



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 2005 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 2005 as follows:-

UNAUDITED INTERIM RESULTS

(A) Consolidated Profit and Loss Information

	<i>Note</i>	Six Months Ended		Change %
		30 Jun 2005 HK\$'000	30 Jun 2004 HK\$'000	
Interest income		1,623,932	937,258	
Interest expense		(1,053,815)	(379,189)	
Net interest income		570,117	558,069	2%
Other operating income	(2)	386,228	139,150	178%
Operating income		956,345	697,219	37%
Operating expenses	(3)	(428,926)	(228,875)	87%
Amortisation of goodwill		—	(22,417)	
Operating profit before loan impairment allowances / provisions		527,419	445,927	18%
Write-back of bad and doubtful debts				
- specific provisions	(1)	—	47,550	
Charge for bad and doubtful debts				
- general provisions		—	(26,795)	
Write-back of individual impairment allowances	(1)	24,260	—	
Charge for collective impairment allowances		(33,524)	—	
Operating profit after loan impairment allowances / provisions		518,155	466,682	11%
Net (loss) / gain from disposal / revaluation of fixed assets		(903)	3,532	
Net profit on disposal and redemption of held-to-maturity securities		4	5	

	<i>Note</i>	Six Months Ended		Change %
		30 Jun 2005 HK\$'000	30 Jun 2004 HK\$'000	
Net profit on disposal of available-for-sale securities		59,720	—	
Net profit on disposal of non-trading securities		—	434	
Impairment loss on non-trading securities		—	(200)	
Share of net profit / (loss) of associated companies		<u>283</u>	<u>(33,716)</u>	
Profit before taxation		577,259	436,737	32%
Taxation	(4)	(101,708)	<u>(79,160)</u>	
Profit attributable to shareholders		475,551	357,577	33%
Proposed interim dividend	(5)	<u>188,634</u>	<u>146,715</u>	
Per share:				
● Basic earnings	(6)			
- reported basis		HK\$0.45	HK\$0.42	7%
- cash basis		HK\$0.45	HK\$0.45	0%
● Diluted earnings	(6)			
- reported basis		HK\$0.45	HK\$0.37	22%
- cash basis		HK\$0.45	HK\$0.40	13%
● Proposed interim dividend		HK\$0.18	HK\$0.14	29%

(B) Consolidated Balance Sheet Information

	30 Jun 2005	31 Dec 2004	Change	30 Jun 2004	Change	
	Note	HK\$'000	HK\$'000	%	HK\$'000	%
Assets						
Cash and short-term funds		17,700,898	13,845,905	28%	11,530,508	54%
Placements with banks and other financial institutions maturing between one and twelve months		2,382,200	5,132,657	-54%	2,166,641	10%
Trade bills	(7)	2,270,265	1,859,246	22%	1,697,049	34%
Certificates of deposit held		5,814,571	6,564,527	-11%	11,281,994	-48%
Securities measured at fair value through profit or loss		1,124,806	—		100	1124706%
- Trading		98	—		100	
- Designated		1,124,708	—		—	
Held-to-maturity securities		2,268,629	7,662,886	-70%	7,948,737	-71%
Derivative financial instruments		128,749	—		—	
Available-for-sale securities		6,262,174	—		—	
Advances and other accounts	(7)	68,711,489	61,366,802	12%	58,343,830	18%
Non-trading securities		—	1,535,710		1,426,350	
Deferred tax assets, net	(8)	24,498	27,403	-11%	36,017	-32%
Investments in associated companies		28,615	28,332	1%	124,245	-77%
Intangible assets		1,005,787	998,054	1%	897,673	12%
Tangible fixed assets		95,826	322,128	-70%	490,294	-80%
		<u>107,818,507</u>	<u>99,343,650</u>	9%	<u>95,943,438</u>	12%
Equity and liabilities						
Deposits and balances of banks and other financial institutions		22,231,904	17,520,277	27%	21,094,978	5%
Deposits from customers	(9)	58,425,848	56,058,169	4%	52,881,695	10%
- At fair value through profit or loss		735,540	—		—	
- At amortised cost		57,690,308	56,058,169		52,881,695	
Certificates of deposit issued		8,311,486	7,345,360	13%	6,826,238	22%
- At fair value through profit or loss		3,132,248	—		—	
- At amortised cost		5,179,238	7,345,360		6,826,238	
Issued debt securities		3,051,102	3,095,423	-1%	—	
- At fair value through profit or loss		3,051,102	—		—	
- At amortised cost		—	3,095,423		—	
Provision for taxation		76,178	14,553	423%	169,175	-55%
Derivative financial instruments		191,276	—		—	
Other accounts and provisions		1,410,721	1,420,221	-1%	1,363,364	3%
		<u>93,698,515</u>	<u>85,454,003</u>	10%	<u>82,335,450</u>	14%
Loan capital	(10)	5,347,635	5,348,229	0%	5,360,802	0%
Share capital		2,095,930	2,095,930	0%	2,095,930	0%
Reserves	(11)	6,676,427	6,445,488	4%	6,151,256	9%
		<u>14,119,992</u>	<u>13,889,647</u>	2%	<u>13,607,988</u>	4%
		<u>107,818,507</u>	<u>99,343,650</u>	9%	<u>95,943,438</u>	12%

(C)

1. Basis of preparation and accounting policies

The accounting policies and basis of preparation adopted in these unaudited consolidated condensed interim financial statements are consistent with those adopted in the Group's 2004 Annual Report except for the new adoption of new / revised HKFRSs and HKASs as disclosed in note 2 below.

