INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

中 國 工 商 銀 行 (亞 洲) 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 349)

ANNOUNCEMENT OF 2009 FINAL RESULTS

The Board of Directors (the "Board") of Industrial and Commercial Bank of China (Asia) Limited (the "Bank" or "ICBC (Asia)") is pleased to announce the consolidated results of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2009 as follows:-

ANNUAL ACCOUNTS

The accounting policies and basis of preparation of the final results of the Group are consistent with those adopted in the Group's audited 2008 annual financial statements, except for the changes in accounting policies made thereafter in adopting certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for accounting periods beginning on or after 1 January 2009.

(A) Consolidated Income Statement

	Notes	**2009 HK$'000**	2008 HK$'000	Change %
Interest income	(1)	**4,479,068**	7,753,857	-42%
Interest expense	(1)	**(1,469,872)**	(4,755,554)	-69%
Net interest income	(1)	**3,009,196**	2,998,303	0%
Fee and commission income	(2)	**814,429**	756,268	8%
Fee and commission expense	(2)	**(87,395)**	(93,166)	-6%
Net fee and commission income	(2)	**727,034**	663,102	10%
Net trading income	(3)	**214,338**	273,441	-22%
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	(4)	**193,215**	(230,640)	184%
Dividend income from financial investments	(5)	**6,476**	14,859	-56%
Other operating income	(6)	**39,922**	33,246	20%
Operating income		**4,190,181**	3,752,311	12%
Operating expenses	(7)	**(1,358,339)**	(1,252,119)	8%
Operating profit before impairment losses		**2,831,842**	2,500,192	13%
Charge for impairment losses on loans and advances		**(385,536)**	(408,629)	-6%
Write-back of impairment losses on held-to-maturity financial investments		**2,145**	156	1275%
Charge for impairment losses on available-for-sale financial investments		**(195,058)**	(802,880)	-76%
Operating profit after impairment losses		**2,253,393**	1,288,839	75%
Revaluation gain/(loss) on investment properties		**6,087**	(498)	1322%
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights		**3,850**	5,513	-30%
Loss on disposal of loans and advances		-	(28,710)	100%
Net gain/(loss) on disposal of available-for-sale financial investments		**782,300**	(201,962)	487%
Gain on disposal of subsidiaries and an associate		**1,328**	-	-
Operating profit		**3,046,958**	1,063,182	187%
Share of profits of associates		**23,243**	655	3449%
Profit before tax		**3,070,201**	1,063,837	189%
Income tax expense	(8)	**(544,059)**	(94,814)	474%
Profit attributable to equity holders		**2,526,142**	969,023	161%
Earnings per share – Basic and diluted	(10)	**HK$1.95**	HK$0.77	153%

(B) Consolidated Statement of Comprehensive Income

	2009 **HK$'000**	2008 HK$'000	Change %
Profit for the year	**2,526,142**	969,023	161%
Revaluation surplus on bank premises	**7,343**	7,289	1%
Income tax effect	**(3,614)**	(1,656)	118%
	3,729	5,633	-34%
Change in fair value of cash flow hedge	**(7,853)**	7,853	-200%
Change in fair value reserve of available-for-sale financial investments	**2,035,053**	(3,419,922)	160%
Transfer from available-for-sale financial investment reserve to the income statement on impairment	**43,715**	819,504	-95%
Income tax effect	**(336,082)**	445,638	-175%
	1,742,686	(2,154,780)	181%
Exchange differences arising on translation of results of a foreign subsidiary	**123**	72,778	-99%
Other comprehensive income/(loss) for the year, net of tax	**1,738,685**	(2,068,516)	184%
Total comprehensive income/(loss) for the year	**4,264,827**	(1,099,493)	488%
Attributable to:			
Equity holders of the Bank	**4,264,827**	(1,099,493)	488%

(C) Consolidated Statement of Financial Position

	Notes	**2009 HK$'000**	2008 HK$'000	Change %
Assets				
Cash and balances with banks and other financial institutions		**27,910,582**	28,678,778	-3%
Placements with and advances to banks and other financial institutions		**1,663,286**	844,358	97%
Financial assets held for trading	(11)	**190,246**	52,051	265%
Financial assets designated at fair value through profit or loss	(12)	**1,162,149**	1,488,003	-22%
Derivative financial instruments		**1,285,306**	2,308,702	-44%
Loans and advances to customers, banks and other financial institutions	(13)	**147,024,582**	137,082,721	7%
Financial investments:		**33,653,175**	19,379,478	74%
- Available-for-sale	(14)	**32,361,666**	17,403,075	86%
- Held-to-maturity	(15)	**1,291,509**	1,976,403	-35%
Investments in associates		**175,177**	184,854	-5%
Goodwill and other intangible assets		**1,020,893**	1,032,938	-1%
Investment properties		**46,213**	40,126	15%
Property, plant and equipment		**273,953**	276,074	-1%
Leasehold land and land use rights		**43,117**	43,860	-2%
Current income tax assets		**-**	130,988	-100%
Deferred income tax assets		**-**	151,619	-100%
Other assets		**1,305,150**	2,869,559	-55%
Total assets		**215,753,829**	194,564,109	11%
Liabilities				
Deposits from banks and other financial institutions		**20,176,700**	20,056,756	1%
Derivative financial instruments		**1,403,832**	3,296,670	-57%
Deposits from customers	(16)	**161,161,561**	138,183,332	17%
- Designated at fair value through profit or loss		**-**	301,216	-100%
- At amortised cost		**161,161,561**	137,882,116	17%
Certificates of deposit issued		**2,394,546**	4,312,361	-44%
- Designated at fair value through profit or loss		**1,419,077**	3,489,361	-59%
- At amortised cost		**975,469**	823,000	19%
Debt securities in issue		**159,526**	3,146,399	-95%
- Designated at fair value through profit or loss		**-**	3,146,399	-100%
- At amortised cost		**159,526**	-	-
Current income tax liabilities		**1,531,204**	10,113	15041%
Deferred income tax liabilities		**190,262**	14,072	1252%
Subordinated debts measured at amortised cost	(17)	**8,561,125**	8,556,348	0%
Other liabilities		**2,070,476**	3,050,280	-32%
Total liabilities		**197,649,232**	180,626,331	9%
Equity				
Share capital		**2,636,681**	2,570,536	3%
Retained earnings	(18)	**5,181,915**	3,290,741	57%
Other reserves	(18)	**10,286,001**	8,076,501	27%
Total equity		**18,104,597**	13,937,778	30%
Total equity and liabilities		**215,753,829**	194,564,109	11%

(D) Consolidated Statement of Changes in Equity

	2009	2008
	HK$'000	HK$'000
Total equity as at 1 January	**13,937,778**	15,008,139
Profit attributable to equity holders	**2,526,142**	969,023
Other comprehensive income/(loss)	**1,738,685**	(2,068,516)
Total comprehensive income/(loss)	**4,264,827**	(1,099,493)
Dividends	**(595,135)**	(1,137,307)
Shares issued in lieu of dividends	**497,187**	868,160
Shares issued on exercise of warrants	**-**	298,400
Share issue expenses	**(60)**	(121)
Total equity as at 31 December	**18,104,597**	13,937,778

