



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 2004 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 2004 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 2003 annual financial statements. The Bank completed the acquisition of Belgian Bank on 30 April 2004. The results and financial position for the six months ended 30 June 2004 are presented on a consolidated basis.

(A) Consolidated Profit and Loss Information

		Six Months Ended		
	<i>Note</i>	30 Jun 2004	30 Jun 2003	Change
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Interest income		937,258	784,026	
Interest expense		(379,189)	(404,873)	
Net interest income		558,069	379,153	47%
Other operating income	(2)	139,150	137,787	1%
Operating income		697,219	516,940	35%
Operating expenses	(3)	(228,875)	(151,961)	51%
Amortisation of goodwill		(22,417)	(17,749)	26%
Operating profit before provisions		445,927	347,230	28%
Write-back of /(charge for) bad and doubtful debts - specific	(1)	47,550	(58,426)	-181%
Charge for bad and doubtful debts - general		(26,795)	(18,249)	47%
Operating profit after provisions		466,682	270,555	72%
Net gain/(loss) from disposal/revaluation of fixed assets		3,532	(13)	

	<i>Note</i>	Six Months Ended		Change
		30 Jun 2004	30 Jun 2003	
		HK\$'000	HK\$'000	%
Net profit on disposal and redemption of held-to-maturity securities		5	8,292	
Net profit on disposal of non-trading securities		434	8,108	
Impairment loss on non-trading securities		(200)	—	
Share of net loss of associated companies		(33,716)	(6,061)	
Profit before taxation		436,737	280,881	55%
Taxation	(4)	(79,160)	(48,990)	
Profit attributable to shareholders		357,577	231,891	54%
Proposed interim dividends	(5)	146,715	99,191	
Per share:				
● Basic earnings	(6)			
— reported basis		HK\$0.42	HK\$0.33	27%
— cash basis		HK\$0.45	HK\$0.36	25%
● Diluted earnings	(6)			
— reported basis		HK\$0.37	HK\$0.28	32%
— cash basis		HK\$0.40	HK\$0.30	33%
● Proposed interim dividends		HK\$0.14	HK\$0.12	17%

(B) Consolidated Balance Sheet Information

	30 Jun 2004	31 Dec 2003	Change	30 Jun 2003	Change
<i>Note</i>	HK\$'000	HK\$'000	%	HK\$'000	%
Assets					
Cash and short-term funds	11,530,508	13,551,535	-15%	9,844,639	17%
Placements with banks and other financial institutions maturing between one and twelve months	2,166,641	4,718,871	-54%	2,129,478	2%
Trade bills	(7) 1,697,049	789,998	115%	309,460	448%
Certificates of deposit held	11,281,994	7,554,710	49%	7,223,476	56%
Trading securities	100	—		—	
Held-to-maturity securities	7,948,737	4,675,928	70%	5,519,240	44%
Advances and other accounts	(7) 58,343,830	41,465,577	41%	38,596,066	51%

		30 Jun 2004	31 Dec 2003	Change	30 Jun 2003	Change
	<i>Note</i>	HK\$'000	HK\$'000	%	HK\$'000	%
Non-trading securities		1,426,350	1,344,174	6%	1,055,931	35%
Deferred tax assets, net	(8)	36,017	8,026	349%	35,950	0%
Investments in associated companies		124,245	161,467	-23%	187,277	-34%
Trading rights		2,585	—		—	
Goodwill		895,088	621,212	44%	638,961	40%
Tangible fixed assets		490,294	428,126	15%	706,395	-31%
		<u>95,943,438</u>	<u>75,319,624</u>	27%	<u>66,246,873</u>	45%
Liabilities						
Deposits and balances of banks and other financial institutions		21,094,978	22,251,182	-5%	15,976,583	32%
Deposits from customers	(9)	52,881,695	35,392,938	49%	37,993,437	39%
Certificates of deposit issued		6,826,238	6,913,873	-1%	2,509,613	172%
Provision for taxation		169,175	14,075	1102%	114,833	47%
Deferred tax liabilities		—	—		81,799	-100%
Other accounts and provisions		1,363,364	651,947	109%	422,403	223%
		<u>82,335,450</u>	<u>65,224,015</u>	26%	<u>57,098,668</u>	44%
Capital Resources						
Loan capital	(10)	5,360,802	4,178,304	28%	3,254,617	65%
Ordinary share capital of HK\$2 each		2,095,930	1,248,749	68%	1,248,749	68%
Convertible non-cumulative preference share capital of HK\$5 each		—	1,011,096	-100%	1,011,096	-100%
Reserves	(11)	6,151,256	3,657,460	68%	3,633,743	69%
		<u>13,607,988</u>	<u>10,095,609</u>	35%	<u>9,148,205</u>	49%
		<u>95,943,438</u>	<u>75,319,624</u>	27%	<u>66,246,873</u>	45%