2. Impact of new / revised HKFRSs and HKASs

The HKICPA has issued a number of new / revised HKFRSs, and HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements:

- HKAS 17 "Leases"
- HKAS 32 "Financial Instruments: Disclosure and Presentation"
- HKAS 36 "Impairment of Assets"
- HKAS 38 "Intangible Assets"
- HKAS 39 "Financial Instruments: Recognition and Measurement"
- HKFRS 3 "Business Combinations"
- HKFRS 5 "Non-current Assets Held For Sale and Discontinued Operations"

These HKFRSs and HKASs prescribe new accounting measurement and disclosure practices. The major and significant effects of the adoption of these HKFRSs and HKASs on the Group's accounting policies and on amounts disclosed in the interim financial statements are summarised as follows:

- (a) The adoption of revised HKAS 17 "Leases" has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at cost less accumulated depreciation and impairment loss. Following the adoption of HKAS 17 "Leases", a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at inception. The land lease prepayment is stated at cost and amortised over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account, whereas the leasehold building is stated at cost less accumulated depreciation and impairment loss. Previously included in fixed assets is the land element of the leasehold properties, which is now disclosed as other assets.

- (b) In prior years, positive goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment. With effect from 1 January 2005, in accordance with HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets”, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount. The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3 “Business Combinations”. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the profit and loss account for the six months ended 30 June 2005.
- (c) The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement” has resulted in a change in accounting policy for recognition, measurement, disclosure and presentation of financial assets and liabilities. It has also resulted in the recognition of derivatives at fair value and the change in the recognition and measurement of hedging activities.

In particular, for loans and receivables, specific provisions and general provisions were made by applying various percentages to the unsecured portion of loans classified as pass, special mention, substandard, doubtful and loss in prior years. Following the adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”, loans and receivables are measured by amortised cost where the carrying amount of the asset is computed by discounting the future cash flows to the present value using the original effective interest rate. The previous approach of maintaining specific and general provisioning is replaced with individual and collective impairment allowances. Where objective evidence of impairment exists, the recoverable amount of an asset is calculated by discounting the future cash flows to the present value using the original effective interest rate taking into account the value of collateral, if any. The difference between the carrying amount and the recoverable amount of the asset is recognised as impairment.

(d) **Summary of the effects of changes in the above accounting policies**

(i) *Effect on opening balance of total equity at 1 January 2005 (as adjusted)*

	Retained profits <i>HK\$'000</i>	Capital and other reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
Effect of new policy (increase/(decrease))			
Prior period adjustments:			
<i>HKAS 17</i>			
Fixed assets	(3,612)	(132,636)	(136,248)
Deferred tax	<u>—</u>	<u>23,212</u>	<u>23,212</u>
	<u>(3,612)</u>	<u>(109,424)</u>	<u>(113,036)</u>
 <i>HKAS 39</i>			
Available-for-sale securities	110,780	150,391	261,171
Fair value through profit and loss securities	(24,200)	—	(24,200)
Deposits and balances of banks and other financial institutions	6,376	—	6,376
Deposits from customers	6,614	—	6,614
Derivatives	(105,511)	—	(105,511)
Certificates of deposit issued	(18,546)	—	(18,546)
Issued debts	20,673	—	20,673
Impairment allowance — individual	47,690	—	47,690
Impairment allowance — collective	201,784	—	201,784
Funding swap	(3,414)	—	(3,414)
Deferred tax	<u>(35,312)</u>	<u>(24,150)</u>	<u>(59,462)</u>
	<u>206,934</u>	<u>126,241</u>	<u>333,175</u>
 Total effect as at 1 January 2005	<u><u>203,322</u></u>	<u><u>16,817</u></u>	<u><u>220,139</u></u>

- (ii) *Effect on profit after taxation for the six months ended 30 June 2005 (estimated)*