(E) Consolidated Statement of Cash Flows

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities:		
Profit before tax	**3,070,201**	1,063,837
Write-back of impairment losses on held-to-maturity financial investments	**(2,145)**	(156)
Charge for impairment losses on loans and advances	**385,536**	408,629
Charge for impairment losses on available-for-sale financial investments	**195,058**	802,880
Amortisation of intangible assets	**17,755**	46,835
Amortisation of leasehold land	**743**	744
Depreciation	**47,124**	47,595
Interest paid on subordinated debts measured at amortised cost	**147,886**	292,565
Recoveries of loans and advances written off	**43,532**	11,594
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights	**(3,850)**	(5,513)
Revaluation (gain)/loss on investment properties	**(6,087)**	498
Net (gain)/loss on disposal of available-for-sale financial investments	**(782,300)**	201,962
Loss on disposal of loans and advances	**-**	28,710
Gain on disposal of subsidiaries and an associate	**(1,328)**	-
Share of net profits of associates	**(23,243)**	(655)
Dividend income received from listed financial assets held for trading	**(664)**	(1,133)
Dividend income received from listed available-for-sale financial investments	**(2,006)**	(9,747)
Dividend income received from unlisted available-for-sale financial investments	**(3,806)**	(3,979)
Operating profit before working capital changes	**3,082,406**	2,884,666
(Increase)/decrease in operating assets:		
Treasury bills maturing beyond three months	**(10,132)**	847,211
Placements with and advances to banks and other financial institutions maturing beyond three months	**(275,755)**	1,589,593
Held-to-maturity financial investments	**697,171**	490,359
Financial assets held for trading	**(22,822)**	2,205
Financial assets designated at fair value through profit or loss	**325,854**	266,739
Available-for-sale financial investments	**(12,336,295)**	(5,731,364)
Loans and advances to customers, banks and other financial institutions and other assets	**(8,904,520)**	(15,810,098)
Derivative financial instruments	**1,031,249**	(1,087,111)
Increase/(decrease) in operating liabilities:		
Deposits from banks and other financial institutions maturity beyond three months	**119,944**	(1,430,820)
Deposits from customers	**22,978,229**	656,772
Certificates of deposit issued	**(1,917,815)**	606,965
Debt securities in issue	**(2,986,873)**	26,527
Other liabilities	**(984,764)**	(405,124)
Derivative financial instruments	**(1,892,838)**	1,944,972
Cash flows used in operations	**(1,096,961)**	(15,148,508)
Hong Kong profits tax paid	**(50,799)**	(335,533)
Overseas tax paid	**(35,770)**	(48,242)
Net cash flows from operating activities	**(1,183,530)**	(15,532,283)
Cash flows from investing activities:		
Investment in subsidiaries/purchase of a subsidiary	**1,171,732**	(18,786)
Purchase of intangible assets	**(5,900)**	(16,439)
Purchase of property, plant and equipment	**(31,747)**	(62,014)
Proceeds from disposal of property, plant and equipment	**171**	121
Proceeds from disposal of an associate	**28,796**	-
Proceeds from disposal of subsidiaries	**4,627**	-
Dividend income received from listed financial assets held for trading	**664**	1,133
Dividend income received from listed available-for-sale financial investments	**2,006**	9,747
Dividend income received from unlisted available-for-sale financial investments	**3,806**	3,979
Net cash flows from/(used in) investing activities	**1,174,155**	(82,259)

(E) Consolidated Statement of Cash Flows (continued)

	2009	2008
	HK$'000	HK$'000
Cash flows from financing activities:		
Issuance of a subordinated debt measured at amortised cost	**-**	1,550,020
Redemption of a subordinated debt measured at amortised cost	**-**	(500,000)
Issuance of shares on exercise of warrants	**-**	298,400
Share issue expenses	**(60)**	(121)
Interest paid on subordinated debts measured at amortised cost	**(147,886)**	(292,565)
Dividends paid on ordinary shares	**(97,948)**	(269,147)
Net cash flows (used in)/from financing activities	**(245,894)**	786,587
Effects of foreign exchange differences	**30,246**	67,330
Net decrease in cash and cash equivalents	**(225,023)**	(14,760,625)
Cash and cash equivalents at 1 January	**28,933,732**	43,694,357
Cash and cash equivalents at 31 December	**28,708,709**	28,933,732

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

	2009	2008
	HK$'000	HK$'000
Cash and balances with banks and other financial institutions	**6,776,503**	9,182,552
Placements with banks and other financial institutions	**21,932,206**	19,751,180
	28,708,709	28,933,732

1. Statutory accounts

The financial information set out in this announcement does not constitute the Group's statutory accounts. There is no material difference between the comparative financial information set out in this announcement and the Group's statutory accounts for the year ended 31 December 2009. The statutory accounts for the year ended 31 December 2009 will be available from the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Basis of preparation and accounting policies

The accounting policies and basis of preparation adopted in these financial results are consistent with those adopted in the Group's 2008 Annual Report except for the adoption of new / revised HKFRSs and HKASs as disclosed in note 3 below.

3. Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8*	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Bank to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 Share-based Payment - Vesting Conditions and Cancellations

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or results of operations of the Group.

(c) Amendments to HKFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(d) HKFRS 8 Operating Segments

HKFRS 8, which 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. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

The Group has early adopted in these financial statements the Amendments to HKFRS 8 issued in Improvements to HKFRSs 2009 which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(e) 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 includes 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 recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(f) Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(g) Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(h) HK(IFRIC)-Int 13 Customer Loyalty Programmes

HK(IFRIC)-Int 13 requires customer loyalty award credits 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 has had no material effect on the financial position or performance of the Group, nor has resulted in restatement of comparative figures.

(i) HK(IFRIC)-Int 16 Hedges of a Net Investment in a Foreign Operation

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 18 Transfers of Assets from Customers (adopted from 1 July 2009)

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) In October 2008, the HKICPA issued its first Improvements to HKFRSs which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

HKFRS 7 Financial Instruments: Disclosures: Removes the reference to “total interest income” as a component of finance costs.

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.

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 the higher of an asset’s fair value less costs to sell and its value in use. In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

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 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.

HKAS 36 Impairment of Assets: When discounted cash flows are used to estimate “fair value less costs to sell”, additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate “value in use”.

HKAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

HKAS 39 Financial Instruments: Recognition and Measurement: (i) sets out a number of changes in circumstances relating to derivatives that are not considered to result in reclassification into or out of the fair value through profit or loss category; (ii) removes the reference to the designation of hedging instrument at the segment level; and (iii) requires that the revised effective interest rate (rather than the original effective interest rate) calculated on cessation of fair value hedge accounting should be used for the re-measurement of the hedged item when paragraph AG8 of HKAS 39 is applicable.

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.

4. Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 (Revised)	First Time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues[3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary[1]
HK Interpretation 4 (Revised in December 2009)	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 Scope of HKFRS 2 and HK(IFRIC)-Int 11 HKFRS 2-Group and Treasury Share Transactions. The Group expects to adopt the HKFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant implications on the Group's accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

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. Other consequential amendments were made to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

While the adoption of HKFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The HKAS 39 Amendment 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 a hedged item. The Group expects to adopt the HKAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. While the adoption of the amendments is mandatory from 1 January 2011, earlier adoption is permitted. The Group is considering the implications of the amendments, the impact on the Group and the timing of its adoption by the Group.

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 recognised when the dividend is appropriately authorised 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 recognise 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 Reporting Period 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 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18 and the amendment to HKFRS 8, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group are as follows:

(a) HKFRS 2 Share-based Payment: Clarifies that a contribution of a business on the formation of a joint venture and combination of entities or businesses under common control is not within the scope of HKFRS 2 even though it is outside the scope of HKFRS 3.

(b) HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that (i) the disclosures required in respect of non-current assets (or a disposal group) classified as held for sale or a discontinued operation are those set out in HKFRS 5; (ii) the general requirements of HKAS 1 still apply (e.g., source of estimation uncertainty); and (iii) the disclosures in other HKFRSs are not required unless:

(i) those HKFRSs specifically require disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

(ii) the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of measurement requirements of HKFRS 5 and disclosures are not disclosed elsewhere in the financial statements.

(c) HKAS 1 Presentation of Financial Statements: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

(d) HKAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(e) HKAS 17 Leases: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

HK Interpretation 4 Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases is revised as a consequence of the amendment to HKAS 17 Leases included in improvements to HKFRSs 2009. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

(f) HKAS 36 Impairment of Assets: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in HKFRS 8 Operating Segments before aggregation for financial reporting purposes.

