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If you are in any doubt as to any aspect of the Proposal, this document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Industrial and Commercial Bank of China (Asia) Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ICBC  **中国工商银行**

**Industrial and Commercial
Bank of China Limited**
*(a joint stock limited company
incorporated in the People's Republic
of China with limited liability)*
(Stock Code: 1398)

ICBC  **工银亚洲**

**Industrial and Commercial
Bank of China (Asia) Limited**
(incorporated in Hong Kong with limited liability)
(Stock Code: 349)

**PROPOSAL TO PRIVATISE
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF THE LISTING OF
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED**

Joint financial advisers to Industrial and Commercial Bank of China Limited

ICBC  **工銀國際**
ICBC INTERNATIONAL

ICBC International Capital Limited

**Goldman
Sachs**

Goldman Sachs (Asia) L.L.C.

**Independent financial adviser to the Independent Board Committee of
Industrial and Commercial Bank of China (Asia) Limited**

CLSA
ASIA-PACIFIC MARKETS

CLSA Equity Capital Markets Limited

Capitalised terms used hereunder shall have the same meanings as defined in this document. A letter from the Board is set out on pages 7 to 14 of this document. The Explanatory Statement is set out on pages 35 to 50 of this document. A letter from the Independent Board Committee containing its advice to the Minority Shareholders in relation to the Proposal is set out on pages 15 to 16 of this document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 17 to 34 of this document. **The actions to be taken by the Minority Shareholders are set out on pages 48-50 of this document.**

Notices convening the Court Meeting and the Extraordinary General Meeting to be held in Hong Kong on Tuesday, 9 November 2010 are set out on pages CM-1 to EGM-2 of this document. **Whether or not you are able to attend the Court Meeting or the Extraordinary General Meeting or any adjournment thereof in person, if you are a Minority Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any case not later than the respective times stated under the section entitled "Actions to be taken" set out on pages iii to v of this document. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 10:00 a.m. on Sunday, 7 November 2010 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be deposited not later than 10:30 a.m. on Sunday, 7 November 2010 or it may alternatively be handed to the chairman of the Extraordinary General Meeting at the Extraordinary General Meeting if it is not so lodged. The completion and return of a form of proxy for each of the Court Meeting or the Extraordinary General Meeting will not preclude you from attending and voting in person at the Court Meeting or the Extraordinary General Meeting or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked. In case of inconsistency, the English language text of this document shall prevail over the Chinese language text.**

8 October 2010

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ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY SHAREHOLDERS

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the Extraordinary General Meeting are enclosed with this document.

Whether or not you are able to attend the Court Meeting or the Extraordinary General Meeting or any adjournment thereof in person, if you are a Minority Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any case not later than the following respective times. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 10:00 a.m. on Sunday, 7 November 2010 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be deposited not later than 10:30 a.m. on Sunday, 7 November 2010 or it may alternatively be handed to the chairman of the Extraordinary General Meeting at the Extraordinary General Meeting if it is not so lodged.

The completion and return of a form of proxy for each of the Court Meeting or the Extraordinary General Meeting will not preclude you from attending and voting in person at the Court Meeting or the Extraordinary General Meeting or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the Extraordinary General Meeting, you will still be bound by the outcome of such Court Meeting and/or Extraordinary General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the Extraordinary General Meeting in person or by proxy.

Voting at the Court Meeting and the Extraordinary General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

If a Registered Owner or Beneficial Owner in Hong Kong has questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at (852) 2980 1333 (general line) between 9:00 a.m. and 6:00 p.m. Monday to Friday. This helpline cannot and will not provide advice on the merits of the Proposal or the Scheme of Arrangement or give financial or legal advice.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the Extraordinary General Meeting, the register of members of the Company will be closed from Tuesday, 2 November 2010 to Tuesday, 9 November 2010 (both days inclusive) and during such period, no transfer of Shares will be effected.

ACTIONS TO BE TAKEN

In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 1 November 2010.

An announcement will be made by the Company in relation to the results of the Court Meeting and the Extraordinary General Meeting, and if all the resolutions are passed at those meetings, further announcement(s) will be made in relation to the results of the hearing of the petition for the sanction of the Scheme of Arrangement by the High Court, the Effective Date and the date of withdrawal of the listing of the Shares from the Hong Kong Stock Exchange.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the Extraordinary General Meeting.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the Extraordinary General Meeting personally, you should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the Extraordinary General Meeting and for such purpose the Registered Owner may appoint you as its proxy.

Alternatively, if you are a Beneficial Owner who wishes to attend the Court Meeting and/or the Extraordinary General Meeting personally, you may arrange for some or all of your Shares to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the Extraordinary General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this document.

The completion and return of a form of proxy for the Court Meeting and/or the Extraordinary General Meeting will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the Extraordinary General Meeting. In such event, the returned form of proxy will be deemed to have been revoked.

ACTIONS TO BE TAKEN

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a person admitted to participate in CCASS as an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in respect of the Scheme of Arrangement. The procedure for voting in respect of the Scheme of Arrangement by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

DEFINITIONS

In this document, the following expressions shall have the meanings respectively set opposite them unless the context requires otherwise:

“acting in concert”	has the meaning given to it in the Takeovers Code, and “parties acting in concert” and “concert parties” shall be construed accordingly
“Announcement”	the announcement dated 10 August 2010 jointly issued by the Offeror and the Company in relation to the Proposal
“associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for the Company to carry on its business
“Beneficial Owner(s)”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself
“Board”	the board of the Directors of the Company
“Cancellation Consideration”	the consideration of HK\$29.45 in cash for every Scheme Share cancelled
“CCASS”	the Central Clearing and Settlement Systems established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company” or “ICBC Asia”	Industrial and Commercial Bank of China (Asia) Limited (中國工商銀行(亞洲)有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 349)
“Condition(s)”	the condition(s) to which the Proposal is subject, as set out on pages 37 to 40 of this document
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court, notice of which is set out on pages CM-1 to CM-2 of this document, and any adjournment thereof for the purpose of approving the Scheme of Arrangement
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Scheme of Arrangement becomes effective, which is expected to be 21 December 2010

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme of Arrangement set out on pages 35 to 50 of this document issued in compliance with Section 166A of the Companies Ordinance
“Extraordinary General Meeting”	an extraordinary general meeting of the Company, notice of which is set out on pages EGM-1 to EGM-2 of this document, and any adjournment thereof to be held immediately following the Court Meeting for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme of Arrangement
“Goldman Sachs”	Goldman Sachs (Asia) L.L.C., the joint financial adviser to the Offeror. Goldman Sachs is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities
“High Court”	High Court of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“holder(s)”	registered holder(s) including any person entitled by transmission to be registered as such and joint holders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huijin”	Central Huijin Investment Ltd.
“ICBC Asia Group”	the Company and its subsidiaries
“ICBCI”	ICBC International Capital Limited, the joint financial adviser to the Offeror. ICBCI is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Independent Board Committee”	an independent committee of the Board established for the purpose of advising the Minority Shareholders in respect of the Proposal