	6 months ended 30 June 2005 Retained profits HK\$'000
Effect of new policy (increase/(decrease))	
<i>HKFRS 3</i>	
Amortisation of goodwill	32,070
	<u>32,070</u>
<i>HKAS 17</i>	
Depreciation	1,616
Land lease prepayment amortisation	<u>(662)</u>
	<u>954</u>
<i>HKAS 39</i>	
Available-for-sale securities	11,050
Fair value through profit and loss securities	2,860
Deposits and balances of banks and other financial institutions	(6,368)
Deposits from customers	1,561
Derivatives	(9,735)
Certificate of deposit issued	42,303
Issued debts	12,610
Impairment allowance - individual	(8,008)
Impairment allowance - collective	19,062
Deferred tax	(3,336)
Current tax	<u>(8,098)</u>
	<u>53,901</u>
Total effect for the period	<u><u>86,925</u></u>
Effect on earnings per share:	
— Basic	HK\$0.08
— Diluted	HK\$0.08

Notes:

- (1) **Analysis of write-back of/(charge for) individual impairment allowances/specific provisions for bad and doubtful debts**

	30 Jun 2005 HK\$'000	30 Jun 2004 HK\$'000
Additional impairment allowances / provisions	(11,062)	(11,365)
Less: Impairment allowances / provisions write-back	<u>35,322</u>	<u>58,915</u>
	<u>24,260</u>	<u>47,550</u>

(2) **Other operating income**

	30 Jun 2005	30 Jun 2004
	HK\$'000	HK\$'000
Fees and commission income	192,733	101,434
Less: fees and commission expense	(4,814)	(2,164)
Net fees and commission income	187,919	99,270
Net gain from foreign exchange activities	131,654	12,905
Net gain/(loss) from trading securities	77	(6)
Net gain from available-for-sale securities	11,050	—
Net gain from fair value through profit or loss securities	2,860	—
Net gain from fair value through profit or loss financial liabilities	62,908	—
Net loss on derivatives	(19,424)	—
Dividend income from investments in securities:		
— Listed investments	—	1,512
— Unlisted investments	2,393	4,715
Others	6,791	20,754
	<u>386,228</u>	<u>139,150</u>

(3) **Operating expenses**

Including depreciation on tangible fixed assets and amortisation of intangible assets for the six months ended 30 June 2005 amounting to HK\$13,165,000 (30 June 2004: HK\$11,974,000) and HK\$18,984,000 (30 June 2004: HK\$230,000) respectively.

(4) **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 2005	30 Jun 2004
	HK\$'000	HK\$'000
Current taxation:		
— Hong Kong profits tax	106,642	80,331
— Overseas taxation	1,481	643
Deferred taxation (<i>note 8</i>)	(6,415)	(1,814)
	<u>101,708</u>	<u>79,160</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 2005	30 Jun 2004
	HK\$'000	HK\$'000
Profit before taxation	<u>577,259</u>	<u>436,737</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	101,021	76,429
Effect of different taxation rates in other countries	716	312
Income not subject to taxation	(3,544)	(8,192)
Expenses not deductible for taxation purposes	3,515	10,611
Taxation charge	<u>101,708</u>	<u>79,160</u>

(5) **Proposed interim dividend**

	30 Jun 2005	30 Jun 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed interim dividend, HK\$0.18 per share (2004: HK\$0.14 per share), to be paid to ordinary shareholders	<u>188,634</u>	<u>146,715</u>

(6) **Earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$475,551,000 (2004: HK\$357,577,000) and on 1,047,964,783 (2004: 851,203,926) 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\$475,551,000 (2004: HK\$357,577,000) and on 1,047,964,783 (2004: 957,869,008) 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 2005	31 Dec 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances to customers	67,500,714	60,190,657
Advances to banks and other financial institutions	368,244	679,016
Trade bills	2,275,805	1,869,961
Accrued interest and other accounts	<u>1,382,525</u>	<u>1,322,586</u>
	71,527,288	64,062,220
Less: Impairment allowances		
— Individual	(213,236)	—
— Collective	(332,298)	—
Less: Provisions for bad and doubtful debts:		
— Specific	—	(332,544)
— General	—	(503,535)
Provisions for accrued interest	—	(93)
	<u>70,981,754</u>	<u>63,226,048</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% (2004: 17.5%). The movement in deferred tax assets and liabilities during the period / year is as follows:

	30 Jun 2005 <i>HK\$'000</i>	31 Dec 2004 <i>HK\$'000</i>
At the beginning of period / year, as previously reported	27,403	8,026
Adjustments arising from change in accounting policies	(36,250)	—
At the beginning of period / year, as restated	(8,847)	8,026
Acquisition of subsidiaries	—	17,565
Credited / (charged) to profit and loss account (<i>note 4</i>)	6,415	(14,448)
Credited to equity	26,930	16,260
At the end of period / year	<u>24,498</u>	<u>27,403</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 2005 <i>HK\$'000</i>	31 Dec 2004 <i>HK\$'000</i>
Deferred tax assets	56,660	84,579
Deferred tax liabilities	(32,162)	(57,176)
	<u>24,498</u>	<u>27,403</u>

The amounts shown in the balance sheet include the following:

	30 Jun 2005 <i>HK\$'000</i>	31 Dec 2004 <i>HK\$'000</i>
Deferred tax assets to be recovered after more than 12 months	56,660	84,579
Deferred tax liabilities to be settled after more than 12 months	(24,363)	(51,367)