Notes

(1) Analysis of provisions writeback / (charge) for bad and doubtful debts - specific

	30 Jun 2004	30 Jun 2003
	HK\$'000	HK\$'000
Additional provisions	(11,365)	(73,183)
Less: Provisions writeback	58,915	14,757
	<u>47,550</u>	<u>(58,426)</u>

(2) **Other operating income**

	30 Jun 2004	30 Jun 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees and commission income	101,434	120,604
Less: fees and commission expense	<u>(2,164)</u>	<u>(1,224)</u>
Net fees and commission income	99,270	119,380
Net gain from foreign exchange activities	12,905	3,238
Net (loss)/gain from trading securities	(6)	1,117
Dividend income from investments in securities:		
— Listed investments	1,512	1,889
— Unlisted investments	4,715	1,876
Others	<u>20,754</u>	<u>10,287</u>
	<u>139,150</u>	<u>137,787</u>

(3) **Operating expenses**

Including depreciation on tangible fixed assets and amortisation of trading rights for the six months ended 30 June 2004 amounting to HK\$11,974,000 (30 June 2003: HK\$11,323,000) and HK\$230,000 (30 June 2003: Nil) respectively.

(4) **Taxation**

Hong Kong Profits Tax has been provided at the rate of 17.5% (2003: 17.5%) 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 2004	30 Jun 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:		
- Hong Kong profits tax	80,331	53,710
- Overseas taxation	643	—
Deferred taxation (<i>note 8</i>)	<u>(1,814)</u>	<u>(4,720)</u>
	<u>79,160</u>	<u>48,990</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 2004	30 Jun 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>436,737</u>	<u>280,881</u>
Calculated at a taxation rate of 17.5% (2003: 17.5%)	76,429	49,154
Effect of different taxation rates in other countries	312	—
Income not subject to taxation	(8,192)	(2,112)
Expenses not deductible for taxation purposes	<u>10,611</u>	<u>1,948</u>
Taxation charge	<u>79,160</u>	<u>48,990</u>

(5) **Proposed interim dividends**

	30 Jun 2004	30 Jun 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed interim dividend, HK\$0.14 per share (2003: HK\$0.12 per share), to be paid to:		
- Convertible preference shareholders	—	24,266
- Ordinary shareholders	<u>146,715</u>	<u>74,925</u>
	<u>146,715</u>	<u>99,191</u>

(6) **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\$357,577,000 (2003: HK\$207,625,000) and on 851,203,926 (2003: 624,374,304) 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\$357,577,000 (2003: HK\$231,891,000) and on 957,869,008 (2003: 826,593,522) 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.

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

	30 Jun 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances to customers	57,140,056	40,375,437
Advances to banks and other financial institutions	650,083	637,502
Trade bills	1,707,763	797,978
Provisions for bad and doubtful debts:		
- Specific	(384,665)	(308,459)
- General	<u>(470,009)</u>	<u>(342,291)</u>
	58,643,228	41,160,167
Accrued interest and other accounts	1,397,805	1,096,033
Provisions for accrued interest	<u>(154)</u>	<u>(625)</u>
	<u>60,040,879</u>	<u>42,255,575</u>

(8) Deferred tax assets, net

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

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

	30 Jun 2004	31 Dec 2003
	HK\$'000	HK\$'000
At the beginning of period/year	8,026	(50,722)
Acquisition of subsidiaries	17,566	—
Credited to profit and loss (<i>note 4</i>)	1,814	14,692
Credited to equity	8,611	<u>44,056</u>
At the end of period/year	<u>36,017</u>	<u>8,026</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determining after appropriate offsetting, are shown in the balance sheet.

