



中國工商銀行(亞洲)

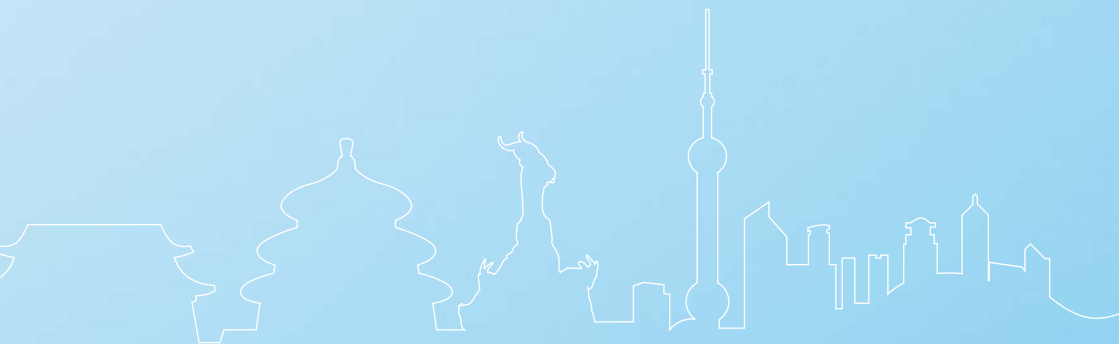
ICBC (Asia)

(Stock Code : 349)

Interim Report 2009



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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Board of Directors (the "Board") of Industrial and Commercial Bank of China (Asia) Limited (the "Bank" or "ICBC (Asia)") is pleased to present the unaudited condensed consolidated interim report of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2009. The consolidated income statement, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity of the Group for the six months ended 30 June 2009, and the consolidated statement of financial position as at 30 June 2009 of the Group, all of which are unaudited, along with notes to the condensed interim accounts, are set out on pages 10 to 50 of this report.

Interim Results

The Board is pleased to announce that the unaudited consolidated profit attributable to the equity holders of the Bank for the six months ended 30 June 2009 was HK\$930 million. This represents 2% growth over the same period last year (first half of 2008: HK\$916 million). Basic earnings per share for the six months ended 30 June 2009 were HK\$0.72 (first half of 2008: HK\$0.74). Return on average assets and return on average equity were 1.0% and 13.0% respectively (first half of 2008: 1.0% and 13.0% respectively).

Interim Dividend

The Board is pleased to declare an interim dividend of HK\$0.28 per ordinary share for the six months ended 30 June 2009 (2008 interim dividend: HK\$0.28). The interim dividend will be payable in cash with an option to receive new, fully paid shares in lieu of cash, to shareholders whose names appear on the Register of Members of the Bank at the close of business on Wednesday, 9 September 2009. Details of the scrip dividend and the election form will be sent to shareholders on or about Monday, 14 September 2009. The scrip dividend scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued under the scrip dividend scheme. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Friday, 9 October 2009.

Closure of Register of Members

The Register of Members of the Bank will be closed from Friday, 4 September 2009 to Wednesday, 9 September 2009, 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, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 3 September 2009.

Financial Review

In the first half of 2009, the Group achieved satisfactory results. Consolidated profit attributable to equity holders was HK\$930 million, representing an increase of HK\$14 million or 2% over HK\$916 million achieved for the corresponding period in 2008.

Net interest income decreased HK\$37 million or 2% to HK\$1,490 million. The decline was mainly attributable to a 2% decrease in average interest-earning assets.

Non-interest income increased HK\$187 million or 55% to HK\$529 million from HK\$342 million for the corresponding period in 2008. The increase was mainly attributable to the gain from marked-to-market revaluation of derivative instruments as well as financial assets and liabilities. The ratio of non-interest income to total operating income increased to 26%, compared with 18% for the corresponding period in 2008.



Operating expenses increased by HK\$47 million or 7% to HK\$695 million, after the provision of operating loss for Lehman Brothers related products of approximately HK\$89 million, compared with HK\$648 million for the corresponding period in 2008. The cost to income ratio decreased slightly from 34.7% in 2008 to 34.4% in 2009.

The impairment losses on loans and advances, available-for-sale and held-to-maturity financial investments for the period were HK\$266 million, where HK\$260 million was made as additional provision for individual assessment, including a further impairment loss on notes issued by structured investment vehicles of approximately HK\$43 million and HK\$6 million was made as additional provision for collective assessments.

Statement of Financial Position

The total assets of the Group amounted to HK\$218,168 million as at 30 June 2009, representing an increase of HK\$23,604 million or 12% over the position as at 31 December 2008.

Customer deposits amounted to HK\$159,850 million as at 30 June 2009, representing an increase of HK\$21,667 million or 16%, as compared to HK\$138,183 million as at 31 December 2008. However, loans and advances decreased by HK\$8,268 million or 6% to HK\$128,815 million as at 30 June 2009 as compared to HK\$137,083 million as at 31 December 2008. As a result, the surplus fund derived from deposit growth was utilised for inter-bank placements and for the investment in bonds issued by selected financial institutions, most of which are guaranteed by their respective domestic governments, as well as in U.S. treasury bills and Hong Kong Exchange Fund bills.

Our total securities investment amounted to HK\$31,398 million as at 30 June 2009, which represents an increase of HK\$10,478 million or 50% as compared to HK\$20,920 million as at 31 December 2008.

Total certificates of deposits issued decreased HK\$2,827 million or 66% to HK\$1,485 million as at 30 June 2009 as compared to HK\$4,312 million as at 31 December 2008.

Capital and Liquidity Management

The Group's capital adequacy ratio increased to 14.4% as at 30 June 2009 from 13.6% as at 31 December 2008. The average liquidity ratio amounted to 38.0% (average for the first half of 2008: 35.9%).

Asset Quality

Impaired loans and advances increased by HK\$25 million to HK\$914 million as at 30 June 2009, compared with HK\$889 million as at 31 December 2008. The impaired loan ratio was 0.71% as at 30 June 2009 (31 December 2008: 0.65%).

As at 30 June 2009, the cumulative loan impairment allowances aggregated to HK\$818 million (31 December 2008: HK\$661 million), which included HK\$433 million (31 December 2008: HK\$282 million) of individual impairment allowance and HK\$385 million (31 December 2008: HK\$379 million) of collective impairment allowance.

Overdue advances increased from HK\$290 million as at 31 December 2008 to HK\$559 million as at 30 June 2009.

Business Review

We summarize below the performance of our key business operations during the first half of 2009.



中國工商銀行(亞洲)

ICBC (Asia)

Retail Banking

Our Retail Banking Business continued to experience major challenge. During the first half of 2009, the economic conditions of Hong Kong remained sluggish. There was a general decline in transaction volume for retail banking products particularly for investment related products. Profitability for deposit business also dropped due to the persisting low interest rate environment.

Mortgage Business

The local property market still suffered from the aftermath of the financial tsunami during the first quarter of 2009. Since April 2009, there had been a sharp increase in the number of property transactions to over 10,000 per month. However, banks competed fiercely for new mortgage business through rate-cut in order to maintain their respective market shares. Despite such competition, interest margins remained stable since inter-bank market rates were at a historically low level, which contributed to a decline in funding cost. In addition, we succeeded in growing our total mortgage loan portfolio by approximately 5% by the end of June 2009 as compared to the end of last year.

Securities and brokerage

Notwithstanding the poor sentiment of the stock market especially during the first quarter of 2009, our securities and brokerage business managed to increase the level of commission and fee and also its market share as compared to the first half of 2008. Through competitive marketing campaigns, we also achieved a continuous growth in our customer base.

Wealth Management

The recent changes in banking regulations post considerable challenge to the business environment for wealth management. Coupled with persistent risk adverse attitude of customers, this led to a general slow down of sale of investment products such as unit trusts and structured products. Despite the difficult market conditions, we strived to expand our customer base for Elite Club by cross-referral mechanism as well as concerted marketing effort.

Private Banking

Through cross-border cooperation with ICBC, our private banking team visited various ICBC branches in Shanghai, Guangzhou, Sichuan, Shenzhen, Beijing and Tianjin etc. and introducing our products and services and exchanging business practice. In addition, we have launched our services for applicants under the Capital Investment Entrant Scheme of Hong Kong SAR as a mean of customer acquisition.

Asset Management

We target to build a full-fledged fund management operation focusing on the Asian markets. A new family of unit trusts under the "ICBC (Asia)" brand name has also received authorization by the Securities and Futures Commission in June 2009, which will soon be marketed through our retail banking network.

Bancassurance

Sale of insurance products enjoyed remarkable growth during the first half of 2009 as a result of increasing preference of customers to invest in traditional products for life and health protection. There has also been a gradual increase in sale of investment linked insurance products toward the end of the second quarter of 2009.

Hire Purchase

As a result of the favorable funding cost situation prevailing during the first half of 2009, our hire purchase and leasing business recorded stable profitability. Our market share for taxi and public light bus financing remained steady.



Global Markets & Trading

To improve its business profile, our treasury business has adopted the new name of "Global Markets & Trading" since 1 July 2009.

It continued to expand the customer base through close cooperation with other business departments of the bank. At the same time, our working relationship with ICBC was further enhanced, which resulted from our business cooperation with a larger number of ICBC branches in Mainland China. Due to the change in market conditions, demand for structured treasury products from customers dropped significantly. As such, we refocused on traditional products like foreign exchange business to better serve the increasing customers' demand in these areas. In addition, we strengthened our market making capability relating to RMB in preparation for further relaxation on RMB banking business in Hong Kong. On the other hand, we continued our effort to bring in advanced technology that assists us in the upgrade of market risk analysis and monitoring.

The performance of our bond portfolio was still under stress during the first quarter of 2009. Since then, the financial market became more stable, and credit spreads also started to tighten. By the end of June 2009, a general improvement in the market value of our bond portfolio was observed as compared to the end of last year.

Commercial Banking

In the first half of 2009, many of the small and medium-sized enterprise (SMEs) in Hong Kong continued to be under pressure due to a slowdown of the global as well as the local economy. At the same time, the consequential increase in the delinquency of SME loans had caused much concern to the banking industry. Under such difficult market conditions, our Commercial Banking business was still able to achieve satisfactory results. Also, we managed to maintain a below market average of non-performing loan ratio.

By offering tailor-made banking and financial services to customers, our Diamond Trade Finance, European Banking and Indian Banking continued to enjoy good reputation in the Hong Kong banking sector and contributed satisfactory profit. On the other hand, the majority of the term loans which originated from our cooperation with ICBC had gradually matured, which led to a decline in the outstanding balance of such loans. We had therefore refined our business strategy for closer collaborations with ICBC in view of the changing economic environment. We expect that our cooperation with ICBC to continue to generate significant contribution to our business growth.

Corporate and Investment Banking

Amidst the global economic instability and liquidity crunch, our Corporate Banking business further expanded by focusing on relationship building with a number of prominent corporate clients. Syndication activities remarkably slowed down since last quarter 2008. In spite of that, we took part in a number of capital market transactions including acting as senior lead arranger in the US\$2.5 billion term loan financing for Borse Dubai and acting as mandated lead arranger in the HK\$3 billion financing for The Link REIT. Besides arranging primary transactions, we also closed a number of deals in the secondary loan market and concluded a number of debt advisory and private placement transactions during the period.

We continue to expand our market share in the Greater China Region by providing innovative solution to sophisticated corporate clients. To leverage our position as a Hong Kong incorporated licensed bank with a strong connection in Mainland China, we are developing our presence in the Taiwan market in industries which benefit from the blooming cross strait economic activities. We have completed the 1st cross strait aircraft financing in cooperation with our sister company, ICBC Leasing, in the 1st half of 2009.



Institutional Banking

The business prospect of our Institutional Banking business was relatively strong during the first half of 2009. Business activities were growing, especially for the acquisition of client relationships. New institutional clients are banking with us as we provide better credit support and more importantly we have the capability to offer valuable solutions to overcome the stalemating environment. We continue to focus on transactional banking product enhancement so as to add extra value to existing client base. Simultaneously, more effort has been put on widening the client base, specifically targeting non-financial institutional clients.

To better cope with our business strategy, we have renamed the department as “Institutions Department”.

Credit Card Business

We managed to further grow our Credit Card business in the first half of 2009. The average monthly turnover, against the climate of declining consumer spending, still recorded a marginal growth over the same period last year. Both interest revenue and fee income had increased. The revenue growth, which was even higher than the growth in average monthly turnover, was due to our effort in increasing the revenue margins brought by the adjustment of the revolving interest rate on selected customer segments and the promotion of the high-margin card products such as Platinum and Titanium Cards. The merchant business also grew by approximately 40%. However, as a result of the financial crisis, we are more cautious in our new card approval process and customers also become more cautious in drawing revolving credit. That led to a slight drop in the monthly outstanding balance. On the other hand, our loan provision increased as result of the upsurge of bankruptcy and unemployment rates in Hong Kong.

Chinese Mercantile Bank

During the first half of 2009, Chinese Mercantile Bank (“CMB”) faced severe competition due to the aggressive loan growth strategy of other domestic banks in Mainland China. These led to a decline in both the size of its loan portfolio and overall profitability. According to Hong Kong Accounting Standards, CMB’s net profit declined by HK\$39 million or 33% to HK\$79 million for the first six months of 2009, as compared to HK\$118 million for the corresponding period in 2008. Net interest income decreased by HK\$30 million or 21% to HK\$115 million for the first six months of 2009, as compared to HK\$145 million for the corresponding period in 2008. Net fee and commission income increased by HK\$6 million or 30% to HK\$26 million for the first six months of 2009, as compared to HK\$20 million for the corresponding period in 2008. Total assets of CMB was HK\$7,946 million as at 30 June 2009, representing a decrease of 25% as compared to the end of 2008. Total customers’ loan and deposit balance as at 30 June 2009 amounted to HK\$5,978 million and HK\$2,539 million respectively, representing a decrease of 32% and 40% respectively over the corresponding balances as at the end of 2008.