(9) **Deposits from customers**

	30 Jun 2005 <i>HK\$'000</i>	31 Dec 2004 <i>HK\$'000</i>
Demand deposits and current accounts	3,077,768	3,415,738
Savings deposits	9,458,415	10,843,446
Time, call and notice deposits	45,889,665	41,798,985
	<u>58,425,848</u>	<u>56,058,169</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 2005	31 Dec 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary share premium	4,700,602	4,700,602
Convertible preference share premium	16,126	16,126
Bank premises revaluation reserve	1,215	110,638
Investment revaluation reserve	(75,482)	(62,377)
Exchange reserve	(412)	122
General reserve	219,200	219,200
Retained profits*	<u>1,815,178</u>	<u>1,461,177</u>
	<u>6,676,427</u>	<u>6,445,488</u>
Proposed dividends not provided for	<u>188,634</u>	<u>324,869</u>

* In accordance with the HKMA guideline "Impact of the New Hong Kong Accounting Standards on Authorised Institutions' Capital Base and Regulatory Reporting", the Bank has earmarked a "Regulatory Reserve" of HK\$350,724,000 from retained profits and it is included as tier 2 capital together with the Bank's collective impairment allowances after the adoption of HKAS 39.

(D) Supplementary Information

(1) Advances to customers - by industry sectors

	30 Jun 2005	31 Dec 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	4,129,102	2,694,880
- Property investment	9,363,097	8,347,495
- Financial concerns	4,760,750	4,022,477
- Stockbrokers	52,224	19,159
- Wholesale and retail trade	2,097,683	2,306,936
- Civil engineering works	823,365	665,885
- Manufacturing	7,678,178	6,354,464
- Transport and transport equipment	9,595,681	8,555,892
- Electricity, gas and telecommunications	2,073,135	1,378,126
- Hotels, boarding house and catering	1,303,015	2,070,985
- Others	4,823,127	4,825,332
Individuals		
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	118,483	128,481
- Loans for the purchase of other residential properties	12,588,163	12,512,124
- Credit card advances	58,143	63,315
- Others	1,151,573	1,038,187
Trade finance	6,061,629	4,547,376
Loans for use outside Hong Kong	<u>823,366</u>	<u>659,543</u>
	<u>67,500,714</u>	<u>60,190,657</u>

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

At 30 June 2005 and 31 December 2004, over 90% of the Group's advances to customers, impaired / 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) **Impaired / non-performing loans**

	30 Jun 2005	<i>% of</i>		<i>% of</i>
	<i>HK\$'000</i>	<i>advances to</i>	31 Dec 2004	<i>advances to</i>
		<i>customers</i>	<i>HK\$'000</i>	<i>customers</i>
Gross impaired loans	474,648	0.7	—	—
Gross non-performing loans	—	—	764,877	1.3
Individual impairment allowances	213,236		—	
Specific provisions	—		332,544	
Suspended interest	—		69,176	

Impaired loans are advances which have been classified as “substandard”, “doubtful” and “loss” under the Group's classification of loan quality.

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

There were no impaired advances to banks and other financial institutions at at 30 June 2005 nor advances on which interest is being placed in suspense or on which interest accrual has ceased as at 31 December 2004 nor were there any individual impairment allowances and specific provision made for them on these two respective dates.

(4) **Overdue advances**

	<i>Gross advances</i>	<i>% of advances</i>	<i>Market value</i>	<i>Amount</i>	<i>Amount</i>	<i>Individual</i>	<i>Specific</i>
	<i>HK\$'000</i>	<i>to customers</i>	<i>of collateral</i>	<i>of secured</i>	<i>of unsecured</i>	<i>impairment</i>	<i>provision</i>
			<i>HK\$'000</i>	<i>balance</i>	<i>balance</i>	<i>allowance</i>	<i>made</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>made</i>	<i>made</i>
						<i>HK\$'000</i>	<i>HK\$'000</i>
As at 30 June 2005							
Three to six months overdue	86,903	0.1%	34,671	19,794	67,109	62,350	—
Six months to one year overdue	14,912	0.0%	15,375	10,942	3,970	3,872	—
Over one year overdue	163,075	0.2%	29,744	19,054	144,021	114,830	—
	<u>264,890</u>	<u>0.3%</u>	<u>79,790</u>	<u>49,790</u>	<u>215,100</u>	<u>181,052</u>	<u>—</u>
As at 31 December 2004							
Three to six months overdue	35,488	0.1%	44,299	28,544	6,944	—	8,311
Six months to one year overdue	17,875	0.0%	21,287	14,308	3,567	—	4,133
Over one year overdue	425,329	0.7%	126,326	109,407	315,922	—	253,572
	<u>478,692</u>	<u>0.8%</u>	<u>191,912</u>	<u>152,259</u>	<u>326,433</u>	<u>—</u>	<u>266,016</u>

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30 June 2005 and 31 December 2004.

