



中國工商銀行(亞洲)
I C B C (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 2006 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 2006 as follows:-

UNAUDITED INTERIM RESULTS

(A) Consolidated Profit and Loss Information

	Note	Six Months Ended		Change %
		30 Jun 2006 HK\$'000	30 Jun 2005 HK\$'000	
Interest income		2,992,583	1,623,932	84%
Interest expense		(2,172,200)	(1,053,815)	106%
Net interest income		820,383	570,117	44%
Other operating income	(1)	351,377	386,228	-9%
Operating income		1,171,760	956,345	23%
Operating expenses	(2)	(441,479)	(428,926)	3%
Operating profit before impairment losses		730,281	527,419	38%
Net loss from disposal/reversal of revaluation deficits of property, plant and equipment		(796)	(903)	-12%
Net gain on disposal of held-to-maturity securities		—	4	-100%
Net gain on disposal of available-for-sale securities		8,500	59,720	-86%
Impairment losses on loans and advances		(28,462)	(9,264)	207%
Operating profit		709,523	576,976	23%
Share of profits of an associate		1,147	283	305%
Profit before income tax		710,670	577,259	23%
Income tax expense	(3)			
- Hong Kong		(120,592)	(106,642)	13%
- Overseas		(31,962)	(1,481)	2058%
- Deferred tax		1,804	6,415	-72%
Profit attributable to the equity holders of the Group		559,920	475,551	18%
Earnings per share	(4)	<u>HK\$0.50</u>	<u>HK\$0.45</u>	11%
Proposed interim dividend	(5)	<u>224,252</u>	<u>201,827</u>	11%

(B) Consolidated Balance Sheet Information

	Note	30 Jun 2006 HK\$'000	31 Dec 2005 HK\$'000	Change %	30 Jun 2005 HK\$'000	Change %
Assets						
Cash and short-term funds		38,052,345	25,317,238	50%	17,700,898	115%
Placements with and advances to banks and other financial institutions	(6)	2,875,675	2,469,645	16%	2,750,444	5%
Trade bills	(6)	1,643,231	1,992,380	-18%	2,270,265	-28%
Trading securities		48,923	247	19707%	—	—
Derivative financial instruments		13,344	44,720	-70%	128,749	-90%
Financial assets at fair value through profit or loss		2,108,599	1,690,010	25%	1,326,790	59%
Loans and advances to customers	(6)	66,708,007	68,152,663	-2%	67,184,047	-1%
Investment securities:		12,574,724	13,219,310	-5%	14,143,390	-11%
- Available-for-sale		10,017,802	10,137,811		9,828,624	
- Held-to-maturity		2,556,922	3,081,499		4,314,766	
Investment in an associate		29,605	28,484	4%	28,615	3%
Intangible assets		1,058,943	1,080,854	-2%	1,005,787	5%
Property, plant and equipment		220,847	211,342	4%	95,826	130%
Leasehold land and land use rights		91,042	91,704	-1%	92,367	-1%
Deferred income tax assets		—	—	—	24,498	-100%
Other assets		1,134,081	1,100,726	3%	1,066,831	6%
Total assets		<u>126,559,366</u>	<u>115,399,323</u>	10%	<u>107,818,507</u>	17%
Liabilities						
Deposits from banks and other financial institutions		15,241,296	25,095,384	-39%	22,231,904	-31%
Derivative financial instruments		138,202	157,802	-12%	191,276	-28%
Deposits from customers	(7)	78,294,015	60,990,148	28%	58,425,848	34%
- At fair value through profit or loss		483,538	487,255		735,540	
- At amortised cost		77,810,477	60,502,893		57,690,308	
Certificates of deposit issued		10,479,464	9,351,305	12%	8,311,486	26%
- At fair value through profit or loss		5,230,356	4,506,081		3,132,248	
- At amortised cost		5,249,108	4,845,224		5,179,238	
Debt securities in issue at fair value through profit or loss		2,922,978	2,978,615	-2%	3,051,102	-4%
Current income tax liabilities		154,851	8,333	1758%	76,178	103%
Deferred income tax liabilities		24,569	4,799	412%	—	—
Other liabilities		1,645,380	1,604,308	3%	1,410,721	17%
Total liabilities		<u>108,900,755</u>	<u>100,190,694</u>	9%	<u>93,698,515</u>	16%

		30 Jun 2006	31 Dec 2005	Change	30 Jun 2005	Change
	<i>Note</i>	HK\$'000	HK\$'000	%	HK\$'000	%
Capital and reserves						
attributable to the Group's equity holders						
Loan capital	(8)	7,519,580	5,338,775	41%	5,347,635	41%
Share capital		2,242,518	2,242,518	—	2,095,930	7%
Retained earnings	(9)	2,272,847	2,106,340	8%	1,815,178	25%
Other reserves	(9)	5,623,666	5,520,996	2%	4,861,249	16%
Total equity		<u>17,658,611</u>	<u>15,208,629</u>	16%	<u>14,119,992</u>	25%
Total equity and liabilities		<u>126,559,366</u>	<u>115,399,323</u>	10%	<u>107,818,507</u>	17%