CMB opened its Guangzhou Branch on 9 January 2009, which is its first branch office operates outside Shenzhen City. Furthermore, the registered capital of CMB has also been increased to RMB1.65 billion after the injection of additional capital in early 2009.

In July 2009, CMB obtained an approval to become one of the pilot commercial banks in Shenzhen City that carry out RMB cross-border trade settlement business, which presents an opportunity for ICBC (Asia) and CMB to expand their business in international settlement and trade financing and to provide more comprehensive and sound financial services for prime customers in Hong Kong and Mainland China.

**Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at 30 June 2009, the interests of the Directors and chief executives of the Bank in the shares, underlying shares and debentures of the Bank and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Bank and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Ordinary shares of HK\$2 each in the Bank

Name of Director	Capacity in which interests are held	Number of shares held	Total interests	Approximate % of total issued share capital
Dr. Jiang Jianqing	Beneficial owner	14,985	14,985	0.0012%
Mr. Zhang Yi	Beneficial owner	2,204	2,204	0.0002%
Mr. Yuen Kam Ho, George	Beneficial owner	22,323	22,323	0.0017%

All the interests stated above represent long positions. As at 30 June 2009, no short positions were recorded in the register required to be kept under Section 352 of the SFO.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executives of the Bank or their spouses or children under 18 years of age were granted, or had exercised, any rights to subscribe for any equity or debt securities of the Bank or any of its Associated Corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Bank and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2009, so far as the Board was aware, the following persons (other than the Directors or chief executives of the Bank) were interested in 5% or more of the issued share capital or short positions in shares or underlying shares of the Bank which would fall to be disclosed to the Bank under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO:

Ordinary shares of HK\$2 each in the Bank

Name of shareholder	Capacity in which interests are held	Number of shares held	Total interests	Approximate % of total issued share capital
Industrial and Commercial Bank of China Limited ("ICBC")	Beneficial owner	938,271,351	938,271,351	72.22%
Central Huijin Investment Limited ⁽¹⁾ & ⁽²⁾ ("Central Huijin")	Interest of controlled corporation	938,271,351	938,271,351	72.22%
Ministry of Finance of the People's Republic of China ⁽¹⁾ ("Ministry of Finance")	Interest of controlled corporation	938,271,351	938,271,351	72.22%

Note:

- ICBC is the legal owner of 938,271,351 ordinary shares of the Bank. Each of Central Huijin and Ministry of Finance is interested in such shares as a result of Central Huijin and Ministry of Finance being entitled to exercise, or control the exercise of, one-third or more of the voting power at general meetings of ICBC.
- Central Huijin formalized its English name effective 22 May 2009.



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All the interests stated above represent long positions. As at 30 June 2009, no short positions were recorded in the register required to be kept under Section 336 of the SFO.

Save as disclosed above, as at 30 June 2009, the Bank had not been notified by any persons (other than the Directors or chief executives of the Bank) who had interests or short positions in the shares or underlying shares of the Bank which would fall to be disclosed to the Bank under the provisions of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO.

Compliance with the Banking (Disclosure) Rules

The Bank has fully complied with the disclosure requirements as set out in the Banking (Disclosure) Rules.

Corporate Governance

The Bank is committed to maintaining high standards of corporate governance practices and also follows the module set out in the Supervisory Policy Manual entitled "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority on 21 September 2001.

In the opinion of the Board, the Bank has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009, except for the following deviations:

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

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

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

The Chairman of the Bank was unable to attend the annual general meeting of the Bank held on 22 May 2009 due to other important business engagements. Nonetheless, the members of the Board (including the Chairman or the Alternate Chairman or the respective members of each of the Audit, Remuneration and Nomination Committees) attended the above annual general meeting to answer questions from shareholders.

The Bank considered that sufficient measures have been taken to ensure that the Bank's corporate governance practices are no less exacting than those in the code provisions as set out in the Code, details of which were set out in the Corporate Governance Report of the Bank's 2008 Annual Report.

Changes in Directors' Information Required to be Disclosed Pursuant to Rule 13.51B(1) of the Listing Rules

Changes in director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Tsui Yiu Wa, Alec, an Independent Non-executive Director of the Bank, has been appointed as an Independent Non-executive Director of China Oilfield Services Limited, its shares are listed on the Stock Exchange and the Shanghai Stock Exchange, with effect from 3 June 2009. Also, Mr. Tsui retired as an Independent Non-executive Director of Vertex Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, effective 30 April 2009.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



Model Code for Securities Transactions by Directors

The Bank has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Bank confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard as set out in the Model Code for the period ended 30 June 2009.

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.

Audit Committee

During the period ended 30 June 2009, the Audit Committee of the Bank comprised three Independent Non-executive Directors, namely Professor Wong Yue Chim, Richard, s.B.S., J.P., Mr. Tsui Yiu Wa, Alec and Mr. Yuen Kam Ho, George and one Non-executive Director, namely Mr. Hu Hao. The Audit Committee meets on a quarterly basis to review the effectiveness of both the external and internal audit, internal controls and financial reporting.

Interim Financial Information

The Audit Committee of the Bank has reviewed the results for the six months ended 30 June 2009 of the Group. The financial information in this interim report 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, 17 August 2009

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



CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

(Unaudited)

	Notes	Six Months Ended		Change %
		30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000	
Interest income	(6)	2,322,494	3,905,375	-41%
Interest expense	(6)	(832,462)	(2,378,390)	-65%
Net interest income	(6)	1,490,032	1,526,985	-2%
Fee and commission income	(7)	348,439	402,204	-13%
Fee and commission expense	(7)	(35,661)	(47,470)	-25%
Net fee and commission income	(7)	312,778	354,734	-12%
Net trading income	(8)	120,864	88,162	37%
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	(9)	73,756	(122,045)	160%
Dividend income from financial investments	(10)	3,517	13,839	-75%
Other operating income	(11)	18,311	7,326	150%
Operating income		2,019,258	1,869,001	8%
Operating expenses	(12)	(695,116)	(647,591)	7%
Operating profit before impairment losses		1,324,142	1,221,410	8%
Charge for impairment losses on loans and advances	(13)	(224,605)	(87,605)	156%
Write-back of impairment losses on held-to-maturity financial investments		1,126	779	45%
Charge for impairment losses on available-for-sale financial investments		(42,870)	(22,336)	92%
Operating profit after impairment losses		1,057,793	1,112,248	-5%
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights		2,762	3,251	-15%
Net gain/(loss) on disposal of available-for-sale financial investments		56,892	(10,549)	639%
Loss on disposal of loans and advances		-	(28,710)	-100%
Operating profit		1,117,447	1,076,240	4%
Share of profits of associates		10,881	1,566	595%
Profit before tax		1,128,328	1,077,806	5%
Income tax expense	(14)			
– Hong Kong		(181,188)	(140,847)	29%
– Overseas		(15,809)	(25,294)	-37%
– Deferred tax		(1,186)	4,298	128%
Profit attributable to equity holders		930,145	915,963	2%
Earnings per share	(16)	HK\$0.72	HK\$0.74	-3%

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

(Unaudited)

	Notes	Six Months Ended		Change %
		30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000	
Profit for the period		930,145	915,963	2%
Revaluation deficit on bank premises	(33)	(417)	(154)	171%
Tax benefit		-	117	-100%
		(417)	(37)	1027%
Change in fair value of cash flow hedge	(33)	(1,780)	-	-
Tax expense	(33)	(1,002)	-	-
		(2,782)	-	-
Change in fair value reserve of available-for-sale financial investments	(33)	1,216,499	(896,510)	236%
Transfer from available-for-sale financial investment reserve to the income statement on impairment	(33)	42,905	22,336	92%
Tax (expense)/benefit	(33)	(206,505)	162,105	-227%
		1,052,899	(712,069)	248%
Exchange differences arising from translation of results of a foreign subsidiary	(33)	1,233	68,225	-98%
Other comprehensive income/(loss) for the period, net of tax		1,050,933	(643,881)	263%
Total comprehensive income for the period, net of tax		1,981,078	272,082	628%
Attributable to:				
Equity holders of the bank		1,981,078	272,082	628%



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

	Notes	Unaudited 30 Jun 2009 HK\$'000	Audited 31 Dec 2008 HK\$'000	Change %	Unaudited 30 Jun 2008 HK\$'000	Change %
Assets						
Cash and balances with banks and other financial institutions	(17)	38,390,316	28,678,778	34%	30,284,554	27%
Placements with and advances to banks and other financial institutions	(18)	15,326,779	844,358	1715%	906,098	1592%
Financial assets held for trading	(19)	45,849	52,051	-12%	36,541	26%
Financial assets designated at fair value through profit or loss	(20)	1,305,904	1,488,003	-12%	1,550,788	-16%
Derivative financial instruments	(21)	1,348,166	2,308,702	-42%	1,909,708	-29%
Loans and advances to customers, banks and other financial institutions	(22)	128,814,577	137,082,721	-6%	141,897,056	-9%
Financial investments:		30,046,641	19,379,478	55%	23,129,089	30%
– Available-for-sale	(23)	28,404,433	17,403,075	63%	18,233,554	56%
– Held-to-maturity	(24)	1,642,208	1,976,403	-17%	4,895,535	-66%
Investments in associates		195,317	184,854	6%	185,467	5%
Goodwill and other intangible assets		1,028,120	1,032,938	0%	1,027,142	0%
Investment properties	(25)	40,126	40,126	0%	41,576	-3%
Property, plant and equipment	(26)	272,277	276,074	-1%	259,531	5%
Leasehold land and land use rights		43,489	43,860	-1%	44,236	-2%
Current income tax assets		–	130,988	-100%	–	–
Deferred income tax assets	(29)	–	151,619	-100%	–	–
Other assets	(27)	1,310,067	2,869,559	-54%	1,643,651	-20%
Total assets		218,167,628	194,564,109	12%	202,915,347	8%
Liabilities						
Deposits from banks and other financial institutions		25,745,556	20,056,756	28%	32,286,776	-20%
Derivative financial instruments	(21)	1,431,854	3,296,670	-57%	1,761,101	-19%
Deposits from customers	(28)	159,849,555	138,183,332	16%	135,764,254	18%
– Designated at fair value through profit or loss		–	301,216	-100%	301,402	-100%
– At amortised cost		159,849,555	137,882,116	16%	135,462,852	18%
Certificates of deposit issued		1,484,935	4,312,361	-66%	4,457,808	-67%
– Designated at fair value through profit or loss		1,161,935	3,489,361	-67%	3,857,808	-70%
– At amortised cost		323,000	823,000	-61%	600,000	-46%
Debt securities in issue designated at fair value through profit or loss		3,122,645	3,146,399	-1%	3,140,224	-1%
Current income tax liabilities		36,535	10,113	261%	289,626	-87%
Deferred income tax liabilities	(29)	70,959	14,072	404%	170,487	-58%
Subordinated debts measured at amortised cost	(30)	8,556,348	8,556,348	0%	7,044,690	21%
Other liabilities	(31)	1,996,521	3,050,280	-35%	2,595,092	-23%
Total liabilities		202,294,908	180,626,331	12%	187,510,058	8%
Equity						
Share capital	(32)	2,598,476	2,570,536	1%	2,539,970	2%
Retained earnings	(33)	3,989,538	3,290,741	21%	3,599,727	11%
Other reserves	(33)	9,284,706	8,076,501	15%	9,265,592	0%
Total equity		15,872,720	13,937,778	14%	15,405,289	3%
Total equity and liabilities		218,167,628	194,564,109	12%	202,915,347	8%

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

(Unaudited)

	Notes	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Total equity as at 1 January		13,937,778	15,008,139
Profit attributable to equity holders	(33)	930,145	915,963
Other comprehensive income/(loss)		1,050,933	(643,881)
Total comprehensive income		1,981,078	272,082
Change in general reserve	(33)	(3,051)	–
Dividends paid during the period	(33)	(231,348)	(781,708)
Shares issued in lieu of dividends	(32)	188,263	608,701
Shares issued on exercise of warrants		–	298,166
Share issue expenses		–	(91)
Total equity as at 30 June		15,872,720	15,405,289



中國工商銀行(亞洲)

ICBC (Asia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

(Unaudited)

	Six Months Ended	
	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Net cash inflow/(outflow) from operating activities	21,366,283	(12,688,706)
Net cash (outflow)/inflow from investing activities	(20,948)	1,692,212
Net cash outflow from financing activities	(137,906)	(525,272)
Effects of foreign exchange differences	(6,071)	62,098
Net increase/(decrease) in cash and cash equivalents	21,201,358	(11,459,668)
Cash and cash equivalents at 1 January	28,933,732	43,694,357
Cash and cash equivalents at 30 June	50,135,090	32,234,689

Components of cash and cash equivalents in the consolidated statement of cash flows:

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

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Cash and balances with banks and other financial institutions	9,091,070	2,389,218
Placements with banks and other financial institutions	41,044,020	27,845,523
Treasury bills (including exchange fund bills)	-	1,999,948
	50,135,090	32,234,689



NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 Principal activities

The principal activities of the Bank are the provision of banking, financial and other financial related services.

