	<u>4,422</u>
	5,256	5,383
— Rescheduled assets	123	71
	<u>5,379</u>	<u>5,454</u>

(6) *Reposessed assets*

Assets acquired by repossession of collateral for realisation continue to be reported as advances. Provisions are made on the shortfall between the expected sales proceeds from realisation of the reposessed assets and the outstanding advances.

At 30 June 2003, the reposessed assets of the Group amounted to HK\$100,415,000 (31 December 2002: HK\$107,113,000).

(7) *Rescheduled advances*

	30 Jun 2003		31 Dec 2002	
	Consolidated except for UBCBM HK\$'000	UBCBM HK\$'000	Consolidated HK\$'000	Consolidated HK\$'000
Rescheduled advances (net of overdue loans over 3 months)	<u>43,272</u>	<u>—</u>	<u>43,272</u>	<u>232,682</u>
% of advances to customers	0.1%	—	0.1%	0.7%

There were no advances to banks and other financial institutions which were rescheduled as at 30 June 2003 and 31 December 2002.

(8) *Reconciliation*

	30 Jun 2003		31 Dec 2002	
	Consolidated except for UBCBM HK\$'000	UBCBM HK\$'000	Consolidated HK\$'000	Consolidated HK\$'000
Overdue loans ( <i>Note 1</i> )	353,523	227,887	581,410	453,972
Rescheduled loans ( <i>Note 2</i> )	<u>43,272</u>	<u>—</u>	<u>43,272</u>	<u>232,682</u>
	396,795	227,887	624,682	686,654
Less:Overdue loans on which interest is still being accrued	(4,535)	—	(4,535)	(3,475)
Less:Rescheduled loans on which interest is still being accrued	(17,269)	—	(17,269)	(20,796)
Add:Non-performing loans which are not overdue or rescheduled	<u>127,663</u>	<u>36,440</u>	<u>164,103</u>	<u>76,549</u>
Total non-performing loans	<u>502,654</u>	<u>264,327</u>	<u>766,981</u>	<u>738,932</u>

Notes:

- 1) Overdue loans are advances which are overdue for over three months.
- 2) Rescheduled loans which have been overdue for more than three months under the revised repayment terms are included under overdue advances and not rescheduled advances.

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

**(i) Contingent liabilities and commitments**

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

	<b>30 Jun 2003</b>	31 Dec 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct credit substitutes	<b>2,286,077</b>	2,491,814
Transaction-related contingencies	<b>201,147</b>	126,649
Trade-related contingencies	<b>734,076</b>	627,797
Other commitments		
— With an original maturity of under 1 year or which are unconditionally cancellable	<b>4,733,203</b>	4,161,036
— With an original maturity of 1 year and over	<b>8,514,316</b>	9,261,792
Forward forward deposits placed	<b>327,928</b>	49,438
	<b><u>16,796,747</u></b>	<u>16,718,526</u>

(ii) *Derivatives*

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

	<b>30 Jun 2003</b>	31 Dec 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange rate contracts		
Forwards	<b>2,420,051</b>	6,574,033
Swaps	<b>31,828,409</b>	13,738,041
Currency options purchased	<b>1,133,078</b>	5,690,033
Currency options written	<b>1,133,079</b>	5,690,038
	<u><b>36,514,617</b></u>	<u>31,692,145</u>
Interest rate contracts		
Interest rate swaps	<b>13,087,642</b>	10,582,050
Interest rate options purchased	<b>1,469,788</b>	1,469,850
Interest rate options written	<b>1,085,839</b>	1,085,886
	<u><b>15,643,269</b></u>	<u>13,137,786</u>
Other contracts		
Equity options purchased	<b>56,468</b>	44,914
Equity options written	<b>56,468</b>	44,914
	<u><b>112,936</b></u>	<u>89,828</u>
	<u><b>52,270,822</b></u>	<u>44,919,759</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 cost and credit risk weighted amounts of the above off-balance sheet exposures are:

	30 Jun 2003		31 Dec 2002	
	Replacement cost <i>HK\$'000</i>	Credit risk weighted amount <i>HK\$'000</i>	Replacement cost <i>HK\$'000</i>	Credit risk weighted amount <i>HK\$'000</i>
Contingent liabilities and commitments		<b>4,655,190</b>		5,049,274
Exchange rate contracts	<b>24,089</b>	<b>74,809</b>	48,251	46,153
Interest rate contracts	<b>113,477</b>	<b>39,565</b>	405,508	98,022
Other contracts	<b>141</b>	—	238	—
	<b><u>137,707</u></b>	<b><u>4,769,564</u></b>	<b><u>453,997</u></b>	<b><u>5,193,449</u></b>

There was no bilateral netting arrangement on the above off-balance sheet instruments.

**(10) Segmental information by class of business**

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

	Commercial and retail banking <i>HK\$'000</i>	Treasury and markets <i>HK\$'000</i>	Corporate and investment banking <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months ended 30 June 2003</b>					
Net interest income	143,988	134,695	81,596	18,874	379,153
Operating profit before provisions	100,181	119,190	144,039	(17,855)	345,555
Profit before taxation	<b><u>61,082</u></b>	<b><u>134,772</u></b>	<b><u>136,049</u></b>	<b><u>(51,022)</u></b>	<b><u>280,881</u></b>
<b>For the six months ended 30 June 2002</b>					
Net interest income	127,442	99,714	67,695	32,124	326,975
Operating profit before provisions	88,522	104,710	123,021	(17,749)	298,504
Profit before taxation	<b><u>54,673</u></b>	<b><u>112,028</u></b>	<b><u>90,293</u></b>	<b><u>(25,643)</u></b>	<b><u>231,351</u></b>

(11) *Capital adequacy ratio and capital base*

	30 Jun 2003		31 Dec 2002	
	Unadjusted ratio	Adjusted ratio	Unadjusted ratio	Adjusted ratio
Capital adequacy ratio	<u>16.0%</u>	<u>16.0%</u>	<u>17.9%</u>	<u>17.8%</u>

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

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

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

	(Restated)	
	30 Jun 2003 HK\$'000	31 Dec 2002 HK\$'000
Core capital:		
Paid up ordinary share capital	1,248,749	1,248,749
Paid up irredeemable non-cumulative convertible preference share capital	1,011,096	1,011,096
Ordinary share premium	1,786,686	1,786,686
Irredeemable non-cumulative convertible preference share premium	505,496	505,496
Reserves	882,666	743,975
Deduct: Goodwill	(638,961)	(656,710)
	<u>4,795,732</u>	<u>4,639,292</u>
Eligible supplementary capital:		
Reserves on revaluation of land and interests in land	112,602	114,649
Reserves on revaluation of holding of securities not held for trading purposes	(1,910)	4,456
General provisions for doubtful debts	292,730	274,481
Perpetual subordinated debts	1,000,000	1,000,000
Term subordinated debts	2,254,617	2,254,730
	<u>3,658,039</u>	<u>3,648,316</u>
Total capital base before deductions	8,453,771	8,287,608
Deductions from total capital base	<u>(697,287)</u>	<u>(697,322)</u>
Total capital base after deductions	<u>7,756,484</u>	<u>7,590,286</u>

(12) *Liquidity ratio*

30 Jun 2003 30 Jun 2002

Average liquidity ratio for the six months ended 41.9% 36.5%

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 Banking Ordinance.