	30 Jun 2004	31 Dec 2003
	HK\$'000	HK\$'000
Deferred tax assets	78,140	43,698
Deferred tax liabilities	<u>(42,123)</u>	<u>(35,672)</u>
	<u>36,017</u>	<u>8,026</u>

The amounts shown in the balance sheet include the following:

	30 Jun 2004	31 Dec 2003
	HK\$'000	HK\$'000
Deferred tax assets to be recovered after more than 12 months	77,608	43,698
Deferred tax liabilities to be settled after more than 12 months	<u>(39,777)</u>	<u>(33,953)</u>

(9) Deposits from customers

	30 Jun 2004	31 Dec 2003
	HK\$'000	HK\$'000
Demand deposits and current accounts	3,006,528	1,052,903
Savings deposits	9,695,980	4,674,028
Time, call and notice deposits	<u>40,179,187</u>	<u>29,666,007</u>
	<u>52,881,695</u>	<u>35,392,938</u>

(10) 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.

(11) Reserves

	30 Jun 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary share premium	4,700,603	1,786,686
Convertible preference share premium	16,126	505,496
Bank premises revaluation reserve	143,361	118,816
Investment revaluation reserve	(59,076)	6,080
Exchange reserve	(5)	(239)
General reserve	219,200	219,200
Retained profits	<u>1,131,047</u>	<u>1,021,421</u>
	<u>6,151,256</u>	<u>3,657,460</u>
Proposed dividends not provided for	<u>146,715</u>	<u>247,382</u>

(C) Supplementary Information

(1) Advances to customers - by industry sectors

	30 Jun 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	2,487,745	2,603,588
- Property investment	8,500,202	4,565,689
- Financial concerns	3,851,840	4,703,357
- Stockbrokers	11,119	28,765
- Wholesale and retail trade	2,196,693	1,157,964
- Civil engineering works	587,067	953,962
- Manufacturing	5,334,032	3,312,613
- Transport and transport equipment	7,171,501	6,058,827
- Electricity, gas and telecommunications	1,790,244	1,305,959
- Hotels, boarding house and catering	1,314,365	1,066,807
- Others	4,969,296	4,081,030

30 Jun 2004 31 Dec 2003
HK\$'000 **HK\$'000**

Individuals		
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	139,518	91,024
- Loans for the purchase of other residential properties	12,636,608	7,891,846
- Credit advances	56,357	—
- Others	966,616	597,389
Trade finance	4,617,895	1,566,929
Loans for use outside Hong Kong	<u>508,958</u>	<u>389,688</u>
	<u>57,140,056</u>	<u>40,375,437</u>

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

At 30 June 2004 and 31 December 2003, 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 <i>HK\$'000</i>	% of advances to customers	Market value of collateral <i>HK\$'000</i>	Specific provision made <i>HK\$'000</i>	Interest suspended <i>HK\$'000</i>
As at 30 June 2004	<u>901,811</u>	<u>1.6%</u>	<u>444,772</u>	<u>384,642</u>	<u>67,844</u>
As at 31 December 2003	<u>668,397</u>	<u>1.7%</u>	<u>396,318</u>	<u>308,406</u>	<u>117,679</u>

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 2004 and 31 December 2003 nor where there any specific provision made for them on these two days.

(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>
As at 30 June 2004						
Three to six months overdue	45,851	0.1%	60,950	39,026	6,825	12,086
Six months to one year overdue	21,830	0.0%	28,201	17,436	4,394	6,276
Over one year overdue	<u>484,871</u>	<u>0.9%</u>	<u>202,355</u>	<u>158,483</u>	<u>326,388</u>	<u>267,555</u>
	<u>552,552</u>	<u>1.0%</u>	<u>291,506</u>	<u>214,945</u>	<u>337,607</u>	<u>285,917</u>
As at 31 December 2003						
Three to six months overdue	38,943	0.1%	44,929	35,556	3,387	3,574
Six months to one year overdue	130,546	0.3%	39,426	35,886	94,660	76,748
Over one year overdue	<u>342,423</u>	<u>0.9%</u>	<u>191,133</u>	<u>151,815</u>	<u>190,608</u>	<u>177,690</u>
	<u>511,912</u>	<u>1.3%</u>	<u>275,488</u>	<u>223,257</u>	<u>288,655</u>	<u>258,012</u>

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30 June 2004 and 31 December 2003.