2.1 Basis of preparation

The unaudited condensed consolidated interim report of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). These accounts also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and disclosure information required under the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (the “HKMA”).

The unaudited condensed consolidated interim accounts do not include all the information and disclosures required in the annual accounts, and should be read in conjunction with the Group’s annual accounts for the year ended 31 December 2008.

The preparation of accounts requires management to exercise its judgement and make estimates and assumptions in the process of applying the Group’s accounting policies and reporting amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management were the same as those applied to the consolidated accounts for the year ended 31 December 2008.

2.2 Basis of consolidation

The consolidated accounts include the accounts of the Bank and all its subsidiaries, a controlled unit trust and attributable share of results and reserves of its associates. For regulatory reporting, the basis of consolidation is set out in Note 1 of the “Supplementary Financial Information” section.

List of subsidiaries, which are all 100% held by the Bank, include in the consolidation are:

- Chinese Mercantile Bank
- ICBC (Asia) Asset Management Company Limited
- ICBC (Asia) Bullion Company Limited
- ICBC (Asia) Investment Holdings Limited
- ICBC (Asia) Investment Management Company Limited
- ICBC (Asia) Nominee Limited
- ICBC (Asia) Securities Limited
- ICBC (Asia) Trustee Company Limited
- ICBC (Asia) Wa Pei Nominees Limited
- ICBC Asia Wa Pei Limited (in liquidation)
- ICBCA (C.I.) Limited
- UB China Business Management Co. Ltd.



3.1 Impact of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies adopted in the preparation of the condensed interim report are consistent with those used in the preparation of the Group’s audited accounts for the year ended 31 December 2008 except for the adoption of new HKFRS interpretations set out below.

HKFRS 8 “Operating Segments”

HKFRS 8, replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers. All these have been applied in this condensed interim report. The adoption of this standard does not have an impact on the Group’s financial position and performance.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense recognized directly in equity, either in one single statement, or in two linked statements. This standard has been adopted in the condensed interim report.

HKFRS 7 Amendments Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The amendment to HKFRS 7 Financial Instruments: Disclosures introduce a three-level hierarchy for fair value measurement disclosures as follows:

Level 1	quoted price (unadjusted) in active markets for identical assets and liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices); and
Level 3	inputs for the asset or liability that are not based on observable market data (unobservable inputs)

It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. This standard will be adopted in the 2009 year end financial statements.



3.1 Impact of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HK(IFRIC) – Int 13 Customer Loyalty Programmes

HK(IFRIC) – Int 13 requires customer loyalty award credit to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. Adoption of this new HKFRS requirement did not have material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

The Group also adopts the amendments as issued by HKICPA in October 2008, which sets out its first *Improvements to HKFRSs*. Those amendments that have a significant impact on the Group are as follows:-

- a) HKFRS 7 Financial Instruments: Disclosures: Removes the reference to “total interest income” as a component of finance costs.
- b) HKAS 1 Presentation of Financial Statements: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.
- c) HKAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell” and the recoverable amount of property, plant and equipment is calculated as the higher of an asset’s fair value less costs to sell and its value in use.

In addition, items held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.

- d) HKAS 27 Consolidated and Separate Financial Statements: Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognized in the income statement in the separate financial statements. The amendment is applied prospectively only. This amendment has no impact on the consolidated financial statements.

- e) HKAS 28 Investments in Associates: Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.
- f) HKAS 36 Impairment of Assets: When discounted cash flows are used to estimate “fair value less cost to sell”, additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate “value in use”.
- g) HKAS 38 Intangible Assets: The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.
- h) HKAS 40 Investment Property: Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property.



3.2 Impact of issued but not yet effective HKFRSs

HKFRS 3 (Revised) Business Combination (Effective from 1 July 2009)

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The Group will apply this requirement from 1 January 2010.

HKAS 27 (Revised) Consolidated and Separate Financial Statements (Effective from 1 July 2009)

HKAS 27 (revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Group will apply this requirement from 1 January 2010.

HK(IFRIC) – Int 17 Distribution of Non-cash Assets to Owners (Effective from 1 July 2009)

HK(IFRIC) – Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC) – Int 18 Transfer of Assets from Customers (Effective from 1 July 2009)

HK(IFRIC) – Int 18 clarifies the requirements of HKFRSs for agreements in which an entity received from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The Group will apply this requirement from 1 January 2010.

HKAS 39 (Amendments): Recognition and Measurement – Eligible Hedged Item (Effective from 1 July 2009)

The amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, it is unlikely to have any financial impact on the Group. The Group will apply this requirement from 1 January 2010.

**4 Analysis of assets and liabilities by remaining maturity**

The table below summarises the Group's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Group	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
30 June 2009	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Cash and balances with banks and other financial institutions	9,091,070	29,299,246	-	-	-	-	-	38,390,316
Placements with and advances to banks and other financial institutions	-	-	14,900,526	426,253	-	-	-	15,326,779
Financial assets held for trading	-	1,523	4,031	-	21,895	-	18,400	45,849
Financial assets designated at fair value through profit or loss	77,501	-	-	232,109	796,185	200,109	-	1,305,904
Derivative financial instruments	174,167	148,610	275,383	170,001	333,239	246,766	-	1,348,166
Loans and advances to customers, banks and other financial institutions	18,059,595	3,361,305	6,354,917	16,562,255	57,749,075	26,727,430	-	128,814,577
Available-for-sale financial investments	-	-	-	-	-	-	1,622,386	1,622,386
- equity securities	-	-	-	-	-	-	1,622,386	1,622,386
- other debt securities	193,753	295,256	133,308	10,260,639	13,325,026	2,567,831	6,234	26,782,047
Held-to-maturity financial investments	-	-	-	-	-	-	-	-
- treasury bills	-	-	-	1,145,428	-	-	-	1,145,428
- other debt securities	-	-	-	365,535	58,578	72,667	-	496,780
Investments in associates	-	-	-	-	-	-	195,317	195,317
Goodwill and other intangible assets	-	-	-	-	-	-	1,028,120	1,028,120
Investment properties	-	-	-	-	-	-	40,126	40,126
Property, plant and equipment	-	-	-	-	-	-	272,277	272,277
Leasehold land and land use rights	-	-	-	-	-	43,489	-	43,489
Other assets	17,127	612,962	366,224	131,376	95,277	2,580	84,521	1,310,067
Total assets	27,613,213	33,718,902	22,034,389	29,293,596	72,379,275	29,860,872	3,267,381	218,167,628
Liabilities								
Deposits from banks and other financial institutions	19,987,174	4,370,593	321,462	1,066,327	-	-	-	25,745,556
Derivative financial instruments	25,299	100,228	210,792	251,801	548,222	295,512	-	1,431,854
Deposits from customers	67,891,888	42,664,965	26,717,873	22,341,507	223,247	10,075	-	159,849,555
Certificates of deposit issued	-	100,000	609,665	537,390	237,880	-	-	1,484,935
Debt securities in issue designated at fair value through profit or loss	-	-	3,122,645	-	-	-	-	3,122,645
Subordinated debts measured at amortised cost	-	-	-	-	7,006,328	1,550,020	-	8,556,348
Other liabilities, including current and deferred tax liabilities	113,979	831,077	416,126	483,657	53,306	-	205,870	2,104,015
Total liabilities	88,018,340	48,066,863	31,398,563	24,680,682	8,068,983	1,855,607	205,870	202,294,908
Net liquidity gap	(60,405,127)	(14,347,961)	(9,364,174)	4,612,914	64,310,292	28,005,265	3,061,511	15,872,720



4 Analysis of assets and liabilities by remaining maturity (continued)

Group At 31 December 2008	Repayable on demand HK\$'000	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Indefinite HK\$'000	Total HK\$'000
Assets								
Cash and balances with banks and other financial institutions	9,182,560	19,496,218	-	-	-	-	-	28,678,778
Placements with and advances to banks and other financial institutions	-	-	689,360	154,998	-	-	-	844,358
Financial assets held for trading	-	-	50	5,692	25,109	-	21,200	52,051
Financial assets designated at fair value through profit or loss	-	-	-	77,400	923,444	487,159	-	1,488,003
Derivative financial instruments	5,071	436,272	403,457	661,278	615,555	187,069	-	2,308,702
Loans and advances to customers, banks and other financial institutions	13,755,723	9,490,067	15,242,404	19,096,848	52,491,165	27,006,514	-	137,082,721
Available-for-sale financial investments								
- equity securities	-	-	-	-	-	-	1,277,921	1,277,921
- certificates of deposit held	-	-	-	-	-	7,931	-	7,931
- other debt securities	-	-	115,219	2,580,260	11,145,044	2,270,443	6,257	16,117,223
Held-to-maturity financial investments								
- treasury bills	-	-	-	1,136,282	-	-	-	1,136,282
- other debt securities	-	154,522	-	518,228	83,832	83,539	-	840,121
Investments in associates	-	-	-	-	-	-	184,854	184,854
Goodwill and other intangible assets	-	-	-	-	-	-	1,032,938	1,032,938
Investment properties	-	-	-	-	-	-	40,126	40,126
Property, plant and equipment	-	-	-	-	-	-	276,074	276,074
Leasehold land and land use rights	-	-	-	-	-	43,860	-	43,860
Other assets	41,764	1,567,543	243,350	924,708	237,377	2,301	135,123	3,152,166
Total assets	22,985,118	31,144,622	16,693,840	25,155,694	65,521,526	30,088,816	2,974,493	194,564,109
Liabilities								
Deposits from banks and other financial institutions	840,360	6,405,743	12,031,966	778,687	-	-	-	20,056,756
Derivative financial instruments	252	309,961	251,479	1,561,999	819,922	353,057	-	3,296,670
Deposits from customers	25,332,357	80,805,435	21,024,864	10,973,517	37,084	10,075	-	138,183,332
Certificates of deposit issued	-	-	997,762	2,734,857	579,742	-	-	4,312,361
Debt securities in issue designated at fair value through profit or loss	-	-	-	3,146,399	-	-	-	3,146,399
Subordinated debts measured at amortised cost	-	-	-	1,162,515	5,843,813	1,550,020	-	8,556,348
Other liabilities, including current and deferred tax liabilities	149,279	1,692,613	316,781	717,883	130,531	-	67,378	3,074,465
Total liabilities	26,322,248	89,213,752	34,622,852	21,075,857	7,411,092	1,913,152	67,378	180,626,331
Net liquidity gap	(3,337,130)	(58,069,130)	(17,929,012)	4,079,837	58,110,434	28,175,664	2,907,115	13,937,778



5 Segment reporting

(a) Class of business

The business of the Group comprises seven major segments. Commercial banking represents commercial lending and trade financing. Retail banking represents retail banking, hire purchase and leasing, and credit card business. Global markets & trading represents foreign exchange, money market and capital market activities. Corporate and investment banking comprises corporate banking and debt capital market. Unallocated items mainly comprise the central management unit, bank premises and any items which cannot be reasonably allocated to specific business segment.

	For the six months ended 30 June 2009							Total HK\$'000
	Corporate and investment banking HK\$'000	Commercial banking HK\$'000	Retail banking HK\$'000	Global markets & trading HK\$'000	Institutional banking HK\$'000	Chinese Mercantile Bank HK\$'000	Unallocated HK\$'000	
Net interest income	397,281	467,844	276,629	227,597	70,448	115,067	(64,834)	1,490,032
Fee and commission income	78,696	77,308	142,516	830	22,518	26,444	127	348,439
Fee and commission expense	(7,212)	(2,652)	(21,244)	-	(47)	(892)	(3,614)	(35,661)
Net fee and commission income/(expense)	71,484	74,656	121,272	830	22,471	25,552	(3,487)	312,778
Net trading income	22	13,955	9,097	119,996	796	(162)	(22,840)	120,864
Net loss on financial assets and liabilities designated at fair value through profit or loss	-	-	-	21,207	-	-	52,549	73,756
Dividend income from financial investments	201	-	11	-	-	-	3,305	3,517
Other operating income/(expense)	-	1,395	2,580	9	31	9,624	4,672	18,311
Operating income	468,988	557,850	409,589	369,639	93,746	150,081	(30,635)	2,019,258
Operating expenses	(33,820)	(140,851)	(351,901)	(46,518)	(6,537)	(36,394)	(79,095)	(695,116)
Operating profit/(loss) before impairment losses	435,168	416,999	57,688	323,121	87,209	113,687	(109,730)	1,324,142
Write-back of/(charge for) impairment losses on loans and advances	(41,285)	(153,560)	(81)	312	13,094	(34,229)	(8,856)	(224,605)
Write-back of impairment losses on held-to-maturity financial investments	-	-	-	1,126	-	-	-	1,126
Charge for impairment losses on available-for-sale financial investments	-	-	-	(42,870)	-	-	-	(42,870)
Operating profit/(loss) after impairment losses	393,883	263,439	57,607	281,689	100,303	79,458	(118,586)	1,057,793
Net gain/(loss) from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights	(6)	4	(311)	(21)	-	-	3,096	2,762
Net gain/(loss) on disposal of available- for-sale financial investments	-	-	-	(51,927)	-	-	108,819	56,892
Operating profit/(loss)	393,877	263,443	57,296	229,741	100,303	79,458	(6,671)	1,117,447
Share of profits of associates	-	-	-	-	-	-	10,881	10,881
Profit before tax	393,877	263,443	57,296	229,741	100,303	79,458	4,210	1,128,328
Segment assets	46,474,478	46,362,745	26,179,425	81,770,170	5,010,939	7,946,089	4,228,465	217,972,311
Investments in associates	-	-	-	-	-	-	195,317	195,317
Total assets	46,474,478	46,362,745	26,179,425	81,770,170	5,010,939	7,946,089	4,423,782	218,167,628
Total liabilities	37,890,588	38,320,833	46,798,409	25,183,964	35,503,328	4,711,802	13,885,984	202,294,908
Additions of non-current assets/capital expenditure during the period	18	88	9,307	724	63	505	13,775	24,480
Depreciation and amortisation charges	299	1,153	12,411	687	73	5,050	13,251	32,924