(C) Consolidated Statement of Changes in Equity

	30 Jun 2006	30 Jun 2005
	HK\$'000	HK\$'000
Total equity (excluding loan capital) as at 1 January*	9,869,854	8,761,557
Revaluation surplus on bank premises	(27)	—
Change in fair value of available-for-sale securities	123,276	(166,278)
Change in deferred taxation	(21,574)	26,930
Exchange difference arising from translation of results of a foreign subsidiary	23	(534)
Net profit/(loss) not recognised in the profit and loss account	101,698	(139,882)
Profit attributable to the equity holders of the Group	559,920	475,551
Dividend	(392,441)	(324,869)
Total equity (excluding loan capital) as at 30 June	<u>10,139,031</u>	<u>8,772,357</u>

* Total equity (excluding loan capital) as at 1 January 2005 has been restated after adopting HKAS 17 and 39.

Notes:

(1) Other operating income

	30 Jun 2006	30 Jun 2005
	HK\$'000	HK\$'000
Fees and commission income	236,645	192,733
Less: Fees and commission expense	(7,529)	(4,814)
Net fees and commission income	229,116	187,919
Net gain from foreign exchange activities	94,775	131,654
Net gain from trading securities	6,337	77
Net (loss)/gain from available-for-sale securities	(44,776)	11,050
Net (loss)/gain from fair value through profit and loss securities	(60,013)	2,860
Net gain from fair value through profit and loss financial liabilities	90,183	62,908
Net gain/(loss) on derivative financial instruments	26,492	(19,424)
Dividend income from unlisted investments in securities	2,149	2,393
Others	7,114	6,791
Total other operating income	<u>351,377</u>	<u>386,228</u>

(2) **Operating expenses**

	30 Jun 2006 <i>HK\$'000</i>	30 Jun 2005 <i>HK\$'000</i>
Staff costs		
- Salary and other costs	230,578	224,657
- Redundancy payment	401	108
- Employee benefit expenses	<u>15,140</u>	<u>14,973</u>
	246,119	239,738
Premises and equipment expenses (excluding depreciation)		
- Rental of premises	48,144	41,633
- Others	<u>27,927</u>	<u>35,797</u>
	76,071	77,430
Depreciation and amortisation expenses	41,869	32,149
Auditors' remuneration	2,011	1,888
Others	<u>75,409</u>	<u>77,721</u>
Total operating expenses	<u>441,479</u>	<u>428,926</u>

(3) **Taxation**

Hong Kong profits tax has been calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(4) **Earnings per share**

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

	30 Jun 2006	30 Jun 2005
Profit attributable to equity holders of the Group (HK\$'000)	559,920	475,551
Weighted average number of ordinary shares in issue (thousands)	1,121,259	1,047,965
Basic earnings per share	<u>HK\$0.50</u>	<u>HK\$0.45</u>

(5) **Proposed interim dividend**

	30 Jun 2006 <i>HK\$'000</i>	30 Jun 2005 <i>HK\$'000</i>
Proposed interim dividend of HK\$0.20 (2005: HK\$0.18) per ordinary share	<u>224,252</u>	<u>201,827</u>
	<u>224,252</u>	<u>201,827</u>

(6) **Total loans and advances**

	30 Jun 2006 <i>HK\$'000</i>	31 Dec 2005 <i>HK\$'000</i>
Advances to customers	66,789,521	68,299,287
Advances to banks and other financial institutions	—	104,694
Trade bills	<u>1,641,810</u>	<u>2,001,557</u>
Gross loans and advances	<u>68,431,331</u>	<u>70,405,538</u>
Less: impairment allowances		
- Individual	(165,567)	(267,418)
- Collective	<u>(212,536)</u>	<u>(209,583)</u>
Accrued interest	<u>298,010</u>	<u>321,200</u>
	<u>68,351,238</u>	<u>70,249,737</u>

Impaired loans are analysed as follows:

	30 Jun 2006	31 Dec 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross impaired loans	560,947	661,076
Impairment allowances made in respect of such loans	165,567	267,418
As a percentage of total loans and advances	0.8%	0.9%

Impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flows of the loans that can reliably estimated.

(7) **Deposits from customers**

	30 Jun 2006	31 Dec 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Demand deposits and current accounts	2,905,220	2,992,817
Savings deposits	8,462,447	8,839,142
Time, call and notice deposits	66,926,348	49,158,189
	<u>78,294,015</u>	<u>60,990,148</u>

(8) **Loan capital**

Loan capital was raised by the Bank for the development and expansion of business and have been fully subscribed by the ultimate holding company. These notes qualify for and have been included as the Bank’s supplementary capital in accordance with the Third Schedule of the Hong Kong Banking Ordinance.