(5) **Other overdue assets**

	30 Jun 2004 <i>HK\$'000</i>	31 Dec 2003 <i>HK\$'000</i>
Accrued interest:		
- Three to six months overdue	503	233
- Six months to one year overdue	138	342
- Over one year overdue	<u>1,223</u>	<u>3,442</u>
	1,864	4,017
- Rescheduled assets	<u>39</u>	<u>78</u>
	<u>1,903</u>	<u>4,095</u>

(6) **Repossessed assets**

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

At 30 June 2004, the repossessed assets of the Group amounted to HK\$35,390,000 (31 December 2003: HK\$35,464,000).

(7) **Rescheduled advances**

	30 Jun 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rescheduled advances (net of overdue loans over 3 months)	<u>141,512</u>	<u>61,487</u>
% of advances to customers	<u>0.2%</u>	<u>0.2%</u>

There were no advances to banks and other financial institutions which were rescheduled as at 30 June 2004 and 31 December 2003.

(8) **Reconciliation**

	30 Jun 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue loans (<i>Note 1</i>)	552,552	511,912
Rescheduled loans (<i>Note 2</i>)	<u>141,512</u>	<u>61,487</u>
	694,064	573,399
Less: Overdue loans on which interest is still being accrued	(10,908)	(3,367)
Less: Rescheduled loans on which interest is still being accrued	(13,994)	(14,516)
Add: Non-performing loans which are not overdue or rescheduled	<u>232,649</u>	<u>112,881</u>
Total non-performing loans	<u>901,811</u>	<u>668,397</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:

	30 Jun 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct credit substitutes	1,663,442	2,107,357
Transaction-related contingencies	291,386	188,505
Trade-related contingencies	3,089,593	919,114
Other commitments		
- With an original maturity of under 1 year or which are unconditionally cancellable	14,477,292	5,307,690
- With an original maturity of 1 year and over	8,852,018	8,066,276
Forward forward deposits placed	<u>218,065</u>	<u>87,069</u>
	<u>28,591,796</u>	<u>16,676,011</u>

(ii) **Derivatives**

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

	30 Jun 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange rate contracts		
Forwards	9,115,357	2,089,629
Swaps	21,352,534	28,803,775
Currency options purchased	1,106,556	335,466
Currency options written	<u>1,124,002</u>	<u>335,466</u>
	<u>32,698,449</u>	<u>31,564,336</u>
Interest rate contracts		
Interest rate swaps	29,358,033	16,424,687
Interest rate options purchased	4,207,388	2,072,947
Interest rate options written	<u>3,433,420</u>	<u>1,301,891</u>
	<u>36,998,841</u>	<u>19,799,525</u>
Other contracts		
Equity options purchased	16,283	50,116
Equity options written	<u>16,283</u>	<u>50,116</u>

30 Jun 2004	31 Dec 2003
<i>HK\$'000</i>	<i>HK\$'000</i>
<u>32,566</u>	<u>100,232</u>
<u>69,729,856</u>	<u>51,464,093</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 they do not represent the amount of risk.

The aggregate replacement cost and credit risk weighted amounts of the above off-balance sheet exposures are:

	30 Jun 2004		31 Dec 2003	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contingent liabilities and commitments		5,352,455		4,441,136
Exchange rate contracts	62,477	89,927	60,765	76,905
Interest rate contracts	250,815	80,371	337,633	85,374
Other contracts	<u>34</u>	<u>—</u>	<u>334</u>	<u>—</u>
	<u>313,326</u>	<u>5,522,753</u>	<u>398,732</u>	<u>4,603,415</u>

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>
For the six months ended 30 June 2004					
Net interest income	309,487	191,914	75,032	(18,364)	558,069
Operating profit before provisions	223,914	186,949	81,383	(46,319)	445,927
Profit before taxation	<u>207,109</u>	<u>185,017</u>	<u>96,388</u>	<u>(51,777)</u>	<u>436,737</u>
For the six months ended 30 June 2003					
Net interest income	143,988	134,695	81,596	18,874	379,153
Operating profit before provisions	100,181	119,190	144,039	(16,180)	347,230
Profit before taxation	<u>61,082</u>	<u>134,772</u>	<u>136,049</u>	<u>(51,022)</u>	<u>280,881</u>