5 Segment reporting (continued)

(a) Class of business (continued)

	For the six months ended 30 June 2008							Total HK\$'000
	Corporate and investment banking HK\$'000	Commercial banking HK\$'000	Retail banking HK\$'000	Global markets & trading HK\$'000	Institutional banking HK\$'000	Chinese Mercantile Bank HK\$'000	Unallocated HK\$'000	
Net interest income	201,103	392,731	277,216	369,866	119,522	145,221	21,326	1,526,985
Fee and commission income	113,996	117,120	144,164	8	10,707	20,024	(3,815)	402,204
Fee and commission expense	(12,196)	(12,472)	(18,381)	-	23	(90)	(4,354)	(47,470)
Net fee and commission income/(expense)	101,800	104,648	125,783	8	10,730	19,934	(8,169)	354,734
Net trading income	3,193	25,180	9,649	26,256	131	(2,221)	25,974	88,162
Net loss on financial assets and liabilities designated at fair value through profit or loss	-	-	-	(107,199)	-	-	(14,846)	(122,045)
Dividend income from financial investments	442	-	-	-	-	-	13,397	13,839
Other operating income/(expense)	(24)	(87)	1,912	193	-	(2,566)	7,898	7,326
Operating income	306,514	522,472	414,560	289,124	130,383	160,368	45,580	1,869,001
Operating expenses	(35,267)	(152,831)	(271,356)	(48,667)	(5,963)	(41,999)	(91,508)	(647,591)
Operating profit/(loss) before impairment losses	271,247	369,641	143,204	240,457	124,420	118,369	(45,928)	1,221,410
Write-back of/(charge for) impairment losses on loans and advances	(25,344)	(65,151)	(2,563)	118	(882)	-	6,217	(87,605)
Write-back of impairment losses on held-to-maturity financial investments	-	-	-	779	-	-	-	779
Charge for impairment losses on available-for-sale financial investments	-	-	-	(22,336)	-	-	-	(22,336)
Operating profit/(loss) after impairment losses	245,903	304,490	140,641	219,018	123,538	118,369	(39,711)	1,112,248
Net gain/(loss) from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights	-	-	(78)	-	-	-	3,329	3,251
Loss on disposal of loans and advances	(3,494)	(11,075)	(3,600)	-	(252)	-	(10,289)	(28,710)
Net loss on disposal of available- for-sale financial investments	-	-	-	(10,549)	-	-	-	(10,549)
Operating profit/(loss)	242,409	293,415	136,963	208,469	123,286	118,369	(46,671)	1,076,240
Share of profits of associates	-	-	-	-	-	-	1,566	1,566
Profit/(loss) before tax	242,409	293,415	136,963	208,469	123,286	118,369	(45,105)	1,077,806
Segment assets	38,845,547	42,829,006	25,996,374	50,618,989	26,121,346	10,609,082	7,709,536	202,729,880
Investments in associates	-	-	-	-	-	-	185,467	185,467
Total assets	38,845,547	42,829,006	25,996,374	50,618,989	26,121,346	10,609,082	7,895,003	202,915,347
Total liabilities	44,429,658	36,170,527	48,176,843	30,289,584	5,236,695	7,537,890	15,668,861	187,510,058
Additions of non-current assets/capital expenditure during the period	51	173	15,729	17	20	3,316	4,255	23,561
Depreciation and amortisation charges	253	1,013	10,434	963	60	7,399	29,141	49,263



5 Segment reporting (continued)

(b) Geographical area

The Group operates predominantly in Hong Kong. The geographical analysis, which has been classified by the location of the principal operations, is as follows:

	For the six-month ended 30 Jun 2009			Consolidated HK\$'000
	Hong Kong HK\$'000	Asia Pacific (excluding Hong Kong) HK\$'000	Europe HK\$'000	
Operating income (net of interest expense)	1,875,545	150,081	(6,368)	2,019,258
Profit/(loss) before tax	1,056,379	79,458	(7,509)	1,128,328
Total assets	209,813,009	7,946,089	408,530	218,167,628
Total liabilities	197,571,400	4,711,802	11,706	202,294,908
Contingent liabilities and commitments	79,972,486	2,880,646	-	82,853,132
Capital expenditure during the period	23,975	505	-	24,480

	For the six-month ended 30 Jun 2008			Consolidated HK\$'000
	Hong Kong HK\$'000	Asia Pacific (excluding Hong Kong) HK\$'000	Europe HK\$'000	
Operating income (net of interest expense)	1,671,685	160,368	36,948	1,869,001
Profit before tax	925,448	118,369	33,989	1,077,806
Total assets	191,845,734	10,609,082	460,531	202,915,347
Total liabilities	179,967,303	7,537,890	4,865	187,510,058
Contingent liabilities and commitments	82,028,288	22,207,281	-	104,235,569
Capital expenditure during the period	20,245	3,316	-	23,561



6 Net interest income

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Interest income on:		
Cash and balances with banks and other financial institutions	52,845	516,447
Placements with and advances to banks and other financial institutions	39,393	25,381
Loans and advances to customers, banks and other financial institutions	1,821,469	2,896,384
Financial investments – available-for-sale	349,882	376,241
Financial investments – held-to-maturity	19,324	46,904
	2,282,913	3,861,357
Financial assets held for trading	1,006	142
Financial assets designated at fair value through profit or loss	38,575	43,876
	2,322,494	3,905,375
Interest expense on:		
Deposits from banks and other financial institutions	105,939	418,099
Deposits from customers	495,728	1,649,951
Certificates of deposit issued	3,384	7,625
Subordinated debts measured at amortised cost	94,822	150,340
Others	18,651	10,540
	718,524	2,236,555
Financial liabilities designated at fair value through profit or loss	113,938	141,835
	832,462	2,378,390
Net interest income	1,490,032	1,526,985

Included in the above is interest income accrued on impaired financial assets of HK\$19,906,551 (First half of 2008: HK\$16,243,455), including unwinding of discounts on loan impairment losses of HK\$6,164,157 (First half of 2008: HK\$9,244,215).

**7 Net fee and commission income**

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Loans, overdrafts and guarantees	92,611	171,482
Securities and brokerage	98,829	70,452
Trade finance	69,041	79,663
Credit card	30,974	25,572
Remittance	12,313	11,409
Insurance	10,589	9,602
Other retail and commercial banking services	17,773	17,901
Others	16,309	16,123
Fee and commission income	348,439	402,204
Fee and commission expense	(35,661)	(47,470)
Net fee and commission income	312,778	354,734
Of which:		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	161,652	251,145
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	7,532	5,119
Of which:		
Fee and commission income by product line constitutes not less than 10% of the total amount of fees and commission income, as follows:		
– securities and brokerage	98,829	70,452
– syndication loan	60,352	80,188
– term loan	–	65,808
– inwards bill	–	41,255

8 Net trading income

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Equity investments	14,806	(3,000)
Debt securities – financial assets held for trading	988	983
– available-for-sale financial investments	(84,378)	(53,880)
Derivatives	136,640	114,520
Foreign exchange	52,808	29,539
Total net trading income	120,864	88,162

Included in total net trading income is the gain on financial liabilities measured at amortised cost of HK\$2,884 (First half of 2008: HK\$328,000).

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

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Financial assets designated at fair value through profit or loss	19,736	(103,753)
Financial liabilities designated at fair value through profit or loss	54,020	(18,292)
Total net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	73,756	(122,045)

10 Dividend income from financial investments

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Dividend income from listed financial assets held for trading	737	1,138
Dividend income from listed available-for-sale financial investments	–	9,746
Dividend income from unlisted available-for-sale financial investments	2,780	2,955
Total dividend income from financial investments	3,517	13,839

11 Other operating income

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Management fee income	3,750	3,750
Rental income	32	41
Rental income from investment properties	1,217	1,184
Less: Direct operating expenses arising from investment properties that generated rental income during the period	(77)	(42)
Others	13,389	2,393
Total other operating income	18,311	7,326

**12 Operating expenses**

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Staff costs		
– Salaries and other costs	299,467	319,562
– Redundancy payment	853	–
– Retirement benefit cost	19,929	18,660
	320,249	338,222
Premises and equipment expenses, excluding depreciation and amortisation		
– Rental of premises	112,564	108,264
– Others	34,928	33,424
	147,492	141,688
Depreciation and amortisation expenses	32,924	49,263
Auditors' remuneration	3,304	2,568
General administration expense	17,359	17,900
Business promotion expense	12,143	20,046
Communication expense	20,711	19,204
Other operating expenses	140,934	58,700
Total operating expenses	695,116	647,591

13 Charge for impairment losses on loans and advances

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Charge for impairment losses on loans and advances		
Individually assessed		
– New allowances	242,528	86,810
– Releases	(18,348)	(10,290)
– Recoveries	(5,505)	(7,703)
Net charge for impairment losses on individually assessed loans and advances	218,675	68,817
Collectively assessed		
– New allowances	9,552	18,788
– Releases	(3,622)	–
Net charge for impairment losses on collectively assessed loans and advances	5,930	18,788
Net charge to the income statement	224,605	87,605



14 Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable for overseas subsidiaries have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The amount of tax charged to the consolidated income statement represents:

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Current tax – provision for Hong Kong Profits Tax for the period	162,976	140,847
– provision for overseas tax for the period	14,633	25,294
Under-provision in respect of prior years	19,388	–
Deferred taxation relating to the origination and reversal of temporary differences	1,186	(4,298)
	198,183	161,843

The difference between the tax expense for the Group's profit before tax and the theoretical amount that would arise using the current tax rate is as follows:

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Profit before tax	1,128,328	1,077,806
Calculated at a tax rate of 16.5% (2008: 16.5%)	186,174	177,838
Effect of different tax rates in other countries	2,913	1,781
Income not subject to tax	(25,816)	(31,092)
Expenses not deductible for tax purposes	17,319	26,910
Adjustments in respect of current tax of previous periods	19,388	(13,594)
Share of tax of associates	(1,795)	–
Tax charge	198,183	161,843

15 Declared interim dividend

	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Declared interim dividend of HK\$0.28 (2008: HK\$0.28) per ordinary share	363,787	355,596

At the Board Meeting of the Bank held on 17 August 2009, the Board has declared an interim dividend of HK\$0.28 per ordinary share. The interim dividend will be payable in cash with an option to receive new, fully paid shares in lieu of cash, to shareholders whose names appear on the Register of Members of the Bank at the close of business on Wednesday, 9 September 2009.

**16 Earnings per share**

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

	30 Jun 2009	30 Jun 2008
Profit attributable to equity holders (HK\$'000)	930,145	915,963
Weighted average number of ordinary shares in issue (thousands)	1,285,654	1,232,137
Basic earnings per share (HK\$ per share)	0.72	0.74

17 Cash and balances with banks and other financial institutions

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Cash in hand	252,104	260,075
Balances with central banks	7,768,576	924,435
Balances with other banks and financial institutions	1,070,390	7,998,042
Placements with banks and other financial institutions maturing within one month	29,299,246	19,496,226
	38,390,316	28,678,778

18 Placements with and advances to banks and other financial institutions

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Placements with banks and other financial institutions maturing between one and twelve months	15,326,779	844,358

19 Financial assets held for trading

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	263	410
Unlisted	27,186	30,441
	27,449	30,851
Equity securities, at fair value:		
Listed in Hong Kong	18,400	21,200
Total financial assets held for trading	45,849	52,051
Financial assets held for trading are analysed by category of issuer as follows:		
Public sector entities	429	628
Banks and other financial institutions	45,420	51,423
	45,849	52,051

**20 Financial assets designated at fair value through profit or loss**

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	155,560	340,506
Listed outside Hong Kong	688,956	973,906
Unlisted	461,388	173,591
Total financial assets designated at fair value through profit or loss	1,305,904	1,488,003
Financial assets designated at fair value through profit or loss are comprised of the following items:		
Other debt securities	1,305,904	1,488,003
	1,305,904	1,488,003
Financial assets designated at fair value through profit or loss are analysed by category of issuer as follows:		
Central governments and central banks	–	202,890
Public sector entities	200,653	200,119
Banks and other financial institutions	291,298	309,333
Corporate entities	813,953	775,661
	1,305,904	1,488,003

21 Derivative financial instruments

The Group enters into the following equity, foreign exchange and interest rate related derivative financial instruments for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currencies on a future date.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency, interest rate and equity options are contractual agreements under which the seller (writer) grants the purchaser (holder) the rights, but not an obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter ("OTC") between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).

The contractual/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with fair value instruments recognised on the consolidated statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates and equity relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.

**21 Derivative financial instruments (continued)**

The Group trades derivative products (both exchange-traded or OTC) mainly for customer business. The Group strictly follows risk management policies in providing derivative products to our customers and in trading of derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions and the maximum tenor of the deal and management alert limit in profit or loss is set. Every derivative transaction must be input into the relevant system for settlement, revaluation, reporting and control.