DEFINITIONS

“Independent Financial Adviser”	CLSA Equity Capital Markets Limited, the independent financial adviser to the Independent Board Committee and is licensed to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s)
“Last Trading Day”	26 July 2010, being the last day of trading in the Shares on the Hong Kong Stock Exchange immediately prior to the suspension of trading pending publication of the Announcement
“Latest Practicable Date”	5 October 2010, being the latest practicable date for ascertaining certain information contained in this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Minority Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it
“MOF”	Ministry of Finance of the PRC
“New Shares”	new Shares to be issued to the Offeror pursuant to the Scheme of Arrangement and being the same in number as the number of the Scheme Shares
“Offeror” or “ICBC”	Industrial and Commercial Bank of China Limited, a joint stock limited company incorporated in the PRC and the H shares and A shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 1398) and the Shanghai Stock Exchange (Stock Code: 601398), respectively
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS participant
“PRC”	for the purposes of this document, the People’s Republic of China excluding Hong Kong, the Special Administrative Regions of Macau and Taiwan
“Preference Shares”	preference shares of HK\$5.00 each in the capital of the Company
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme of Arrangement

DEFINITIONS

“Record Time”	4:00 p.m. Hong Kong time on the trading day immediately preceding the day when the Scheme of Arrangement becomes effective, being the record time for determining entitlements of the Scheme Shareholders under the Scheme of Arrangement
“Registered Owner(s)”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Authorities”	applicable governments or governmental bodies, regulatory bodies, courts of institutions including but not limited to the SFC, the Hong Kong Stock Exchange, the Hong Kong Monetary Authority and the Hong Kong Insurance Authority
“Scheme of Arrangement”	the scheme of arrangement under Section 166 of the Companies Ordinance as set out on pages S-1 to S-6 of this document, with or subject to any modification thereof or addition thereto or condition approved or imposed by the High Court, for the implementation of the Proposal
“Scheme Share(s)”	the Share(s) in issue at the Record Time other than those beneficially owned by the Offeror
“Scheme Shareholders”	registered holders of the Scheme Shares
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$2.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per centum

EXPECTED TIMETABLE

Shareholders should note that the timetable, which is mainly dependent on the date of the High Court hearing, is subject to change and is indicative only. Further announcements will be made in the event that there is any change to the timetable.

Hong Kong time

Latest time for lodging transfers of the Shares
in order to be entitled to attend and vote at
the Court Meeting and the Extraordinary
General Meeting 4:30 p.m. on Monday, 1 November 2010

Closure of register of members for determination
of entitlement to attend and vote at the Court Meeting
and the Extraordinary General Meeting (*Note 1*) Tuesday, 2 November 2010 to
Tuesday, 9 November 2010
(both days inclusive)

Latest time for lodging forms of proxy in respect of
the Court Meeting (*Note 2*) 10:00 a.m. on Sunday, 7 November 2010

Extraordinary General Meeting (*Note 2*) 10:30 a.m. on Sunday, 7 November 2010

Suspension of trading of the Shares (*Note 3*) 9:30 a.m. on Tuesday, 9 November 2010

Court Meeting (*Note 2*) 10:00 a.m. on Tuesday, 9 November 2010

Extraordinary General Meeting (*Note 2*) 10:30 a.m. on Tuesday, 9 November 2010
(or as soon as the Court Meeting
has been concluded or adjourned)

Announcement of the results of the Court Meeting and
the Extraordinary General Meeting posted on the
website of the Hong Kong Stock Exchange by 7:00 p.m. on Tuesday, 9 November 2010

Resumption of trading of Shares 9:30 a.m. on Wednesday, 10 November 2010

Expected latest time for trading of Shares on
the Hong Kong Stock Exchange 4:00 p.m. on Monday, 13 December 2010

Suspension of trading of the Shares pending
withdrawal of listing 9:30 a.m. on Tuesday, 14 December 2010

Latest time for lodging transfers of the Shares
in order to qualify for entitlements under the
Scheme of Arrangement 4:30 p.m. on Wednesday, 15 December 2010

Register of members of the Company closed for
determining entitlements to qualify under the Scheme
of Arrangement (*Note 4*) Thursday, 16 December 2010 to
Monday, 20 December 2010
(both days inclusive)

EXPECTED TIMETABLE

- High Court hearing of the petition for the sanction of
the Scheme of Arrangement (*Note 5*)Monday, 20 December 2010
- Record Time4:00 p.m. on Monday, 20 December 2010
- Announcement of the result of the High Court
hearing, the expected Effective Date and the expected
date of withdrawal of the listing of the Shares on the
Hong Kong Stock Exchange posted on the website
of the Hong Kong Stock Exchangeby 7:00 p.m. on Monday, 20 December 2010
- Effective Date (*Note 5*)Tuesday, 21 December 2010
- Withdrawal of the listing of the Shares on the
Hong Kong Stock Exchange becomes effective9:30 a.m. on Tuesday, 21 December 2010
- Announcement of, among other things, the Effective Date
and the withdrawal of the listing of the Shares on
the Hong Kong Stock Exchange posted on the website
of the Hong Kong Stock ExchangeTuesday, 21 December 2010
- Cheques for the cash payment under the Proposal to be
despatched on or before Thursday, 23 December 2010

Notes:

- (1) The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the Extraordinary General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements of Scheme Shareholders under the Scheme of Arrangement.
- (2) The pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the Extraordinary General Meeting should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the share registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event by the times and dates stated above. In the case of the pink form of proxy in respect of the Court Meeting, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. The white form of proxy for the Extraordinary General Meeting must be lodged no later than the time and date stated above or handed to the chairman of the Extraordinary General Meeting at the Extraordinary General Meeting if it is not so lodged in order for it to be valid. Completion and return of the forms of proxy will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he so wishes. In such event, the relevant form of proxy shall be deemed to have been revoked.
- (3) Trading of the Shares will be suspended from 9:30 a.m. on Tuesday, 9 November 2010 pending publication of an announcement of the results of the Court Meeting and the Extraordinary General Meeting. Trading of the Shares is expected to resume at 9:30 a.m. on the trading day following the announcement of these results.
- (4) The register of members of the Company will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme of Arrangement.
- (5) The Scheme of Arrangement shall become effective when it is sanctioned (with or without modification) by the High Court and an office copy of the order of the High Court, together with the minute containing the particulars required by Section 61 of the Companies Ordinance, are delivered to and registered by the Registrar of Companies.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chen Aiping (*Managing Director & Chief Executive Officer*)
Mr. Wong Yuen Fai (*Deputy General Manager & Alternate Chief Executive*)
Mr. Zhang Yi (*Deputy General Manager & Alternate Chief Executive*)
Mr. Zong Jianxin (*Deputy General Manager & Alternate Chief Executive*)