(11) **Capital adequacy ratio and capital base**

	30 Jun 2004		31 Dec 2003	
	Unadjusted ratio	Adjusted ratio	Unadjusted ratio	Adjusted ratio
Capital adequacy ratio	<u>18.0%</u>	<u>18.0%</u>	<u>16.7%</u>	<u>16.7%</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:

	30 Jun 2004	31 Dec 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Core capital:		
Paid up ordinary share capital	2,095,930	1,248,749
Paid up irredeemable non-cumulative convertible preference share capital	—	1,011,096
Ordinary share premium	4,700,603	1,786,686
Irredeemable non-cumulative convertible preference share premium	16,126	505,496
Reserves	1,171,131	990,966
Deduct: Goodwill	<u>(895,088)</u>	<u>(621,212)</u>
	<u>7,088,702</u>	<u>4,921,781</u>
Eligible supplementary capital:		
Reserves on revaluation of land and interests in land	100,353	83,172
Reserves on revaluation of holding of securities not held for trading purpose	(25,070)	(15,852)
General provision for doubtful debts	470,009	342,291
Perpetual subordinated debts	1,935,952	1,931,584
Term subordinated debts	<u>3,424,850</u>	<u>2,246,720</u>
	<u>5,906,094</u>	<u>4,587,915</u>
Total capital base before deductions	12,994,796	9,509,696
Deductions from total capital base	<u>(623,666)</u>	<u>(697,287)</u>
Total capital base after deductions	<u>12,371,130</u>	<u>8,812,409</u>

(12) **Liquidity ratio**

	30 Jun 2004	30 Jun 2003
Average liquidity ratio for the six months ended	<u>40.4%</u>	<u>41.9%</u>

The average liquidity ratio for the period is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Fourth Schedule to the 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\$ <i>HK\$'000</i>	EUR <i>HK\$'000</i>	RMB <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 Jun 2004				
Spot assets	30,954,000	2,647,000	126,000	33,727,000
Spot liabilities	(43,723,000)	(1,354,000)	(70,000)	(45,147,000)
Forward purchases	22,754,000	1,035,000	863,000	24,652,000
Forward sales	(10,043,000)	(2,332,000)	(863,000)	(13,238,000)
Net (short)/long position	<u>(58,000)</u>	<u>(4,000)</u>	<u>56,000</u>	<u>(6,000)</u>
As at 31 Dec 2003				
Spot assets	26,204,000	475,000	50,000	26,729,000
Spot liabilities	(40,430,000)	(114,000)	—	(40,544,000)
Forward purchases	23,079,000	32,000	566,000	23,677,000
Forward sales	<u>(8,678,000)</u>	<u>(407,000)</u>	<u>(566,000)</u>	<u>(9,651,000)</u>
Net long/(short) position	<u>175,000</u>	<u>(14,000)</u>	<u>50,000</u>	<u>211,000</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:

	Banks and other financial institutions <i>HK\$'000</i>	Public sector entities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 Jun 2004				
Asia Pacific excluding Hong Kong	11,830,000	564,000	4,760,000	17,154,000
North and South America	480,000	285,000	4,182,000	4,947,000
Europe	<u>10,797,000</u>	<u>1,967,000</u>	<u>1,063,000</u>	<u>13,827,000</u>
As at 31 Dec 2003				
Asia Pacific excluding Hong Kong	13,479,000	1,269,000	4,275,000	19,023,000
North and South America	895,000	95,000	3,309,000	4,299,000
Europe	<u>9,665,000</u>	<u>—</u>	<u>928,000</u>	<u>10,593,000</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 after tax profit of the Bank and its subsidiaries (“the Group”) for the six months ended 30 June 2004 was HK\$358 million. This represented a 54% growth over the same period last year (First half of 2003: HK\$232 million). Basic earnings per share for the six months ended 30 June 2004 was HK\$0.42 (First half of 2003: HK\$0.33). Return on average ordinary equity increased to 11.1% (First half of 2003: 9.7%).