The following tables summarise the contractual/notional amounts of each significant type of derivative financial instrument as at 30 June 2009 and 31 December 2008:

As at 30 June 2009	Contractual/ notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
– Currency forwards	82,265,819	801,694	(650,267)
– OTC currency options purchased	3,809,252	32,151	(485)
– OTC currency options written	3,405,363	485	(29,532)
Total foreign exchange derivatives		834,330	(680,284)
b) Interest rate derivatives			
– Interest rate swaps	22,668,203	487,077	(530,419)
– Interest rate options purchased	300,000	5,646	–
– Interest rate options written	300,000	–	(5,646)
Total interest rate derivatives		492,723	(536,065)
c) Equity derivatives			
– Equity options	299,176	1,242	(1,242)
		1,242	(1,242)
Total derivative assets/(liabilities) held for trading		1,328,295	(1,217,591)
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
– Interest rate swaps	4,203,432	19,871	(174,947)
b) Derivatives designated as cash flow hedges			
– Cross currency swaps	503,757	–	(39,316)
Total derivative assets/(liabilities) held for hedging		19,871	(214,263)
Total recognised derivative assets/(liabilities)		1,348,166	(1,431,854)



21 Derivative financial instruments (continued)

As at 31 December 2008	Contractual/ notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
– Currency forwards	94,045,118	1,644,821	(2,262,968)
– OTC currency options purchased	6,258,859	62,706	(88,640)
– OTC currency options written	6,080,840	88,640	(62,842)
Total foreign exchange derivatives		1,796,167	(2,414,450)
b) Interest rate derivatives			
– Interest rate swaps	24,958,346	507,065	(568,853)
– Interest rate options purchased	300,000	5,470	–
– Interest rate options written	300,000	–	(5,470)
Total interest rate derivatives		512,535	(574,323)
c) Equity derivatives			
– Equity options	30,130	–	–
Total derivative assets/(liabilities) held for trading		2,308,702	(2,988,773)
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
– Interest rate swaps	3,185,923	–	(270,636)
b) Derivatives designated as cash flow hedges			
– Cross currency swaps	503,757	–	(37,261)
Total derivative liabilities held for hedging		–	(307,897)
Total recognised derivative assets/(liabilities)		2,308,702	(3,296,670)

Among the above derivative financial instruments, certain of them were designated as hedging instruments.

Fair value hedges are used by the Group for protection against changes in the fair value of financial assets due to movements in market interest rates. The financial instruments hedged for interest rate risk are available-for-sale debt securities. The Bank uses interest rate swaps to hedge interest rate risk.

**21 Derivative financial instruments** (continued)

The effectiveness of the hedge based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the period is presented as follows:

	30 Jun 2009 HK\$'000	Group 30 Jun 2008 HK\$'000
Gain/(loss) arising from fair value hedge, net:		
– Hedging instruments	110,605	42,649
– Hedged items attributable to the hedged risk	(110,231)	(53,880)
	374	(11,231)

Cash flow hedge consists of a cross-currency swap entered in 2008 that is used to protect the Group against exposures to the variability of a floating-rate asset. Gains and losses on the effective portion of the swap are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the period, there was no ineffectiveness recognised in the income statement that arose from cash flow hedges (2008: Nil). The cross-currency swap will mature in December 2009.

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

	30 Jun 2009		31 Dec 2008	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Contingent liabilities and commitments	–	11,499,273	–	14,141,170
Exchange rate contracts	670,973	450,401	1,445,092	875,337
Interest rate contracts	502,065	421,488	512,542	504,046
Other contracts	1,242	2,125	–	181
	1,174,280	12,373,287	1,957,634	15,520,734

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

**22 Loans and advances to customers, banks and other financial institutions****a) Loans and advances to customers, banks and other financial institutions**

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Advances to customers	126,004,490	118,428,192
Advances to banks and other financial institutions	1,993,147	16,731,818
Trade bills	1,342,436	1,609,937
Gross loans and advances to customers, banks and other financial institutions	129,340,073	136,769,947
Accrued interest	292,020	974,129
	129,632,093	137,744,076
Less: impairment allowances		
– Individually assessed	(432,375)	(282,506)
– Collectively assessed	(385,141)	(378,849)
	128,814,577	137,082,721
	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Gross impaired loans and advances	913,880	888,965
Impairment allowances made in respect of such loans	432,375	282,506
Gross impaired loans and advances as a percentage of total gross loans and advances	0.71%	0.65%
Market value of collateral	728,764	806,490

Impaired loans and advances are defined as those loans which are individually determined to have objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated.

Loss event refers to situations such as credit downgrade of the loan borrowers; or loan outstandings become overdue.

There were no impaired advances to banks and other financial institutions as at 30 June 2009 and 31 December 2008; nor were there any individual impairment allowances made for them on these two dates.

The market value of the collateral is readily determinable or can be reasonably established and verified.

**22 Loans and advances to customers, banks and other financial institutions** (continued)**b) Overdue advances to customers, banks and other financial institutions (excluding trade bills and receivables)**

The gross amount of the Group's advances to customers, banks and other financial institutions (excluding trade bills and receivables) which have been overdue is analysed as follows:

	Gross advances HK\$'000	% of advances to customers	Market value of collateral HK\$'000	Amount of secured balance HK\$'000	Amount of unsecured balance HK\$'000	Individual impairment allowance HK\$'000
As at 30 June 2009						
Six months or less but over three months	421,921	0.3	446,682	279,708	142,213	176,093
One year or less but over six months	121,785	0.1	114,580	61,743	60,042	65,666
Over one year	15,251	0.0	3,902	2,424	12,827	10,378
	558,957	0.4	565,164	343,875	215,082	252,137
As at 31 December 2008						
Six months or less but over three months	241,726	0.2	313,680	186,712	55,014	34,592
One year or less but over six months	35,196	0.0	9,499	9,331	25,865	25,632
Over one year	13,007	0.0	5,461	3,224	9,783	13,007
	289,929	0.2	328,640	199,267	90,662	73,231

The criteria for eligible collateral are as follows:

- The market value of the collateral is readily determinable or can be reasonably established and verified;
- The collateral is marketable and there exists a readily available secondary market for disposing of the collateral;
- The Bank's rights to repossess the collateral is legally enforceable and without impediment; and
- If the collateral is a moveable asset, it should be under the Bank's custody, or its whereabouts can be located by the Bank.

The eligible collaterals are mainly properties, deposits and shares.

**22 Loans and advances to customers, banks and other financial institutions** (continued)**(c) Other overdue assets**

	30 Jun 2009 Accrued interest HK\$'000	30 Jun 2009 Other assets HK\$'000	31 Dec 2008 Accrued interest HK\$'000	31 Dec 2008 Other assets HK\$'000
Six months or less but over three months	4,892	3,703	25	227
One year or less but over six months	-	1,169	-	-
Over one year	1	1,439	1	1,439
Rescheduled assets	4,893	6,311	26	1,666
	5	-	2	-
	4,898	6,311	28	1,666

Other assets refer to trade bills and receivables.

There were no debt securities which were overdue for over 3 months; nor were there any rescheduled assets as at 30 June 2009 and 31 December 2008.

(d) Rescheduled advances

	30 Jun 2009 HK\$'000	As % of advances to customers	31 Dec 2008 HK\$'000	As % of advances to customers
Rescheduled advances (excluding overdue loans over three months)	108,240	0.1	161,662	0.1

Rescheduled advances which have been overdue for more than three months under the revised repayment terms are included in the analysis of overdue advances in (b) above.

There were no advances to banks and other financial institutions which were overdue; nor were there any rescheduled advances to banks and other financial institutions as at 30 June 2009 and 31 December 2008.

(e) Repossessed assets

At 30 June 2009, the estimated market value of the repossessed assets of the Group amounted to HK\$1,500,000 (31 December 2008: HK\$49,023,000). These are properties which the Group has acquired access to or control of (e.g. through legal actions or voluntary actions by the borrowers concerned) for releasing in full or in part on the obligations of the borrowers.

**23 Available-for-sale financial investments**

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Debt securities:		
Listed in Hong Kong	2,208,762	1,916,434
Listed outside Hong Kong	8,918,700	8,752,054
Unlisted	15,654,585	5,456,666
	26,782,047	16,125,154
Equity securities:		
Listed in Hong Kong	1,543,221	1,198,756
Unlisted	79,165	79,165
	1,622,386	1,277,921
Total available-for-sale financial investments	28,404,433	17,403,075
Market value of listed securities	12,670,683	11,867,244
Debt securities after taking into account of impairment losses are comprised of the following items:		
Certificates of deposit held	-	7,931
Other debt securities	26,782,047	16,117,223
	26,782,047	16,125,154
Available-for-sale financial investments are analysed by category of issuer as follows:		
Central governments and central banks	3,838,697	1,353,598
Public sector entities	1,003,801	753,638
Banks and other financial institutions	14,887,904	7,401,455
Corporate entities	8,669,810	7,890,140
Others	4,221	4,244
	28,404,433	17,403,075



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24 Held-to-maturity financial investments

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Debt securities:		
Listed in Hong Kong	–	78,605
Listed outside Hong Kong	273,463	575,811
Unlisted	1,369,998	1,324,366
	1,643,461	1,978,782
Less: Impairment loss	(1,253)	(2,379)
Total held-to-maturity financial investments	1,642,208	1,976,403
Market value of listed securities	262,194	630,681
Debt securities after taking into account of impairment losses are comprised of the following items:		
Treasury bills	1,145,428	1,136,282
Other debt securities	496,780	840,121
	1,642,208	1,976,403
Held-to-maturity financial investments are analysed by category of issuer as follows:		
Central governments and central banks	1,145,428	1,214,640
Public sector entities	72,668	83,539
Banks and other financial institutions	83,992	238,354
Corporate entities	340,120	439,870
	1,642,208	1,976,403
Movement in impairment allowances on held-to-maturity financial investments		
At 1 January	2,379	2,535
Write-back of impairment losses	(1,126)	(156)
At 30 June/31 December	1,253	2,379

25 Investment properties

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Carrying amount at 1 January	40,126	40,624
Net revaluation loss	–	(498)
Carrying amount at period/year end	40,126	40,126



26 Property, plant and equipment

	Bank premises and properties HK\$'000	Leasehold improve- ments HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
At 31 December 2008 and 1 January 2009: Cost or valuation	150,720	204,330	233,670	588,720
Accumulated depreciation and impairment	(52,718)	(111,236)	(148,692)	(312,646)
Net book value at 31 December 2008 and 1 January 2009	98,002	93,094	84,978	276,074
Additions	-	11,482	7,698	19,180
Disposals	-	(11)	(549)	(560)
Depreciation provided during the period	(3,349)	(8,756)	(10,337)	(22,442)
Exchange rate and other adjustments	(587)	1	611	25
Net book value at 30 June 2009	94,066	95,810	82,401	272,277
At 30 June 2009: Cost or valuation	146,553	212,772	224,655	583,980
Accumulated depreciation and impairment	(52,487)	(116,962)	(142,254)	(311,703)
Net book value at 30 June 2009	94,066	95,810	82,401	272,277
The analysis of cost or valuation of the above assets is as follows: At 30 June 2009: At cost	-	212,772	224,655	437,427
At valuation	94,066	-	-	94,066
	94,066	212,772	224,655	531,493



26 Property, plant and equipment (continued)

	Bank premises and properties HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
At 31 December 2007 and 1 January 2008:				
Cost or valuation	139,411	192,153	251,664	583,228
Accumulated depreciation and impairment	(42,423)	(100,919)	(182,133)	(325,475)
Net book value at 31 December 2007 and 1 January 2008	96,988	91,234	69,531	257,753
Additions	6,766	21,330	33,918	62,014
Acquired from a subsidiary	–	–	30	30
Disposals	–	(1,212)	(238)	(1,450)
Revaluation	7,155	–	–	7,155
Depreciation provided during the year	(10,078)	(18,867)	(18,650)	(47,595)
Exchange rate and other adjustments	(2,829)	609	387	(1,833)
Net book value at 31 December 2008	98,002	93,094	84,978	276,074
At 31 December 2008:				
Cost or valuation	150,720	204,330	233,670	588,720
Accumulated depreciation and impairment	(52,718)	(111,236)	(148,692)	(312,646)
Net book value at 31 December 2008	98,002	93,094	84,978	276,074
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2008:				
At cost	–	204,330	233,670	438,000
At valuation	98,002	–	–	98,002
	98,002	204,330	233,670	536,002

27 Other assets

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Interest receivable	341,925	498,375
Prepayments	126,551	130,557
Settlement accounts	449,547	1,209,518
Others	392,044	1,031,109
	1,310,067	2,869,559

**28 Deposits from customers**

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Demand deposits and current accounts	8,163,610	4,986,854
Savings deposits	28,609,287	20,034,376
Time, call and notice deposits	123,076,658	113,162,102
	159,849,555	138,183,332

29 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2008: 16.5%).

The movements in the deferred tax asset/(liability) accounts are as follows:

	30 June 2009 HK\$'000	30 Jun 2009 HK\$'000	Total 30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000	31 Dec 2008 HK\$'000	Total 31 Dec 2008 HK\$'000
At 1 January	(14,072)	151,619	137,547	(11,539)	(324,717)	(336,256)
Effect of change in tax rate	-	-	-	-	18,556	18,556
Credited/(charged) to income statement (Note 14)	61	(1,247)	(1,186)	(75)	30,035	29,960
(Debited)/credited to equity (Note 33)	-	(207,507)	(207,507)	(1,744)	427,744	426,000
Exchange and other adjustments	187	-	187	(714)	1	(713)
At the end of the period/year	(13,824)	(57,135)	(70,959)	(14,072)	151,619	137,547

Deferred income 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 taxation authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position.