Registered Office:

33rd Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

Non-executive Directors:

Mr. Jiang Jianqing (*Chairman*)
Ms. Wang Lili (*Vice Chairlady*)
Mr. Hu Hao
Professor Wong Yue Chim, Richard, S.B.S., J.P.*
Mr. Tsui Yiu Wa, Alec*
Mr. Yuen Kam Ho, George*

* *Independent Non-executive Directors*

8 October 2010

To the Shareholders

Dear Sir or Madam,

**PROPOSAL TO PRIVATISE
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF THE LISTING OF
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED**

INTRODUCTION

It was jointly announced by the Offeror and the Company on 10 August 2010 that on 28 July 2010, the Offeror had requested the Board to put forward to the Scheme Shareholders the Proposal

LETTER FROM THE BOARD

which, if implemented, would result in the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange. The Offeror also confirmed in such announcement that there would be no revision to the Cancellation Consideration and the Offeror does not reserve the right to do so.

As at the Latest Practicable Date, the Offeror owned approximately 72.81% of the issued share capital of the Company. The proposed privatisation of the Company will be implemented by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror, and the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange.

Rule 2.8 of the Takeovers Code prescribes that the members of an independent committee of a company's board of directors formed for the purpose of considering an offer as in the present case must comprise all of the company's non-executive directors who have no interest in the offer. Accordingly, the Independent Board Committee consisting of Professor Wong Yue Chim, Richard, S.B.S., J.P., Mr. Tsui Yiu Wa, Alec and Mr. Yuen Kam Ho, George, all being independent non-executive Directors, has been formed to advise the Minority Shareholders in connection with the Proposal. As for the non-executive Directors: (1) Mr. Jiang Jianqing is the chairman and an executive director of the Offeror, (2) Ms. Wang Lili is an executive director of the Offeror and (3) Mr. Hu Hao is an employee of the Offeror. In compliance with Rule 2.8 of the Takeovers Code, they have not been included in the Independent Board Committee so as to avoid any or any possible conflict of interests.

The Company, with the approval of the Independent Board Committee, has appointed CLSA Equity Capital Markets Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal.

The Independent Board Committee, having considered the terms of the Proposal and taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposal are fair and reasonable so far as the Minority Shareholders are concerned and recommends the Minority Shareholders to vote in favour of the resolution to approve the Scheme of Arrangement at the Court Meeting and the special resolution to approve and give effect to the Scheme of Arrangement at the Extraordinary General Meeting.

The Offeror has appointed ICBCI and Goldman Sachs as its joint financial advisers in connection with its Proposal. The purpose of this document is to provide you with further information regarding the Proposal and, in particular, the Scheme of Arrangement, and to give you notices of the Court Meeting and the Extraordinary General Meeting. Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 15 to 16 of this document; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee set out on pages 17 to 34 of this document; (iii) the Explanatory Statement set out on pages 35 to 50 of this document; and (iv) the terms of the Scheme of Arrangement set out on pages S-1 to S-6 of this document.

LETTER FROM THE BOARD

THE PROPOSAL

Subject to the conditions described in the section entitled “Conditions of the Proposal and the Scheme of Arrangement” in the Explanatory Statement on pages 37 to 40 of this document being fulfilled or waived (as applicable), the proposed privatisation of the Company will be implemented by way of the Scheme of Arrangement.

THE SCHEME OF ARRANGEMENT

Subject to the Scheme of Arrangement becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Consideration:

HK\$29.45 in cash for every Scheme Share cancelled.

The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.

Under the Scheme of Arrangement, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares and, immediately following such reduction, the share capital of the Company will be restored to its former amount by the allotment and issuance at par to the Offeror credited as fully paid of the same number of New Shares as is equal to the Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the New Shares so issued to the Offeror.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$5,160,000,000 comprising of HK\$4,000,000,000 divided into 2,000,000,000 Shares of par value HK\$2.00 each and HK\$1,160,000,000 divided into 232,000,000 Preference Shares of HK\$5.00 each, and the issued share capital of the Company was HK\$2,704,123,066 divided into 1,352,061,533 Shares. As at the Latest Practicable Date, no Preference Share was in issue.

As at the Latest Practicable Date, the Offeror beneficially owns 984,364,740 Shares, representing approximately 72.81% of the issued Shares. The Shares beneficially owned by the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. However, the Offeror has indicated that, if the Scheme of Arrangement is approved at the Court Meeting, the Offeror will vote in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled.

As at the Latest Practicable Date, the Goldman Sachs group (other than those members of the Goldman Sachs group that are conducting exempt principal trader activities and exempt fund manager

LETTER FROM THE BOARD

activities), presumed to be acting in concert with the Offeror, held 300,000 Shares, representing approximately 0.02% of the issued Shares. Although the Shares beneficially owned by parties acting in concert with the Offeror may form part of the Scheme Shares, such Shares will not, in compliance with the Takeovers Code, be voted at the Court Meeting.

Further, Mr. Jiang Jianqing, a non-executive Director, Mr. Zhang Yi, an executive Director, and Mr. Yuen Kam Ho, George, an independent non-executive Director beneficially owned 15,453 Shares, 2,223 Shares and 19,293 Shares, respectively, representing approximately 0.0011%, 0.0002% and 0.0014%, respectively, of the issued Shares as at the Latest Practicable Date. Mr. Jiang Jianqing is the chairman and an executive director of the Offeror and hence is acting in concert with the Offeror and is not entitled to vote at the Court Meeting. Based on the confirmation from Mr. Zhang Yi and Mr. Yuen Kam Ho, George that they are not acting in concert with the Offeror and parties acting in concert with it, they will be entitled to vote at the Court Meeting since their rights under the Scheme of Arrangement will not be any different from those of any other Minority Shareholder. Mr. Zhang Yi and Mr. Yuen Kam Ho, George have confirmed that they intend to vote in favour of the Proposal.