(9) **Reserves**

	30 Jun 2006	31 Dec 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary share premium	5,323,893	5,323,893
Convertible non-cumulative preference share premium	16,126	16,126
Bank premises revaluation reserve	26,929	26,955
Investment revaluation reserve	21,706	(79,998)
General reserve	235,012	234,020
Retained profits*	2,272,847	2,106,340
	<u>7,896,513</u>	<u>7,627,336</u>
Proposed dividends not provided for	<u>224,252</u>	<u>392,441</u>

* As at 30 June 2006, the Group has earmarked a “Regulatory Reserve” of HK\$342,157,000 from the retained profits. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

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

(a) *Contingent liabilities and commitments*

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

	30 Jun 2006	31 Dec 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct credit substitutes	1,738,901	1,429,763
Transaction-related contingencies	99,059	131,935
Trade-related contingencies	3,104,625	2,698,287
Other commitments with an original maturity of:		
- Under 1 year or which are unconditionally cancellable	15,624,412	13,602,099
- 1 year and over	11,593,566	9,886,108
Forward deposits placed	<u>144,974</u>	<u>371,097</u>
	<u>32,305,537</u>	<u>28,119,289</u>

(b) *Derivatives*

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

	30 Jun 2006	31 Dec 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange rate contracts		
- Forwards	20,253,349	2,427,966
- Swaps	25,524,758	22,484,615
- Currency options purchased	4,093,469	1,644,858
- Currency options written	<u>4,004,422</u>	<u>1,665,317</u>
	<u>53,875,998</u>	<u>28,222,756</u>
Interest rate contracts		
- Interest rate swaps	33,735,860	29,125,145
- Interest rate options purchased	5,160,533	4,487,346
- Interest rate options written	<u>5,160,533</u>	<u>4,487,346</u>
	<u>44,056,926</u>	<u>38,099,837</u>
Other contracts		
- Equity options purchased	34,689	35,505
- Equity options written	<u>34,689</u>	<u>35,505</u>
	<u>69,378</u>	<u>71,010</u>
Total	<u>98,002,302</u>	<u>66,393,603</u>

The contractual or notional amounts of off-balance sheet instruments provide only an indication of the volume of business outstanding at the balance sheet date and bear little relation to the underlying risks of the exposures.

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

	30 Jun 2006		31 Dec 2005	
	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	—	7,761,668	—	6,338,082
Exchange rate contracts	124,912	138,717	111,974	75,752
Interest rate contracts	707,761	180,950	537,187	149,296
Other contracts	959	—	533	—
	<u>833,632</u>	<u>8,081,335</u>	<u>649,694</u>	<u>6,563,130</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.

(11) **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 2006					
Net interest income	531,820	89,133	87,767	111,663	820,383
Operating profit before impairment losses	348,718	145,973	139,618	95,972	730,281
Profit before income tax	<u>324,963</u>	<u>149,782</u>	<u>127,888</u>	<u>108,037</u>	<u>710,670</u>
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 losses	284,239	167,014	117,955	(41,789)	527,419
Profit before income tax	<u>267,629</u>	<u>214,730</u>	<u>118,546</u>	<u>(23,646)</u>	<u>577,259</u>

(D) Supplementary Financial Information

(1) Loans and advances to customers

(a) Gross advances to customers - by industry sectors

	30 Jun	31 Dec
	2006	2005
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	3,460,745	4,202,630
- Property investment	11,809,809	10,554,322
- Financial concerns	3,299,595	3,709,737
- Stockbrokers	37,785	91,305
- Wholesale and retail trade	1,949,217	1,665,212
- Civil engineering works	975,448	830,649
- Manufacturing	5,363,369	6,195,831
- Transport and transport equipment	7,978,846	9,323,538
- Electricity, gas and telecommunications	763,929	1,140,181
- Hotels, boarding houses & catering	1,086,514	1,232,911
- Others	5,844,731	5,136,568
Individuals		
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	140,569	130,242
- Loans for the purchase of other residential properties	10,912,432	11,447,846
- Credit card advances	80,052	51,198
- Others	1,085,956	980,815
Trade finance	5,717,325	5,501,227
Loans for use outside Hong Kong	<u>6,283,199</u>	<u>6,105,075</u>
	<u>66,789,521</u>	<u>68,299,287</u>

(b) Advances to customers - by geographical areas

As at 30 June 2006 and 31 December 2005, over 90% of the Group's advances to customers, impaired 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.