(g) HKAS 38 Intangible Assets: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

(h) HKAS 39 Financial Instruments: Recognition and Measurement: Clarifies that (i) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (ii) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and (iii) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

(i) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives: Clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

(j) HK(IFRIC)-Int 16 Hedges of a Net Investment in a Foreign Operation: Removes the restriction of where the hedging instrument may be held in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied.

***Notes*:**

(1) Net interest income

	2009	2008
	HK$'000	HK$'000
Interest income on:		
Cash and balances with banks and other financial institutions	**70,008**	860,645
Placements with and advances to banks and other financial institutions	**98,613**	175,740
Loans and advances to customers, banks and other financial institutions	**3,466,631**	5,795,131
Financial investments – available-for-sale	**749,181**	755,224
Financial investments – held-to-maturity	**24,510**	79,279
	4,408,943	7,666,019
Financial assets held for trading	**1,809**	458
Financial assets designated at fair value through profit or loss	**68,316**	87,380
	4,479,068	7,753,857
Interest expense on:		
Deposits from banks and other financial institutions	**190,724**	766,413
Deposits from customers	**869,919**	3,387,747
Certificates of deposit issued	**6,699**	18,069
Subordinated debts measured at amortised cost	**147,886**	292,565
Others	**90,354**	9,617
	1,305,582	4,474,411
Financial liabilities designated at fair value through profit or loss	**164,290**	281,143
	1,469,872	4,755,554
Net interest income	**3,009,196**	2,998,303

Included in the above is interest income accrued on impaired financial assets of HK$23,569,520 (2008: HK$45,236,357), including unwinding of discounts on loan impairment losses of HK$10,999,491 (2008: HK$13,212,853).

(2) Net fee and commission income

	2009	2008
	HK$'000	HK$'000
Loans, overdrafts and guarantees	**261,870**	296,175
Securities and brokerage	**199,579**	128,822
Trade finance	**161,612**	151,423
Credit cards	**72,312**	55,480
Remittance	**26,895**	23,413
Insurance	**20,695**	18,242
Other retail and commercial banking services	**34,420**	34,722
Others	**37,046**	47,991
Fee and commission income	**814,429**	756,268
Fee and commission expense	**(87,395)**	(93,166)
Net fee and commission income	**727,034**	663,102
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	**423,482**	447,598
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	**14,041**	10,405

(3) Net trading income

	2009 **HK$'000**	2008 HK$'000
Equity investments	**17,356**	(16,306)
Debt securities - financial assets held for trading	**3,100**	1,424
- available-for-sale financial investments	**28,404**	-
Derivatives	**54,061**	(45,454)
Foreign exchange	**118,009**	361,928
	220,930	301,592
Gain/(loss) from hedging activities		
Fair value hedges		
- Net (loss)/gain on hedged items attributable to the hedged risk	**(153,823)**	204,484
- Net gain/(loss) on hedging instruments	**147,231**	(232,635)
	(6,592)	(28,151)
Total net trading income	**214,338**	273,441

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

	2009 **HK$'000**	2008 HK$'000
Financial assets designated at fair value through profit or loss	**108,626**	(158,763)
Financial liabilities designated at fair value through profit or loss	**84,589**	(71,877)
Total net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	**193,215**	(230,640)

(5) Dividend income from financial investments

	2009 **HK$'000**	2008 HK$'000
Dividend income from listed financial assets held for trading	**664**	1,133
Dividend income from listed available-for-sale financial investments	**2,006**	9,747
Dividend income from unlisted available-for-sale financial investments	**3,806**	3,979
Total dividend income from financial investments	**6,476**	14,859

(6) Other operating income

	2009 **HK$'000**	2008 HK$'000
Management fee income	**7,253**	7,500
Rental income	**62**	79
Rental income from investment properties	**2,446**	2,372
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**(227)**	(115)
Others	**30,388**	23,410
Total other operating income	**39,922**	33,246

(7) Operating expenses

	2009 HK$'000	2008 HK$'000
Staff costs:		
Salaries and other costs	**623,333**	568,150
Redundancy payments	**2,498**	-
Retirement benefit costs	**38,586**	38,491
	664,417	606,641
Premises and equipment expenses, excluding depreciation and amortisation:		
Rental of premises	**230,259**	222,407
Others	**73,850**	74,063
	304,109	296,470
Depreciation and amortisation expenses	**65,622**	95,174
Auditors' remuneration	**5,196**	5,134
General administration expenses	**34,766**	35,087
Business promotion expenses	**40,237**	43,874
Communication expenses	**41,051**	38,086
Other operating expenses	**202,941**	131,653
Total operating expenses	**1,358,339**	1,252,119

(8) Taxation

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 year. Taxes on profits assessable for overseas branch and subsidiaries have been calculated at the rates of tax prevailing in the countries in which the Group operates.

(9) Dividends

(a) Dividends attributable to the year	**2009 HK$'000**	2008 HK$'000
Paid interim dividend of HK$0.28 (2008: HK$0.28) per ordinary share	**363,787**	355,599
Final dividend paid in respect of the previous financial year on shares issued from exercise of bonus warrants subsequent to the end of the reporting period and before the close of the Register of Members of the Bank, of HK$0.18 (2008: HK$0.63)	**-**	9,358
Proposed final dividend of HK$0.57 (2008: HK$0.18) per ordinary share	**751,454**	231,348
	1,115,241	596,305

(b) Dividends attributable to the previous year, approved and paid during the year

Final dividend in respect of the prior year, approved and paid during the year, of HK$0.18 (2008: HK$0.63) per ordinary share	**-**	781,708

(10) Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Profit attributable to equity holders (HK$'000)	**2,526,142**	969,023
Weighted average number of ordinary shares in issue (thousands)	**1,296,898**	1,254,631
Basic earnings per share	**HK$1.95**	HK$0.77

Diluted earnings per share amount for the year ended 31 December 2009 and 31 December 2008 have not been disclosed, as the subscription rights attaching to the warrants lapsed on 6 November 2008.

(11) Financial assets held for trading

	2009 HK$'000	2008 HK$'000
Debt securities, at fair value:		
Listed in Hong Kong	**8,180**	410
Unlisted	**38,868**	30,441
	47,048	30,851
Equity securities, at fair value:		
Listed in Hong Kong	**20,950**	21,200
Unlisted	**122,248**	-
	143,198	21,200
Total financial assets held for trading	**190,246**	52,051

	2009 HK$'000	2008 HK$'000
Financial assets held for trading are analysed by category of issuer as follows:		
Central governments and central banks	**23**	-
Public sector entities	**425**	628
Banks and other financial institutions	**181,878**	51,423
Corporate entities	**7,920**	-
	190,246	52,051

(12) Financial assets designated at fair value through profit or loss

	2009 HK$'000	2008 HK$'000
Debt securities, at fair value:		
Listed in Hong Kong	**377,848**	340,506
Listed outside Hong Kong	**599,139**	973,906
Unlisted	**185,162**	173,591
Total financial assets designated at fair value through profit or loss	**1,162,149**	1,488,003
Financial assets designated at fair value through profit or loss comprised the following item:		
Other debt securities	**1,162,149**	1,488,003
	1,162,149	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	**201,022**	200,119
Banks and other financial institutions	**183,716**	309,333
Corporate entities	**777,411**	775,661
	1,162,149	1,488,003

(13) Loans and advances to customers, banks and other financial institutions

	2009	2008
	HK$'000	HK$'000
Advances to customers	**135,734,340**	118,428,192
Advances to banks and other financial institutions	**10,671,725**	16,731,818
Trade bills	**1,257,128**	1,609,937
Gross loans and advances	**147,663,193**	136,769,947
Accrued interest	**256,677**	974,129
	147,919,870	137,744,076
Less: Impairment allowances		
- Individually assessed	**(441,896)**	(282,506)
- Collectively assessed	**(453,392)**	(378,849)
	147,024,582	137,082,721

Impairment allowances on loans and advances to customers, banks and other financial institutions are analysed as follows:

	Individual assessment HK$'000	**Collective assessment HK$'000**	**Total HK$'000**
2009			
Advances to customers	**440,231**	**428,693**	**868,924**
Advances to banks and other financial institutions	**-**	**20,825**	**20,825**
Trade bills	**1,665**	**3,874**	**5,539**
	441,896	**453,392**	**895,288**

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
2008			
Advances to customers	279,794	356,201	635,995
Advances to banks and other financial institutions	-	17,589	17,589
Trade bills	2,712	5,059	7,771
	282,506	378,849	661,355

	2009	2008
	HK$'000	HK$'000
Gross impaired loans and advances	**1,358,618**	888,965
Impairment allowances made in respect of such loans	**441,896**	282,506
Gross impaired loans and advances as a percentage of total gross loans and advances	**0.92%**	0.65%
Market value of collateral	**693,671**	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.