Although the Shares owned by all of the concert parties identified in the preceding two paragraphs, which are the Shares held by the Goldman Sachs group (other than those members of the Goldman Sachs group that are conducting exempt principal trader activities and exempt fund manager activities) and Mr. Jiang Jianqing, will form part of the Scheme Shares, such Shares will not, in compliance with the Takeovers Code, be voted at the Court Meeting. However, the Offeror and the concert parties have indicated that, if the Scheme of Arrangement is approved at the Court Meeting, all of the Shares owned by them will be voted in favour of the special resolution to give effect to the Scheme of Arrangement at the Extraordinary General Meeting.

As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

A table setting out the shareholding structures of the Company as at the Latest Practicable Date and immediately after the Effective Date is to be found in the section entitled “Effect of the Proposal and the Scheme of Arrangement” in the Explanatory Statement on pages 42 to 43 of this document (assuming there are no other changes to the Company’s shareholding structure on or prior to the Effective Date).

Save as aforesaid, the Offeror and parties acting in concert with it (including Huijin) do not hold any other Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company. Huijin has undertaken to the Offeror that it will not deal in any Shares or any options, warrants, derivatives or securities convertible into Shares until the earlier of (i) the listing of the Shares being withdrawn from the Hong Kong Stock Exchange and (ii) 1 March 2011.

As at the Latest Practicable Date, the Minority Shareholders are interested in an aggregate of 367,381,340 Shares, representing approximately 27.17% of the issued Shares, and they will be entitled to vote at the Court Meeting.

LETTER FROM THE BOARD

As of the Latest Practicable Date, none of the Offeror or parties acting in concert with it has received any irrevocable voting commitment from the Minority Shareholders in respect of the Court Meeting.

As of the Latest Practicable Date, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares or shares of the Offeror which might be material to the Proposal or the Scheme of Arrangement.

As of the Latest Practicable Date, the Offeror and any person acting in concert with it have not borrowed or lent any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) except the Goldman Sachs group (other than those members of the Goldman Sachs group that are conducting exempt principal trader activities and exempt fund manager activities) has borrowed 6,000 Shares to cover its short position, representing approximately 0.0004% of the issued Shares.

COMPARISON OF VALUE

The Cancellation Consideration of HK\$29.45 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 27.77% over the closing price of HK\$23.05 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 41.18% over the average closing price of approximately HK\$20.86 per Share as quoted on the Hong Kong Stock Exchange for the 30 Trading Days up to and including the Last Trading Day; and
- (iii) a premium of approximately 47.92% over the average closing price of approximately HK\$19.91 per Share as quoted on the Hong Kong Stock Exchange for 60 Trading Days up to and including the Last Trading Day;
- (iv) a premium of approximately 48.74% over the average closing price of approximately HK\$19.80 per Share as quoted on the Hong Kong Stock Exchange for the 90 Trading Days up to and including the Last Trading Day;
- (v) a premium of approximately 21.79% over the historically highest closing price (up to the Last Trading Day) of HK\$24.18 per Share as quoted on the Hong Kong Stock Exchange on 1 September 1997; and
- (vi) a premium of approximately 114.49% over the audited consolidated net asset value of approximately HK\$13.73 per Share as at 31 December 2009.

FINANCIAL RESOURCES

The total cash payment under the Proposal will be approximately HK\$10,828.67 million which will be funded from the internal resources of the Offeror.

LETTER FROM THE BOARD

ICBCI and Goldman Sachs, the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in accordance with its terms.

CONDITIONS OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

The Proposal is subject to the satisfaction or waiver, as applicable, of the Conditions as set out in the section entitled “Conditions of the Proposal and the Scheme of Arrangement” in the Explanatory Statement appearing on pages 37 to 40 of this document.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before 1 March 2011 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise, and subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn. If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

Shareholders, shareholders of the Offeror and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme of Arrangement may or may not become effective. Shareholders, shareholders of the Offeror and potential investors are advised to exercise caution when dealing in the Shares or in securities of the Offeror, as appropriate. Persons who are in any doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

REASONS FOR AND BENEFITS OF THE PROPOSAL AND EFFECTS OF THE SCHEME OF ARRANGEMENT

You are urged to read carefully the sections entitled “Reasons for and benefits of the Proposal”, “If the Proposal does not proceed” and “Effect of the Proposal and the Scheme of Arrangement” in the Explanatory Statement appearing on respectively page 40, pages 40 to 41 and pages 42 to 43 of this document.

COURT MEETING AND EXTRAORDINARY GENERAL MEETING

For the purpose of exercising your votes at the Court Meeting and the Extraordinary General Meeting, you are requested to read carefully the sections entitled “Court Meeting and Extraordinary General Meeting” in the Explanatory Statement and “Actions to be taken” appearing on pages 47 to 48 and pages 48 to 50, respectively, of this document. The notices of the Court Meeting and of the Extraordinary General Meeting are to be found on pages CM-1 to CM-2 and EGM-1 to EGM-2 respectively of this document.

LETTER FROM THE BOARD

FUTURE PLANS FOR ICBC ASIA

Your attention is drawn to the section entitled “Future Plans for ICBC Asia” in the Explanatory Statement appearing on page 42 of this document.

INFORMATION ON ICBC ASIA AND ICBC

Your attention is drawn to Appendix I entitled “Financial Information relating to the ICBC Asia Group” appearing on pages I-1 to I-235 of this document and the section entitled “Information on the Company” in the Explanatory Statement appearing on pages 43 to 44 of this document.

Your attention is also drawn to the section entitled “Information on the Offeror” in the Explanatory Statement appearing on page 44 of this document.

OVERSEAS SCHEME SHAREHOLDERS

Overseas Scheme Shareholders are requested to read specifically the section entitled “Overseas Scheme Shareholders” in the Explanatory Statement appearing on pages 46 and 47 of this document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under the section entitled “Actions to be taken” appearing on pages 48 to 50 of this document.

RECOMMENDATION

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal as set out in the letter from the Independent Financial Adviser on pages 17 to 34 of this document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal as set out in the letter from the Independent Board Committee on pages 15 to 16 of this document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the sections entitled “Withdrawal of the listing of the Shares and the share certificates” and “Entitlements to and payment of Cancellation Consideration” in the Explanatory Statement set out on page 45 and pages 45 to 46, respectively, of this document.

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, the Company, ICBCI, Goldman Sachs, the Independent Financial Adviser nor any of their respective directors, officers, employees, agents or affiliates or any persons involved in the Proposal and the Scheme of Arrangement accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or

LETTER FROM THE BOARD

otherwise of the Proposal and the Scheme of Arrangement. Accordingly, you are urged to read the section entitled “Taxation and Independent Advice” in the Explanatory Statement set out on page 47 of this document and if you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

FURTHER INFORMATION

The Explanatory Statement, together with the appendices thereto, are set out on pages 35 to 50 of this document. In addition, the terms of the Scheme of Arrangement are set out on pages S-1 to S-6 of this document. You are advised to read such documents carefully before taking any action in respect of the Proposal.