(2) **Overdue, rescheduled and repossessed assets**

(a) *Overdue advances*

	Gross advances to 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>	Individual impairment allowance <i>HK\$'000</i>
As at 30 June 2006						
Six months or less but over three months	64,722	0.1%	75,089	46,421	18,301	12,390
One year or less but over six months	52,390	0.1%	30,541	24,448	27,942	27,968
Over one year	<u>91,027</u>	<u>0.1%</u>	<u>18,998</u>	<u>7,944</u>	<u>83,083</u>	<u>76,607</u>
	<u>208,139</u>	<u>0.3%</u>	<u>124,628</u>	<u>78,813</u>	<u>129,326</u>	<u>116,965</u>
As at 31 December 2005						
Six months or less but over three months	107,362	0.2%	52,429	27,500	79,862	42,894
One year or less but over six months	96,417	0.1%	22,797	12,039	84,378	71,133
Over one year	<u>136,180</u>	<u>0.2%</u>	<u>21,114</u>	<u>13,326</u>	<u>122,854</u>	<u>107,994</u>
	<u>339,959</u>	<u>0.5%</u>	<u>96,340</u>	<u>52,865</u>	<u>287,094</u>	<u>222,021</u>

(b) *Other overdue assets*

	30 Jun 2006 <i>HK\$'000</i>	31 Dec 2005 <i>HK\$'000</i>
Accrued interest		
Six months or less but over three months	281	105
Over one year	<u>1</u>	<u>2</u>
	282	107
Rescheduled assets	<u>50</u>	<u>152</u>
	<u>332</u>	<u>259</u>

(c) *Rescheduled advances*

	30 Jun 2006 <i>HK\$'000</i>	31 Dec 2005 <i>HK\$'000</i>
Rescheduled advances (net of overdue loans over 3 months)	<u>51,224</u>	<u>68,749</u>
% of advances to customers	<u>0.1%</u>	<u>0.1%</u>

(d) *Repossessed assets*

At 30 June 2006, the estimated market value of the repossessed assets of the Group amounted to HK\$25,920,000 (31 December 2005: HK\$9,110,000).

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

(a) *Capital adequacy ratio*

	30 Jun 2006		31 Dec 2005	
	Unadjusted ratio	Adjusted ratio	Unadjusted ratio	Adjusted ratio
Capital adequacy ratio	<u>18.0%</u>	<u>17.8%</u>	<u>15.8%</u>	<u>15.7%</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 of the Hong Kong 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 2006 HK\$'000	31 Dec 2005 HK\$'000
Core capital:		
Paid up ordinary share capital	2,242,518	2,242,518
Ordinary share premium	5,323,893	5,323,893
Convertible non-cumulative preference share premium	16,126	16,126
Reserves	1,696,009	1,404,323
Deduct: Goodwill	(937,576)	(936,520)
	<u>8,340,970</u>	<u>8,050,340</u>
Eligible supplementary capital:		
Reserves on revaluation of land and interests in land	18,918	18,917
Reserves on revaluation of holding of securities not held for trading purpose	(182,880)	(67,821)
Collective impairment allowances for impaired assets and regulatory reserve	554,693	561,611
Perpetual subordinated debts	3,485,504	1,930,612
Term subordinated debts	4,034,076	3,408,163
	<u>7,910,311</u>	<u>5,851,482</u>
Total capital base before deductions	16,251,281	13,901,822
Deductions from total capital base	(609,201)	(624,075)
Total capital base after deductions	<u>15,642,080</u>	<u>13,277,747</u>

(b) *Liquidity ratio*

	30 Jun 2006	30 Jun 2005
Average liquidity ratio for the six months ended	<u>42.7%</u>	<u>35.1%</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 of the Hong Kong Banking Ordinance.

(4) Currency concentration

The net position in foreign currencies are disclosed when each currency constitutes 10% or more of the total net position in all foreign currencies.

	US\$ HK\$'000	EUR HK\$'000	JPY HK\$'000	RMB HK\$'000	Total HK\$'000
As at 30 June 2006					
Spot assets	59,689,426	1,689,640	1,718,740	281,662	63,379,468
Spot liabilities	(60,208,229)	(1,117,319)	(140,824)	(199,844)	(61,666,216)
Forward purchases	24,073,556	1,525,581	1,461,434	9,740,307	36,800,878
Forward sales	(23,272,053)	(1,997,610)	(2,900,572)	(9,632,462)	(37,802,697)
Net option position	<u>90,140</u>	<u>(45,945)</u>	<u>(36,449)</u>	<u>—</u>	<u>7,746</u>
Net long position	<u><u>372,840</u></u>	<u><u>54,347</u></u>	<u><u>102,329</u></u>	<u><u>189,663</u></u>	<u><u>719,179</u></u>
As at 31 December 2005					
Spot assets	45,309,000	—	1,806,000	274,000	47,389,000
Spot liabilities	(54,237,000)	—	(227,000)	(193,000)	(54,657,000)
Forward purchases	17,817,000	—	420,000	1,485,000	19,722,000
Forward sales	(8,349,000)	—	(1,921,000)	(1,508,000)	(11,778,000)
Net option position	<u>(16,000)</u>	<u>—</u>	<u>(1,000)</u>	<u>—</u>	<u>(17,000)</u>
Net long position	<u><u>524,000</u></u>	<u><u>—</u></u>	<u><u>77,000</u></u>	<u><u>58,000</u></u>	<u><u>659,000</u></u>