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

(14) Available-for-sale financial investments

	2009	2008
	HK$'000	HK$'000
Debt securities:		
Listed in Hong Kong	**2,386,583**	1,916,434
Listed outside Hong Kong	**15,803,326**	8,752,054
Unlisted	**12,583,957**	5,456,666
	30,773,866	16,125,154
Equity securities:		
Listed in Hong Kong	**1,501,944**	1,198,756
Unlisted	**85,856**	79,165
	1,587,800	1,277,921
Total available-for-sale financial investments	**32,361,666**	17,403,075
Market value of listed securities	**19,691,853**	11,867,244
Debt securities after taking into account of impairment loss are comprised of the following items:		
Certificates of deposit held	**150,225**	7,931
Other debt securities	**30,623,641**	16,117,223
	30,773,866	16,125,154
Available-for-sale financial investments are analysed by category of issuer as follows:		
Central governments and central banks	**2,991,296**	1,353,598
Public sector entities	**779,928**	753,638
Banks and other financial institutions	**19,799,129**	7,401,455
Corporate entities	**8,787,116**	7,893,403
Others	**4,197**	981
	32,361,666	17,403,075

(15) Held-to-maturity financial investments

	2009	2008
	HK$'000	HK$'000
Debt securities:		
Listed in Hong Kong	**-**	78,605
Listed outside Hong Kong	**80,466**	575,811
Unlisted	**1,211,277**	1,324,366
	1,291,743	1,978,782
Less: Impairment loss	**(234)**	(2,379)
Total held-to-maturity financial investments	**1,291,509**	1,976,403
Market value of listed securities	**79,045**	630,681
Debt securities after taking into account of impairment loss are comprised of the following items:		
Treasury bills	**1,146,414**	1,136,282
Other debt securities	**145,095**	840,121
	1,291,509	1,976,403
Held-to-maturity financial investments are analysed by category of issuer as follows:		
Central governments and central banks	**1,146,414**	1,214,640
Public sector entities	**60,318**	83,539
Banks and other financial institutions	**84,777**	238,354
Corporate entities	**-**	439,870
	1,291,509	1,976,403

(16) Deposits from customers

	2009 HK$'000	2008 HK$'000
Demand deposits and current accounts	**9,869,396**	4,986,854
Savings deposits	**36,475,880**	20,034,376
Time, call and notice deposits	**114,816,285**	113,162,102
	161,161,561	138,183,332

(17) Subordinated debts measured at amortised cost

The subordinated debts measured at amortised cost represent floating rate notes qualifying for inclusion as supplementary capital in accordance with the Banking (Capital) Rules.

(18) Reserves

	2009 HK$'000	2008 HK$'000
Ordinary share premium	**8,640,575**	8,209,593
Bank premise revaluation reserve	**56,198**	52,469
Investment revaluation reserve	**1,060,977**	(681,710)
Cash flow hedge reserve	**-**	7,853
Exchange reserve	**142,029**	141,906
General reserve	**386,222**	346,390
Retained earnings*	**5,181,915**	3,290,741
	15,467,916	11,367,242
Proposed dividend not provided for	**751,454**	231,348

* As at 31 December 2009, the Group has earmarked a "regulatory reserve" of HK$801,511,000 (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.

(19) Contingent liabilities and commitments and derivative financial instruments

(a) Contingent liabilities and commitments

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

	2009 Contractual amount HK$'000	2009 Credit risk weighted amount HK$'000	2008 Contractual amount HK$'000	2008 Credit risk weighted amount HK$'000
Direct credit substitutes	**7,021,198**	**3,630,946**	14,701,288	7,777,596
Transaction-related contingencies	**132,742**	**36,848**	314,227	101,271
Trade-related contingencies	**3,931,297**	**644,944**	2,978,820	534,506
Other commitments:				
Unconditionally cancellable	**71,161,225**	**-**	58,436,103	-
With original maturity of less than one year	**824,324**	**126,086**	278,817	55,763
With original maturity of over one year	**19,871,892**	**9,792,424**	10,697,995	5,210,014
Forward assets purchased	**-**	**-**	-	-
Forward forward deposits placed	**814,703**	**162,941**	2,310,099	462,020
	103,757,381	**14,394,189**	89,717,349	14,141,170

(b) Derivative financial instruments

The following is a summary of the contractual or notional amounts of each of the significant types of derivative financial instruments:

	2009	2008
	HK$'000	HK$'000
Exchange rate contracts:		
Forwards	**62,004,343**	37,707,168
Swaps	**25,488,300**	56,841,707
Currency options purchased	**5,013,375**	6,258,859
Currency options written	**5,007,140**	6,080,840
	97,513,158	106,888,574
Interest rate contracts:		
Interest rate swaps	**25,825,261**	28,144,269
Interest rate options purchased	**804,075**	300,000
Interest rate options written	**804,075**	300,000
	27,433,411	28,744,269
Other contracts:		
Equity options purchased	**155,403**	15,065
Equity options written	**155,403**	15,065
	310,806	30,130
Total	**125,257,375**	135,662,973

The contractual or notional amounts of contingent liabilities and commitments and derivative financial instruments provide only an indication of the volume of business outstanding at the end of the reporting period and bear little relation to the underlying risks of the exposures.

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

	2009		2008	
	Replacement cost	**Credit risk weighted amount**	Replacement cost	Credit risk weighted amount
	HK$'000	**HK$'000**	HK$'000	HK$'000
Contingent liabilities and commitments	**-**	**14,394,189**	-	14,141,170
Exchange rate contracts	**522,306**	**539,108**	1,445,092	875,337
Interest rate contracts	**389,132**	**371,512**	512,542	504,046
Other contracts	**157,751**	**33,467**	-	181
	1,069,189	**15,338,276**	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.

(20) Segment information - By class of business

The Group comprises seven operating segments. Commercial banking represents commercial lending and trade financing. Retail banking represents retail banking, hire purchase and leasing, and credit card business. Global markets and trading represents foreign exchange, money market and capital market activities. Corporate and investment banking mainly comprise corporate banking, the provision of debt capital market and investment banking. Institutional banking represents financial institution business. Chinese Mercantile Bank represents our subsidiary business in Mainland China. Unallocated items mainly comprise the central management unit, bank premises and any items which cannot be reasonably allocated to specific operating segments.