(5) **Other overdue assets**

	30 Jun 2005 <i>HK\$'000</i>	31 Dec 2004 <i>HK\$'000</i>
Accrued interest:		
- Three to six months overdue	276	299
- Six months to one year overdue	44	193
- Over one year overdue	<u>63</u>	<u>188</u>
	383	680
- Rescheduled assets	<u>296</u>	<u>370</u>
	<u>679</u>	<u>1,050</u>

(6) **Repossessed assets**

Assets acquired by repossession of collateral for realisation continue to be reported as advances. At 30 June 2005, the estimated market value of the repossessed assets of the Group was HK\$15,600,000 (31 December 2004: HK\$25,003,000).

(7) **Rescheduled advances**

	30 Jun 2005 <i>HK\$'000</i>	31 Dec 2004 <i>HK\$'000</i>
Rescheduled advances (net of overdue loans over 3 months)	<u>76,040</u>	<u>115,945</u>
% of advances to customers	<u>0.1%</u>	<u>0.2%</u>

There were no advances to banks and other financial institutions which were rescheduled as at 30 June 2005 and 31 December 2004.

(8) **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 2005	31 Dec 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct credit substitutes	1,571,340	1,448,759
Transaction-related contingencies	164,927	292,890
Trade-related contingencies	3,056,412	2,742,368
Other commitments		
- With an original maturity of under 1 year or which are unconditionally cancellable	17,132,035	15,102,129
- With an original maturity of 1 year and over	10,249,390	8,027,091
Forward deposits placed	<u>1,547,774</u>	<u>247,339</u>
	<u>33,721,878</u>	<u>27,860,576</u>

(ii) **Derivatives**

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

	30 Jun 2005	31 Dec 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange rate contracts		
Forwards	7,178,646	5,993,405
Swaps	29,076,661	22,016,734
Currency options purchased	2,508,003	2,266,297
Currency options written	<u>2,945,419</u>	<u>2,272,254</u>
	<u>41,708,729</u>	<u>32,548,690</u>
Interest rate contracts		
Interest rate swaps	25,668,819	35,220,123
Interest rate options purchased	4,927,133	4,502,864
Interest rate options written	<u>4,927,133</u>	<u>4,352,864</u>
	<u>35,523,085</u>	<u>44,075,851</u>
Other contracts		
Equity options purchased	23,916	83,455
Equity options written	<u>23,916</u>	<u>83,455</u>
	<u>47,832</u>	<u>166,910</u>
	<u>77,279,646</u>	<u>76,791,451</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 2005		31 Dec 2004	
	Replacement	Credit risk	Replacement	Credit risk
	cost	weighted	cost	weighted
	HK\$'000	amount	HK\$'000	amount
		HK\$'000		HK\$'000
Contingent liabilities and commitments		6,508,476		5,159,075
Exchange rate contracts	194,090	135,285	85,360	92,370
Interest rate contracts	366,092	106,054	320,926	95,144
Other contracts	625	—	1,010	—
	<u>560,807</u>	<u>6,749,815</u>	<u>407,296</u>	<u>5,346,589</u>

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

(9) 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	Treasury and markets	Corporate and investment banking	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2005					
Net interest income	431,048	37,708	98,815	2,546	570,117
Operating profit before impairment allowances	284,239	167,014	117,955	(41,789)	527,419
Profit before taxation	<u>267,629</u>	<u>214,730</u>	<u>118,546</u>	<u>(23,646)</u>	<u>577,259</u>
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>

(10) Capital adequacy ratio and capital base

	30 Jun 2005		31 Dec 2004	
	Unadjusted ratio	Adjusted ratio	Unadjusted ratio	Adjusted ratio
Capital adequacy ratio	<u>15.9%</u>	<u>15.8%</u>	<u>17.4%</u>	<u>17.4%</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 2005 HK\$'000	31 Dec 2004 HK\$'000
Core capital:		
Paid up ordinary share capital	2,095,930	2,095,930
Ordinary share premium	4,700,602	4,700,602
Irredeemable non-cumulative convertible preference share premium	16,126	16,126
Reserves	1,469,417	1,309,690
Deduct: Goodwill	(891,024)	(870,514)
	<u>7,391,051</u>	<u>7,251,834</u>
Eligible supplementary capital:		
Reserves on revaluation of land and interests in land	823	77,420
Reserves on revaluation of holding of securities not held for trading purpose	(463)	(2,390)
General provision for doubtful debts	—	503,535
Collective impairment allowances for impaired assets and regulatory reserve	683,022	—
Perpetual subordinated debts	1,932,760	1,932,904
Term subordinated debts	3,414,875	3,415,325
	<u>6,031,017</u>	<u>5,926,794</u>
Total capital base before deductions	13,422,068	13,178,628
Deductions from total capital base	<u>(608,471)</u>	<u>(608,471)</u>
Total capital base after deductions	<u>12,813,597</u>	<u>12,570,157</u>

(11) Liquidity ratio

30 Jun 2005 30 Jun 2004

Average liquidity ratio for the six months ended 35.1% 40.4%

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.