(5) Cross-border claims

The Group analyses cross-border claims by geographical areas. In determining this analysis, it has been taken into account of any transfer of risk with respect to claims guaranteed by a party in a country different from that of the counterparty. Those areas which constitute 10% or more of the aggregate cross-border claims are as follows:

	Banks and other financial institutions HK\$'million	Public sector entities HK\$'million	Others HK\$'million	Total HK\$'million
As at 30 June 2006				
Asia Pacific (excluding Hong Kong)	17,278	709	7,069	25,056
North and South America	1,325	422	5,839	7,586
Middle East and Africa	706	—	1,060	1,766
Europe	<u>25,852</u>	<u>—</u>	<u>1,176</u>	<u>27,028</u>
As at 31 December 2005				
Asia Pacific (excluding Hong Kong)	10,659	483	8,569	19,711
North and South America	1,001	438	5,776	7,215
Middle East and Africa	609	—	792	1,401
Europe	<u>20,334</u>	<u>97</u>	<u>1,049</u>	<u>21,480</u>

Interim Results

The Board of Directors is pleased to announce that the unaudited consolidated profit attributable to the equity holders of the Group for the six months ended 30 June 2006 was HK\$560 million. This represented an 18% growth over the same period last year (First half of 2005: HK\$476 million). Basic earnings per share for the six months ended 30 June 2006 were HK\$0.50 (First half of 2005: HK\$0.45). Return on average assets and return on average common equity were 1% and 11.6% respectively (First half of 2005: 0.9% and 11.4%).

Interim Dividend

The Directors are pleased to declare an interim dividend of HK\$0.20 per ordinary share for the six months ended 30 June 2006 (First half of 2005: HK\$0.18). The interim dividend will be payable in cash on or about Monday, 11 September 2006 to shareholders whose names appear on the Register of Members of the Bank at the close of business on Friday, 25 August 2006.

Closure of Register of Members

The Register of Members of the Bank will be closed from Monday, 28 August 2006 to Friday, 1 September 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Bank's Share Registrars, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:00 p.m. on Friday, 25 August 2006.

Financial Review

In the first six months of 2006, the Group achieved a remarkable result of HK\$560 million, representing an increase of HK\$84 million or 18% over HK\$476 million achieved for the corresponding period in 2005.

Net interest income for the period ended 30 June 2006 increased HK\$250 million or 44% to HK\$820 million. The significant improvement came from the broadening of interest margin from 1.07% to 1.44% as well as 11% increase in average interest-earning assets.

Other operating income dropped HK\$35 million or 9% to HK\$351 million from HK\$386 million for the same period of 2005. Notwithstanding the growth of fees and commission from corporate loans and the prosperous stock market, the decrease was mainly due to the drop in trading swap foreign exchange profit and net loss on revaluation of securities. The ratio of other operating income to the total operating income decreased to 30%, compared with 40% for the corresponding period in 2005.

Operating expenses increased slightly by HK\$12 million or 3% to HK\$441 million, compared with HK\$429 million for the same period of 2005. With total operating income rising faster than operating expenses, the cost to income ratio declined from 44.9% in 2005 to 37.7% in 2006.

The consolidated impairment losses on loans and advances for the period were HK\$28 million.

Financial Position

The consolidated total assets of the Group reached HK\$126,559 million as at 30 June 2006, representing an increase of 10%, compared with 31 December 2005 or 17% raise compared with 30 June 2005.

Consolidated total loans and advances decreased by HK\$1,975 million or 3% to HK\$68,431 million as at 30 June 2006. The drop was mainly due to the selling of HK\$5,809 million loans during the period.

Total customer deposits amounted to HK\$78,294 million, this represented an increase of 17,304 million or 28%, as compared with HK\$60,990 million as at 31 December 2005. The increase evidenced the contribution from the IPO business as well as our marketing effort to solicit low cost funding.

Total loan capital amounted to HK\$7,520 million, this represented an increase of 41%, compared with HK\$5,339 million as at 31 December 2005. In June, the Group issued US\$200 million perpetual and US\$80 million non-perpetual floating rate notes to our ultimate holding company. The capital was issued to expand the capital base.

Capital Adequacy Ratio and Liquidity Ratio

The Group's adjusted consolidated capital adequacy ratio was increased to 17.8% from 15.7% as at 31 December 2005. The capital base increased following the new issuance of loan capital in June. The average liquidity ratio amounted to 42.7% (Average for the first half of 2005: 35.1%).