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000	31 Dec 2008 HK\$'000	Total 31 Dec 2008 HK\$'000
Deferred income tax assets:				
to be recovered after more than 12 months	147,684	1,484	299,275	300,759
to be recovered within 12 months	9,532	-	816	816
	157,216	1,484	300,091	301,575
Deferred income tax liabilities:				
to be settled after more than 12 months	(224,886)	(15,556)	(144,099)	(159,655)
to be settled within 12 months	(3,289)	-	(4,373)	(4,373)
	(228,175)	(15,556)	(148,472)	(164,028)
Deferred income tax (liabilities)/assets, net	(70,959)	(14,072)	151,619	137,547



30 Subordinated debts measured at amortised cost

	30 Jun 2009		31 Dec 2008	
	HK\$'000	Interest rate %	HK\$'000	Interest rate %
Subordinated floating rate notes				
– with a final maturity on 2 July 2011	581,258	0.559%	581,258	0.686%
– with a final maturity on 12 December 2011	620,008	1.361%	620,008	2.000%
– with a final maturity on 26 March 2012	542,507	1.361%	542,507	2.000%
– with a final maturity on 28 April 2014	1,162,515	2.111%	1,162,515	2.250%
– with a final maturity on 29 June 2016 (callable on 30 June 2011)	620,008	1.095%	620,008	1.925%
– with a final maturity on 20 October 2018 (callable on 21 October 2013)	1,550,020	1.445%	1,550,020	2.275%
– perpetual (callable on 10 December 2012)	1,000,000	0.859%	1,000,000	1.451%
– perpetual (callable on 9 July 2013)	930,012	1.095%	930,012	1.925%
– perpetual (callable on 30 June 2016)	1,550,020	1.195%	1,550,020	2.025%
	8,556,348		8,556,348	

Subordinated debts were raised by the Bank for the development and expansion of business and have been fully subscribed by the ultimate holding company and its branch. These notes have been qualified and included as the Bank's supplementary capital in accordance with the Banking (Capital) Rules.

31 Other liabilities

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Interest payable	454,738	821,990
Salaries and welfare payable	68,358	47,171
Settlement accounts	367,565	1,212,046
Others	1,105,860	969,073
	1,996,521	3,050,280

**32 Share capital**

	Number of shares (in thousands)	Ordinary shares HK\$'000	Ordinary share premium HK\$'000
At 1 January 2009	1,285,268	2,570,536	8,209,593
Allotment of new shares regarding the scrip dividend scheme of final dividend for the year ended 31 December 2008	13,970	27,940	160,323
At 30 June 2009	1,299,238	2,598,476	8,369,916
At 1 January 2008	1,225,952	2,451,904	7,161,786
Allotment of new shares regarding the scrip dividend scheme of final dividend for the year ended 31 December 2007	29,125	58,250	550,450
Allotment of new shares regarding the scrip dividend scheme of interim dividend for the period ended 30 June 2008	15,271	30,542	228,918
Warrants exercised	14,920	29,840	268,560
Share issue expenses (Note 33)	–	–	(121)
At 31 December 2008	1,285,268	2,570,536	8,209,593

The total number of authorised ordinary shares is 2,000 million shares (2008: 2,000 million shares) with a par value of HK\$2 per share (2008: HK\$2 per share). All issued shares are fully paid.

The total number of authorised convertible non-cumulative preference shares is 232 million shares (2008: 232 million shares) with a par value of HK\$5 per share (2008: HK\$5 per share). There was no preference share in issue as at 30 June 2009 which were converted from the authorised convertible non-cumulative preference shares (2008: Nil).

The Bank adopted a scrip dividend scheme allowing the shareholders to have the options to receive (1) dividends in cash; or (2) an allotment of new shares in lieu of cash; or (3) a combination of cash and new shares. Certain shareholders have selected to receive new shares as dividends amounted to HK\$188.3 million (2008: HK\$868.2 million).

Share options*Share Option Scheme*

During the period, no option has been granted and at 30 June 2009, there was no option outstanding.

The Share Option Scheme was approved by the shareholders of the Bank at the annual general meeting held on 10 May 2007.

The adoption of the Share Option Scheme is subject to the approval of the shareholders of ICBC, the holding company of the Bank.



33 Reserves

Group

	Ordinary share premium HK\$'000	Bank premises revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Cash flow hedge reserve HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2009	8,209,593	52,469	(681,710)	7,853	141,906	346,390	3,290,741	11,367,242
Issue of shares (Note 32)	160,323	-	-	-	-	-	-	160,323
Change in fair value of available-for-sale financial investments	-	-	1,283,939	-	-	-	-	1,283,939
Reserve realised on disposal of available-for-sale financial investments	-	-	(67,440)	-	-	-	-	(67,440)
Transfer from available-for-sale financial investments revaluation reserve to the income statement on impairment	-	-	42,905	-	-	-	-	42,905
Changes in fair value of cash flow hedge	-	-	-	(1,780)	-	-	-	(1,780)
Revaluation deficit on bank premises	-	(417)	-	-	-	-	-	(417)
Exchange differences	-	-	-	-	1,233	-	-	1,233
Transfer to general reserve (Note a)	-	-	-	-	-	(3,051)	-	(3,051)
Profit for the period	-	-	-	-	-	-	930,145	930,145
Change in deferred tax (Note 29)	-	-	(206,505)	(1,002)	-	-	-	(207,507)
2008 final dividend paid	-	-	-	-	-	-	(231,348)	(231,348)
At 30 June 2009	8,369,916	52,052	371,189	5,071	143,139	343,339	3,989,538	13,274,244

	Ordinary share premium HK\$'000	Bank premises revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Cash flow hedge reserve HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2008	7,161,786	46,835	1,473,070	-	69,129	323,882	3,481,533	12,566,235
Issue of shares (Note 32)	1,047,928	-	-	-	-	-	-	1,047,928
Share issue expenses (Note 32)	(121)	-	-	-	-	-	-	(121)
Change in fair value of available-for-sale financial investments	-	-	(3,416,759)	-	-	-	-	(3,416,759)
Reserve realised on disposal of available-for-sale financial investments	-	-	(3,163)	-	-	-	-	(3,163)
Transfer from available-for-sale financial investments revaluation reserve to the income statement on impairment	-	-	819,504	-	-	-	-	819,504
Changes in fair value of cash flow hedge	-	-	-	7,853	-	-	-	7,853
Revaluation surplus on bank premises	-	7,289	-	-	-	-	-	7,289
Exchange differences	-	1	-	-	72,777	-	-	72,778
Partial transfer of retained earnings to general reserve (Note a)	-	-	-	-	-	22,508	(22,508)	-
Profit for the year	-	-	-	-	-	-	969,023	969,023
Change in deferred tax	-	(1,656)	445,638	-	-	-	-	443,982
2007 final dividend paid	-	-	-	-	-	-	(781,708)	(781,708)
2008 interim dividend paid	-	-	-	-	-	-	(355,599)	(355,599)
At 31 December 2008	8,209,593	52,469	(681,710)	7,853	141,906	346,390	3,290,741	11,367,242

**33 Reserves** (continued)

- (a) The general reserve of the Group comprised of:
- the transfer of retained earnings which is distributable to the shareholders of the Group; and
 - a statutory surplus reserve of a subsidiary represents 10% of the profit after tax appropriation as required by law and regulation in PRC. This reserve is used to offset accumulated losses or increase in capital.
- (b) As at 30 June 2009, the Group has earmarked a "Regulatory Reserve" of HK\$712,997,000 (December 2008: HK\$781,317,000) from the retained earnings. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

34 Related party transactions

Summary of transactions entered into during the ordinary course of business with the ultimate holding company, fellow subsidiaries and associates, including the acceptance of placement of interbank deposits, correspondent banking transactions and off-balance sheet transactions. The activities were priced at the relevant market rates at the time of transactions. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 June 2009, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2008: Nil).

(a) Ultimate holding company

	Six months ended	
	30 Jun 2009	30 Jun 2008
	HK\$'000	HK\$'000
Interest income	172,204	646,847
Interest expense	216,116	560,626
Other operating income ^{1, 2}	25,123	10,375
Other operating expenses ^{3, 4}	11,685	10,104
	30 Jun 2009	31 Dec 2008
	HK\$'000	HK\$'000
Amounts due from	11,469,195	19,052,897
Amounts due to	50,190,042	21,200,266

1. In accordance with the collaboration agreement dated 3 July 2001 and the supplemental collaboration agreements dated 4 February 2005 and 13 February 2008, management fee income was received from the Hong Kong Branch of ICBC (the "Branch") for the provision of services such as accounting and budgeting, internal audit, marketing and back office settlement and clearing. In accordance with the collaboration agreement dated 28 September 2007, management fee income was received from the ultimate holding company for the provision of management, administrative and marketing services of its credit card business.



34 Related party transactions *(continued)*

(a) Ultimate holding company *(continued)*

2. In accordance with the custodian and trustee services agreement dated 4 September 2007 and the supplemental custodian and trustee services agreements dated 16 May 2008, services fees were paid by the ultimate holding company to the Bank for providing custodian, settlement and clearing services in relation to the investments outside the People's Republic of China (the "PRC") in certain investment products held by the customers of the ultimate holding company in connection with the Qualified Domestic Institutional Investor Scheme of the PRC.
3. In accordance with the service levels agreements with the Bank dated 21 February 2002 (as amended and supplemented by supplemental agreements) and the service levels agreement with a subsidiary of the Bank dated 19 March 2008, service fee expense was paid to the ultimate holding company for the provision of data processing services to the Bank and its subsidiary.
4. In accordance with the tenancy agreement dated 31 December 2008, rental expense was paid to ultimate holding company for the leasing of property located in Hong Kong.

The transactions with ultimate holding company included the issuance of fixed rate certificates of deposits and subordinated floating rate notes, which were both fully subscribed by the ultimate holding company and its branches. As at 30 June 2009, the Bank has no certificates of deposits issued to ultimate holding company (2008: US\$100,000,000).

Information relating to issuance of subordinated floating rate notes by the Group, fully subscribed by the ultimate holding company and its branch can be found in Note 30.

Other material transactions

i. Undertaking from the ultimate holding company

To demonstrate its support to the Bank, a Letter of Comfort dated 3 July 2001 was executed by the ultimate holding company, pursuant to which it will provide the Bank with such funding as may be required by the Bank to ensure that it will maintain sufficient capital and liquidity levels.

Simultaneously on 3 July 2001, the ultimate holding company and the Bank entered into a guarantee agreement whereby the ultimate holding company agreed to guarantee to the extent of HK\$9,000,000,000, being the payment obligations of certain customers whose "large exposures" were transferred to the Bank pursuant to the business transfer agreement and to indemnify the Bank in respect of any losses incurred if any obligation of such customers becomes unenforceable. The amount of such on-balance sheet large exposures of the Bank covered by this guarantee as at 30 June 2009 was HK\$39,188,000 (First half of 2008: HK\$39,438,000).

ii. Sub-participation of loans

During the period, the Bank has entered into various capital market transactions with the ultimate holding company and the Branch. These transactions included sub-participation in loans of the Bank by the ultimate holding company and the Branch for a total of HK\$31,738,295,000 (First half of 2008: HK\$123,999,716,000) and similar sub-participation in loans of the Branch by the Bank for a total of HK\$3,179,183,622 (First half of 2008: HK\$65,141,053,000). Fee attributable to the above transactions of HK\$11,840,000 was paid (First half of 2008: HK\$26,304,000). These transactions were priced based either on the terms of underlying loan agreement, if applicable, or prevailing market rates if such comparable rates were available, or on terms that were no less favorable than those available to other independent loan members.

**34 Related party transactions** (continued)**(b) Fellow subsidiaries**

	Six months ended	
	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Interest income	3,044	4,503
Interest expense	1,013	16,150
Other operating income	1,403	–
	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Amounts due from	476	476
Amounts due to	1,116,004	1,562,725

(c) Associates

	Six months ended	
	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Interest income	863	–
Interest expense	77	405
Other operating income	1	2,510
	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Amounts due from	2,217	2,635
Amounts due to	3,425	28,355

**34 Related party transactions (continued)****(d) Transactions with other state controlled entities**

The following state-controlled entities are considered as related parties:

- The Ministry of Finance PRC
- Central Huijin Investment Limited (“Huijin”)
- Other banks and financial institutions under the direction of the PRC government in which Huijin has equity interests

	Six months ended	
	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Interest income	42,178	35,589
Interest expense	11,394	25,744
	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Amounts due from	8,931,369	4,076,075
Amounts due to	1,083,167	3,819,913

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended	
	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Employee benefits	11,400	11,160

(f) Material transactions with key management personnel

During the period, the Group entered into certain banking transactions consisting of loans and advances, deposits and other financial related transactions with related parties in the normal course of business. The related parties include key management personnel of the Bank, their close family members and companies controlled or significantly influenced by them.