In addition, a pink form of proxy for use by the Scheme Shareholders for the Court Meeting and a white form of proxy for use by all Shareholders for the Extraordinary General Meeting are enclosed with copies of this document sent to the Registered Owners of the Shares.

Yours faithfully,

For and on behalf of the Board

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA
(ASIA) LIMITED**

Chen Aiping

Managing Director and Chief Executive Officer



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)

8 October 2010

To the Minority Shareholders

Dear Sir and Madam,

**PROPOSAL TO PRIVATISE
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 166 OF
THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF LISTING OF
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED**

INTRODUCTION

We refer to the document dated 8 October 2010 jointly issued by the Company and the Offeror in relation to the Proposal (the “**Composite Document**”) of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

On 10 August 2010, the Company and the Offeror jointly announced that, on 28 July 2010, the Offeror requested the Board to put forward to the Scheme Shareholders a proposal for the privatisation of the Company by way of a scheme of arrangement under Section 166 of the Companies Ordinance.

Details of the Proposal are set out in the “Letter from the Board” on pages 7 to 14 of the Composite Document, and the Explanatory Statement on pages 35 to 50 of the Composite Document.

We have been appointed as members of the Independent Board Committee to consider the terms of the Proposal and to advise you as to whether, in our opinion, the terms of the Proposal are fair and reasonable so far as the Minority Shareholders are concerned. CLSA Equity Capital Markets Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Proposal.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to (i) the letter from the Independent Financial Adviser; and (ii) the additional information set out in the appendices to the Composite Document.

RECOMMENDATIONS

Having considered the terms of the Proposal, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser on pages 17 to 34 of the Composite Document, we consider that the terms of the Proposal are fair and reasonable so far as the Minority Shareholders are concerned. Accordingly, we recommend the Minority Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and the Extraordinary General Meeting to approve and implement the Scheme of Arrangement.

Yours faithfully, Independent Board Committee

**Professor Wong Yue Chim,
Richard, S.B.S., J.P.**

*Independent
Non-executive Director*

Mr. Tsui Yiu Wa, Alec

*Independent
Non-executive Director*

Mr. Yuen Kam Ho, George

*Independent
Non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To the Independent Board Committee of Industrial and Commercial Bank of China (Asia) Limited

8 October 2010

Dear Sirs,

**PROPOSAL TO PRIVATISE
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED (THE “COMPANY”)
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 166 OF THE COMPANIES ORDINANCE
AND
PROPOSED WITHDRAWAL OF THE LISTING OF
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Minority Shareholders (i) as to whether or not the terms and conditions of the proposal to privatise ICBC Asia by the Offeror by way of a Scheme of Arrangement (the “Proposal”), and more particularly, the cancellation consideration of HK\$29.45 in cash for every Scheme Share (the “Cancellation Consideration”) is fair and reasonable so far as the Minority Shareholders are concerned and (ii) as to voting of the Scheme of Arrangement at the Court Meeting and voting of the special resolution to give effect to the Scheme of Arrangement at the Extraordinary General Meeting.

This letter has been prepared for inclusion in the document dated 8 October 2010 jointly issued by the Company and the Offeror in relation to the Proposal (the “Scheme Document”). Capitalised terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context otherwise requires.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consists of Professor Wong Yue Chim, Richard, S.B.S., J.P., Mr. Tsui Yiu Wa, Alec and Mr. Yuen Kam Ho, George, all being independent non-executive Directors. The Independent Board Committee is constituted to advise the Minority Shareholders whether the terms of the Proposal are fair and reasonable so far as the Minority Shareholders are concerned and whether to recommend the Minority Shareholders to vote in favour of the resolution to approve the Scheme of Arrangement at the Court Meeting and the special resolution to give effect to the Scheme of Arrangement at the Extraordinary General Meeting. We have been appointed as the independent financial adviser to advise the Independent Board Committee on the Proposal.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Proposal, we have relied on the information, opinions and facts supplied, and representations made, to us by the Directors and representatives of ICBC Asia (including those contained or referred to in the Scheme Document and the joint announcement issued by the Offeror and ICBC Asia on 10 August 2010 (the “Joint Announcement”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all such information, opinions, facts and representations which have been provided to us by the Directors and representatives of ICBC Asia, and for which they are wholly responsible, are true and accurate in all material respects. We have also relied on certain information available to the public and we have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. Further, we have relied on the representations of the Directors that they have made all reasonable inquiries, and that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement contained in the Scheme Document and the Joint Announcement untrue or misleading. We have also assumed that statements and representations made or referred to in the Scheme Document and the Joint Announcement were accurate at the time they were made and continue to be accurate at the date of despatch of this document. Should there be any subsequent major changes which occur up to the date throughout the offer period and would affect or alter our opinion, we will notify the Independent Board Committee and the Minority Shareholders accordingly as soon as possible.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the Proposal to justify our recommendation, relying on the accuracy of the information provided in the Scheme Document and the Joint Announcement to provide a reasonable basis for our advice. As the independent financial adviser to the Independent Board Committee, we have not been involved in the negotiations in respect of the terms and conditions of the Proposal. Our opinion with regard to the terms and conditions thereof has been made on the assumption that all obligations to be performed by ICBC Asia and the Offeror in relation to the Proposal will be fully performed in accordance with the terms and conditions thereof. Further, we have no reason to suspect that any material facts or information have been omitted or withheld from the information supplied or opinions expressed to us nor to doubt the truth, accuracy and completeness of the information, facts and representations provided, or the reasonableness of the opinions expressed, to us by ICBC Asia, the Directors and the other representatives of ICBC Asia. In line with normal practice, we have not, however, made any independent verification of the information and facts provided, representations made or opinions expressed by ICBC Asia, the Directors and the other representatives, nor have we conducted any form of independent investigation into the business affairs or assets and liabilities of the ICBC Asia Group. Accordingly, we do not warrant the accuracy or completeness of any such information.

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information publicly available to us as of, the date of this letter. As a result, circumstances could develop prior to completion of the Proposal that, if known to us at the time we rendered our opinion, would have altered our opinion.