Interim Dividend

The Directors are pleased to declare an interim dividend of HK\$0.14 per ordinary share for the six months ended 30 June 2004 (First half of 2003: HK\$0.12). The interim dividend will be payable in cash on or about Friday, 17 September 2004 to shareholders whose names appear on the Register of Members of the Bank at the close of business on Friday, 3 September 2004.

Closure of Register of Members

The Register of Members of the Bank will be closed from Monday, 6 September 2004 to Friday, 10 September 2004, both days inclusive, during this period no transfer of shares will be registered. In order to qualify for the above interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Bank’s Share Registrars, 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, 3 September 2004.

Financial Review

The Bank completed the acquisition of Belgian Bank on 30 April 2004. The results and financial position for the six months ended 30 June 2004 are presented on a consolidated basis.

For the first six months of 2004, the Group has continued to achieve overwhelming results, notwithstanding the intense competition within the banking industry.

For the first half of 2004, the Group with the contribution from Belgian Bank achieved a consolidated profit before taxation of HK\$437 million, representing an increase of 55%, over that of HK\$281 million for the first half of 2003.

Consolidated net interest income for the first half of 2004 surged by 47% to HK\$558 million from HK\$379 million for the first half of 2003.

Other operating income was slightly up by 1% to HK\$139 million (First half of 2003: HK\$138 million), as a result of fees and commissions consistently generated from new loans and treasury related products.

Operating expenses increased by 51% to HK\$229 million, including those operating expenses of Belgian Bank, for the first half of 2004 (First half of 2003: HK\$152 million), main areas of the increase were from business promotion, premises and staff expenses. Nevertheless the cost to income ratio, excluding the amortisation of goodwill, had gone up by 4% to 33% compared with 29% of the same period in 2003.

Amortisation of goodwill increased by 26% to HK\$22 million for the first half of 2004 (First half of 2003: HK\$18 million), this had taken into account of the goodwill arisen from the acquisition of Belgian Bank.

With continuous improvement in the economy and decreasing unemployment of Hong Kong, coupled with the tremendous effort from the recovery unit, the Group recorded a write back of HK\$21 million on charge for bad and doubtful debts for the period, compared with HK\$77 million net charges for the first half of 2003.

Share of net loss of associated company recorded a net loss of HK\$34 million for the period (First half of 2003: HK\$6 million), from China Ping An Insurance (Hong Kong) Company Limited and The Tai Ping Insurance Company, Limited.

Balance Sheet

Combining the assets of Belgian Bank, the Group's total assets reached HK\$95,943 million as at 30 June 2004, a 27% rise compared with 31 December 2003 or 45% rise compared with 30 June 2003.

Together with Belgian Bank, the Group's loan portfolio had diversified from mainly syndicated loans into other areas such as installment loans, trade finance as well as credit card and the total loans reached HK\$59,498 million as at 30 June 2004 (HK\$41,811 million as at 31 December 2003), an increase of 42%.

Due to the low yield in inter-bank placements, the Group increased 49% in certificates of deposits held, amounted to HK\$11,282 million as at 30 June 2004 (HK\$7,555 million as at 31 December 2003), also 70% increase in held-to-maturity securities and reached HK\$7,949 million as at 30 June 2004 (HK\$4,676 million as at 31 December 2003).

After the acquisition of Belgian Bank, goodwill amounted to HK\$895 million, an increase of 44%, as at 30 June 2004, compared with HK\$621 million as at 31 December 2003.

Coupled with Belgian Bank, total customer deposits plus certificate of deposits issued reached HK\$59,708 million as at 30 June 2004, 73% of the total liabilities, represented an increase of 41% compared with HK\$42,307 million as at 31 December 2003.

Capital Adequacy and Liquidity

Combined with Belgian Bank, the Group's capital adequacy ratio increased to 18% as at 30 June 2004 from 16.7% as at 31 December 2003. The liquidity position remained strong throughout the first half of 2004 with an average liquidity ratio of 40.4% (Average for the first half of 2003: 41.9%)

Provisions for Bad and Doubtful Debts

The Group's non-performing loan ratio was 1.7% as at 31 December 2003 and (when combined with Belgian Bank) dropped to 1.6% as at 30 June 2004. The non-performing loan ratio for Belgian Bank as at 30 June 2004 was 2.5%. This improvement in the Group's figures resulted from our tireless efforts on loan recoveries.