	Six months ended	
	30 Jun 2009 HK\$'000	30 Jun 2008 HK\$'000
Interest income	79	97
Interest expense	81	215
	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Amounts due from	7,124	5,657
Amounts due to	22,377	21,245

**35 Off-balance sheet exposures****(a) Contingent liabilities and commitments**

The following are the summaries of the contractual amounts of each significant class of contingent liabilities and commitments:

	30 Jun 2009 Contractual amount HK\$'000	30 Jun 2009 Credit risk weighted amount HK\$'000	31 Dec 2008 Contractual amount HK\$'000	31 Dec 2008 Credit risk weighted amount HK\$'000
Direct credit substitutes	4,465,796	2,445,524	14,701,288	7,777,596
Transaction-related contingencies	164,098	61,190	314,227	101,271
Trade-related contingencies	3,052,954	518,127	2,978,820	534,506
Other commitments				
– Unconditionally cancellable	53,872,858	–	58,436,103	–
– With original maturity of less than one year	1,527,502	266,750	278,817	55,763
– With original maturity of over one year	14,969,683	7,247,634	10,697,995	5,210,014
Forward forward deposits placed	4,800,241	960,048	2,310,099	462,020
	82,853,132	11,499,273	89,717,349	14,141,170

(b) Capital commitments

Capital commitments for property, plant and equipment outstanding for the period/year not provided for in the financial statements were as follows:

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Expenditure contracted but not provided for	46,201	4,268
Expenditure authorised but not contracted for	1,130	7,505
	47,331	11,773

(c) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases for the period/year as follows:

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Land and buildings		
– Not later than one year	245,386	239,993
– Later than one year and not later than five years	609,630	833,255
– More than five years	–	48,420
	855,016	1,121,668



中國工商銀行(亞洲)

ICBC (Asia)

35 Off-balance sheet exposures *(continued)*

(d) Operating lease arrangements

The Group leases its investment properties (see Note 25) under operating lease arrangements, with leases negotiated for terms ranging from two to eight years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Within one year	1,962	2,203
In the second to fifth years, inclusive	3,035	2,814
	4,997	5,017

During the period, the Group has no unrecognised contingent rentals receivable (2008: Nil).

**SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)**

The following information is disclosed as part of the accompanying information to the financial statements and does not form part of the financial statements.

1 Capital adequacy and capital base

	30 Jun 2009	31 Dec 2008
Core capital ratio	8.4%	7.3%
Capital adequacy ratio	14.4%	13.6%
The components of the total capital base after deductions include the following items:		
	30 Jun 2009 HK\$'000	31 Dec 2008 HK\$'000
Core capital:		
Paid up ordinary share capital	2,598,477	2,570,536
Share premium	8,369,917	8,209,593
Reserves	2,046,308	621,457
Income statement	436,634	407,616
Deduct: Goodwill	(980,154)	(980,154)
Other intangible assets	(26,509)	(31,318)
Net deferred tax assets	-	(137,547)
50 per cent. of total unconsolidated investments and other deductions	(589,671)	(431,507)
	11,855,002	10,228,676
Eligible supplementary capital:		
Fair value gains on the revaluation of land and buildings	5,320	5,095
Collective impairment allowances and regulatory reserve	1,099,391	1,162,545
Perpetual subordinated debts	3,480,032	3,480,032
Subordinated debts measured at amortised cost	4,378,807	4,487,308
Deduct: 50 per cent. of total unconsolidated investments and other deductions	(589,671)	(431,507)
	8,373,879	8,703,473
Total capital base before deductions	20,228,881	18,932,149
Deductions from total capital base	-	-
Total capital base after deductions	20,228,881	18,932,149
Risk-weighted assets:		
Credit risk	132,633,680	130,373,943
Market risk	1,629,188	2,937,625
Operational risk	6,679,000	6,059,438
Total risk-weighted assets	140,941,868	139,371,006

**1 Capital adequacy and capital base** (continued)

The capital ratios as at 30 June 2009 were computed in accordance with the Banking (Capital) Rules (the "Capital Rules") issued by the Hong Kong Monetary Authority under section 98A of the Hong Kong Banking Ordinance for the implementation of the "Basel II" with effect from 1 January 2007. In view of the Capital Rules, the Bank has adopted the "standardised (credit risk) approach" for the calculation of the risk-weighted assets for credit risk, the "basic indicator approach" for the calculation of the operational risk and the "standardised (market risk) approach" for the calculation of market risk. Under the Capital Rules, the basis of consolidation in calculating the capital ratios follows that of the financial reporting with the exclusion of subsidiaries which are "regulated financial entities" (e.g. asset management and securities companies) as defined by the Capital Rules. Accordingly the investment costs of these unconsolidated subsidiaries are deducted from the capital base. There is no capital shortfall of these unconsolidated subsidiaries. Unconsolidated subsidiaries include UB China Business Management Co. Ltd, ICBC (Asia) Investment Holdings Limited, ICBC (Asia) Bullion Company Limited, ICBC (Asia) Securities Limited, ICBC (Asia) Trustee Company Limited, ICBC (Asia) Asset Management Company Limited, ICBC (Asia) Investment Management Company Limited and ICBC (Asia) Wa Pei Nominees Limited.

2 Liquidity ratio

The average liquidity ratio for the six months ended 30 June 2009 is the simple average of each calendar month's average liquidity ratio, which is computed on a consolidated basis as required by the Hong Kong Monetary Authority for its regulatory purposes, and is computed in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

	30 Jun 2009	30 Jun 2008
Average liquidity ratio for the six months ended	38.0%	35.9%

3 Segmental information**(a) Loans and advances to customers, banks and other financial institutions**

Advances to customers, banks and other financial institutions by geographical area

The Group's gross advances to customers, banks and other financial institutions by country or geographical area after taking into account any risk transfers are as follows:

As at 30 Jun 2009	Gross advances to customers, banks and other financial institutions HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000
Hong Kong	71,986,501	540,833	836,338	369,139	298,409
Mainland China	46,173,536	24,435	77,542	63,236	40,065
Macau	1,545,309	-	-	-	5,361
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	3,561,618	-	-	-	17,792
United Kingdom	258,740	-	-	-	2,787
Others	5,814,369	-	-	-	20,727
	129,340,073	565,268	913,880	432,375	385,141

**3 Segmental information** (continued)**(a) Loans and advances to customers, banks and other financial institutions** (continued)

As at 31 Dec 2008	Gross advances to customers, banks and other financial institutions HK\$'000	Overdue advances for over three months HK\$'000	Impaired loans and advances HK\$'000	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000
Hong Kong	77,727,521	291,595	808,496	242,859	296,671
Mainland China	49,801,743	-	80,469	39,647	34,146
Macau	1,597,665	-	-	-	6,024
Asia Pacific Region (excluding Hong Kong, Mainland China and Macau)	2,511,335	-	-	-	14,718
United Kingdom	9,563	-	-	-	93
Others	5,122,120	-	-	-	27,197
	136,769,947	291,595	888,965	282,506	378,849

Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

(b) Cross-border claims

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

	Banks and other financial institutions HK\$' million	Public sector entities HK\$' million	Others HK\$' million	Total HK\$' million
As at 30 Jun 2009				
Asia Pacific (excluding Hong Kong)	42,875	2,219	51,332	96,426
Europe	14,617	-	184	14,801
As at 31 Dec 2008				
Asia Pacific (excluding Hong Kong)	32,334	2,617	38,827	73,778
North and South America	8,881	1,104	6,041	16,026
Europe	10,249	-	565	10,814

**3 Segmental information** (continued)**(c) Non-bank Mainland exposures**

The analysis of non-bank Mainland exposure is based on the categories of non-bank counterparties and the types of direct exposures defined by the Hong Kong Monetary Authority under the Banking (Disclosure) Rules with reference to the completion instructions in note 6 of the "Returns of Quarterly Analysis of Loans and Advances and Provisions – MA(BS)2A", which includes the Mainland exposures extended by the Bank and its overseas subsidiaries.

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposures HK\$'000	Individually assessed allowances HK\$'000
As at 30 Jun 2009				
Mainland entities	20,685,426	3,146,233	23,831,659	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	12,602,601	769,614	13,372,215	166,354
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	2,489,395	189,155	2,678,550	24,452
	35,777,422	4,105,002	39,882,424	190,806
As at 31 Dec 2008				
Mainland entities	18,246,241	1,144,763	19,391,004	–
Companies and individuals outside Mainland where the credit is granted for use in Mainland	14,747,579	1,104,903	15,852,482	121,849
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	996,813	26,459	1,023,272	24,428
	33,990,633	2,276,125	36,266,758	146,277

**4 Loans and advances to customers, banks and other financial institutions***Gross loans and advances to customers, banks and other financial institutions by industry sectors*

	Group			
	30 Jun 2009	30 Jun 2009	31 Dec 2008	31 Dec 2008
	Gross loans and advances HK\$'000	% of secured advances %	Gross loans and advances HK\$'000	% of secured advances %
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	13,232,580	39.53%	8,352,343	40.67%
– Property investment	19,404,523	78.73%	20,070,465	76.87%
– Financial concerns	7,944,959	2.31%	6,932,161	2.95%
– Stockbrokers	4,114,406	2.16%	5,429	100.00%
– Wholesale and retail trade	5,615,481	45.08%	5,180,477	46.06%
– Civil engineering works	217,880	69.89%	209,574	65.11%
– Manufacturing	3,975,924	51.97%	4,005,977	51.91%
– Transport and transport equipment	8,156,498	68.43%	8,102,202	68.01%
– Electricity and gas	38,616	100.00%	42,014	100.00%
– Information technology	1,764,762	0.31%	1,510,208	0.43%
– Recreational activities	2,544	100.00%	2,491	100.00%
– Hotels, boarding houses and catering	976,204	78.19%	760,375	80.73%
– Others	4,773,326	33.20%	5,632,521	28.90%
Individuals				
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	436,991	92.30%	373,563	90.68%
– Loans for the purchase of other residential properties	12,197,448	99.82%	11,823,488	99.89%
– Credit card advances	80,112	0.00%	86,965	0.00%
– Others	1,914,354	96.65%	2,096,453	97.08%
Trade finance	6,521,360	38.12%	22,495,570	12.34%
Loans for use outside Hong Kong	37,972,105	33.09%	39,087,671	32.00%
	129,340,073	48.70%	136,769,947	44.53%

**4 Loans and advances to customers, banks and other financial institutions**

*Gross loans and advances to customers, banks and other financial institutions by industry sectors
(continued)*

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

	30 Jun 2009	Group
	HK\$'000	31 Dec 2008 HK\$'000
(a) Property investment		
Individually impaired loans	240,088	244,043
Overdue loans and advances over three months	50,374	166,530
Individual impairment allowance	7,096	9,738
Collective impairment allowance	57,020	62,392
New impairment allowance charged to income statement	(8,014)	32,635
Impaired loans and advances written off during the period/year	-	-
(b) Property development		
Individually impaired loans	-	-
Overdue loans and advances over three months	-	-
Individual impairment allowance	-	-
Collective impairment allowance	38,904	26,059
New impairment allowance charged to income statement	12,844	11,639
Impaired loans and advances written off during the period/year	-	-
(c) Loans for use outside Hong Kong		
Individually impaired loans	216,942	195,495
Overdue loans and advances over three months	251,685	56,270
Individual impairment allowance	164,036	103,922
Collective impairment allowance	117,463	108,327
New impairment allowance charged to income statement	69,250	97,871
Impaired loans and advances written off during the period/year	-	24,739



5 Currency concentration

The table below summarises the net foreign currency positions of the Group. The net position in foreign currency is disclosed when the currency constitutes 10% or more of the total net position of all foreign currencies.

As at 30 June 2009	US\$ HK\$'000	RMB HK\$'000	JPY HK\$'000	Other foreign currencies HK\$'000	Total HK\$'000
Non-structural position:					
Spot assets	87,507,036	5,253,312	8,332,268	8,972,468	110,065,084
Spot liabilities	(81,819,008)	(5,404,007)	(75,568)	(10,675,761)	(97,974,344)
Forward purchases	38,719,631	8,113,626	2,158,079	11,529,950	60,521,286
Forward sales	(43,221,403)	(8,148,813)	(10,292,386)	(9,790,291)	(71,452,893)
Net option position	(76,994)	-	6,010	60,198	(10,786)
Net long/(short) position	1,109,262	(185,882)	128,403	96,564	1,148,347
As at 31 December 2008	US\$ HK\$'000	RMB HK\$'000	JPY HK\$'000	Other foreign currencies HK\$'000	Total HK\$'000
Non-structural position:					
Spot assets	74,119,558	8,794,490	11,984,424	8,097,944	102,996,416
Spot liabilities	(90,047,326)	(7,892,910)	(48,181)	(8,227,998)	(106,216,415)
Forward purchases	53,942,597	13,214,944	2,356,141	9,865,953	79,379,635
Forward sales	(37,207,089)	(13,231,607)	(14,142,215)	(9,629,543)	(74,210,454)
Net option position	(850)	-	(20,131)	11,398	(9,583)
Net long position	806,890	884,917	130,038	117,754	1,939,599

Foreign currency exposures include those arising from trading position. The net option position is calculated using the delta equivalent approach.

There was no net structural position in a particular foreign currency which constitutes (in absolute terms) not less than 10% of its total net structural position in all currencies as at 30 June 2009 and 31 December 2008.



6 Risk management

The Group has established policies and procedures for the identification, measurement, control and monitoring of risk factors (including credit, liquidity, market, interest rate, operational, legal and compliance risk). The Management and the relevant functional committees review and revise these policies and procedures on a regular basis, and the Group's Internal Audit Department also performs regular check to ensure due compliance with policies and procedures.

