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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 2010 INTERIM 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 unaudited consolidated interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2010 as follows:

UNAUDITED INTERIM RESULTS

(A) Consolidated Income Statement

	Notes	Six Months Ended		Change %
		30 Jun 2010 HK\$'000	30 Jun 2009 HK\$'000	
Interest income	(6)	2,513,851	2,322,494	8%
Interest expense	(6)	(788,979)	(832,462)	-5%
Net interest income	(6)	1,724,872	1,490,032	16%
Fee and commission income	(7)	421,997	348,439	21%
Fee and commission expense	(7)	(64,156)	(35,661)	80%
Net fee and commission income	(7)	357,841	312,778	14%
Net trading income	(8)	163,299	120,864	35%
Net gain on financial assets and liabilities designated at fair value through profit or loss	(9)	18,037	73,756	-76%
Dividend income from financial investments	(10)	3,591	3,517	2%
Other operating income	(11)	10,650	18,311	-42%
Operating income		2,278,290	2,019,258	13%
Operating expenses	(12)	(679,802)	(696,418)	-2%
Operating profit before impairment losses		1,598,488	1,322,840	21%
Charge for impairment losses on loans and advances	(13)	(210,328)	(224,605)	-6%
Write-back of impairment losses on held-to-maturity financial investments		80	1,126	-93%
Charge for impairment losses on available-for-sale financial investments		-	(42,870)	-100%
Operating profit after impairment losses		1,388,240	1,056,491	31%
Revaluation gain on investment properties		1,275	-	-
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment		2,271	2,762	-18%
Net gain on disposal of available-for-sale financial investments		58,529	56,892	3%
Gain on disposal of loans and advances		21,291	-	-%
Operating profit		1,471,606	1,116,145	32%
Share of profit of an associate		7,174	10,881	-34%
Profit before tax		1,478,780	1,127,026	31%
Income tax expense	(14)	(249,622)	(198,183)	26%
Profit for the period and attributable to equity holders	(5)	1,229,158	928,843	32%
Earnings per share	(16)	HK\$0.93	HK\$0.72	29%

(B) Consolidated Statement of Comprehensive Income

	Note	Six Months Ended		Change %
		30 Jun 2010 HK\$'000	30 Jun 2009 HK\$'000	
Profit for the period	(5)	<u>1,229,158</u>	<u>928,843</u>	32%
Revaluation surplus/(deficit) on bank premises		12,896	(417)	-3193%
Income tax effect		<u>2,273</u>	<u>-</u>	-%
		15,169	(417)	3738%
Change of fair value of hedging instruments under cash flow hedges		(42,191)	(1,780)	2270%
Income tax effect		<u>6,962</u>	<u>(1,002)</u>	-795%
		(35,229)	(2,782)	1166%
Change in fair value of reserve of available-for-sale financial investments		(18,159)	1,216,499	-101%
Transfer from available-for-sale financial investment reserve to the income statement on impairment		-	42,905	-100%
Income tax effect		<u>(2,622)</u>	<u>(206,505)</u>	-99%
		(20,781)	1,052,899	-102%
Exchange differences arising from translation of results of a foreign subsidiary		20,781	1,233	1585%
Other comprehensive income for the period, net of tax		<u>(20,060)</u>	<u>1,050,933</u>	-102%
Total comprehensive income for the period, net of tax	(5)	<u>1,209,098</u>	<u>1,979,776</u>	-39%
Attributable to: Equity holders of the Bank		<u>1,209,098</u>	<u>1,979,776</u>	-39%

(C) Consolidated Statement of Financial Position

	Notes	Unaudited 30 Jun 2010 HK\$'000	Restated 31 Dec 2009 HK\$'000	Change %	Restated 30 Jun 2009 HK\$'000	Change %
Assets						
Cash and balances with banks and other financial institutions		27,424,822	27,910,582	-2%	38,390,316	-29%
Placements with and advances to banks and other financial institutions		1,549,249	1,663,286	-7%	15,326,779	-90%
Financial assets held for trading	(17)	197,876	190,246	4%	45,849	332%
Financial assets designated at fair value through profit or loss	(18)	944,553	1,162,149	-19%	1,305,904	-28%
Derivative financial instruments		2,006,609	1,285,306	56%	1,348,166	49%
Loans and advances to customers, banks and other financial institutions	(19)	184,592,521	147,024,582	26%	128,814,577	43%
Financial investments:		35,801,360	33,653,175	6%	30,046,641	19%
- Available-for-sale	(20)	34,596,813	32,361,666	7%	28,404,433	22%
- Held-to-maturity	(21)	1,204,547	1,291,509	-7%	1,642,208	-27%
Investments in associates		182,351	175,177	4%	195,317	-7%
Goodwill and other intangible assets		1,018,718	1,020,893	0%	1,028,120	-1%
Investment properties		47,488	46,213	3%	40,126	18%
Property, plant and equipment	(5)	486,775	514,191	-5%	498,360	-2%
Other assets		1,554,306	1,305,150	19%	1,310,067	19%
Total assets		255,806,628	215,950,950	18%	218,350,222	17%
Liabilities						
Deposits from banks and other financial institutions		33,477,605	20,176,700	66%	25,745,556	30%
Derivative financial instruments		2,427,258	1,403,832	73%	1,431,854	70%
Deposits from customers						
- At amortised cost	(22)	180,678,728	161,161,561	12%	159,849,555	13%
Certificates of deposit issued		7,289,223	2,394,546	204%	1,484,935	391%
- Designated at fair value through profit or loss		1,086,547	1,419,077	-23%	1,161,935	-6%
- At amortised cost		6,202,676	975,469	536%	323,000	1820%
Debt securities in issue		202,351	159,526	27%	3,122,645	-94%
- Designated at fair value through profit or loss		101,175	-	-	3,122,645	-97%
- At amortised cost		101,176	159,526	-37%	-	-
Current income tax liabilities		1,752,548	1,531,204	14%	36,535	4697%
Deferred income tax liabilities		206,317	224,386	-8%	102,471	101%
Subordinated debts measured at amortised cost	(23)	8,589,790	8,561,125	0%	8,556,348	0%
Other liabilities		1,842,906	2,070,476	-11%	1,996,521	-8%
Total liabilities		236,466,726	197,683,356	20%	202,326,420	17%
Equity						
Share capital		2,704,123	2,636,681	3%	2,598,476	4%
Retained earnings	(5),(24)	5,610,900	5,172,225	8%	3,981,150	41%
Other reserves	(24)	11,024,879	10,458,688	5%	9,444,176	17%
Total equity		19,339,902	18,267,594	6%	16,023,802	21%
Total equity and liabilities		255,806,628	215,950,950	18%	218,350,222	17%

(D) Condensed Consolidated Statement of Changes in Equity

	30 Jun 2010	Restated
	HK\$'000	30 Jun 2009
		HK\$'000
Total equity as at 1 January	18,104,597	13,937,778
Effect of adopting HKAS 17	162,997	152,384
	<u>18,267,594</u>	<u>14,090,162</u>
Profit for the period	1,229,158	928,843
Other comprehensive income	(20,060)	1,050,933
Total comprehensive income	<u>1,209,098</u>	<u>1,979,776</u>
Change in general reserve	-	(3,051)
Dividends paid during the period	(751,454)	(231,348)
Shares issued in lieu of dividends	614,664	188,263
Total equity as at 30 June	<u>19,339,902</u>	<u>16,023,802</u>

(E) Condensed Consolidated Statement of Cash Flows

	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Net cash flow (used in)/from operating activities	(779,352)	21,366,283
Net cash flow from/(used in) investing activities	17,745	(20,948)
Net cash flow used in financing activities	(176,591)	(137,906)
Effects of foreign exchange differences	38,851	(6,071)
Net (decrease)/increase in cash and cash equivalents	<u>(899,347)</u>	<u>21,201,358</u>
Cash and cash equivalents at 1 January	28,708,709	28,933,732
Cash and cash equivalents at 30 June	<u>27,809,362</u>	<u>50,135,090</u>

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

	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	10,929,251	9,091,070
Placements with banks and other financial institutions	16,880,111	41,044,020
	<u>27,809,362</u>	<u>50,135,090</u>

Notes:

(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, except for the adoption of the HKAS 17 amendment as disclosed in Note 5. The statutory accounts for the year ended 31 December 2009 are available from the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(2) Basis of preparation and accounting policies

The unaudited 2010 interim condensed consolidated financial statements of the Group have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in these unaudited consolidated interim accounts are consistent with those adopted in the Group's 2009 Annual Report except for the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") as disclosed in note 3 below.