	Corporate and investment banking HK$'000	**Commercial banking HK$'000**	**Retail banking HK$'000**	**Global markets and trading HK$'000**	**Institutional banking HK$'000**	**Chinese Mercantile Bank HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
2009								
Net interest income/(expense)	**826,679**	**948,050**	**575,871**	**414,890**	**112,587**	**269,041**	**(137,922)**	**3,009,196**
Operating profit/(loss) before impairment losses	**885,061**	**938,351**	**237,423**	**615,803**	**164,108**	**252,769**	**(261,673)**	**2,831,842**
Profit before tax	**774,488**	**785,997**	**233,206**	**522,893**	**158,239**	**117,533**	**477,845**	**3,070,201**
2008								
Net interest income/(expense)	443,610	813,727	526,553	624,614	284,668	306,812	(1,681)	2,998,303
Operating profit/(loss) before impairment losses	602,514	756,928	221,716	546,364	298,030	245,507	(170,867)	2,500,192
Profit/(loss) before tax	497,200	503,105	188,648	(389,263)	292,793	215,036	(243,682)	1,063,837

(F) Supplementary Financial Information (Unaudited)

(1) Loans and advances to customers, banks and other financial institutions

(a) Gross advances to customers, banks and other financial institutions - by industry sectors

	2009	**2009**	2008	2008
		% of secured		% of secured
	Gross advances	**advances**	Gross advances	advances
	HK$'000	**%**	HK$'000	%
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	**11,729,026**	**31.10%**	8,352,343	40.67%
- Property investment	**18,490,007**	**81.65%**	20,070,465	76.87%
- Financial concerns	**8,315,020**	**2.34%**	6,932,161	2.95%
- Stockbrokers	**429,430**	**99.67%**	5,429	100.00%
- Wholesale and retail trade	**6,100,255**	**48.57%**	5,180,477	46.06%
- Civil engineering works	**239,373**	**72.70%**	209,574	65.11%
- Manufacturing	**3,814,127**	**59.23%**	4,005,977	51.91%
- Transport and transport equipment	**9,224,828**	**68.39%**	8,102,202	68.01%
- Electricity and gas	**143,772**	**100.00%**	42,014	100.00%
- Information technology	**1,998,801**	**1.14%**	1,510,208	0.43%
- Recreational activities	**3,155**	**100.00%**	2,491	100.00%
- Hotels, boarding houses and catering	**2,095,209**	**84.84%**	760,375	80.73%
- Others	**4,869,563**	**32.34%**	5,632,521	28.90%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**484,437**	**93.34%**	373,563	90.68%
- Loans for the purchase of other residential properties	**14,165,865**	**99.81%**	11,823,488	99.89%
- Credit card advances	**94,156**	**0.00%**	86,965	0.00%
- Others	**2,246,082**	**95.13%**	2,096,453	97.08%
Trade finance	**15,775,567**	**14.15%**	22,495,570	12.34%
Loans for use outside Hong Kong	**47,444,520**	**32.41%**	39,087,671	32.00%
	147,663,193	**46.68%**	136,769,947	44.53%

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:

	2009	2008
	HK$'000	HK$'000
(a) Property investment		
Individually impaired loans	**146,800**	244,043
Overdue loans and advances over three months	**22,041**	166,530
Individual impairment allowances	**5,110**	9,738
Collective impairment allowances	**50,235**	62,392
New impairment allowances charged to the income statement	**(16,786)**	32,635
Impaired loans and advances written off during the year	**6,601**	-
(b) Trade finance		
Individually impaired loans	**85,293**	186,185
Overdue loans and advances over three months	**85,052**	34,490
Individual impairment allowances	**80,868**	93,767
Collective impairment allowances	**34,887**	33,762
New impairment allowances charged to the income statement	**(11,774)**	66,048
Impaired loans and advances written off during the year	**109,727**	43,828
(c) Loans for use outside Hong Kong		
Individually impaired loans	**993,218**	195,495
Overdue loans and advances over three months	**373,606**	56,270
Individual impairment allowances	**307,576**	103,922
Collective impairment allowances	**188,153**	108,327
New impairment allowances charged to the income statement	**283,480**	97,871
Impaired loans and advances written off during the year	**21,871**	24,739

(b) Advances to customers, banks and other financial institutions - by geographical areas

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:

2009	**Gross advances to banks and customers HK$'000**	**Overdue advances for over three months HK$'000**	**Impaired loans and advances HK$'000**	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Hong Kong	**75,287,249**	**264,493**	**588,759**	**268,285**	**288,708**
Mainland China	**62,536,164**	**264,502**	**264,555**	**72,550**	**116,663**
Macau	**1,602,866**	**1**	**-**	**-**	**4,054**
Asia Pacific Region excluding Hong Kong, Mainland China and Macau	**2,230,517**	**-**	**-**	**-**	**16,891**
United Kingdom	**240,796**	**-**	**-**	**-**	**3,782**
Others	**5,765,601**	**-**	**505,304**	**101,061**	**23,294**
	147,663,193	**528,996**	**1,358,618**	**441,896**	**453,392**

2008	Gross advances to banks and customers HK$'000	Overdue advances for over three months HK$'000	Impaired loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances 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.

(2) Overdue, rescheduled and repossessed assets

(a) Overdue advances to customers, banks and other financial institutions (excluding trade bills and receivables)

	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 allowances HK$'000**
2009						
Six months or less but over three months	**29,403**	**0.0**	**13,568**	**4,426**	**24,977**	**908**
One year or less but over six months	**388,847**	**0.3**	**236,048**	**231,932**	**156,915**	**196,572**
Over one year	**109,111**	**0.1**	**65,283**	**43,668**	**65,443**	**70,033**
	527,361	**0.4**	**314,899**	**280,026**	**247,335**	**267,513**
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 right 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 the Bank has the means of locating its whereabouts.

The eligible collateral is mainly properties, deposits and shares.

(b) Other overdue assets

	2009 HK$'000 Accrued interest	**2009 HK$'000 Other assets**	2008 HK$'000 Accrued interest	2008 HK$'000 Other assets
Six months or less but over three months	**-**	**-**	25	227
One year or less but over six months	**692**	**1,635**	-	-
Over one year	**7,378**	**-**	1	1,439
	8,070	**1,635**	26	1,666
Rescheduled assets	**9**	**-**	2	-
	8,079	**1,635**	28	1,666

Other assets refer to trade bills and receivables.

(c) Rescheduled advances

	2009 HK$'000	2008 HK$'000
Rescheduled advances (excluding overdue loans of more than three months)	**112,377**	161,662

	2009	2008
As % of advances to customers	**0.1**	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 (a) above.

There were no advances to banks and other financial institutions which were overdue for more than three months, nor were there any rescheduled advances to banks and other financial institutions as at 31 December 2009 and 31 December 2008.

(d) Repossessed assets

At 31 December 2009, the estimated market value of the repossessed assets of the Group amounted to HK$6,304,000 (31 December 2008: HK$49,023,000).

(3) Capital adequacy ratio, capital base and liquidity ratio

(a) Capital adequacy ratio

	2009	2008
Core capital ratio	**9.0%**	7.3%
Capital adequacy ratio	**14.9%**	13.6%

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

	2009 **HK$'000**	2008 HK$'000
Core capital:		
Paid-up ordinary share capital	**2,636,681**	2,570,536
Share premium	**8,640,575**	8,209,593
Reserves	**2,608,537**	621,457
Income statement	**1,139,434**	407,616
Deduct: Goodwill	**(980,154)**	(980,154)
Other intangible assets	**(19,282)**	(31,318)
Net deferred tax assets	**-**	(137,547)
50% of total unconsolidated investments and other deductions	**(898,244)**	(431,507)
	13,127,547	10,228,676
Eligible supplementary capital:		
Fair value gains on the revaluation of land and buildings	**5,302**	5,095
Fair value gains on the revaluation of available-for-sale equities and debt securities	**569,191**	-
Unrealised fair value gains arising from equities and debt securities designated at fair value through profit or loss	**18,818**	-
Collective impairment allowances and regulatory reserve	**1,255,137**	1,162,545
Perpetual subordinated debts	**3,481,600**	3,480,032
Subordinated debts measured at amortised cost	**4,141,170**	4,487,308
Deduct: 50% of total unconsolidated investments and other deductions	**(898,244)**	(431,507)
	8,572,974	8,703,473
Total capital base before deductions	**21,700,521**	18,932,149
Deductions from total capital base	**-**	-
Total capital base after deductions	**21,700,521**	18,932,149
Risk-weighted assets		
Credit risk	**137,671,817**	130,373,943
Market risk	**1,118,738**	2,937,625
Operational risk	**7,194,275**	6,059,438
Total risk-weighted assets	**145,984,830**	139,371,006

The capital ratios as at 31 December 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, "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. insurance 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.