In rendering our opinion, we have not considered the tax implications for the Minority Shareholders of acceptances or non-acceptances of the Proposal since these are particular to their individual circumstances. The Minority Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our opinion is also subject to the following qualifications:

- (i) It is not possible to confirm whether or not the Proposal is in the interests of each individual Minority Shareholder, and each Minority Shareholder should consider his/her/its vote on the merits or otherwise of the Proposal in his/her/its own circumstances and from his/her/its own point of view having regard to all the circumstances (and not only the financial perspective offered in this letter) as well as his/her/its own investment objectives;
- (ii) We express no opinion as to whether the Proposal will be completed nor whether it will be successful;
- (iii) Nothing contained in this letter should be construed as us expressing any view as to the trading price or market trends of any securities of ICBC Asia at any particular time; and
- (iv) Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any securities in ICBC Asia.

This letter is for the information of the Independent Board Committee solely in connection with their consideration of the Proposal and, except for its inclusion in the Scheme Document and for references thereto in the letter from the Independent Board Committee set out in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

CLSA is a licensed securities adviser and corporate finance adviser under the SFO and we, together with our affiliates, provide a full range of investment banking and brokerage services, which, in the course of normal trading activities, may from time to time effect transactions and hold securities, including derivative securities, of ICBC Asia, its subsidiaries or its substantial shareholder (as defined in the Listing Rules) or those of the Offeror for the accounts of customers. CLSA will receive a fee from ICBC Asia for rendering this opinion. ICBC Asia has also agreed to indemnify CLSA and certain related persons against liabilities and expenses in connection with this engagement.

BACKGROUND OF THE PROPOSAL

It was jointly announced by the Offeror and the Company on 10 August 2010 that on 28 July 2010, the Offeror had requested the Board to put forward to the Minority Shareholders the Proposal which, if implemented, would result in the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange. The Offeror also confirmed in such announcement that there would be no revision to the Cancellation Consideration in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.

As at the Latest Practicable Date, the Offeror beneficially owns 984,364,740 Shares, representing approximately 72.81% of the issued share capital of the Company. The proposed privatisation of the Company will be implemented by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror, and the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Please also refer to the “Explanatory Statement” included in the Scheme Document for brief introductions of the Offeror and the Company.

THE PROPOSAL

Terms of the Proposal

As stated in the “Letter from the Board” and the “Explanatory Statement” in the Scheme Document, subject to the Conditions described in the “Explanatory Statement” being fulfilled or waived (as applicable), the privatisation proposal will be implemented by way of the Scheme of Arrangement.

If the Scheme of Arrangement becomes effective, the issued share capital of the Company will be reduced from approximately HK\$2,704 million to approximately HK\$1,968 million (assuming that there are no changes to its shareholding structure on or prior to the Effective Date) by the cancellation of all of the Scheme Shares. The issued share capital of the Company will then be restored to the former amount by the creation of the same number of New Shares as is equal to the Scheme Shares cancelled. The New Shares so created will be allotted and issued, credited as fully paid, to the Offeror. On the implementation of the Scheme of Arrangement and withdrawal of listing, ICBC Asia will be converted into a private company wholly-owned by the Offeror.

The Scheme of Arrangement provides that, the Offeror will pay the Cancellation Consideration of HK\$29.45 per Scheme Share to the Scheme Shareholders for each Scheme Share held by them at the Record Time.

Further terms of the Proposal, including the procedures for acceptances, are set out in the “Explanatory Statement” in the Scheme Document.

Conditions of the Proposal:

The Proposal will only become effective and binding on the Company, the Offeror and all the Scheme Shareholders subject to the fulfilment or waiver of the following conditions:

- (a) the approval of the Scheme of Arrangement (by way of poll) by a majority in number of the Scheme Shareholders, representing not less than three-fourths in nominal value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting, provided that:
 - (i) the Scheme of Arrangement is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Minority Shareholders;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the Extraordinary General Meeting to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled;
- (c) the sanction of the Scheme of Arrangement (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme of Arrangement by the High Court and the delivery to the Registrar of Companies of a copy of the order of the High Court for registration;
- (d) the compliance with the procedural requirements of Section 61 and Section 166 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme of Arrangement, respectively;
- (e) all necessary authorisations, consents and approvals (including approval in-principle) of any governmental or regulatory body (including approval from the China Banking Regulatory Commission) in relation to the Proposal (including its implementation) having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in Hong Kong, the PRC and other relevant jurisdictions;
- (f) all necessary third party consents in relation to the Proposal required pursuant to any agreement to which any member of the ICBC Asia Group is a party (where any failure to obtain a consent would have a material adverse effect on the business of the ICBC Asia Group taken as a whole) having been obtained or waived by the relevant party(ies);
- (g) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Proposal void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Proposal (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Proposal);
- (h) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the Scheme of Arrangement becomes effective;
- (i) no event having occurred which would make the Proposal or the cancellation of the Scheme Shares void, unenforceable or illegal or which would prohibit the implementation of the Proposal or impose any additional material conditions or obligations with respect to the Proposal or any part thereof or on the cancellation of the Scheme Shares; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (j) since the date of the Joint Announcement, there having been no material adverse change in the business, financial or trading position of the ICBC Asia Group, taken as a whole.

Condition (a) to the Scheme of Arrangement takes into account the approval requirements under Rule 2.10 of the Takeovers Code, in addition to the statutory requirements under Section 166 of the Companies Ordinance. Under Section 166 of the Companies Ordinance, the Scheme of Arrangement will, subject to the sanction of the High Court, be binding on the Company and all the Scheme Shareholders if the Scheme of Arrangement is approved by way of poll by a majority in number of the Scheme Shareholders, representing not less than three-fourths in value of their Shares, present and voting either in person or by proxy at the Court Meeting. Under Rule 2.10 of the Takeovers Code, however, the Scheme of Arrangement has to be approved by at least 75% of the votes attaching to the Shares held by the Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and the number of votes cast against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all of the Shares held by such Minority Shareholders. Based on 367,381,340 Shares held by the Minority Shareholders as at the Latest Practicable Date, 10% of such Shares would amount to 36,738,134 Shares.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions referred to in paragraphs (a) to (e), (g) and (i) above) in whole or in part. ICBC Asia does not have the right to waive any of the Conditions. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before 1 March 2011 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise, and subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn. If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting. To the best of the knowledge of the Offeror and the Company, none of the Conditions has been satisfied as of the Latest Practicable Date and, save that the Conditions referred to in paragraphs (g) to (j) above are continuing conditions, none of such Conditions is capable of being revoked.

We note that, as of the Latest Practicable Date, there are no agreements or arrangements to which ICBC is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

Please also refer to the “Explanatory Statement” included in the Scheme document for further details regarding the Conditions of the Proposal and the Scheme of Arrangement.