(3) Impact of new and revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the condensed interim report are consistent with those used in the preparation of the Group's audited accounts for the year ended 31 December 2009 except for the adoption of the following HKFRSs and HKASs issued up to 30 June 2010 which are pertinent to the Group's operations and relevant to these interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First Time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 4 Amendment (Revised in December 2009)	Leases- Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Apart from the above, the HKICPA has also issued Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* *Improvements to HKFRSs 2009 contains amendments to HKFRS 2, HKFRS 5, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38.*

HKFRS 1 Amendments address the retrospective application of HKFRSs to particular situations (such as exempt entities using the full cost method from retrospective application of HKFRSs for oil and gas assets or existing leasing contracts from reassessing the classification of those contracts in accordance with HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease when the application of their other accounting requirements produced the same result) and are aimed at ensuring that entities applying HKFRSs will not face undue cost or effort in the transition process. The amendments do not have any material financial impact on the Group.

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. The Group is not a first-time adopter of HKFRS.

HKFRS 2 Amendments clarify its scope and the accounting for group companies' cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transactions. The amendments do not have any material financial impact on the Group.

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. These changes, include, but are not limited to (i) introducing an option to measure non-controlling interests at fair value; (ii) recognising gains or losses from remeasuring to the fair value the interest in the acquiree held by the entity immediately before the business combination, in a step acquisition; (iii) expensing acquisition costs as incurred; (iv) recognising the fair value of contingent considerations at the acquisition date with subsequent changes generally reflected in the income statement; and (v) separately accounting for pre-existing relationships between the acquirer and acquiree.

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 are 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 amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

HK(IFRIC)-Int 17 standardises practice in the accounting for all non-reciprocal distributions of non-cash assets to owners. This new 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 are 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 has resulted in changes in accounting policy, the Interpretation does not have any material financial impact on the Group.

HK-Int 4 was revised in December 2009 as a consequence of the amendment to HKAS 17 made by Improvements to HKFRSs issued in May 2009. The amendment to HKAS 17 removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. The new guidance, paragraph 15A, indicates that entities should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. A lease of land is therefore classified as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the lessee. Following this amendment, the scope of this Interpretation 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 properties accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The adoption of HKAS 17 Amendment and HK-Int 4 has resulted in a change in the accounting policy, disclosure and presentation relating to leasehold land. A leasehold land has been re-classified from an operating lease to a finance lease, and the land lease is now stated at fair value and depreciated over the remaining period of the lease on straight line basis. The financial impact on the Group is detailed in note 5.

In May 2009, the HKICPA issued Improvements to HKFRSs which sets out amendments to HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

HKFRS 2 Share-based Payment: It revises the scope that transaction in which an entity acquires goods as part of the net assets acquired in a business combination, in a combination of entities or business under common controls, or the contribution of a business on the formation of a joint venture does not fall under the scope of this HKFRS.

HKFRS 5 Amendments clarify that an entity that is committed to a sale plan involving loss of control of a subsidiary shall have relevant disclosures when the subsidiary is a disposal group that meets the definition of a discontinued operation.

HKAS 7 Statement of Cash Flows: It specifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

HKAS 36 Impairment of Assets: It clarifies that each unit or group of units to which the goodwill is so allocated should not be larger than an operating segment before aggregation.

HKAS 38 Intangible Assets: It introduces amendments to the measurement of fair value of an intangible asset acquired in a business combination. Intangible assets acquired in business combination may be separable together with a related contract and an identifiable liability in addition to an identifiable asset. Additional consequential amendments to this HKAS arising from the revised HKFRS 3 are also incorporated.

Other than as further explained above regarding the impacts of HK-Int 4 and HKAS 17 Amendment, the adoption of these new and revised HKFRSs has had no significant impact on the financial position or performance of the Group.

(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 interim financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ¹
HKFRS 9	Financial Instruments ³
HKAS 24 (Revised)	Related Party Disclosures ²
HK(IFRIC)-Int 14 Amendments	Amendments to HK (IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement ²
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ¹
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues ⁴

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, the amendments are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

¹ effective for annual periods beginning on or after 1 July 2010

² effective for annual periods beginning on or after 1 January 2011

³ effective for annual periods beginning on or after 1 January 2013

⁴ effective for annual periods beginning on or after 1 February 2010

* Improvements to HKFRSs 2010 contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13.

HKFRS 9 represents the completion of the first part of a three-part project to replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 uses a business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortised cost or fair value, replacing the four category classification in HKAS 39. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets from 1 January 2013.

HKAS 24 (Revised) simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Government-related entities are now defined as entities that are controlled, jointly controlled or significantly influenced by the government. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are significant. The amendments are unlikely to have any material financial impact on the Group.

The amendment to HK(IFRIC)-Int 14 requires entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendment 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 re-negotiated and resulted 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. As the Group has not re-negotiated the terms of a financial liability and issued equity instruments to settle the financial liability, the Interpretation is unlikely to have any material financial impact on the Group.

The amendment to HKAS 32 addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided that certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is unlikely to have any material financial impact on the Group.

In May 2010, the HKICPA issued Improvements to HKFRSs which sets out amendments to HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The Group expects to adopt the amendments to HKFRSs from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of them may result changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

- (a) HKFRS 1 Amendments: It addresses the presentation and disclosure requirements for entity which changes its accounting policies or its uses of the exemptions contained in this HKFRS. It also introduces the use of a revaluation basis as deemed cost and extends the use of the deemed cost exemption to entities with operations subject to rate regulation.
- (b) HKFRS 3 Amendments: It states the transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS. It explains the measurement principle for non-controlling interests in the acquiree for business combination. It also provides guidance on the accounting of share-based payment transactions of the acquiree or replacement of an acquiree's share-based payment transactions with share-based payment transactions of the acquirer in accordance with HKFRS 2 at the acquisition date.
- (c) HKFRS 7 Amendments: It clarifies quantitative disclosure requirements for risks arising from financial instruments, and encourages accompanying narrative disclosures if the concentration of risk is not apparent from the quantitative disclosures. The requirements for disclosures of credit risk are clarified and reduced, which disclosures on carrying amounts of assets that will have been past due or impaired unless they have been renegotiated, as well as description of collateral held by the entity as security and other credit enhancements and estimates of their fair value, are no longer required.
- (d) HKAS 1 (Revised) clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
- (e) Transition requirements for amendments to HKAS 21, HKAS 28 and HKAS 31 as a result of HKAS 27 Consolidated and Separate Financial Statements are to be applied prospectively for annual periods beginning on or after 1 July 2010.
- (f) HKAS 34 Amendments: It requires the updating of relevant information related to significant events and transactions in the most recent annual financial report. HKAS 34 now specifies events and transactions for which disclosures are required, and guidance has been added covering the application of the requirements for financial instruments.
- (g) HK(IFRIC)-Int 13 clarifies that fair value of award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