(b) Liquidity ratio

	2009	2008
Average liquidity ratio for the year	**40.2%**	**37.0%**

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

(4) Currency concentration

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

	US$ HK$'000	**RMB HK$'000**	**JPY HK$'000**	**NZD HK$'000**	**CHF HK$'000**	**GBP HK$'000**	**Other foreign currencies HK$'000**	**Total HK$'000**
2009								
Non-structural position								
Spot assets	**86,907,654**	**9,297,418**	**1,788,980**	**785,658**	**84,132**	**114,045**	**7,277,737**	**106,255,624**
Spot liabilities	**(88,627,701)**	**(9,428,321)**	**(380,549)**	**(1,022,437)**	**(83,693)**	**(1,332,928)**	**(9,342,294)**	**(110,217,923)**
Forward purchases	**42,625,084**	**23,655,848**	**2,512,865**	**734,436**	**372,409**	**1,469,551**	**9,586,605**	**80,956,798**
Forward sales	**(40,673,650)**	**(23,499,689)**	**(3,713,344)**	**(596,882)**	**(325,005)**	**(204,746)**	**(7,805,448)**	**(76,818,764)**
Net option position	**(325,790)**	**-**	**(78,553)**	**124,676**	**(8,997)**	**(718)**	**297,500**	**8,118**
Net long/(short) position	**(94,403)**	**25,256**	**129,399**	**25,451**	**38,846**	**45,204**	**14,100**	**183,853**
Structural Assets/(Liabilities)	**478,849**	**1,662,351**	**-**	**-**	**-**	**-**	**20,644**	**2,161,844**
2008								
Non-structural position								
Spot assets	74,119,558	8,794,490	11,984,424	450,489	23,350	410,947	7,213,158	102,996,416
Spot liabilities	(90,047,326)	(7,892,910)	(48,181)	(916,950)	(100,675)	(731,961)	(6,478,412)	(106,216,415)
Forward purchases	53,942,597	13,214,944	2,356,141	550,414	239,061	515,608	8,560,870	79,379,635
Forward sales	(37,207,089)	(13,231,607)	(14,142,215)	(78,033)	(125,740)	(154,503)	(9,271,267)	(74,210,454)
Net option position	(850)	-	(20,131)	6,812	22,089	315	(17,818)	(9,583)
Net long/(short) position	806,890	884,917	130,038	12,732	58,085	40,406	6,531	1,939,599

Foreign currency exposures include those arising from trading position. The net option position is calculated using the delta equivalent approach. The net structural position of the Group includes the structural positions of the Bank's capital investment in overseas subsidiaries.

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 31 December 2008.

(5) Cross-border claims

The Group analyses cross-border claims by geographical area. In determining this analysis, the Group has taken into account of transfer of risk with respect to claims guaranteed by a party in a country different from that of the counter party. 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**
2009				
Asia Pacific excluding Hong Kong	**28,137**	**4,245**	**55,941**	**88,323**
North and South America	**3,726**	**2,451**	**6,417**	**12,594**
Europe	**17,065**	**-**	**929**	**17,994**
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

(6) Non-bank Mainland China exposures

The analysis of non-bank Mainland China exposure is based on the categories of non-bank counterparties and the type of direct exposures defined by the Hong Kong Monetary Authority under the Banking (Disclosure) Rules with reference to the completion instructions for 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 subsidiary and branch.

	On-balance sheet exposure HK$'000	**Off-balance sheet exposure HK$'000**	**Total exposures HK$'000**	**Individually assessed allowances HK$'000**
2009				
Mainland China entities	**24,138,564**	**5,826,938**	**29,965,502**	**-**
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	**14,314,188**	**895,502**	**15,209,690**	**133,965**
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	**3,775,205**	**48,813**	**3,824,018**	**1,290**
	42,227,957	**6,771,253**	**48,999,210**	**135,255**
2008				
Mainland China entities	18,246,241	1,144,763	19,391,004	-
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	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 China exposure	996,813	26,459	1,023,272	24,428
	33,990,633	2,276,125	36,266,758	146,277

RESULTS

The Board is pleased to announce that the Group has achieved a consolidated profit attributable to equity holders of HK$2,526 million for the year ended 31 December 2009, representing an increase of 161% as compared to HK$969 million in 2008. Earnings per share was HK$1.95 (2008: HK$0.77). Return on average assets and return on average common equity were 1.23% and 16.10% respectively (2008: 0.48% and 6.8%).

FINAL DIVIDEND

The Board is pleased to recommend a final dividend of HK$0.57 per ordinary share for the year ended 31 December 2009 (2008: final dividend of HK$0.18). The final 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 Tuesday, 25 May 2010. Details of the scrip dividend and the election form will be sent to shareholders on or about Tuesday, 1 June 2010. The scrip dividend scheme is conditional upon the Listing Committee of 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 Tuesday, 29 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Tuesday, 18 May 2010 to Tuesday, 25 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above final 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 Monday, 17 May 2010.

FINANCIAL REVIEW

The Group has achieved a consolidated profit attributable to equity holders of HK$2,526 million for the year ended 31 December 2009, representing an increase of 161% as compared to HK$969 million in 2008.

Net interest income for the year ended 31 December 2009 increased HK$11 million to HK$3,009 million. The improvement was attributable to the slight improvement of overall net interest margin from 1.55% to 1.56%.

Net fee and commission income increased by 10% to HK$727 million from HK$663 million for 2008. The increase was mainly due to the recovery of local stock market, stimulating the growth of commission income derived from stock broking business. Overall, the ratio of total net fee and commission and other operating income to the total operating income increased to 28%, as compared to 20% in 2008.

Operating expenses increased HK$106 million or 8% to HK$1,358 million from HK$1,252 million in 2008. The cost to income ratio dropped from 33.3% to 32.4%, mainly due to the increase in total operating income, together with effective cost control over the year.

The consolidated impairment losses decreased by HK$633 million to HK$578 million in 2009. These included impairment losses of HK$195 million on available-for-sale financial investments on Taiping General Insurance Company Limited (HK$151 million) and on notes issued by structured investment vehicles (HK$44 million). For 2009, impairment losses of HK$386 million were made on loans and advances to customers as compared to HK$409 million in 2008.

The Group incurred HK$782 million of gains from disposal of investment securities, including part of our equity investment in China Taiping Insurance Holdings Company Limited, as compared to the disposal losses of HK$202 million in 2008.

Share of profits from associates increased to HK$23 million from HK$0.66 million of 2008, following the sale of our investment in China Ping An Insurance (Hong Kong) Company Limited during the year.

Statement of Financial Position

The consolidated total assets of the Group reached HK$215,754 million as at 31 December 2009, representing an increase of HK$21,190 million or 11% as compared to HK$194,564 million as at 31 December 2008.

Consolidated total loans and advances increased by HK$9,942 million or 7% to HK$147,025 million as at 31 December 2009, as compared to HK$137,083 million as at 31 December 2008.

Total customers' deposits amounted to HK$161,162 million, as compared to HK$138,183 million as at 31 December 2008.

Total certificates of deposit issued amounted to HK$2,395 million, representing a decrease of 44% as compared to HK$4,312 million as at 31 December 2008.