(13) *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	EUR HK\$'000	RMB HK\$'000	Total HK\$'000
<b>As at 30 Jun 2003</b>				
Spot assets	21,575,000	229,000	51,000	21,855,000
Spot liabilities	(33,213,000)	(154,000)	—	(33,367,000)
Forward purchases	23,700,000	141,000	329,000	24,170,000
Forward sales	(11,903,000)	(218,000)	(329,000)	(12,450,000)
<b>Net long/(short) position</b>	<u>159,000</u>	<u>(2,000)</u>	<u>51,000</u>	<u>208,000</u>
<b>As at 31 Dec 2002</b>				
Spot assets	18,360,000	199,000	51,000	18,610,000
Spot liabilities	(29,789,000)	(224,000)	(40,000)	(30,053,000)
Forward purchases	16,903,000	38,000	79,000	17,020,000
Forward sales	(5,415,000)	(29,000)	(79,000)	(5,523,000)
<b>Net long/(short) position</b>	<u>59,000</u>	<u>(16,000)</u>	<u>11,000</u>	<u>54,000</u>

#### (14) Cross-border claims

The Group analyses cross-border claims by geographical areas. In determining this analysis, it has been taken into account of 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:

	<b>Banks and other financial institutions</b>	<b>Public sector entities</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 30 Jun 2003</b>				
Asia Pacific excluding Hong Kong	9,784	1,271	5,378	16,433
North and South America	193	89	3,129	3,411
Europe	<u>6,485</u>	<u>—</u>	<u>722</u>	<u>7,207</u>
<b>As at 31 Dec 2002</b>				
Asia Pacific excluding Hong Kong	11,634	332	5,984	17,950
North and South America	229	—	1,554	1,783
Europe	<u>8,428</u>	<u>—</u>	<u>385</u>	<u>8,813</u>

#### INTERIM RESULTS

The Directors of Industrial and Commercial Bank of China (Asia) Limited (“the Bank” or “ICBC (Asia)”) are pleased to announce that the unaudited consolidated profit attributable to shareholders of the Bank and its subsidiaries (“the Group”) for the six months ended 30 June 2003 was HKD232 million. This represented a 6% growth over the same period last year (First half of 2002: HKD218 million). Basic earnings per share for the six months ended 30 June 2003 was HKD0.33 (First half of 2002: HKD0.36). Return on average ordinary equity slightly declined to 9.7% (First half of 2002: 10.9%).

#### INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HKD0.12 per ordinary and convertible preference share for the six months ended 30 June 2003 (First half of 2002: HKD0.10). The interim dividend will be payable in cash on or about Friday, 19 September 2003 to shareholders whose names appear on the Register of Members of the Bank at the close of business on Thursday, 11 September 2003.

#### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Monday, 8 September 2003 to Thursday, 11 September 2003, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates must be lodged for registration with the Bank’s Share Registrar, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Friday, 5 September 2003.

## FINANCIAL REVIEW

In this announcement of the 2003 interim financial results, prior period adjustments have been made in 2002 following the adoption of the revised SSAP 12 “Income Taxes” in order to allow comparison with the 2002 financial results.

For the first six months of 2003, the Group has continued to achieve satisfactory results, notwithstanding a generally challenging industry environment, the impact of the Iraq war and the outbreak of SARS.

When compared with the first half of 2002, the Group achieved a consolidated profit before taxation of HKD281 million, representing an increase of 21% over that of HKD231 million for first half of 2002, primarily attributable to stronger revenue contribution and the risk levels remained stable. The tax shield from the days of net losses in Union Bank (the former name of ICBC (Asia)) was fully utilized in 2002, higher effective tax rate trimmed the growth of our consolidated profit after taxation to 6%.

Consolidated net interest income for the first half of 2003 increased by 16% to HKD379 million (First half of 2002: HKD327 million). The growth of HKD15 billion in average interest-bearing assets had largely compensated the drop in net interest margin. Net interest margin for the period dropped 18 basis points to 1.31% (First half of 2002: 1.49%). Albeit the lower net interest margin, which was largely explained by the growing portfolio of syndicated loans, the profit margin of the Group was enhanced by the associated fee income and low provision charge of the syndicated loans to top blue-chip corporations.