(5) Financial impact of the adoption of the amendment to HKAS 17

As explained in note 3 above, following the adoption of the amendment to HKAS 17, the corresponding prior year comparatives have been adjusted as follows:

	As reported HK\$'000	Adjustment HK\$'000	Restated HK\$'000
Half year ended 30 June 2009			
Profit for the period	930,145	(1,302)	928,843
Total comprehensive income	1,981,078	(1,302)	1,979,776
As at 31 December 2009			
Property, plant and equipment	273,953	240,238	514,191
Bank premises revaluation reserve	56,198	172,687	228,885
Retained earnings	5,181,915	(9,690)	5,172,225
As at 30 June 2009			
Property, plant and equipment	272,277	226,083	498,360
Bank premises revaluation reserve	52,052	159,470	211,522
Retained earnings	3,989,538	(8,388)	3,981,150

(6) Net interest income

	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Interest income on:		
Cash and balances with banks and other financial institutions	59,259	52,845
Placements with and advances to banks and other financial institutions	20,332	39,393
Loans and advances to customers, banks and other financial institutions	1,935,911	1,821,469
Financial investments – available-for-sale	470,663	349,882
Financial investments – held-to-maturity	1,946	19,324
	<u>2,488,111</u>	<u>2,282,913</u>
Financial assets held for trading	737	1,006
Financial assets designated at fair value through profit or loss	25,003	38,575
	<u>2,513,851</u>	<u>2,322,494</u>
Interest expense on:		
Deposits from banks and other financial institutions	91,920	105,939
Deposits from customers	467,176	495,728
Certificates of deposit issued	9,872	3,384
Subordinated debts measured at amortised cost	39,801	94,822
Others	160,438	18,651
	<u>769,207</u>	<u>718,524</u>
Financial liabilities designated at fair value through profit or loss	19,772	113,938
	<u>788,979</u>	<u>832,462</u>
Net interest income	<u>1,724,872</u>	<u>1,490,032</u>

Included in the above is interest income accrued on impaired financial assets of HK\$32,961,326 (First half of 2009: HK\$19,906,551), including unwinding of discounts on loan impairment losses of HK\$11,348,000 (First half of 2009: HK\$6,164,157).

(7) Net fee and commission income

	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Loans, overdrafts and guarantees	159,838	92,611
Securities and brokerage	83,219	98,829
Trade finance	73,409	69,041
Credit cards	43,859	30,974
Remittance	14,994	12,313
Insurance	14,265	10,589
Other retail and commercial banking services	17,636	17,773
Others	14,777	16,309
Fee and commission income	<u>421,997</u>	<u>348,439</u>
Fee and commission expense	<u>(64,156)</u>	<u>(35,661)</u>
Net fee and commission income	<u>357,841</u>	<u>312,778</u>
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	<u>233,247</u>	<u>161,652</u>
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	<u>11,901</u>	<u>7,532</u>
Of which:		
Fee and commission income by product line constituting not less than 10% of the total amount of fees and commission income:		
- syndication loan	88,026	60,352
- securities and brokerage	83,219	98,829
- credit card	43,859	-
- inwards bill	40,490	-

(8) Net trading income	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Equity investments	(1,100)	14,806
Debt securities - financial assets held for trading	(3,486)	988
- available-for-sale financial investments	-	25,853
Derivatives	10,117	26,035
Foreign exchange	158,145	52,808
	163,676	120,490
Gain/(loss) from hedging activities		
Fair value hedges		
- Net gain/(loss) on hedged items attributable to the hedged risk	347,656	(110,231)
- Net (loss)/gain on hedging instruments	(348,033)	110,605
	(377)	374
Total net trading income	163,299	120,864
(9) Net gain on financial assets and liabilities designated at fair value through profit or loss	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Financial assets designated at fair value through profit or loss	12,719	19,736
Financial liabilities designated at fair value through profit or loss	5,318	54,020
Total net gain on financial assets and liabilities designated at fair value through profit or loss	18,037	73,756
(10) Dividend income from financial investments	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Dividend income from listed financial assets held for trading	720	737
Dividend income from unlisted available-for-sale financial investments	2,871	2,780
Total dividend income from financial investments	3,591	3,517
(11) Other operating income	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Management fee income	3,750	3,750
Rental income	18	32
Rental income from investment properties	1,248	1,217
Less: Direct operating expenses arising from investment properties that generated rental income during the period	(41)	(77)
Others	5,675	13,389
Total other operating income	10,650	18,311

(12) Operating expenses

	30 Jun 2010	Restated
	HK\$'000	30 Jun 2009
		HK\$'000
Staff costs:		
Salaries and other costs	342,905	299,467
Redundancy payments	1,563	853
Retirement benefit costs	19,536	19,929
	<u>364,004</u>	<u>320,249</u>
Premises and equipment expenses, excluding depreciation and amortisation:		
Rental of premises	125,892	112,564
Others	39,207	34,928
	<u>165,099</u>	<u>147,492</u>
Depreciation and amortisation expenses	31,136	34,226
Auditors' remuneration	3,355	3,304
General administration expenses	18,606	17,359
Business promotion expenses	18,097	12,143
Communication expenses	22,162	20,711
Other operating expenses	57,343	140,934
Total operating expenses	<u>679,802</u>	<u>696,418</u>

(13) Charge for impairment losses on loans and advances

	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Charge for impairment losses on loans and advances		
Individually assessed		
- New allowances	102,955	242,528
- Releases	(17,570)	(18,348)
- Recoveries	(2,746)	(5,505)
Net charge for impairment losses on individually assessed loans and advances	<u>82,639</u>	<u>218,675</u>
Collectively assessed		
- New allowances	127,689	9,552
- Releases	-	(3,622)
Net charge for impairment losses on collectively assessed loans and advances	<u>127,689</u>	<u>5,930</u>
Net charge to the income statement	<u>210,328</u>	<u>224,605</u>

(14) Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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.

(15) Declared interim dividends

	30 Jun 2010	30 Jun 2009
	HK\$'000	HK\$'000
Declared interim dividend of HK\$ 0.37 (2009: HK\$0.28) per ordinary share	<u>500,263</u>	<u>363,787</u>

(16) Earnings per share

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

	30 Jun 2010	Restated 30 Jun 2009
Profit attributable to equity holders (HK\$'000)	1,229,158	928,843
Weighted average number of ordinary shares in issue (thousands)	1,318,713	1,285,654
Basic earnings per share	<u>HK\$0.93</u>	<u>HK\$0.72</u>

Diluted earnings per share amounts for the periods ended 30 June 2010 and 30 June 2009 were the same as basic earnings per share, as the Group had no potential dilutive ordinary shares in issue during those periods.