Capital and Liquidity Management

At the end of 2009, the capital adequacy ratio for the Group was 14.9% (2008: 13.6%). The Group maintained an adequate level of capital in 2009. The average liquidity ratio amounted to 40.2% (2008: an average of 37.0%).

Asset Quality

Consolidated impaired loans increased by HK$470 million to HK$1,359 million as at 31 December 2009, as compared to HK$889 million as at 31 December 2008. As a result, the consolidated impaired loan ratio increased from 0.65% to 0.92%.

As at 31 December 2009, the cumulative loan impairment allowances aggregated to HK$895 million (2008: HK$661 million). This included HK$442 million (2008: HK$282 million) of individual impairment allowances and HK$453 million (2008: HK$379 million) of collective impairment allowances. The increase of the impairment allowances was mainly due to the slow recovery in credit environment of the financial markets after the impact of financial crisis on the global economy in 2008.

Overdue loans increased from HK$292 million as at 31 December 2008 to HK$529 million as at 31 December 2009, which represents 0.4% of the consolidated total loans and advances.

BUSINESS REVIEW

Below are the summaries of the performance of our principal businesses in 2009 and their respective outlook for 2010.

RETAIL BANKING

The performance of our Retail Banking business gradually improved during 2009, although we encountered some difficulties in the beginning of the year. Profit contribution from our Retail Banking business increased slightly to HK$220 million as compared to HK$179 million in 2008, after an one-off provision for operating loss resulting from the sale of Lehman Brothers related products of approximately HK$89 million.

There was a remarkable rebound in the property market in Hong Kong during 2009, both in terms of property prices and transaction volume. At the same time, local banks continued to compete aggressively among each other by offering various kinds of attractive mortgage loan plans with a view to expand their respective market share. We focused on offering mainly HIBOR-based mortgage loan plans, and coupled with well-designed promotional offer, we were able to grow our mortgage loan portfolio during 2009 by approximately 20% as compared to the end of 2008.

We achieved a steady growth in our customers' deposits for our branch network during 2009, notwithstanding a slight decline toward the end of the year due to the seasonality factor. As a result of the low interest rate environment throughout the year, profit margin for our deposit business remained thin.

During 2009, we continued our branch network rationalisation projects. Our Tai Po Branch was relocated to the central area of Tai Po Market in September. We opened a new branch in Wong Tai Sin in December, which brings the total number of our branches to 44.

During 2009, we strengthened our cooperation with ICBC in connection with account opening witnessing service for new customers in Shenzhen by leveraging on the strong ICBC network there. Such service allows customers of ICBC to opening bank accounts with our bank on the spot through witnessing service provided by staff of designated ICBC branches in Shenzhen. With dedicated promotional effort and corresponding improvement in processing workflow, the development of our customer acquisition plan through referral from ICBC was satisfactory.

Different promotions had been run throughout the year to acquire high net worth customers to enroll in our Elite Club banking service, which resulted in a continuous growth of customers in 2009.

The other important developments of our Retail Banking business during the year are summarised as follows:

Securities and brokerage

We achieved considerable success in strengthening our securities and brokerage business during 2009, as reflected by the increase in both the level of commission income and our market share as compared to 2008. That was attributed mainly to the general recovery of the stock market in Hong Kong, as well as the broadening of our customer base including both retail and institutional clients.

Wealth Management

Following the changes in banking regulations in Hong Kong relating to the sale of investment products, we experienced a general slow-down in our wealth management business. In order to overcome partly such adverse factor, we continued to streamline our cross-selling mechanism with a view to further expand our Elite Club business.

Through the cooperation with our asset management business, we were able to remarkably increase our sale volume for unit trust products by actively marketing our own brand of investment fund products since their inaugural launch in August 2009.

Private Banking

We continued to provide high quality private banking services to our privileged customers in Hong Kong, which resulted in a steady growth of the size of assets under management. At the same time, we also strengthened the cross-border cooperation with a number of major branches of ICBC on private banking business by introducing our products and services as well as exchanging knowledge on business practice.

Bancassurance

During the first half of 2009, we focused on the sale of endowment insurance products in view of the persistent risk adverse attitude of customers. Since the mid of 2009, sales of investment-linked insurance products started to increase, in line with improvement in the overall investment climate. As a result, sales of life insurance products recorded a remarkable growth in 2009.

Hire Purchase and Leasing

As a result of the favourable funding cost situation prevailing during 2009, our hire purchase and leasing business recorded a higher profit as compared to 2008. In addition, we were able to expand our loan portfolio for taxi and public light bus financing, which resulted in a slight increase in our market share.

The outlook of our Retail Banking business for 2010 is summarised below:

In view of the general recovery in the local economy, we expect that the performance of our Retail Banking business will continue to improve. More concrete effort will be put to strengthen our Retail Banking operation in order to reinforce our overall market position in Hong Kong.

We intend to further enlarge our mortgage portfolio in the coming year. In order to achieve that goal, we shall launch different kinds of mortgage loan plans to meet customers' requirements including fixed-rate mortgage loans. Also, we shall monitor closely the market situation and shall make appropriate adjustments in product design and pricing so as to compete proactively for new mortgage business.

In order to expand our customer base, we shall continue our branch network rationalisation and expansion projects. We shall open new branches in those locations where we do not have coverage at the moment. Some of the existing branches will also be renovated or relocated. In addition, more segment-oriented banking products will be launched to support our customer acquisition strategy.

GLOBAL MARKETS & TRADING

Profit contribution from our Global Markets and Trading business amounted to HK$516 million as compared to a loss of HK$389 million in 2008.

Since the outbreak of the financial crisis in late 2008 and the resulting change in investment climate, we focused on the marketing of traditional treasury products, such as foreign exchange business and currency-linked deposits etc., in order to better serve the demand of our customers. Cross referral mechanism with other business departments of the Bank also resulted in increased transaction volume for our treasury market business.

Our relationship with ICBC contributed to the continuous expansion in the customer base for our treasury market business. Through our strong parentage, we also strengthened our market making capability for RMB in preparation for further relaxation on RMB banking business in Hong Kong.

In line with the gradual recovery of the world economy and the narrowing of credit spreads, the performance of our bond portfolio improved considerably. In addition, in view of the change in market environment, we have recently established a structured products team to enhance our ability of pricing and managing such products. Furthermore, we shall continue our effort on the improvement of risk assessment and control by bringing in advanced technology that will assist us in the upgrade of market risk analysis and monitoring.

COMMERCIAL BANKING

Our Commercial Banking business picked up the momentum to grow, along with the gradual recovery of the global and local economy, which benefited the small and medium-sized enterprises ("SMEs") in Hong Kong. Profit contribution from our Commercial Banking business amounted to HK$786 million, as compared to HK$503 million in 2008. In addition, we managed to maintain a loan impairment ratio below the average market level.

Through the dedicated effort of our specialist teams, including European Banking, Diamond Trade Finance and India Banking, tailor-made banking and financial solutions were provided to our customers, which contributed satisfactorily to business growth. Also, we offered a number of new trade finance and factoring products in order to strengthen our market position for SME banking business.

With the launch of pilot scheme for RMB cross-border trade settlement service in Hong Kong in July 2009, we captured such market opportunity by collaborating with ICBC and vigorously pursued for client acquisition. We are dedicated to provide comprehensive, effective and reliable cross-border banking services to enable our customers to minimise the cost and risk of currency exchange relating to trade settlement between Hong Kong and Mainland China.

For 2010, we shall continue to strengthen our relationship management team as well as our product development team with a view to provide "one-stop" banking services to our customers. We shall further expand our non-interest income related businesses especially for those relating to IPOs, trade finance and treasury products.

CORPORATE & INVESTMENT BANKING

Our Corporate and Investment Banking business further expanded during 2009. Profit contribution surged to a new record level of HK$777 million, as compared to HK$497 million in 2008.