Impaired loans

Consolidated impaired loans decreased by HK\$100 million to HK\$561 million as at 30 June 2006, compared with HK\$661 million as at 31 December 2005. The consolidated impaired loan ratio was reduced from 0.9% to 0.8%.

As at 30 June 2006, the cumulative loan impairment allowances aggregated to HK\$378 million (31 December 2005: HK\$477 million), which included HK\$166 million (31 December 2005: HK\$267 million) of individual impairment allowance and HK\$212 million (31 December 2005: HK\$210 million) of collective impairment.

Overdue loans decreased from HK\$340 million as at 31 December 2005 to HK\$208 million as at 30 June 2006.

Business Review

Below is a summary of the performances of our individual business operations in 2006 and their outlook for second half of the year.

Retail Banking Business

During the first half of 2006, our retail customer deposit base grew significantly while our residential mortgage loan decreased slightly under the fierce price-cutting competition initiated by peer banks. During the rising cycle of the US interest rates, the massive fund inflow into Hong Kong reduced the cost of fund, the interest spread margin of loans improved and our retail banking profit grew quite significantly when compared with same period of 2005.

The rising interest rate had put Hong Kong's property market in stagnant in first 2 quarters. The fierce mortgage price war initiated by a major bank further caused our slight drop of residential mortgage loan.

Although the PRC government has initiated the "Macro Control Measures" to attack real estate market, we could still successfully lined up 5 quality projects with famed developers to provide HK/US\$ mortgage financing services to the homebuyers. By the end of June, total loan portfolio of China Mortgage Division was approximately HK\$500 million.

Under the fierce competition, our hire purchase and leasing loan portfolio recorded a slight drop. Nonetheless, net interest income increased due to the improved yield. Our market share on taxi and public light bus was maintained at approximately 14% to rank at top 5 in the market. In the second half of this year, it is anticipated that our business performance will improve with reasonable profit overall.

In the first half of 2006, we leveraged on our expanded branch network to actively acquire new target customers and deposit. The revenue so generated partially offset the negative effect of the decrease in mortgage loan.

In the wealth management and investment business area, our bank continued to ride on our edge to develop and promote mainland related banking products and services. In addition to the deposit account for "designated merchant" launched in 2005, the RMB current account was launched to better serve the active cross-border customers. Moreover, our bank launched a promotion program for RMB and mainland related products and achieved satisfactory result. Our bank also endeavored to enhance the wealth management services and to expand the investment products. 3 batches of Certificates of deposit were issued for customers' subscription. Meanwhile, we have lined up with one more renowned fund house and joined the distribution of 7 structured products that linked to stock prices or credit performance to offer wide range of investment products.

However, as the deposit interest rates increased gradually and the bullion, share, commodity and FX markets were trading with significant volatility during the same period, customers have more investment opportunities than before, which obviously reduced the attractiveness of funds, bonds and Certificates of deposit. Under the macro economic market conditions, our non-interest revenue from stock trading increased significantly while that from funds, bonds and Certificates of deposit decreased accordingly.

Moreover, we acted as the receiving bank of the following enterprises, “Shimao Property”, “Bank of China”, “Champion REIT”, “Dalian Port” and “Shanghai Prime Machinery” in their initial public offering (IPO) activities in the first half of 2006. These experiences strengthened our capability to develop further on IPO receiving bank business in the future.

Since the successful integration of Belgian Bank in October last year, we have completed the merger of 4 branches in duplicated areas with minimal attrition of customers and business.

Besides, we have expanded and relocated our Causeway Branch and North Point Branch in March and June respectively to provide a more comfortable branch environment with diversified banking facilities such as Securities Investment Center to our customers, which eventually improve the business development capability of the branches. Till then, about 20% of our branches have adopted new branch design theme which strengthens our unified bank image and is well accepted by our customers.

In the second half of 2006, we shall keep on actively acquiring new target customers and deposit, and solidify our various retail banking business through cross selling.

In HK mortgage business, we hope that after the upgrade and improvement of our computer systems, we could provide more versatile products and services like “Smart Mortgage” to our value customers so as to maintain our market share. Due to the uncertainty in the US rate hike cycle for the coming months, HK property market will be more or less as stagnant as before and the mortgage loan business competition will remain high which may lead to difficulty to grow, or even decrease in our residential loan portfolio.

Our mortgage business in China is expected to grow steadily despite the mainland macroeconomic tuning policy since we would keep on our strategy to develop the high-end target customers markets. In order to enlarge our market share, we plan to expand our business to cover developing cities like Nanjing, Chengdu, Hangzhou, Suzhou, Kunshan and Hainan, in addition to our current major cities as Shanghai and Beijing.

We expect fierce competition will continue in hire purchase and leasing business area. Following the releasing pressure from funding cost rise while our lending interest rate is expanding, it is anticipated that our business performance will improve.

Our bank will enhance the electronic channel services including improving the existing Personal Internet Banking Services and offering new Internet Securities Services functionalities, Automated Phone Securities Services, and Commercial Internet Banking.