(17) Financial assets held for trading

	30 Jun 2010 HK\$'000	31 Dec 2009 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	6,899	8,180
Unlisted	<u>33,605</u>	<u>38,868</u>
	<u>40,504</u>	<u>47,048</u>
Equity securities, at fair value:		
Listed in Hong Kong	19,850	20,950
Unlisted	<u>137,522</u>	<u>122,248</u>
	<u>157,372</u>	<u>143,198</u>
Total financial assets held for trading	<u>197,876</u>	<u>190,246</u>

Financial assets held for trading are analysed by category of issuer as follows:

Central governments and central banks	23	23
Public sector entities	419	425
Banks and other financial institutions	190,792	181,878
Corporate entities	<u>6,642</u>	<u>7,920</u>
	<u>197,876</u>	<u>190,246</u>

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

	30 Jun 2010 HK\$'000	31 Dec 2009 HK\$'000
Debt securities, at fair value:		
Listed in Hong Kong	302,134	377,848
Listed outside Hong Kong	453,994	599,139
Unlisted	<u>188,425</u>	<u>185,162</u>
Total financial assets designated at fair value through profit or loss	<u>944,553</u>	<u>1,162,149</u>

Financial assets designated at fair value through profit or loss comprise the following item:

Other debt securities	<u>944,553</u>	<u>1,162,149</u>
	<u>944,553</u>	<u>1,162,149</u>

Financial assets designated at fair value through profit or loss are analysed by category of issuer as follows:

Public sector entities	125,748	201,022
Banks and other financial institutions	188,441	183,716
Corporate entities	<u>630,364</u>	<u>777,411</u>
	<u>944,553</u>	<u>1,162,149</u>

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

	30 Jun 2010	31 Dec 2009
	HK\$'000	HK\$'000
Advances to customers	155,266,460	135,734,340
Advances to banks and other financial institutions	27,836,096	10,671,725
Trade bills	2,128,467	1,257,128
Gross loans and advances	185,231,023	147,663,193
Accrued interest	401,200	256,677
	185,632,223	147,919,870
Less: Impairment allowances		
- Individually assessed	(458,052)	(441,896)
- Collectively assessed	(581,650)	(453,392)
	184,592,521	147,024,582

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

	Individual	Collective	Total
	Assessment	assessment	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
30 Jun 2010			
Advances to customers	456,295	525,629	981,924
Advances to banks and other financial institutions	-	44,898	44,898
Trade bills	1,757	11,123	12,880
	458,052	581,650	1,039,702
	Individual	Collective	Total
	assessment	assessment	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
31 Dec 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
	30 Jun 2010	31 Dec 2009	
	HK\$'000	HK\$'000	
Gross impaired loans and advances	1,211,568	1,358,618	
Impairment allowances made in respect of such loans	458,052	441,896	
Gross impaired loans and advances as a percentage of total gross loans and advances	0.65%	0.92%	
Market value of collateral	497,241	693,671	

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 30 June 2010 and 31 December 2009, nor were there any individual impairment allowances made for them on these two dates.

(20) Available-for-sale financial investments

	30 Jun 2010	31 Dec 2009
	HK\$'000	HK\$'000
Debt securities:		
Listed in Hong Kong	2,366,893	2,386,583
Listed outside Hong Kong	16,235,682	15,803,326
Unlisted	14,478,759	12,583,957
	33,081,334	30,773,866
Equity securities:		
Listed in Hong Kong	1,431,329	1,501,944
Unlisted	84,150	85,856
	1,515,479	1,587,800
Total available-for-sale financial investments	34,596,813	32,361,666
Market value of listed securities	20,033,904	19,691,853
Debt securities after taking into account impairment losses comprise the following items:		
Certificates of deposit held	1,722,946	150,225
Other debt securities	31,358,388	30,623,641
	33,081,334	30,773,866
Available-for-sale financial investments are analysed by category of issuer as follows:		
Central governments and central banks	946,669	2,991,296
Public sector entities	602,790	779,928
Banks and other financial institutions	24,356,980	19,799,129
Corporate entities	8,689,697	8,787,116
Others	677	4,197
	34,596,813	32,361,666

(21) Held-to-maturity financial investments

	30 Jun 2010	31 Dec 2009
	HK\$'000	HK\$'000
Debt securities:		
Listed outside Hong Kong	54,488	80,466
Unlisted	1,150,213	1,211,277
	1,204,701	1,291,743
Less: Impairment loss	(154)	(234)
Total held-to-maturity financial investments	1,204,547	1,291,509
Market value of listed securities	54,313	79,045
Debt securities after taking into account impairment losses comprise the following items:		
Treasury bills	1,145,621	1,146,414
Other debt securities	58,926	145,095
	1,204,547	1,291,509
Held-to-maturity financial investments are analysed by category of issuer as follows:		
Central governments and central banks	1,145,621	1,146,414
Public sector entities	-	60,318
Banks and other financial institutions	58,926	84,777
	1,204,547	1,291,509

(22) Deposits from customers

	30 Jun 2010	31 Dec 2009
	HK\$'000	HK\$'000
Demand deposits and current accounts	9,584,227	9,869,396
Savings deposits	31,271,391	36,475,880
Time, call and notice deposits	139,823,110	114,816,285
	<u>180,678,728</u>	<u>161,161,561</u>

(23) 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.

(24) Reserves

	Note	30 Jun 2010	Restated 31 Dec 2009
		HK\$'000	HK\$'000
Ordinary share premium		9,187,798	8,640,575
Bank premises revaluation reserve	(5)	217,383	228,885
Investment revaluation reserve		1,040,194	1,060,977
Cash flow hedge reserve		(35,229)	-
Exchange reserve		162,812	142,029
General reserve		451,921	386,222
Retained earnings*	(5)	<u>5,610,900</u>	<u>5,172,225</u>
		<u>16,635,779</u>	<u>15,630,913</u>
Proposed dividend not provided for		<u>500,263</u>	<u>751,454</u>

* As at 30 June 2010, the Group has earmarked a "regulatory reserve" of HK\$992,660,000 (2009: HK\$801,511,000) 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.

(25) 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:

	30 Jun 2010	30 Jun 2010	31 Dec 2009	31 Dec 2009
	Contractual	Credit risk	Contractual	Credit risk
	amount	weighted amount	amount	weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Direct credit substitutes	21,975,827	7,866,400	7,021,198	3,630,946
Transaction-related contingencies	124,670	28,715	132,742	36,848
Trade-related contingencies	3,905,511	657,642	3,931,297	644,944
Other commitments:				
Unconditionally cancellable	69,948,930	-	71,161,225	-
With original maturity of less than one year	692,206	138,442	824,324	126,086
With original maturity of over one year	21,470,098	10,421,420	19,871,892	9,792,424
Forward forward deposits placed	3,022,346	604,469	814,703	162,941
	<u>121,139,588</u>	<u>19,717,088</u>	<u>103,757,381</u>	<u>14,394,189</u>

(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:

	30 Jun 2010	31 Dec 2009
	HK\$'000	HK\$'000
Exchange rate contracts:		
Forwards	128,104,132	62,004,343
Swaps	55,876,213	25,488,300
Currency options purchased	6,132,716	5,013,375
Currency options written	5,606,569	5,007,140
Structured	200,506	-
	<u>195,920,136</u>	<u>97,513,158</u>
Interest rate contracts:		
Interest rate swaps	27,940,873	25,825,261
Interest rate options purchased	705,986	804,075
Interest rate options written	705,986	804,075
Structured	746,068	-
	<u>30,098,913</u>	<u>27,433,411</u>
Other contracts:		
Equity options purchased	97,853	155,403
Equity options written	97,853	155,403
	<u>195,706</u>	<u>310,806</u>
Total	<u>226,214,755</u>	<u>125,257,375</u>

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:

	30 Jun 2010		31 Dec 2009	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	-	19,717,088	-	14,394,189
Exchange rate contracts	1,266,659	1,269,785	522,306	539,108
Interest rate contracts	336,279	375,610	389,132	371,512
Other contracts	190,291	39,245	157,751	33,467
	<u>1,793,229</u>	<u>21,401,728</u>	<u>1,069,189</u>	<u>15,338,276</u>

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

(26) 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, debt capital market and investment banking. Institutional banking represents financial institution business. Chinese Mercantile Bank represents the business of the Bank's subsidiary 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.