Other operating income was only up by 0.5% to HKD138 million (First half of 2002: HKD137 million). The flat fees and commission income performance reflect the increased contribution from our syndication loans business, which were offset by a drop in securities underwriting fees due to poor market conditions. The proportion of non-interest income to total operating income was 27% (First half of 2002: 30%).

In the first six months of 2003, the Bank crystallized gains on the securities investment in a low interest rate environment. The disposal of bonds produced HKD16.4 million in profit, compared to HKD9.3 million in the same period of 2002.

Operating expenses in the first half of 2003 amounted to HKD152 million, representing an increase of 3% as compared with the same period in 2002 (First half of 2002: HKD148 million). The moderate increase in operating expenses was primarily attributable to staff costs and information technology expenses. As a result, our cost to income ratio dropped from 32% in the first half of 2002 to 29% in the period, with growth in operating income far outpacing costs growth.

Net charge for bad and doubtful debts for the first half of 2003 was only HKD77 million, HKD18 million of which related to building up of the general provisions as the loan book expanded and HKD59 million related to net specific charge (i.e. after netting of provisions writeback). Compared with the corresponding period of last year, net specific provisions edged up slightly by HKD14 million due to reduced level of provisions writeback. New charges were in fact decreased by HKD24 million despite the enlarged loan book.

## **BALANCE SHEET**

Total assets were HKD66,247 million as at 30 June 2003, a 28% rise when compared with 30 June 2002 or 6% rise when compared with 31 December 2002.

Amid the lacklustre lending environment in Hong Kong, the total loans reached HKD38,561 million, an increase of HKD6,639 million by 21% since 30 June 2002 or HKD5,686 million by 17% since 31 December 2002. Major loan growth lie in syndicated loans to large cap blue-chip corporations and other China or China affiliated blue-chip companies, resulting in a much improved risk profile of the loan book. Other growth was recorded in residential mortgage, trade finance and hire purchase loans.

Additional investment in quality debt securities was also made in an effort to increase interest-earning assets. As at 30 June 2003, total investment in debt securities amounted to HKD13,526 million, or 20% of total assets (30 June 2002: HKD10,352 million; 31 December 2002: HKD10,212 million). Most of the investments were investment grade corporate bonds with mid-term maturities.

On the funding side, the Group was still able to maintain a stable customer deposit base. Customers' deposits amounted to HKD37,993 million or 67% of total liabilities as at 30 June 2003, marginally decreased by 2% from 31 December 2002. In the first half of 2003, the Group also issued the callable Certificates of Deposit totaling USD30 million and HKD851 million respectively to provide customers with higher deposit interest rates, while allowing the Bank to obtain medium-term funding at a lower cost. The loans to deposits (i.e. customers' deposits + certificates of deposit issued) ratio stood at an efficient level of 93% (31 December 2002: 80%).

## **CAPITAL ADEQUACY AND LIQUIDITY**

The Bank's consolidated capital adequacy ratio decreased from 17.8% as at 31 December 2002 to 16.0% as at 30 June 2003, reflecting rapid growth in advances to customers. The liquidity position remained strong throughout the first half of 2003 with an average liquidity ratio of 41.9% (Average for the first half of 2002: 36.5%).

## **PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

Non-performing loan ratio dropped from 2.3% as at 31 December 2002 to 2.0% as at 30 June 2003. This improvement stemmed from our focus on loan recoveries, of which HKD124 million during the first six months of 2003 and remarkable loan growth was another factor. The exposure to unsecured personal credits remained insignificant.

As at 30 June 2003, the cumulative provisions for bad and doubtful debts were HKD597 million, comprising specific provisions of HKD304 million and general provisions of HKD293 million.

Compared with 31 December 2002, overdue loans increased by HKD127 million to HKD581 million as at 30 June 2003. The debt coverage ratio (i.e. specific provisions + collateral) for overdue loans was 92.2% as of 30 June 2003 (31 December 2002: 97.0%).