PRINCIPAL FACTORS CONSIDERED

In considering whether or not the terms and conditions of the Proposal are fair and reasonable and in the interests of the Minority Shareholders as a whole, we have taken into consideration, inter alia, the following factors:

1. Reasons for the Proposal

1.1 *To take advantage of market opportunities:*

We are advised by the Directors that, with Mainland China increasingly becoming one of the world’s leading emerging markets and in light of the further integration of the economies and

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businesses between Mainland China, Hong Kong and internationally, there are likely to be increasing opportunities for banks in Hong Kong to provide services and take advantage of both the inflow of international business into Mainland China and the opening of the Chinese domestic market to international financial institutions. In particular, on 19 July 2010, the Hong Kong Monetary Authority and the People's Bank of China further signed a supplementary agreement, according to which various constraints that previously limited Hong Kong banks' ability to conduct RMB banking businesses were lifted. The Directors believe that such new development will lead to a more robust growth in RMB businesses in Hong Kong going forward and, generate growth potential for the overall Hong Kong banking sector in terms of market size and revenue pool.

To take full advantage of such business opportunities, the Directors believe that it is important for ICBC Asia to enlarge its capital base and total assets. However, the Directors also anticipate that such expansion and business development are not without risks for the Shareholders including the Minority Shareholders. If there is any significant increase in the Company's capital base and total asset base without the corresponding immediate increase in net profit, the Company's profitability, as measured by its return on assets and return on equity, may drop in the short term. Also, to increase its market share and enlarge its business scale in a highly competitive market such as the Hong Kong banking sector, the Company may need to aggressively promote and develop its products and services in a costly manner and therefore may need to sacrifice short term profit margins in the meantime. These developments may adversely impact the trading price of the Shares.

1.2 To obtain necessary capital funding so as to achieve future business development:

The Directors have increasingly identified ICBC Asia's limited capital base as the key bottleneck for the Company's expansion and business development. Upon completion of the Proposal, the Company will become wholly-owned by the Offeror, which, as believed by the Directors, will not only ensure the Company to have greater flexibility in obtaining support from ICBC, but also allow the Company to achieve better business integration between ICBC Asia and ICBC.

We are advised by the Directors that, the Company has an ambition to grow its business substantially and to become one of the largest banks in Hong Kong, in particular to achieve a leading position in the Hong Kong local market. To achieve such goal, the asset base and the business scale of ICBC Asia will need to continue to grow in the next few years, and, to facilitate such growth and to comply with the banking regulations in relation to capital adequacy; the Company will continue to have significant ongoing equity capital requirements.

We note that the Company's capital adequacy ratio ("CAR") and core CAR ratio, as computed in accordance with the Banking (Capital) Rules issued by the HKMA under section 98A of the Hong Kong Banking Ordinance, are 13.4% and 8.4%, respectively, based on the unaudited interim accounts for the 6-month period ended 30 June 2010. Further, when compared to the average CAR and core CAR ratios of all other licensed banks that are listed on the Hong Kong Stock Exchange and have a significant portion of their business, assets and income contributed by the Hong Kong market, the CAR and core CAR ratios of the Company are consistently lower as at 31 December 2008, 31 December 2009 and 30 June 2010. The Directors believe that such relatively low CAR ratios have

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significantly limited the Company's ability to achieve its strategic growth objectives. The following table sets forth the historical CAR and core CAR ratios of the Company in comparison with its competitors for each of the two years ended 31 December 2009 and for the 6-month period ended 30 June 2010.

Company	CAR			Core CAR		
	2008	2009	1H 2010	2008	2009	1H 2010
HSBC Holdings Plc*	11.4%	13.7%	14.4%	8.3%	10.8%	11.5%
Standard Chartered Plc.*	15.6%	16.5%	15.5%	9.9%	11.5%	11.2%
Bank of East Asia	13.8%	13.3%	13.8%	9.1%	9.4%	10.3%
Hang Seng Bank Ltd.	12.5%	16.3%	12.9%	9.5%	12.6%	11.1%
BOC Hong Kong Holdings Ltd.	16.2%	16.9%	16.2%	10.9%	11.6%	11.3%
Wing Hang Bank Ltd.	15.4%	17.8%	17.0%	8.4%	10.7%	10.4%
Dah Sing Banking Group Ltd.	13.6%	16.8%	17.2%	6.8%	10.2%	10.7%
Chong Hing Bank Ltd	15.6%	16.0%	15.2%	12.6%	12.7%	12.1%
Fubon Bank (Hong Kong) Ltd.	14.0%	17.2%	18.2%	7.6%	9.5%	10.2%
Public Financials / Public Bank (Hong Kong)	11.7%	11.9%	12.6%	10.8%	11.0%	11.6%
Average for Hong Kong listed banks	14.0%	15.6%	15.3%	9.4%	11.0%	11.0%
ICBC Asia	13.6%	14.9%	13.4%	7.3%	9.0%	8.4%

Note: * For HSBC Holdings Plc. and Standard Chartered Plc., the core CAR ratios as at each of 31 December 2008 and 2009 and 30 June 2010 are based on their respective tier 1 CAR ratio as at the relevant dates.

Source: annual reports and interim reports of each of the relevant companies

Whilst the Company may wish to seek to obtain additional equity capital to sustain its growth plan, the Directors believe that, being a listed company and therefore subject to the requirements under the Listing Rules, ICBC Asia will be limited in its ability to obtain additional capital from ICBC as capital injection by ICBC would easily result in the Company's public float to fall below the 25% minimum level as required under the Listing Rules, considering that ICBC already holds approximately 72.81% of the total issued Shares of the Company.

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As such, in the event that the privatisation is unsuccessful and the Company maintains its listing status, the Directors believe either or both the following alternatives will need to be pursued:

- Equity capital raising:

The Directors are of the view that the key channels of equity capital raising will likely be via share placement (or a series of share placements) and (or) rights issue (or a series of rights issues). The Directors believe that, either alternative will have certain adverse impact to the Minority Shareholders as follows:

- (a) share placement will dilute existing shareholders' interests in the Company; and
- (b) whilst rights issues enable all shareholders to have an equal right to participate in the growth of its business, in view of the potentially substantial amount of capital that needs to be raised, and the constraints under the Listing Rules on ICBC's ability to underwrite any such rights issue (due to the minimum public float requirement), the Company may be under greater market pressure to offer its shares at a considerable discount to the then prevailing market price of the Shares, which could possibly adversely affect the Shares' trading price.