30 Jun 2010	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
Net interest income	401,060	532,711	263,557	210,048	97,067	194,145	26,284	1,724,872
Fee and commission income	91,670	98,992	174,773	564	28,290	22,190	5,518	421,997
Fee and commission expense	(14,118)	(11,961)	(35,693)	-	(1)	(2,292)	(91)	(64,156)
Net fee and commission income	77,552	87,031	139,080	564	28,289	19,898	5,427	357,841
Net trading income/(expense)	22,170	77,077	24,599	41,186	8,336	(2,150)	(7,919)	163,299
Net gain on financial assets and liabilities designated at fair value through profit or loss	-	-	-	12,742	-	-	5,295	18,037
Dividend income from financial investments	237	-	24	-	-	-	3,330	3,591
Other operating income	1,335	11	526	776	-	3,525	4,477	10,650
Operating income	502,354	696,830	427,786	265,316	133,692	215,418	36,894	2,278,290
Operating expenses	(44,658)	(176,028)	(318,506)	(66,408)	(16,659)	(45,568)	(11,975)	(679,802)
Operating profit before impairment losses	457,696	520,802	109,280	198,908	117,033	169,850	24,919	1,598,488
(Charge for)/write-back of impairment loss on loans and advances	(58,869)	(9,926)	(5,271)	(121)	(25,522)	(112,286)	1,667	(210,328)
Write-back of impairment loss on held-to-maturity financial investments	-	-	-	80	-	-	-	80
Operating profit after impairment losses	398,827	510,876	104,009	198,867	91,511	57,564	26,586	1,388,240
Revaluation gain on investment properties	-	-	-	-	-	-	1,275	1,275
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment	-	-	54	-	-	-	2,217	2,271
Net (loss)/gain on disposal of available-for-sale financial investments	-	-	-	(18)	-	-	58,547	58,529
Gain on disposal of loans and advances	17,553	3,738	-	-	-	-	-	21,291
Operating profit	416,380	514,614	104,063	198,849	91,511	57,564	88,625	1,471,606
Share of profit of an associate	-	-	-	-	-	-	7,174	7,174
Profit before tax	416,380	514,614	104,063	198,849	91,511	57,564	95,799	1,478,780
Segment assets	51,362,828	60,241,200	31,616,558	60,401,417	28,077,267	19,409,792	2,283,139	253,392,201
Investment in an associate	-	-	-	-	-	-	182,351	182,351
Unallocated assets	-	-	-	-	-	-	2,232,076	2,232,076
Total assets	51,362,828	60,241,200	31,616,558	60,401,417	28,077,267	19,409,792	4,697,566	255,806,628
Segment liabilities	54,053,694	52,407,094	56,318,668	28,886,476	10,716,021	15,193,676	2,112,951	219,688,580
Unallocated liabilities	-	-	-	-	-	-	16,778,146	16,778,146
Total liabilities	54,053,694	52,407,094	56,318,668	28,886,476	10,716,021	15,193,676	18,891,097	236,466,726
Capital expenditure	8	137	3,163	1,066	7	904	9,605	14,890
Depreciation and amortisation charges	294	1,088	11,868	763	84	7,449	9,590	31,136

30 Jun 2009	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
Net interest income	397,281	467,844	276,629	227,597	70,448	115,067	(64,834)	1,490,032
Fee and commission income	78,696	77,308	142,516	830	22,518	26,444	127	348,439
Fee and commission expense	(7,212)	(2,652)	(21,244)	-	(47)	(892)	(3,614)	(35,661)
Net fee and commission income/(expense)	71,484	74,656	121,272	830	22,471	25,552	(3,487)	312,778
Net trading income/(expense)	22	13,955	9,097	119,996	796	(162)	(22,840)	120,864
Net gain on financial assets and liabilities designated at fair value through profit or loss	-	-	-	21,207	-	-	52,549	73,756
Dividend income from financial investments	201	-	11	-	-	-	3,305	3,517
Other operating income	-	1,395	2,580	9	31	9,624	4,672	18,311
Operating income/(loss)	468,988	557,850	409,589	369,639	93,746	150,081	(30,635)	2,019,258
Operating expenses	(33,820)	(140,851)	(353,203)	(46,518)	(6,537)	(36,394)	(79,095)	(696,418)
Operating profit/(loss) before impairment losses	435,168	416,999	56,386	323,121	87,209	113,687	(109,730)	1,322,840
(Charge for)/write-back of impairment loss on loans and advances	(41,285)	(153,560)	(81)	312	13,094	(34,229)	(8,856)	(224,605)
Write-back of impairment losses on held-to-maturity financial investments	-	-	-	1,126	-	-	-	1,126
Charge for impairment losses on available-for-sale financial Investments	-	-	-	(42,870)	-	-	-	(42,870)
Operating profit/(loss) after impairment losses	393,883	263,439	56,305	281,689	100,303	79,458	(118,586)	1,056,491
Net (loss)/gain from disposal/reversal of revaluation deficits of property, plant and equipment	(6)	4	(311)	(21)	-	-	3,096	2,762
Net (loss)/gain on disposal of available-for-sale financial investments	-	-	-	(51,927)	-	-	108,819	56,892
Operating profit/(loss)	393,877	263,443	55,994	229,741	100,303	79,458	(6,671)	1,116,145
Share of profits of associates	-	-	-	-	-	-	10,881	10,881
Profit before tax	393,877	263,443	55,994	229,741	100,303	79,458	4,210	1,127,026
Segment assets	46,474,478	46,362,745	26,362,019	81,770,170	5,010,939	7,946,089	272,466	214,198,906
Investment in an associate	-	-	-	-	-	-	195,317	195,317
Unallocated assets	-	-	-	-	-	-	3,955,999	3,955,999
Total assets	46,474,478	46,362,745	26,362,019	81,770,170	5,010,939	7,946,089	4,423,782	218,350,222
Segment liabilities	37,890,588	38,320,833	46,829,921	25,183,964	35,503,328	4,711,802	351,137	188,791,573
Unallocated liabilities	-	-	-	-	-	-	13,534,847	13,534,847
Total liabilities	37,890,588	38,320,833	46,829,921	25,183,964	35,503,328	4,711,802	13,885,984	202,326,420
Capital expenditure	18	88	9,307	724	63	505	13,775	24,480
Depreciation and amortisation charges	299	1,153	13,713	687	73	5,050	13,251	34,226

(27) Comparative figures

As a result of the adoption of the amendment to HKAS 17 "Leases", certain comparative figures have been adjusted to conform with the current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. The financial impact on the Group of the adoption of the amendment to HKAS 17 is detailed in note 5.

(28) Events after the reporting period

On 10 August 2010, ICBC and the Bank jointly announced that ICBC has requested the Board to put forward to the scheme shareholders of the Bank a proposal for the privatisation of the Bank (the "Proposal"). Under the Proposal, the scheme shareholders will receive from ICBC cancellation consideration of HK\$29.45 for every scheme share of the Bank cancelled.