We will continue to develop different types of investment products and line up with different financial institutions to offer diversified investment products for customers. Our bank will design different promotion offers to further sustain the growth of wealth management business.

Above all, our bank will keep on upgrading our IT system platform, improving the new Customer Relationship Management System and Sales Target Management System to raise

our marketing capability and quality, and to provide more comprehensive, convenience and quality banking services to our different segments of customers. Our branch network rationalization program will be continued so as to create a comprehensive and well-covered network.

Treasury and Markets

The investment environment was difficult during the first half of 2006 as the Federal Reserve, mainly driven by economic figures, raised the Fed Funds Target Rate four times to a current level of 5.25%. As the market forecasted the US interest rates would peak later this year, the yield curve has flattened and even inverted for sometime. On the other hand, while many of the major economic entities were expected to raise their interest rates, local interest rates did not follow the US in the interest rate rally since May and remained largely stable under adequate liquidity in the local market. Despite such difficult market environment, we were able to position itself to meet these challenges and did well in all lines of business – funding and liquidity management, fee-based activities as well as treasury dealing.

Under such market environment, we focused ourselves on the management of interest rate risks and credit risks of the debt securities investment portfolio and adopted a prudent, low risk investment strategy – we maintained only 35% of our total investments in fixed rate securities and reduced the duration to less than three years. On the other hand, we kept over 94% of the investments in securities (excluding Exchange Fund Bills) rated investment grades or above. Coupled with the flattening of the yield curve, this had put considerable pressure to the interest income from debt securities investment. Nevertheless, the strain on investment return is expected to be alleviated in the second half of 2006 and our income for debt securities investment is expected to be improved by then.

On the marketing and sales side, we continued to offer new wealth management products including yield-enhancement and principal-guaranteed products to individual investors as well as institutions to meet market demands. In particular, products related to the Renminbi exchange rate were especially welcomed by customers. In this respect, we launched several Renminbi exchange rate linked products, which were well received by the market. Moreover, we also offered several structured Certificates of deposit to retail customers with satisfactory results. These short and medium-term Certificates of deposit helped to expand our funding sources.

Looking ahead, the investment environment would still be difficult and full of uncertainty. As the volatility in global investment markets was expected to continue, the second half of the year would be full of challenges for us. With our continued efforts in improving risk management and control, the bank is able to manage these risks effectively on an ongoing basis. On the other hand, we have stepped up its efforts in studying the detailed regulatory requirements under the New Basel Accord (Basel II) to meet the implementation schedule next year.

Commercial Banking

Leveraging on the strong global economic momentum of last year, we started off in line with market in the first and second quarters of 2006 with continued growth in customer advances and deposits.

Customer's satisfaction continued to be our prime commitment. We always shared customer's perspective on business needs, aiming at bringing reliable and best-fit financial solutions to them. To make our services more versatile to meet diversified needs, we offered Diamond Trade Finance to take care of local diamond traders, Indian Banking to serve local Indian traders and European Banking to act as the bridge between European origins and Mainland China. With strong support from parent company and our networking niche, cross-border activities remained our target business with proven record of success.

After the merge with Belgian Bank, we continued to commit to bring in operational excellence to facilitate customer daily banking activities. System enhancements were never scarce. In particular, we are in the process of upgrading our Commercial Internet Banking to make it more user-friendly and powerful in use.

In view of slowdown, if not a halt, of interest rate hiking, blooming local economy in terms of export and local consumption and on-going liberation of financial markets in Mainland China, we hold unabated optimism in business growth in the second half of 2006. We continue to go for higher return by putting forth skilled products like Trade Finance, Factoring, Equipment Finance and Structured Finance as our focused sales.

Corporate Banking

Corporate Banking reported encouraging results, with operating income increased by 16%, as compared to the same period last year. Other operating income, in particular, reached a record high level of HK\$74 million, representing 46% of our operating income.

Instead of enlarging our loan book, we have focused on leveraging our book to generate fee-based income, thus enhancing our return on assets and equity. Instead of plain vanilla finance, our focus has been shifted to structured transactions, such as Mergers and Acquisitions Finance, Project Finance, Aviation Finance and Real Estate Investment Trust Finance, to leverage our structuring, execution and syndication ability.

We also dedicated our effort to strengthen the bank's funding base. During the period we privately placed the bank's Certificates of deposit for a total of about HK\$1 billion to corporate customers and increased our corporate deposit base by 89% to HK\$27.5 billion. We have also strived to assist our customer in managing their foreign currency and interest rate risk, with good results. For example, by way of a RMB/USD Cross Currency Non-delivery Interest Rate Swap, one of our valued customers effectively converted its USD interest payment obligation on a US\$145 million loan to a RMB interest payment obligation, which matches its RMB rental income source.