(12) 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	AUD HK\$'000	RMB HK\$'000	JPY HK\$'000	Total HK\$'000
As at 30 Jun 2005						
Spot assets	39,579,000	3,895,000	2,929,000	241,000	2,041,000	48,685,000
Spot liabilities	(51,783,000)	(2,325,000)	(2,661,000)	(183,000)	(193,000)	(57,145,000)
Forward purchases	30,799,000	1,062,000	41,000	2,718,000	1,246,000	35,866,000
Forward sales	(18,392,000)	(2,670,000)	(301,000)	(2,715,000)	(3,064,000)	(27,142,000)
Net option position	<u>(56,000)</u>	<u>9,000</u>	<u>19,000</u>	<u>—</u>	<u>8,000</u>	<u>(20,000)</u>
Net long/(short) position	<u>147,000</u>	<u>(29,000)</u>	<u>27,000</u>	<u>61,000</u>	<u>38,000</u>	<u>244,000</u>
As at 31 Dec 2004						
Spot assets	35,587,000	3,964,000	3,219,000	175,000	1,815,000	44,760,000
Spot liabilities	(51,425,000)	(1,852,000)	(3,178,000)	(116,000)	(232,000)	(56,803,000)
Forward purchases	27,449,000	482,000	131,000	1,296,000	1,164,000	30,522,000
Forward sales	(11,622,000)	(2,598,000)	(159,000)	(1,294,000)	(2,744,000)	(18,417,000)
Net long/(short) position	<u>(11,000)</u>	<u>(4,000)</u>	<u>13,000</u>	<u>61,000</u>	<u>3,000</u>	<u>62,000</u>

(13) 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\$'million</i>	Public sector entities <i>HK\$'million</i>	Others <i>HK\$'million</i>	Total <i>HK\$'million</i>
As at 30 Jun 2005				
Asia Pacific excluding Hong Kong	9,674	567	8,292	18,533
North and South America	805	524	6,394	7,723
Europe	<u>13,738</u>	<u>1,178</u>	<u>1,056</u>	<u>15,972</u>
As at 31 Dec 2004				
Asia Pacific excluding Hong Kong	12,045	569	4,702	17,316
North and South America	838	303	3,865	5,006
Europe	<u>9,698</u>	<u>2,146</u>	<u>1,181</u>	<u>13,025</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 2005 was HK\$476 million. This represented a 33% growth over the same period of last year (First half of 2004: HK\$358 million). Basic earnings per share for the six months ended 30 June 2005 were HK\$0.45 (First half of 2004: HK\$0.42). Return on average ordinary equity increased to 11.4% (First half of 2004: 11.1%).

Interim Dividend

The Directors are pleased to declare an interim dividend of HK\$0.18 per ordinary share for the six months ended 30 June 2005 (First half of 2004: HK\$0.14). The interim dividend will be payable in cash on or about Friday, 16 September 2005 to shareholders whose names appear on the Register of Members of the Bank at the close of business on Friday, 2 September 2005.

Closure of Register of Members

The Register of Members of the Bank will be closed from Monday, 5 September 2005 to Friday, 9 September 2005, 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 before 4:00 p.m. on Friday, 2 September 2005.

Financial Review

For the first half of 2005, the Group achieved a remarkable record in profit attributable to shareholders of HK\$476 million, an increase of 33% when compared to HK\$358 million for the corresponding period in 2004.

Consolidated net interest income for the first half of 2005 was slightly up by 2% to HK\$570 million from HK\$558 million for the first half of 2004.

Tremendous growth in other operating income, up 178% to HK\$386 million (First half of 2004: HK\$139 million) mainly due to an increase in fees and commission income benefited from strong loans growth, foreign exchange trading as well as the half-year effect of the acquisition of Belgian Bank.

Operating expenses increased by 87% to HK\$429 million for the first half of 2005 (First half of 2004: HK\$229 million), cost-to-income ratio rose to 44.9% from 32.8% of the same period in 2004, mainly due to the inclusion of Belgian Bank's operations, the premises cost and IT upgrade expenses.

In line with the loan growth and the new approaches to assessing loan impairment according to the HKAS 39, the Group made additional loan impairment allowance (previously referred to as the charge for bad and doubtful debts) of HK\$9 million for the first half of 2005.

Share of net profit of an associated company recorded a profit of HK\$0.3 million for the period (First half of 2004: HK\$34 million net loss).

Balance Sheet

The Group's total assets reached HK\$107,819 million as at 30 June 2005, a 9% rise compared with 31 December 2004 or 12% rise compared with 30 June 2004.

The Group's loan portfolio had diversified from mainly syndicated loans into other areas such as high-yield SME loans, trade finance as well as hire purchase loans. The total loans reached HK\$70,145 million as at 30 June 2005 (HK\$62,740 million as at 31 December 2004), an increase of 12%.