(a) Credit risk management

Credit risk is the risk that a borrower or counter party of the Group will be unable or unwilling to honor a repayment obligation. The Group has standards, policies and procedures and designated functional departments in place to control and monitor these risks.

The Group devotes considerable resources to maintain sound credit risk management. The Management has set credit policies and systems to identify, measure, monitor and control risks inherent in various lending businesses. This process ensures prudence, minimizes operational omissions in credit matters, and aims at early detection of potential problems, thereby minimizing business loss. With the enlarged lending operation of the Group to SMEs, credit policies and practice apposite to their risk monitoring are adopted or modified to maintain desired credit standard as the Group competes for SME related business.

High-level credit policies of the Group are set, reviewed and constantly updated by the relevant functional departments and committees, and for prominent issues, by the Board of Directors to take balanced account of the dynamic market situation, regulatory requirement, the Group's usual prudent lending practices and its latest business strategies. All these credit policies, processes and practices, as they are developed, updated, reviewed and revised, are written now and then into credit manuals and supplementary lending product manuals for internal control and compliance purposes. Given the Basel II capital accord implemented since January 2007, the Group has been adjusting its credit risk management practice in line with relevant guidelines released by the Hong Kong Monetary Authority and for the sake of enhancing internal credit control processing efficiency and product competitiveness.

Credit authorities are delegated to individual approvers for efficiency and productivity purposes. Except for taxi loans, credit cards, small business loans, special government guaranteed SME loans and consumer loans, no business originating unit can singly approve any loan. Loans singly approved by business originating units are nevertheless still subject to approval criteria pre-set by the Credit Function or the Credit Committee of the Bank. Otherwise, the Group generally requires "dual" approval whereby loan proposals shall require joint approval by the Business Line and the Credit Function. The Credit Committee, which approves all credit policies, large loans and investment in interest earning securities, shall not pass any credit related proposal if its Credit Function approvers disagree. Only the loan proposals approved by the Credit Committee would be submitted to the Chief Executive Officer for signature if and where it is needed.

The Credit Analysis and Administration Department is the centralised department in the Bank mandated to carry out our credit policies. It performs independent credit assessment, post-approval credit administration and other credit control functions to ensure that the credit process complies with credit policies and guidelines laid down by the Management. Apart from the independent credit assessment and matrix approval process, regular post approval inspection by the Risk Management Department and credit audits are conducted on specific loan portfolios or operating units in the credit process. To maintain its independence, the Credit Analysis and Administration Department has a direct reporting line to a Deputy General Manager independent of business. Same control, supplemented by system support, regular marked-to-market and case-by-case approval by the Risk Management Department, also applies to the counter party credit risk of structured derivative products.



6 Risk management (continued)

(a) Credit risk management (continued)

The Management spares no effort in monitoring the quality and behaviour of the loan portfolio. The Group's internal credit risk grading system consisting of 15 grades built on Basel II – compliant attributes is adopted for credit risk differentiation purpose. With internal data to be constantly enriched through years of experience, it is expected that the Group can make further use of the credit statistics to profile and track down credit risk migration, to measure loan default probabilities and to practice other credit risk management processes, of which the new credit rating model is and will substantially be an integral part.

(b) Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its financial obligations as and when they fall due. Liquidity risk management is therefore to ensure adequate cash flow to meet all financial obligations under both normal and contingency circumstances in a cost-effective manner and within regulatory requirements. To manage liquidity risk, the Group has established asset and liquidity management policies that are reviewed by the relevant functional committees, with prominent issues approved by the Board of Directors. Liquidity is also managed and forecasted on a daily basis to enable Global Markets and Trading Department and the relevant functional committees to act proactively according to changing market conditions and to implement contingency plans on a timely basis. Stress tests are regularly performed to assess contingent funding needs and the adequacy of funds to meet them. In case of shortage identified, corresponding remedial measures will be planned. The Group continues to explore and diversify funding channels to capitalize on opportunities for the Group's business expansion. Concrete funding from the parent company, ICBC, has proven to be effective in strengthening our liquidity capability. As at 30 June 2009, the Group has a total of approximately HK\$ 1.5 billion of certificates of deposit issued to secure longer term funding.

The liquidity position remained affluent throughout the first half of 2009 with an average liquidity ratio at 38.0% (Average for the first half of 2008: 35.9%), that was well above the statutory requirement of 25%.

(c) Capital management

The Group manages its capital to execute its strategic business plans and support its growth and investments in an efficient way. The Group's core capital ratio and capital adequacy ratio were 8.4% and 14.4% respectively as at 30 June 2009. The Group adjusts its business and lending strategy from time to time to optimize its risk-return profile.

(d) Market risk management

Market risk is the risk that market rates and prices on assets, liabilities and off-balance sheet positions change, thus causing profits or losses. Generally, the Group's market risk is associated with its positions in foreign exchange, debt securities, derivatives and stocks. Most off-balance sheet derivative positions arise from the execution of customer-related orders and positions taken for hedging purpose.

Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Management and the Asset and Liability Management Committee ("ALCO"). Trading limits are increased for opportunities in the market. Exposures are measured and monitored against limits on positions, stop-loss, value-at-risk, sensitivity, delta, gamma, etc. Daily risk monitoring is carried out by an independent Market Risk Unit of the Risk Management Department, which ensures all dealing activities are conducted in a proper manner and within approved limits. The Group's market risk exposures are reviewed by the ALCO, the Senior Executive Risk Management Committee and the Risk Management Committee of the Board of Directors. All exceptions to limits are reported to the ALCO. Important deviations, if any, will be escalated to the Board's attention. Stress tests are performed regularly to estimate the possible losses under extreme circumstances. The Group's Internal Audit Department also performs regular review and testing on dealing activities to ensure compliance with all internal guidelines.



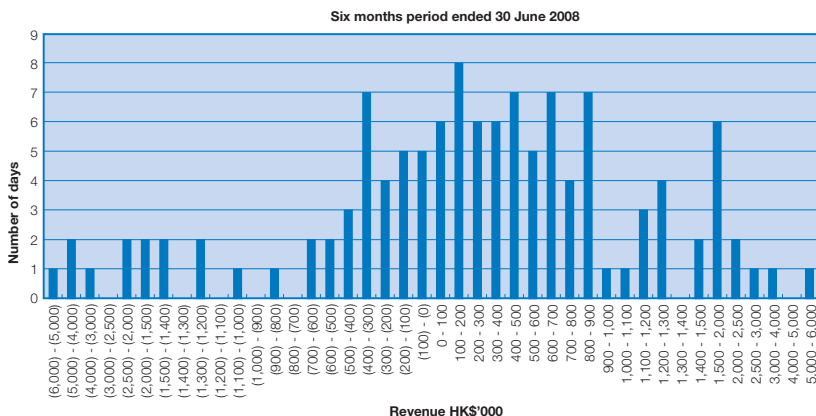
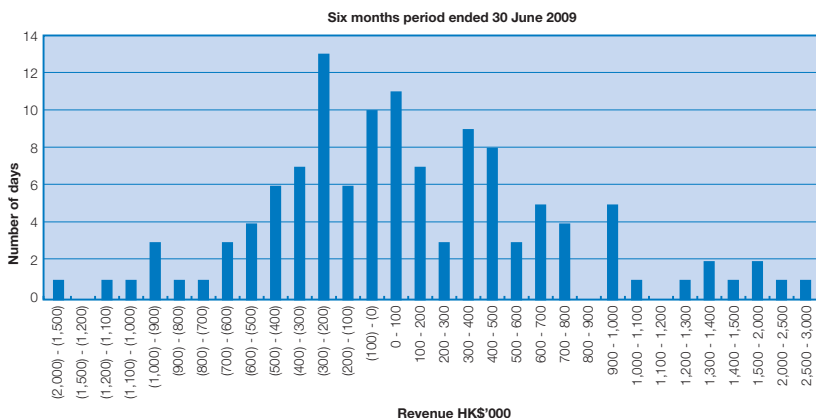
6 Risk management (continued)

(d) Market risk management (continued)

Besides, various reputable treasury systems are being used to further strengthen the function of control and monitoring, supplemented as mentioned above by, among others, predetermined stop-loss limits. An enhanced system is in process of installation with a view to ultimately strengthening the Group's market risk management and counterparty credit risk control for structured products.

The average daily revenue earned from the Group's market risk related activities during the period ended 30 June 2009 was HK\$124,486 (First half of 2008: HK\$196,135) and the standard deviation for such daily revenue was HK\$655,294 (First half of 2008: HK\$1,325,793). An analysis of the frequency distribution of daily revenue shows that losses were recorded on 57 days out of 121 trading days for the first half of 2009 (42 days out of 120 trading days for the first half of 2008). The maximum daily loss was HK\$1.70 million (HK\$5.20 million for the first half of 2008). The highest daily revenue was HK\$2.63 million (HK\$5.32 million for the first half of 2008). In respect of proprietary trading and customers' expectation, the Group will gradually increase its market risk activities to complement its conventional reliance on loan assets for revenue. In the process, the Group will watch out for the resulting market risks and counter party credit risks, as well as liquidity and capital implications.

The following histograms show the frequency distribution of daily revenues related to market activities of the Group for the six months end 30 June 2009 and 30 June 2008.





6 Risk management (continued)

(e) Interest rate risk management

Interest rate risk is the risk that the Group's position may be adversely affected by a change in market interest rates. Interest rate risk arises mainly from the maturity mismatch of interest bearing assets and liabilities and yield curve movement. Interest rate risk exposures are managed within risk limits approved and monitored by ALCO with the participation of the Risk Management Department and the Asset and Liability Management Department. Interest rate risk exposures in non-trading portfolio are measured once a month and the results are reported to the ALCO.

The Group manages its interest rate risk by way of entering into on or off balance sheet interest rate risk hedging instruments. The effectiveness of the hedging activities is assessed regularly in accordance with the Hong Kong Accounting Standard 39. The Group's interest rate risk position is further regularly reported to and scrutinized by the Senior Executive Risk Management Committee and the Risk Management Committee of the Board of Directors.

Foreign currency funding used to fund Hong Kong dollar assets is normally hedged using currency swaps or forward exchange contracts to neutralize foreign exchange risk.

The Group counts on stop loss, management trigger limits and stress tests to manage its interest rate risk.

(f) Operational risk management

Operational risk is the risk of unexpected financial losses resulting from inadequate or failed internal processes, people, systems and from external events. It is inherent to every business organization and covers a wide spectrum of activities. Efforts in identifying and understanding of underlying operational risks are taken. This is part of the job of the Risk Management Department. An Operational Risk Committee is in place in forging ahead with the initiatives. Such risk is further mitigated through the implementation of key risk assessment, key risk indicators, comprehensive internal control systems, adequate insurance cover, offshore computer back-up sites and contingency plans with periodic drills. The Group's Internal Audit Department also plays an important role in detecting any deviations from operating procedures and identifying weaknesses at all operating levels independently and objectively. The Group will keep on pursuing active and proactive operational risk management practice in accordance with the relevant Basel II and HKMA guidelines and principles.

(g) Legal and compliance risk management

Legal and compliance risk is the prospective risk of legal and regulatory sanctions, financial loss, or reputation loss that the Group may suffer as a result for violations of, or non-compliance with, all applicable laws, regulations, internal policies with respect to the conduct of business.

Legal and compliance staff members advise the Management on the legal and regulatory developments and assist the Management in establishing policies, procedures and monitoring programme to ensure compliance with the legal and regulatory requirements. They conduct regular compliance checking so that the Group can identify any potential non-compliance issue and take remedial action on a timely basis. They also issue monthly bulletins and arrange training to enrich the knowledge of all staff of the relevant legal and regulatory requirements. Furthermore, regular reports on non-compliance issues and changes in the legal and regulatory requirement are made to the Senior Executive Risk Management Committee and the Risk Management Committee of the Board of Directors.



中國工商銀行(亞洲)

ICBC (Asia)

7 Disclosure Pursuant to Rule 13.20 of the Listing Rules

During the period, the Group had made Relevant Advances to the ICBC Group in the ordinary course of the Group's banking business which, in aggregate, exceed 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Accordingly, the Bank is under a general obligation to disclose the details of the Relevant Advances and therefore the disclosure below is made in compliance with Rule 13.20 of the Listing Rules.

As at 30 June 2009, the types of Relevant Advances and the balances of the relevant outstanding amounts due from, and all guarantees given on behalf of, the ICBC Group were as follows:

HK\$'000

Types of the Relevant Advances

Trade Loan to ICBC Group outstanding	1,738,830
Confirmed ICBC Group Standby Letter of Credit/Guarantee outstanding	10,015,060
Money Market Placements to ICBC Group outstanding	10,585,810
Syndication/Revolving Short-term Loan to ICBC Group outstanding	677,010
Overdraft to ICBC Group outstanding	2,637,900

Total Relevant Advances to ICBC Group

25,654,610

The interest rates charged for the Relevant Advances mostly are floating interest rates based on the prevailing interbank offer rate, except for money market placements whose interest rates are set by the ICBC Group and based on the prevailing interbank bid rate. The Relevant Advances are repayable in full at maturity, and the maturity date for the Relevant Advances generally ranges from overnight to 1 year, or longer than 1 year on capital market instruments and standby letter of credit/guarantee. The Relevant Advances to the ICBC Group are not secured by any collateral.

The Relevant Advances to the ICBC Group were made by the Group in the ordinary course of the Group's banking business, and on normal commercial terms commensurate with customers of the Group having similar credit ratings or financial strengths, and as part of the ongoing banking transactions entered into between the Group and the ICBC Group.