To maximise the growth potential from certain strategic sectors, we reorganised our manpower by industry group so as to enhance our professional service and to offer innovative solutions to our clients. In particular, our aircraft and ship financing business recorded major achievement, including the completion of a Hong Kong tax efficient financing arrangement with a prominent local airline company.

Syndication activities dramatically slowed down since the last quarter of 2008. However, we were able to maintain the momentum of our loan growth for syndicated loans, club deals and bilateral facilities. We were mandated lead arrangers for a few prominent syndicated loan transactions, namely HK$8 billion financing for the Henderson Land Group, US$5 billion multi-currency financing for International Petroleum Investment Company, HK$3 billion financing for The Link REIT, HK$1.225 billion term loan financing for HSH Financial Services, HK$1.95 billion financing for China Agri-Industries Holdings Ltd, HK$5.46 billion financing for Sino-Ocean Land and HK$1.56 billion financing for Minmetals Capitals.

On the other hand, we experienced certain set back in our syndicated loan business for the Dubai market. To safeguard any possible deterioration in credit quality, we made a provision of around HK$100 million against our Dubai-related loan exposure.

We shall continue to pursue further business expansion in 2010 and at the same time actively monitor the quality of our loan portfolio.

INSTITUTIONAL BANKING

Profit contribution from our Institutional Banking business amounted to HK$139 million, as compared to HK$293 million in 2008.

There was a relatively significant decline in trade finance related business conducted in cooperation with various branches of ICBC as a result of a reducing demand from customers in Mainland China during the first half of 2009, but such business started to grow again in the second half of 2009. On the other hand, we continued to focus on broadening our customer base in Hong Kong, as well as enhancing the overall transactional banking services with particular emphasis on cash management for institutional clients. To better our marketing effort, we have divided our sales force into different teams and each team is responsible for developing tailor-made solutions to its targeted client segment.

In 2010, we expect that the business volume of trade finance related products conducted in cooperation with ICBC will continue to grow.

ASSET MANAGEMENT BUSINESS

ICBC (Asia) Investment Management Company Limited, our wholly owned subsidiary, successfully launched its own series of investment funds under the "ICBC (Asia)" brand name in August 2009, comprising of:

- China and Hong Kong Vision Fund (investing primarily in equities)
- Asia Selection Growth Fund (investing primarily in equities)
- Asia Infrastructure and Redevelopment Fund (investing primarily in equities)
- Global Financial Opportunities Fund (investing primarily in equities)
- Global Total Return Bond Fund

To commensurate with the launch of such products, investment forums were held at most of our branches. Thereafter, we continued to provide after-sales support to the sales force of our Retail Banking business, including the provision of weekly and monthly investment commentaries. We aim to maximise cross-selling opportunities through closer cooperation between our Retail Banking network and our Asset Management arm.

To further broaden our customer base, we intend to market our investment fund products through ICBC to both retail and institutional customers in Mainland China.

CREDIT CARD BUSINESS

Our Credit Card business achieved satisfactory results in 2009 both in terms of total revenue and outstanding borrowing as compared to the previous year. Loan delinquency, amidst the soaring number of bankruptcy cases, only showed a moderate increase. Such a result was due to effective strategy for marketing and stimulation of customer spending throughout the year and a change to aggressive card acquisition strategy as from the second half of 2009 under tightened credit control policies. Innovative products were developed, including the "1872 Golf Card", with the unique feature of RMB280 green field fee, and the "Guangshen Railway Dual Currency Card", the first CUP chip card in the Hong Kong market with contact-less payment feature. For merchant business, the performance was especially impressive with a growth rate of over 40%.

Looking forward to 2010, we shall continue to stimulate customer spending, as well as a fine-tuning of marketing strategy. The direction of card promotion, marketing and advertising will ride on the cooperation with ICBC to tape our group synergy for merchant and utilisation supports in the Pearl River Delta Region, with particular emphasis on the "Guangshen Railway Dual Currency Card". Sophisticated tools will be developed to monitor the evolution of the credit risk of the portfolio in response to the expansion of the card base, particularly for customers with revolving borrowing. Customer segmentation will be enhanced not only for marketing purpose but also for differentiated services.

CHINESE MERCANTILE BANK

In 2009, Chinese Mercantile Bank ("CMB") suffered from declined performance due to the global financial crisis and aggressive loan growth strategy of other domestic banks in Mainland China, as well as an increase in provision for doubtful loans. According to Hong Kong accounting standards, net profit of CMB was HK$91 million for 2009, a decrease of HK$124 million or 58% as compared to 2008. Net interest income decreased by HK$38 million or 12% to HK$269 million as compared with HK$307 million in 2008. Net fee and commission income increased by HK$21 million or 66% to HK$53 million, as compared to HK$32 million in 2008. Total assets of CMB was HK$12,830 million as at 31 December 2009, representing an increase of 23% as compared to the end of 2008. Total customers' loan and deposit balance as at 31 December 2009 was HK$9,538 million and HK$5,595 million respectively, representing increases of 8% and 33% respectively over the corresponding balances as at the end of 2008.

CMB opened its Guangzhou Branch in January 2009, which is its first branch operating outside Shenzhen. Furthermore, the registered capital of CMB has been increased to RMB1.65 billion after the injection of additional capital.

In 2010, CMB will continue to expand its business scope and scale, with an aim to provide comprehensive financial services for customers in Hong Kong and Mainland China. At the same time, more stringent control will be put in place to improve its loan asset quality.

HUMAN RESOURCES

The number of staff of the Bank as at 31 December 2009 was 1,425. During 2009, measures were in place to enhance our position to attract, develop, and retain the knowledgeable and skilful employees. These included active and flexible recruitment and selection effort, emphasis of business-oriented training programs, promotion of job skills development, a more productive work environment for employees, and closer communication with employees to better understand their needs.

At the same time, we offer support to our Staff Association to organise and promote various recreational and social gathering activities for staff, such as picnics, buffet gatherings, interest classes, sports events and the Annual Dinner, in order to maintain and promote good employer-employee relationship and a better work and life balance for employees.

CORPORATE SOCIAL RESPONSIBILITY

The Hong Kong Council of Social Service awarded the Bank with the Caring Company "5 Year Plus Award Logo" in recognition of the Bank and its staff's contribution and commitment to the community over all these years. The Caring Company Logo is to recognise private companies with business operations in Hong Kong that demonstrated good corporate citizenship.

The Bank is honoured of being appointed again as the Chairman of the Caritas Fund Raising Committee for the year 2009-2010. The Bank and its staff volunteers were committed to support Caritas-Hong Kong by soliciting donations from business associates and customers through various fund raising activities including donation boxes at branches, television charity show, walkathon, sales of raffle tickets and bazaars. The Bank also donated to Caritas-Hong Kong part of the retail spending revenue from the jointly issued affinity card, Caritas-Hong Kong MasterCard. Furthermore, all proceeds from the "2009 ICBC (Asia) Charity Golf Day" organised in January 2009, without deducting expenses, were donated to Caritas-Hong Kong.

Meanwhile, the Bank supported student education in both Mainland China and in Hong Kong. Following the sponsorship for the reconstruction of a primary school in Yunnan Province in 2008, the Bank encouraged its staff to make donations for the establishment of a library and the replacement of furniture for students at that school. It aimed at providing the students with all-round learning opportunities and enhancing the conditions of the school. In addition, the Bank has established scholarship for the Master of Business Administration program of The University of Hong Kong.

In 2010, the Bank will continue to contribute to the community service and demonstrate good corporate citizenship towards a harmonious society.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 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 will be set out in the Corporate Governance Report of the Bank's 2009 Annual Report.

The Audit Committee of the Bank has reviewed the results for the year ended 31 December 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Bank has adopted the model code for securities transactions by directors set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transaction. The Bank confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code for the year ended 31 December 2009.

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

During the year, 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.

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

Hong Kong, 24 March 2010

As at the date of this announcement, 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.