Our strategy to contain our loan book, while maintaining our leading position in the Corporate Banking market, by providing value-added services such as loan structuring, financial advisory, underwriting, syndication, risk mitigation and investment yield enhancement has brought to fruition. We will continue to further develop this business model.

Financial Institutions

First half of 2006 had been a very challenging period to our trade finance products due to overall market environment, particularly the competitiveness in pricing; however, we could maintain a reasonable return, as we focused on quality and profit margin instead of quantity. Our tailor-made cash management products had gained stable income and our IPO Receiving Bank Service had also become a key element of our business. With QDII close to be in place, we are prepared to face the challenge in providing custodian services to financial institutions of Mainland China.

Credit card business

A significant development in credit card business in the first half of 2006 was the acquisition of the credit card portfolio from ICBC, HK Branch. The merger of ICBC, HK Branch's credit card portfolio into the bank was effected, both in legal and operational sense, on 26 March 2006. Along with integration, new credit card systems for both issuing and merchant business were implemented. The merger increased the bank's card base by 300%. The merchant business also increased by 25% in terms of number of merchants.

Following the merger, the bank revised the organization of Credit Card Centre and re-engineered the processing workflows with a view to improve the efficiency and take the economies of scale delivered by the enlarged card portfolio. Credit Card Centre also adjusted its marketing and sales strategies to strengthen the cross-selling synergy between customers of credit card and branches. Although Credit Card Centre was occupied with the consolidation of its operations in the initial months after the integration in March, new marketing programs for credit cards were launched as early as in April with the result that total receivables increased by 5% in 3 months' time since integration.

Meanwhile, preparations have been made in full swing to add "Octopus" feature to our credit cards. We expect to make this new feature to all our card members in August. We have also worked on launching the Dual Currency Corporate Card which will again be the first card of similar nature in Hong Kong. The Card will be an important tool to acquire the businessmen traveling frequently between Mainland China and Hong Kong.

Our coming strategy is to push card acquisition mainly through branches. More acquisition programs will be launched to support branch promotion. Focus will also be placed on jerking up the revolving balance and active card ratio by offering more utilization programs. One major direction of which is to strengthen the cooperation with ICBC in Mainland China to offer spending privileges to our cardholders in Mainland China and to Peony Card cardholders when they come to Hong Kong. We are also seeking closer cooperation with our co-brand card partners such as Caritas and Yan Oi Tong.

Chinese Mercantile Bank

Even the market competition is so keen in the first half of 2006, Chinese Mercantile Bank ("CMB") still achieved a stable growth in less than one year after the acquisition by ICBC (Asia). As of 30 June 2006, the total asset of CMB was HK\$2,256 million representing an increase of 48% comparing to that of last year-end. Total loan outstanding was HK\$960 million. Profit after taxation was HK\$7 million. No impaired loan was recorded.

CMB is programming to offer RMB business other than the fully foreign currency business, which has submitted application to China Banking Regulatory Commission. Once received approval to offer RMB business, CMB can provide even wider range of banking business.

Compliance with “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 Code on Corporate Governance Practices

In the opinion of the Directors, the Group has complied with all the Code Provisions of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2006, except for the following deviations: -

1. Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The Non-Executive Directors and the Independent Non-Executive Directors of the Bank were not appointed for specific term but subject to the retirement by rotation and re-election at the annual general meeting in accordance with the Bank’s Articles of Association.

2. Under the Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years.

According to the Bank’s Articles of Association, at each annual general meeting one-third of the Directors for the time being (except the Managing Director) or, if their number is not a multiple of three, then the number nearest but not exceeding one-third shall retire from office by rotation. The Managing Director of the Bank had also offered himself for retirement at the annual general meeting of the Bank held on 27 April 2006 and was re-elected Director of the Bank. Save for one Non-Executive Director who will retire at the next annual general meeting, no other Directors of the Bank held office for over three years as at 30 June 2006.

3. Under the Code Provision E.1.2, the chairman of the board should attend the annual general meeting.

The Chairman of the Bank was unable to attend the annual general meeting of the Bank held on 27 April 2006 due to other important business engagements. Nonetheless, the majority of the board members (including the Chairman of each of the Audit, Remuneration and Nomination Committees) attended the above annual general meeting to answer questions from shareholders.

The Bank considered that sufficient measures have been taken to ensure that the Bank's corporate governance practices are no less exacting than those in the above Code Provisions, details of which were set out in the Corporate Governance Report of the Bank's 2005 Annual Report.

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

During the period, the Bank has not redeemed any of its listed securities. Neither the Bank nor any of its subsidiaries has purchased or sold any of the Bank's listed securities.

Interim Financial Information

The Audit Committee of the Bank has reviewed the results for the six months ended 30 June 2006 of the Group. The financial information in this interim results announcement is unaudited and does not constitute statutory accounts.

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

Hong Kong, 9 August 2006

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

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