Due to the continuing interest rate hikes, the Group reduced 11% in certificates of deposits held, amounted to HK\$5,815 million as at 30 June 2005 (HK\$6,565 million as at 31 December 2004). The held-to-maturity securities decreased by 70% to HK\$2,269 million as at 30 June 2005 (HK\$7,663 million as at 31 December 2004), the available-for-sale and non-trading securities increased by 3 times to HK\$6,262 million as at 30 June 2005 (HK\$1,536 million as at 31 December 2004) and the newly-created fair value through profit or loss securities totaled HK\$1,125 million as at 30 June 2005 as a result of a change in classification of the securities held after the adoption of HKAS 39.

Total customer deposits plus certificate of deposits issued reached HK\$66,737 million as at 30 June 2005, representing 71% of the total liabilities and an increase of 5% compared with HK\$63,404 million as at 31 December 2004.

Capital Adequacy and Liquidity

The Group's capital adequacy ratio was down to 15.8% as at 30 June 2005 from 17.4% as at 31 December 2004. The liquidity position remained strong throughout the first half of 2005 with an average liquidity ratio of 35.1% (Average for the first half of 2004: 40.4%)

Non-performing/Impaired Loans

The Group's non-performing loan ratio was 1.3% as at 31 December 2004 and (when combined with Belgian Bank) dropped to 0.7% as at 30 June 2005. The impaired loan ratio (previously referred to as "non-performing loan ratio") of ICBC (Asia) and Belgian Bank as at 30 June 2005 were 0.6% and 1.1% respectively. This improvement in the Group's figures is resulted from our tireless efforts on loan recoveries.

As a result of an improvement in asset quality and the new approaches to assessing loan impairment, the cumulative loan impairment allowances (previously referred to as the "provisions for bad and doubtful debts") of the Group fell by 35% to HK\$546 million, in which the individual impairment allowances and collective impairment allowances were HK\$213 million and HK\$333 million respectively.

Compared with 31 December 2004, overdue loans decreased by HK\$214 million to HK\$265 million as at 30 June 2005.

Acquisition of Chinese Mercantile Bank

On 30 December 2004, the Bank entered into an acquisition agreement with The Industrial and Commercial Bank of China ("ICBC"), its ultimate holding company, and CITIC Ka Wah Bank Limited in relation to the Bank's acquisition of the entire equity interest in Chinese Mercantile Bank ("CMB"). The consideration for the acquisition was 1.1 times of the audited net asset value of CMB as at the completion date as determined by reference to the completion accounts. CITIC Ka Wah Bank Limited received no consideration for the transaction as ICBC was the beneficial owner of the entire equity interest of CMB. The completion of the acquisition took place on 12 August 2005 and CMB became a wholly-owned subsidiary of the Bank. The Bank has allotted and issued 66,698,102 ordinary shares as consideration shares to ICBC pursuant to the acquisition agreement. Fortis Bank has also exercised its anti-dilution right to subscribe for 6,596,330 ordinary shares of the Bank pursuant to the sale and purchase agreement dated 31 December 2003 entered into between the Bank, Generale Belgian Holding B.V. and Fortis Bank. Accordingly, ICBC's shareholding in the Bank increased from 57.53% to 59.72% whilst the shareholding of Fortis Bank in the Bank remains at 9%.

CMB was previously a Sino-foreign equity joint venture bank incorporated in the PRC and is principally engaged in non-Renminbi banking business in Shenzhen, the PRC. The banking section in the PRC will be further expanded as the PRC economy continues to grow and the PRC banking section is of huge business potential. As many foreign banks have already entered into the PRC banking sector by acquiring minority stakes in domestic banks in the PRC, the transaction provides the Bank with the opportunity to immediately capitalize on the platform and network of CMB.

Business Review

In the first half of year 2005, with continued growth in the economy led mainly by the growth in the US's and China's economy, Hong Kong's unemployment rate improved further to 5.8% at the end of May 2005, which obviously boomed the climate of retail business sector and the local property market as consumer sentiment and confidence continued to improve. Nonetheless, keen competition within the banking industry remained fierce. Despite such a competitive and challenging business environment, the Group still managed to achieve a notable growth for the first half of year 2005.

During the first half of 2005, our retail banking business was growing steadily with both customer deposit and loan balance increased progressively.

Hong Kong's property market was revived in the first half of 2005. In response to such period of time, our Bank had cooperated with the major estate developers, to provide special tailor-made mortgage loan plans to homebuyers for their new projects. Up to the end of June, total of new mortgage loans drawn down was HK\$1.68 billion approximately. Compared with the same figure in first half-year of 2004, there is a growth rate of almost 28%.

For the China mortgage business, our Bank signed several agreements with Mainland major estate developers in Shanghai and Beijing, to provide HKD/USD currency mortgage loan financing to customers including foreign buyers during the first half year of 2005. Up to the end of June, total of new mortgage loans drawn down for China's property market was HK\$170 million approximately.