(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	30 Jun 2010	30 Jun 2010	31 Dec 2009	31 Dec 2009
	Gross advances HK\$'000	% of secured advances %	Gross advances HK\$'000	% of secured advances %
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	15,885,580	27.35%	11,729,026	31.10%
- Property investment	17,887,321	84.87%	18,490,007	81.65%
- Financial concerns	8,123,500	2.40%	8,315,020	2.34%
- Stockbrokers	342,096	99.42%	429,430	99.67%
- Wholesale and retail trade	8,715,648	37.81%	6,100,255	48.57%
- Civil engineering works	202,435	91.35%	239,373	72.70%
- Manufacturing	5,345,702	43.56%	3,814,127	59.23%
- Transport and transport equipment	11,593,163	65.89%	9,224,828	68.39%
- Electricity and gas	78,487	40.49%	143,772	100.00%
- Information technology	2,287,045	0.63%	1,998,801	1.14%
- Recreational activities	1,705	100.00%	3,155	100.00%
- Hotels, boarding houses and catering	2,122,286	85.58%	2,095,209	84.84%
- Others	6,206,006	25.99%	4,869,563	32.34%
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	541,735	94.36%	484,437	93.34%
- Loans for the purchase of other residential properties	15,574,163	99.75%	14,165,865	99.81%
- Credit card advances	91,821	0.00%	94,156	0.00%
- Others	2,277,011	94.58%	2,246,082	95.13%
Trade finance	32,839,628	8.39%	15,775,567	14.15%
Loans for use outside Hong Kong	55,185,751	32.99%	47,444,520	32.41%
	<u>185,301,083</u>	<u>41.09%</u>	<u>147,663,193</u>	<u>46.68%</u>

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

	30 Jun 2010	31 Dec 2009
	HK\$'000	HK\$'000
(a) Property investment		
Individually impaired loans	58,046	146,800
Overdue loans and advances over three months	40,369	22,041
Individual impairment allowances	2,400	5,110
Collective impairment allowances	46,630	50,235
New impairment allowances charged to the income statement	(6,314)	(16,786)
Impaired loans and advances written off during the period/year	-	6,601
(b) Trade finance		
Individually impaired loans	80,043	85,293
Overdue loans and advances over three months	74,392	85,052
Individual impairment allowances	74,258	80,868
Collective impairment allowances	69,015	34,887
New impairment allowances charged to the income statement	27,518	(11,774)
Impaired loans and advances written off during the period/year	7,238	109,727
(c) Loans for use outside Hong Kong		
Individually impaired loans	947,334	993,218
Overdue loans and advances over three months	856,536	373,606
Individual impairment allowances	332,717	307,576
Collective impairment allowances	257,934	188,153
New impairment allowances charged to the income statement	94,922	283,480
Impaired loans and advances written off during the period/year	48,964	21,871

(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:

	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
30 Jun 2010					
Hong Kong	84,195,678	251,556	444,231	248,959	219,216
Mainland China	94,271,099	267,235	267,235	107,649	344,844
Macau	1,344,461	-	841	-	3,496
Asia Pacific Region excluding Hong Kong, Mainland China and Macau	1,818,250	-	-	-	4,728
United Kingdom	7,340	-	-	-	19
Others	3,594,195	499,261	499,261	101,444	9,347
	<u>185,231,023</u>	<u>1,018,052</u>	<u>1,211,568</u>	<u>458,052</u>	<u>581,650</u>
	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
31 Dec 2009					
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
	<u>147,663,193</u>	<u>528,996</u>	<u>1,358,618</u>	<u>441,896</u>	<u>453,392</u>

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	Percentage 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
30 Jun 2010						
Six months or less but over three months	519,132	0.3	27,810	19,029	499,819	104,634
One year or less but over six months	237,640	0.1	183,363	169,031	68,609	71,340
Over one year	259,639	0.1	136,997	89,479	169,794	214,222
	<u>1,016,411</u>	<u>0.5</u>	<u>348,170</u>	<u>277,539</u>	<u>738,222</u>	<u>390,196</u>
31 Dec 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
	<u>527,361</u>	<u>0.4</u>	<u>314,899</u>	<u>280,026</u>	<u>247,335</u>	<u>267,513</u>

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

	30 Jun 2010	30 Jun 2010	31 Dec 2009	31 Dec 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Accrued interest	Other assets	Accrued interest	Other assets
One year or less but over six months	25,652	-	692	1,635
Over one year	10,401	1,641	7,378	-
	36,053	1,641	8,070	1,635
Rescheduled assets	16	-	9	-
	36,069	1,641	8,079	1,635

Other assets refer to trade bills and receivables.

(c) Rescheduled advances

	30 Jun 2010	31 Dec 2009
	HK\$'000	HK\$'000
Rescheduled advances (excluding overdue loans of more than three months)	105,458	112,377
As percentage 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 30 June 2010 and 31 December 2009.

(d) Repossessed assets

At 30 June 2010, the estimated market value of the repossessed assets of the Group amounted to HK\$37,000,000 (31 December 2009: HK\$6,304,000).

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

(a) Capital adequacy ratio and capital base

	30 Jun 2010	31 Dec 2009
Core capital ratio	<u>8.4%</u>	<u>9.0%</u>
Capital adequacy ratio	<u>13.4%</u>	<u>14.9%</u>

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

	30 Jun 2010 HK\$'000	31 Dec 2009 HK\$'000
Core capital:		
Paid-up ordinary share capital	2,704,123	2,636,681
Share premium	9,187,798	8,640,575
Reserves	3,564,211	2,608,537
Income statement	685,283	1,139,434
Deduct: Goodwill	(980,154)	(980,154)
Other intangible assets	(17,107)	(19,282)
50% of total unconsolidated investments and other deductions	(972,971)	(898,244)
	<u>14,171,183</u>	<u>13,127,547</u>
Eligible supplementary capital:		
Fair value gains on the revaluation of land and buildings	92,651	5,302
Fair value gains on the revaluation of available-for-sale equities and debt securities	561,019	569,191
Unrealised fair value gains arising from equities and debt securities designated at fair value through profit or loss	29,546	18,818
Collective impairment allowances and regulatory reserve	1,574,464	1,255,137
Perpetual subordinated debts	3,491,008	3,481,600
Subordinated debts measured at amortised cost	3,814,356	4,141,170
Deduct: 50% of total unconsolidated investments and other deductions	(972,971)	(898,244)
	<u>8,590,073</u>	<u>8,572,974</u>
Total capital base after deductions	<u>22,761,256</u>	<u>21,700,521</u>
Risk-weighted assets		
Credit risk	158,063,545	137,671,817
Market risk	3,617,838	1,118,738
Operational risk	7,757,350	7,194,275
Total risk-weighted assets	<u>169,438,733</u>	<u>145,984,830</u>

The capital ratios as at 30 June 2010 and 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

30 Jun 2010 30 Jun 2009

Average liquidity ratio for the six months ended 41.5% 38.0%

The average liquidity ratio for the period 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	EUR HK\$'000	Other foreign currencies HK\$'000	Total HK\$'000
30 Jun 2010					
Non-structural position					
Spot assets	101,964,541	16,069,961	4,369,758	7,082,872	129,487,132
Spot liabilities	(104,734,484)	(16,157,889)	(3,429,496)	(10,943,240)	(135,265,109)
Forward purchases	91,983,391	57,135,229	4,301,331	8,334,565	161,754,516
Forward sales	(89,762,747)	(56,611,698)	(5,277,345)	(4,604,192)	(156,255,982)
Net option position	(242,391)	-	369	177,420	(64,602)
Net long/(short) position	<u>(791,690)</u>	<u>435,603</u>	<u>(35,383)</u>	<u>47,425</u>	<u>(344,045)</u>
Net structural position	480,664	1,659,058	-	-	2,139,722
31 Dec 2009					
Non-structural position					
Spot assets	86,907,654	9,297,418	2,648,526	7,402,026	106,255,624
Spot liabilities	(88,627,701)	(9,428,321)	(4,559,238)	(7,602,663)	(110,217,923)
Forward purchases	42,625,084	23,655,848	7,476,998	7,198,868	80,956,798
Forward sales	(40,673,650)	(23,499,689)	(5,562,352)	(7,083,073)	(76,818,764)
Net option position	(325,790)	-	1,621	332,287	8,118
Net long/(short) position	<u>(94,403)</u>	<u>25,256</u>	<u>5,555</u>	<u>247,445</u>	<u>183,853</u>
Net structural position	478,849	1,662,351	20,644	-	2,161,844

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 (including Chinese Mercantile Bank).