Combined with Belgian Bank, the cumulative provisions for bad and doubtful debts of the Group were HK\$855 million, comprising specific provisions of HK\$385 million and general provisions of HK\$470 million, which represented a 31% increase over those of 31 December 2003.

Compared with 31 December 2003, overdue loans increased by HK\$41 million to HK\$553 million as at 30 June 2004. The debt coverage ratio (i.e. specific provisions + collateral) for overdue loans was 90.6% as of 30 June 2004 (31 December 2003: 94%).

Credit Rating

The Bank was assigned first time credit ratings by Moody's Investors Services and received A2/Prime-1 long term/short term deposit ratings and D Bank Financial Strength Rating (BFSR). The outlook for the deposit ratings is stable while the outlook for the D BFSR rating is positive.

Acquisition of Belgian Bank (Formerly Fortis Bank Asia HK)

On 31 December 2003, ICBC (Asia) entered into a sale and purchase agreement (the "SPA") with Generale Belgian Holding B.V. ("GBH") and Fortis Bank for the acquisition of the retail and commercial banking business of Fortis Bank Asia HK ("FBAHK")(excluding certain assets which were not transferred to the Bank) by way of an acquisition of the entire issued share capital of FBAHK from GBH (the "Acquisition"). The Acquisition was completed on 30 April 2004 (the "Completion Date"), and FBAHK became a wholly-owned subsidiary of ICBC (Asia) and renamed Belgian Bank with effect from 1 May 2004. Under the SPA, the agreed value of the Acquisition was 1.05 times the consolidated net asset value of Belgian Bank and its subsidiaries as of the Completion Date, to be satisfied by a cash payment and the allotment and issuance of 94,317,000 ordinary shares of the Bank, representing approximately 9% of the enlarged issued share capital of the Bank, to GBH. Based on the net asset value of Belgian Bank and its subsidiaries and the Group as of the Completion Date (each as determined in accordance with the provisions of the SPA), the aggregate purchase price payable by the Bank to GBH was HK\$2,530.9 million, satisfied by a cash payment of HK\$1,778.4 million and the 9% consideration shares in the capital of the Bank issued to GBH, with an agreed value of HK\$752.5 million.

Business Review

Started from mid 2003, the Central Government supports HKSAR with various policies, included "Pan-PRD Regional Cooperation Agreement" launched since 2nd quarter of 2004

besides the “CEPA”, “Individual Traveler” and “RMB business arrangement”. All these policies have stimulated the economic recovery of Hong Kong and obviously boomed the climate of retail business sector. The business-operating environment of the first half of 2004 was relatively stable under the continuous capital inflow and abundance condition.

In the area of residential mortgage, our revenue was significantly improved. The low interest rate environment and continuous price increase of property market have led to improvement of negative-equity cases and the appetite of HK people to purchase residential property. However, as the accumulative price increase was significant, purchase transaction started to slow down. Banks are shifting to mortgage re-financing business. Hence the mortgage interest spread is tightening even further. The Bank shall strive to keep our portfolio stable by proactively monitoring the market situation and adjusting our business strategies accordingly.

In the area of taxi and public light bus hire purchase and leasing business, the interest spread is tightening as price competition continuous. As of 30 June 2004, our loan portfolio of hire purchase and leasing business recorded a growth of over 40% and significant increase in net interest income. Delinquency rate was well maintained at below 0.15%. Our market share on taxi and public light bus further increased to approximately 10.5% to maintain at top 6 ranking in the market. We expect competition will be furious in the coming year.

In the area of investment service business, our Wealth Management Centre adopted advance integrated Securities System and Contact Centre Solution at the beginning of the year to boost securities trading services. Stock turnover rose by 250% in the first half of 2004 compared with the first half of 2003 and over HK\$1,500 million of IPO subscription loans for “Semiconductor Manufacturing International Corp”, “China Shipping Container” and “Ping An Insurance”. Moreover, our bank actively participated in distribution of various investment products, which included Hong Kong Linked 2004 Retail Bond, Hong Kong Mortgage Corporation Retail Bond and unit trusts to meet our customers’ investment needs. During the period, sales of unit trusts were outstanding that it almost met the total for the whole year of 2003.