For the first six months of 2005, our loan portfolio of hire purchase and leasing business recorded a remarkably growth. Our market share on taxi and public light bus further increased to 14% approximately and stood at top 5 ranking in the market.

For Deposit & Investment Services, the Group continued to enhance the wealth management services and expand the investment products range. Four batches of Certificate of Deposit were issued for customers' subscription. Moreover, the Group cooperated with different international financial institutions to offer 12 structured products that linked to stock price or credit performance of the underlying entities. The Group also lined up with one more renowned fund house in the first quarter. As at the end of June, more than 196 funds managed by 7 fund houses was available for the subscription by our customers. To keep expansion of our wealth management business, the Group launched a promotion program for new deposit and unit trusts business in second quarter and reduced the minimum deposit amount for

High-Yield Currency-Linked Deposit in order to make the investment products more attractive and competitive in the retail market and extend the products to more potential customers. Our branch network rationalization program had continuously progressed in order to build up a comprehensive and well-covered network.

New insurance products including “Savings Plan 8 Plus”, “Rainbow Age Whole Life Plan” and “Peaceful Age Whole Life Plan” were launched to provide customers with life protection as well as savings plan. Meanwhile, the Accidental Emergency Medical & Hospitalization Insurance was launched to provide customers with medical treatment protection via network of authorized hospitals on the mainland.

For initial public offering (“IPO”) business, the Group successfully acted as the receiving bank of the listings of the major Chinese enterprises in Hong Kong, including “Shanghai Electric”, “China Shenhua” and “Bank of Communications” in the first half of 2005, which had further proved our ability and potential to expand the IPO receiving bank business in the future.

In the second half of 2005, we forecast that the growth of residential mortgage loan business will continuously be slow down, as the increasing interest rate trend will continue. However, the downward pressure on our net interest margin will be diminished since we will be benefited by the ascending Prime rate and residential mortgage rate for new mortgage loan drawn down. Our mortgage business in China is expected to grow steadily during the second half-year. We will keep developing the markets of Shanghai and Beijing to absorb more high-end customers.

The integration of the Belgian Bank is expected to complete in the fourth quarter of 2005. Our branch network shall then be increased from 20 to 42 branches. With the launching of new IT system platform and new Customer Relationship Management System, we will be able to provide more comprehensive, convenience and quality banking services to our different segments of customers with our unified brand name, ICBC (Asia).

Corporate and Investment Banking continued to upgrade its product and service capacities and expand its client base both locally and internationally. The Group will continue to keep the expansion of the capital market business.

Commercial Banking had continuously expanded as expected during the first half of year 2005. Renewed loan demand from SME as well as positive property market sentiment has led to significant loan growth. Despite the tightening of lending policy in PRC, the impact on local SME doing business in China will be minimal.

Treasury and Markets Department (“T&M”) achieved good results in the first half of year 2005 in despite of the challenging interest rate environment. T&M had done well in all lines of business, including treasury dealing, investment and fee-based activities.

Our investments were managed conservatively that a large proportion of our investment was the floating-rate securities, which reduced the volatility of interest rate risk. Over 94% of the debt investments were investment grade securities. Besides, the continued tightening in credit spread during the year had given a hand to our performance.

T&M continued to offer new yield-enhancing and principal-guaranteed products, especially those linking with the Renminbi exchange rate to individual investors as well as institutions. We had also offered several structured Certificate of Deposits to retail customers with satisfactory results. To expand and have a stable funding source, our Bank had issued a number of short and medium term Certificate of Deposits.

Financial Institutions Department had continuously strengthened its position on acting as the bridge linking the financial activities between Mainland China and Taiwan. In the first half of 2005, through the competent customer services and competitive pricing, the Group had extended the cooperation with domestic financial institutions for business development. For the business of trade finance, we had further widened our business network and enlarged the market share.

Looking ahead in the second half of 2005, the operating environment will remain challenging due to the continuing rise in US interest rate; intense competition in the banking industry. Nonetheless, we will continue to control costs through the streamline of operations as well as broadening of our fee income and expanding our consumer finance businesses through the leverage on structural investment and wealth management products for both retail and corporate customers in Hong Kong and China. We also expect the orchestrating growth through the successful integration of Belgian Bank in October this year. A larger operating platform will be generated to provide innovative products and distinguished services.

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 Authorized Institutions” issued by the Hong Kong Monetary Authority on 8 November 2002.

Compliance with the Code of Corporate Governance Practices 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 Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six-month period ended 30 June 2005, 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 Audit Committee of the Bank has reviewed the results for the six months ended 30 June 2005 of the Bank. The financial information in this interim results announcement is unaudited and does not constitute statutory accounts.

Publication of Interim Report on the Website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

The 2005 Interim Report of the Bank containing all the information required under the Listing Rules will be published on the Stock Exchange’s website in due course.

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

Hong Kong, 16 August 2005

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