(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 counterparty. Those areas that constitute 10% or more of the aggregate cross-border claims are as follows:

	Banks and other financial institutions HK\$ million	Public sector entities HK\$ million	Others HK\$ million	Total HK\$ million
30 Jun 2010				
Asia Pacific excluding Hong Kong	43,503	7,829	70,006	121,338
Europe	<u>19,311</u>	<u>-</u>	<u>16</u>	<u>19,327</u>
31 Dec 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	<u>17,065</u>	<u>-</u>	<u>929</u>	<u>17,994</u>

(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 “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
30 Jun 2010				
Mainland China entities	33,074,947	1,644,829	34,719,776	-
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	18,666,133	1,023,277	19,689,410	123,624
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland China exposure	<u>4,930,767</u>	<u>344,045</u>	<u>5,274,812</u>	<u>1,101</u>
	<u>56,671,847</u>	<u>3,012,151</u>	<u>59,683,998</u>	<u>124,725</u>
31 Dec 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	<u>3,775,205</u>	<u>48,813</u>	<u>3,824,018</u>	<u>1,290</u>
	<u>42,227,957</u>	<u>6,771,253</u>	<u>48,999,210</u>	<u>135,255</u>

INTERIM RESULTS

The Board of Directors is pleased to announce that the unaudited consolidated profit attributable to the equity holders of the Bank for the six months ended 30 June 2010 was HK\$1,229 million. This represents a 32% increase over the same period last year (first half of 2009: HK\$929 million). Basic earnings per share for the six months ended 30 June 2010 were HK\$0.93 (first half of 2009: HK\$0.72). Return on average assets and return on average equity were 1.0% and 13.7% respectively (first half of 2009: 1.0% and 13.0% respectively).

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.37 per ordinary share for the six months ended 30 June 2010 (2009 interim dividend: HK\$0.28). The interim dividend will be payable in cash to shareholders whose names appear on the Register of Members of the Bank at the close of business on Tuesday, 14 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed from Thursday, 9 September 2010 to Tuesday, 14 September 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Bank's Share Registrars, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 8 September 2010.

FINANCIAL REVIEW

In the first half of 2010, the Group achieved satisfactory results. Consolidated profit attributable to equity holders was HK\$1,229 million, representing an increase of HK\$300 million or 32% over HK\$929 million achieved for the corresponding period in 2009.

Net interest income increased HK\$235 million or 16% to HK\$1,725 million. The growth was mainly attributable to a 24 % increase in average interest-earning assets.

Non-interest income increased HK\$24 million or 5% to HK\$553 million from HK\$529 million for the corresponding period in 2009. The increase was mainly attributable to increase of fee and commission income as well as gains from foreign exchange trading. The ratio of non-interest income to total operating income decreased to 24%, compared with 26% for the corresponding period in 2009.

Operating expenses decreased by HK\$16 million or 2% to HK\$680 million, compared with HK\$696 million for the corresponding period in 2009. The cost to income ratio decreased from 34.4% in 2009 to 29.8% in 2010.

The impairment losses on loans and advances and held-to-maturity financial investments for the period were HK\$210 million, out of which HK\$83 million was made as additional provision for individual assessment and HK\$127 million was made as additional provision for collective assessment.

Statement of Financial Position

The total assets of the Group amounted to HK\$255,807 million as at 30 June 2010, representing an increase of HK\$39,856 million or 18% over the financial position as at 31 December 2009.

Customer deposits amounted to HK\$180,679 million as at 30 June 2010, representing an increase of HK\$19,517 million or 12%, as compared to HK\$161,162 million as at 31 December 2009. Loans and advances also increased by HK\$37,568 million or 26% to HK\$184,593 million as at 30 June 2010 as compared to HK\$147,025 million as at 31 December 2009.

Our total securities investment amounted to HK\$36,944 million as at 30 June 2010, which represents an increase of HK\$1,938 million or 6% as compared to HK\$35,006 million as at 31 December 2009.

Total certificates of deposits issued increased HK\$4,894 million or 204% to HK\$7,289 million as at 30 June 2010, as compared to HK\$2,395 million as at 31 December 2009.

Capital and Liquidity Management

The Group's capital adequacy ratio decreased to 13.4% as at 30 June 2010 from 14.9% as at 31 December 2009. The average liquidity ratio amounted to 41.5% (average for the first half of 2009: 38.0%).

Asset Quality

Impaired loans and advances decreased by HK\$147 million to HK\$1,212 million as at 30 June 2010, compared with HK\$1,359 million as at 31 December 2009. The impaired loan ratio was 0.65% as at 30 June 2010 (31 December 2009: 0.92%).

As at 30 June 2010, the cumulative loan impairment allowances aggregated to HK\$1,040 million (31 December 2009: HK\$895 million), which included HK\$458 million (31 December 2009: HK\$442 million) of individual impairment allowance and HK\$582 million (31 December 2009: HK\$453 million) of collective impairment allowance.

Total overdue advances as at 30 June 2010 amounted to HK\$1,018 million, of which around 50% (the "Overdue Advance") was due by a borrower in Dubai and was part of a syndication loan in which the Group participated. The Overdue Advance is fully secured but overdue between three to six months due to an ongoing negotiation with respect to the restructuring of the Overdue Advance with the borrower. Negotiation on the loan-restructuring with the syndicate Banks is progressing and a proposal that involves no reduction in the principal amount or interest rate is in advance stage.

BUSINESS REVIEW

We summarise below the performance of our key business operations during the first half of 2010.

RETAIL BANKING

Our Retail Banking business achieved satisfactory performance during the first half of 2010.

We strive to grow our customer base and to strengthen our deposit and lending business. Through our continuous cooperation with Industrial and Commercial Bank of China Limited ("ICBC"), the account opening witnessing service for new customers referred by ICBC has been extended from Shenzhen to other major cities including Beijing, Shanghai and Chongqing, and to other provinces in Southern China (Guangdong, Fujian and Hainan), Central China (Hubei and Hunan), Eastern China (Jiangsu and Zhejiang), Northern China (Shandong and Shaanxi) and South-western China (Sichuan and Guangxi). Such service allows customers of ICBC to open bank accounts with our bank on the spot through the witnessing service provided by staff of around 800 designated branches in Mainland China. The result of our customer acquisition plan through referral from ICBC is very encouraging.

In April 2010, our Kwun Tong Branch has been relocated as part of our branch network rationalisation strategy, with the addition of an "Elite Club" Wealth Management Centre and a securities trading service centre in the new branch.

Mortgage Business

Local banks continue to compete fiercely for new mortgage business through rate-cut in order to maintain their respective market shares. Nevertheless, we succeeded in growing our mortgage loan portfolio by approximately 14% during the first half of 2010 as compared to the end of last year, despite intensive competition in the market. Due to the persistent price cutting particularly for HIBOR based mortgage products, we have decided to slow down our loan growth target for our mortgage business in view of the inherent interest rate risk for the bank.

Securities and brokerage

Due to the general slow down of stock market activities this year, our securities and brokerage business experienced a slight decline in the level of commission and fee income as compared to the first half of 2009. However, through competitive marketing campaigns, we achieved a continuous growth in our customer base.

Wealth Management

Our sales of wealth management products recorded satisfactory growth as compared to the corresponding period last year.

In April 2010, we launched our first “Wealth Management Expo” which attracted more than 2,000 participants for a number of investment related seminars held in one day. Apart from presenting the traditional investment topics, the “Expo” also aimed to enhance customer experience by including life-style orientated talks such as wine tasting, precious stone and valuable arts collecting, as well healthcare advice.