## BUSINESS REVIEW

The already quiet corporate loan market in the first half of the year was over-shadowed by the outbreak of SARS. Despite this, the Bank reported a significant growth in its Corporate Banking business. Our un-reserved commitment to quality top-tier corporations, and our strong execution capability have enabled us to win significant transactions, when many market participants were in perplexity.

The corporate client base of the Bank has continuously been expanded in many facets, leveraging the strong customer base of our parent, The Industrial and Commercial Bank of China, and the reputation we built over the last couple of years. Mergers and acquisitions finance, transportation equipment finance and project finance are among the expanding product range of the Bank, complementing our traditional strength in property and conglomerate finance and syndication. Our business has also been extended beyond Hong Kong, on a selective and careful basis.

Within our Retail Banking business, our initiatives in 2003 are not only realizing the volume and revenue growth, but also to developing our product varieties and improving services. To cope with the subdued mortgage environment, we have lined up with couples of large construction firms to offer special mortgage plans to their potential buyers. We also participated in “One-stop 90% Mortgages Service” offered by Hong Kong Mortgage Corporation and “Home Assistance Loan Scheme” offered by the Hong Kong Housing Authority.

With the expansion of Wealth Management business, our Wealth Management Centre has been relocated to Tsim Sha Tsui. All staff engaging in this business line have already registered as Securities & Futures Intermediaries. In response to the keen demand of high yield products in the low interest environment, the Wealth Management Centre will continue to offer investors a wide range of instruments, including guaranteed funds, credit-linked notes, certificates of deposit and bond investments. Moreover, a new-tiered interest rate scheme has been introduced to the 349 Super Account- HKD Savings Account, in which our customers can enjoy extra interest rate benefit.

Within our Commercial Banking business, we continue to extend our strengths in financing local SMEs. Compared with the preceding year-end, the loan volume has achieved over 20% growth. The remarkable result was attributed to improved services, proactively exploring lending opportunities and strong PRC support from our parent.

Within our Treasury operation, it remains an active player in the capital market despite the challenging market conditions. In terms of the deal amount, it earned a 10th ranking in both the HKD capital markets and HKD fixed-rate issues league table in the first half of 2003.

In Taiwan Market, our Financial Institutions Department is continuously positioned to act as the bridge linking the financial activities between the Mainland China and Taiwan. In the first half of 2003, the Bank has extended co-operations from 7 to 9 Taiwanese banks. Meanwhile, we have signed Risk Participation Agreements with several financial institutions. The agreements allow the Bank engaging Risk Participation services, i.e. buy/sell the risk of transactions of documentary letter of credit and forfaiting etc., which will strengthen the capability of our trade finance services. The issues are well received by the market since the full launch in March 2003. We anticipate that the related business will be continuously improved through our comprehensive marketing promotion and professional teams.

Our distinctive strategy was presented with the 2002 results announcement in March of this year. It is pleasing to see that our actions to deliver that strategy are on track overall and ICBC (Asia)'s focus on syndicated loans business spared the Bank from soaring bad debts in consumer lending, particularly in the outbreak of SARS during mid-March. ICBC (Asia) is bullish on delivering superior performance for shareholders, staff and customers; notwithstanding we are clear that huge challenges remain. There are no short cuts to this work and 2003 is ironically a pivotal year about putting in place the foundations. Despite this, it is strongly believed the signing of CEPA on 29 June 2003 will open up new business opportunities for the Bank in Mainland. Nevertheless, work is continuing apace and the impact of changes will become more visible by the time the 2003 full year results are presented.

## **STATEMENT OF COMPLIANCE**

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

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Bank has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the six months period ended 30 June 2003, except that the Non-executive Directors of the Bank are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Bank.

## **PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES**

During the period, neither the Bank nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

## **STATUTORY ACCOUNTS**

The financial information in this interim results announcement is unaudited and does not constitute statutory accounts.

**DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“HKSE”)**

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be subsequently published on HKSE’s website in due course.

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

Hong Kong, 6 August 2003

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