Following the green light shed by People Bank of China late last year, we were one of the first banks that provided personal Renminbi banking service which included savings account, fixed deposit, exchange and remittance services in Hong Kong.

In addition, we were the first among banks in Hong Kong introduce the “Personal Predetermined Rate Remittance” service. It provides customers with additional choice on remittance service to Mainland China and further ensures our Bank’s competitiveness in serving the active cross-border customer segment.

Corporate and Investment Banking continues to upgrade its product and service capacities and expand its client base both locally and internationally. As a result, we obtained our first aircraft finance (non-bank guaranteed) syndicated loan mandate (awarded by Hong Kong Dragon Airlines Limited), our first Australian syndicated loan mandate (awarded by Qantas Airways Limited) and Hong Kong’s first REIT (Real Estate Investment Trust) related syndicated loan.

The first half result of Commercial Banking has moderately exceeded our original expectation. Renewed loan demand from SME as well as positive property market sentiment has led to significant loan growth of more than 20% compared with last year end. The announcement of acquisition on Fortis' commercial banking business has demonstrated ICBC (Asia)'s strong and long-term commitment on SME financing in the local market. Despite the recent tightening of lending policy in PRC, the impact on local SME doing business in China will be minimal. The global interest rate started to rebound from the bottom but the pace is not expected to be fast. Overall speaking, we are cautiously optimistic to post another year of meaningful growth for the Group.

Within our Treasury operation, we had achieved good results in the first half of 2004 although the interest rates rebound from the low level and made the funding cost increase. Our investments were largely unchanged and managed conservatively during the period. A large proportion was maintained in floating-rate securities, which reduced the interest rate risk.

We continue to offer a wide range of yield enhancing and principal protected products to individual investors as well as institutions. We also increased our income by cooperating with other business units for cross selling.

Our Treasury operation offered a total of HK\$3,145 million of Certificate of Deposits during the first six months of 2004, in order to secure a long term and stable funding source.

Our management and risk monitoring systems were further strengthened. A new project has started to enhance our settlement processing systems. A number of treasury policies and procedures were revised or newly established to improve our operation and risk management.

With the merger of Belgian Bank, Treasury operation of both banks had been cooperating to increase our product spectrum and exploit cross-selling opportunities.

In view of the impending rise in interest rate, we would endeavor to widen our customer base in order to increase our fee income and decrease the influence of rise in interest rate.

Financial Institutions Department is continuously strengthened its position on acting as a bridge linking the financial activities between Mainland China and Taiwan. In the first half of 2004, through the competent customer services and competitive pricing, the bank had extended the cooperation with domestic financial institutions by opening vostro accounts in order to conduct the PRC remittance service. In return, the revenue of PRC remittance was increased by 38.9% compared with the same period last year. For the business of trade finance, with the improvement of internal control and operation procedures, we had further widened our business network and enlarged the market share. As a result, the accumulated loan commitments of trade finance reached over US\$200 million in the first half of 2004, representing an increase of 100% over the preceding year.

Compliance with the Guideline on “Interim Financial Disclosure by Locally Incorporated Authorised Institutions”

The Bank has fully complied with the disclosure requirements as set out in the Supervisory Policy Manual entitled “Interim Financial Disclosure by Locally Incorporated Authorised Institutions” issued by the Hong Kong Monetary Authority on 8 November 2002.

Compliance with the Code of Best Practice of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (The “Listing Rules”)

In the opinion of the Directors, the Group has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the six month period ended 30 June 2004, except for the Non-Executive Directors and the Independent Non-Executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bank’s Articles of Association.

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 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 under paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be subsequently published on HKSE’s website.

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

Hong Kong, 18 August 2004

As at the date of this announcement, the Board comprises Mr. Zhu Qi, Mr. Wong Yuen Fai and Mr. Wang Yan as executive directors, Dr. Jiang Jianqing, Ms. Wang Lili, Mr. Chen Aiping and Mr. Damis Jacobus Ziengs as non-executive directors and Professor Wong Yue Chim, Richards, SBS, JP, Mr. Tsui Yiu Wa, Alec and Mr. Yuen Kam Ho, George as independent non-executive directors.