Private Banking

We have achieved a remarkable increase in the size of assets under management for our private banking customers during the first half of 2010. In particular, the account opening witnessing service was extended to private banking customers of ICBC in Mainland China, which greatly facilitates our cooperation with ICBC on cross border business for such elite group of customers.

Bancassurance

Sale of insurance products recorded outstanding growth during the first half of 2010. We continued to focus on life insurance products, as well as broadening our range of general insurance products for distribution through our electronic banking channel.

Hire Purchase

Net profit margin for taxi and public light bus financing continued to narrow as a result of keen competition among banks. Nonetheless, our market share for such business remained steady.

GLOBAL MARKETS & TRADING

We continued to strengthen the cross referral mechanism between Global Markets & Trading and other business departments for the sales of treasury products. We refocused on traditional products like foreign exchange business to better meet customers’ demand. In addition, we increased the variety of RMB related products to fulfil the requirement of our customers to cope with the rapid development of RMB banking business in Hong Kong.

The market value of our bond portfolio gradually improved during the first half of 2010 as compared with the end of 2009 as a result of the tightening of credit spreads when the global financial markets recover.

In addition, following the establishment of a structured derivatives and derivatives trading team last year, a new treasury system for structured products was also installed in January 2010, which enhanced our capability for risk calculation, derivatives pricing and the marked-to-market process. We aim to launch more types of treasury products through product innovation going forward, while continuing to improve our overall risk management mechanism.

COMMERCIAL BANKING

In the first half of 2010, our Commercial Banking business recorded strong growth in profitability contributed mainly from its portfolio of small and medium-sized enterprises (“SMEs”) in Hong Kong. In addition, we maintained a low level of loan impairment provision through our robust credit management process.

Volume of trade finance for the first half of 2010 surged significantly over the corresponding period last year due to the launch of a number of new products since the beginning of this year. Key product development includes the financing programs relating to the cross-border RMB trade settlement business. With the anticipated extension of the cross-border RMB trade settlement program to an increasing number of cities and provinces of Mainland China in the second half of 2010, cross-border trade volume is expected to increase significantly. We are also committed to working closely with ICBC branches and Chinese Mercantile Bank to develop new products to cater for the business need of our clients.

CORPORATE & INVESTMENT BANKING

The performance of our Corporate and Investment Banking business during the first half of 2010 was promising.

In the first half of 2010, we took part in a number of major syndicated loan transactions, including acting as the bookrunner and mandated lead arranger in (i) the US\$250 million term loan facility for China Huiyuan Juice Group Limited; and (ii) the US\$450 million term loan facility for Poly (Hong Kong) Investments Ltd; and acting as mandated lead arranger in (i) the HK\$18.12 billion term loan facility for Sun Hung Kai Properties Limited; and (ii) the HK\$16 billion term loan facility for Hong Kong Telecommunications (HKT) Ltd.

We pursue actively in commodity trade finance, an area of strong growth this year. There is also an increasing demand for RMB related structured trade and cash management solutions from our corporate clients and, in order to capture such business opportunities, we have launched a series of RMB products under the brand of “跨境通” covering remittance, exchange, trade finance, loan and cash management.

INSTITUTIONAL BANKING

Our Institutional Banking business achieved very strong growth during the first half of 2010, especially for the trade finance related business conducted in cooperation with various branches of ICBC. Total outstanding exposure for such advances, as guaranteed by ICBC, reached HK\$24,514 million as at 30 June 2010, as compared to HK\$9,268 million as at the end of 2009. We continued to focus on broadening our customer base, specifically targeting institutional clients in areas such as Eastern Europe and Asia other than Mainland China. At the same time, we also placed considerable effort on transactional banking product enhancement so as to provide better and more comprehensive services to our customers.

ASSET MANAGEMENT BUSINESS

We experienced a slow down in the sales of our own branded investment funds during the first half of 2010, attributable mainly to the lack of confidence of most local investors to make long term commitment amid the prevailing turbulent conditions of the financial markets. To cope with this situation, we continued to explore other business opportunities, including the cooperation with the asset management unit of ICBC, with a view to broadening the scope of our income base. As a result, ICBC (Asia) Investment Management Company Limited entered into an arrangement to provide investment advisory service to ICBC relating to the Qualified Domestic Institutional Investors (“QDII”) scheme, which marks an important step in strengthening our cooperation with ICBC with regard to the asset management business.

CREDIT CARD BUSINESS

There was a continued growth of credit card business in the first half year of 2010. The number of cards in circulation, total card spending, card outstanding balance and merchant business turnover recorded steady growth when compared with the results for the corresponding period in 2009. Our main focus remains on card acquisition. We aim at developing multi-channels for marketing, including building up our own direct sales team and also through cross selling by our branch network. Card utilisation programs are arranged by lining up with ICBC Head Office and its Macau Branch to develop card usage promotions in the Pearl River Delta Region. Our merchant sales team also works closely with external merchant partners to promote business growth. As a result, total card spending grew by approximately 30%, while merchant business turnover increased by approximately 60%, as compared to the same period for 2009. Meanwhile, both the delinquency and charge-off ratio stood at low levels.

CHINESE MERCANTILE BANK

During the first half of 2010, Chinese Mercantile Bank (“CMB”) pursued an active loan growth strategy, benefiting from the buoyant economic conditions in Mainland China. Total assets of CMB amounted to HK\$19,410 million as at 30 June 2010, representing an increase of 52% as compared to the end of 2009. Total customers’ loan and deposit balances as at 30 June 2010 amounted to HK\$14,591 million and HK\$8,693 million, respectively, representing an increase of 53% and 55% over the corresponding balances as at the end of 2009. However, due to additional provision made on doubtful loans granted in the past, CMB suffered from a substantial decline in its profitability. According to Hong Kong accounting standards, net profit for the six months ended 30 June 2010 was HK\$58 million, as compared to HK\$79 million for the corresponding period in 2009. Net interest income and net fee and commission income for the first half of 2010 were HK\$194 million and HK\$20 million, respectively, as compared to HK\$115 million and HK\$26 million for the corresponding period in 2009.

In March 2010, CMB obtained an approval to offer RMB banking services to Chinese citizens, which marks an important step in extending its scope of business in Mainland China.

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 six months ended 30 June 2010, 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 terms 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 25 May 2010 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, Nomination and Remuneration Committees) attended the above annual general meeting to answer questions from shareholders.

The Bank considered that sufficient measures have been taken to ensure that the Bank’s corporate governance practices are no less exacting than those in the code provisions as set out in the Code, details of which were set out in the Corporate Governance Report of the Bank’s 2009 Annual Report.

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

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

INTERIM FINANCIAL INFORMATION

The Audit Committee of the Bank has reviewed the results for the six months ended 30 June 2010 of the Group. The financial information in this interim results announcement is unaudited and does not constitute statutory accounts.

PROPOSAL TO PRIVATISE THE BANK

On 10 August 2010, ICBC and the Bank jointly announced that ICBC has requested the Board to put forward to the scheme shareholders of the Bank a proposal for the privatisation of the Bank (the “Proposal”). Under the Proposal, the scheme shareholders will receive from ICBC cancellation consideration of HK\$29.45 for every scheme share of the Bank cancelled. Please refer to the joint announcement dated 10 August 2010 issued by ICBC and the Bank for further details.

The interim cash dividend of HK\$0.37 per ordinary share declared by the Bank will be paid to shareholders whose names appear on the Register of Members of the Bank at the close of business on Tuesday, 14 September 2010. Payment of the dividend shall not be conditional upon the Proposal becoming effective and the interim dividend will be paid in addition to the payment of the cancellation consideration by ICBC under the Proposal. In the light of the Proposal, the Bank will not be offering a scrip dividend alternative to its shareholders.

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

Hong Kong, 25 August 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.