- Reduce or cancel any payment of cash dividend:

We are advised by the Directors that, the Company currently adopts a dividend policy to distribute approximately 60% of its earnings to the Shareholders. It has also in recent years adopted the practice to provide Shareholders with an option of electing to receive an allotment of new Shares credited as fully paid in lieu of receiving cash dividend. In view of the Company's possible capital requirement in the future, it may become necessary for ICBC Asia to reduce or cancel any payment of cash dividend and to retain as much of its earnings as possible for use by the Company.

The Directors believe that, if the Company is unable to raise sufficient capital, its ability to maintain the growth of its business will be adversely affected, which in turn may adversely affect the earnings of the Company and thus adversely affect the market price of the Shares.

The Directors are of the view that the Proposal would provide the Minority Shareholders with an opportunity to realise their investment now rather than to bear the risks associated with Company's possible future endeavors to pursue more aggressive growth strategies.

1.3 *To achieve cost saving in relation to listing-related costs and expenses:*

Upon completion of the Proposal, the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange and thus the Company would no longer need to bear listing-related costs and expenses.

Please also refer to the Explanatory Statement contained in the Scheme Document for further details regarding reasons for the proposal.

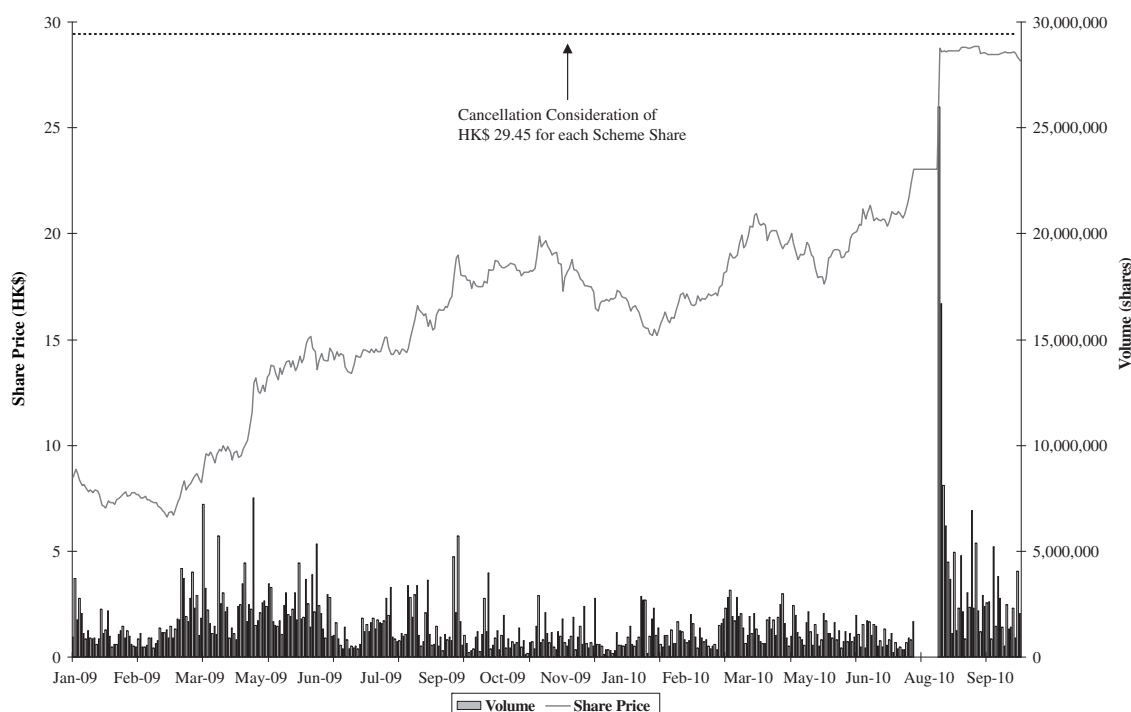
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2. Funding of the Proposal

The total cash payment payable by the Offeror under the Proposal will be approximately HK\$10,828.67 million. We are advised by the Directors that the Offeror will fund the Proposal by its internal cash resources. In addition, ICBCI and Goldman Sachs, being the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in accordance with its terms.

3. Historical market price and liquidity of the Shares

The following chart sets out the historical daily closing prices and trading volumes of the Shares traded on the Hong Kong Stock Exchange from 1 January 2009 to the Latest Practicable Date (the “Review Period”):



Source: Bloomberg

As set out in the chart above, the Cancellation Consideration was consistently above the Share price during the Review Period. Following the release of the Joint Announcement on 10 August 2010, the trading price increased and has remained at a higher level up to the Latest Practicable Date. The closing price of the Shares increased by 24.73% to HK\$28.75 on 11 August 2010. From 11 August 2010 to the Latest Practicable Date, the closing prices of the Shares were within the range of HK\$28.15 to HK\$28.85. However, the Minority Shareholders should note that the past trading performance of the Shares should not in any way be relied upon as an indication of its future trading performance. Further, there is no assurance that the trading price of the Shares will remain at current levels if the Scheme of Arrangement does not proceed to completion and the trading price of the Shares may revert to their historical trading range before the Joint Announcement, which may be below the Cancellation Consideration.

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Set out in the table below are the monthly total trading volumes of the Shares and the corresponding percentages of such monthly total trading volumes to the total issued share capital and public float of the Company during the Review Period, from which we observe that the trading volume of the Shares significantly increased following the publication of the Joint Announcement:

	Monthly trading volume (Number of shares)	Average daily trading volume (Number of shares)	Monthly trading volume to the public float¹ (%)	Monthly trading volume to the total issued ICBC Asia Shares² (%)
2009				
January	26,359,180	1,464,399	7.3%	2.1%
February	15,813,518	790,676	4.4%	1.2%
March	40,804,911	1,854,769	11.4%	3.2%
April	50,549,425	2,527,471	14.1%	3.9%
May	46,480,973	2,446,367	12.9%	3.6%
June	52,510,107	2,386,823	14.5%	4.0%
July	23,898,191	1,086,281	6.6%	1.8%
August	38,540,864	1,835,279	10.7%	3.0%
September	27,224,111	1,237,460	7.5%	2.1%
October	21,979,600	1,098,980	6.0%	1.7%
November	19,658,231	936,106	5.4%	1.5%
December	17,916,038	814,365	4.9%	1.4%
2010				
January	23,312,793	1,165,640	6.4%	1.8%
February	18,361,845	1,020,103	5.0%	1.4%
March	32,087,688	1,395,117	8.8%	2.4%
April	28,062,451	1,476,971	7.7%	2.1%
May	24,706,345	1,235,317	6.8%	1.9%
June	23,250,805	1,107,181	6.3%	1.7%
July	12,028,196	707,541	3.3%	0.9%
August	87,877,624	5,858,508	23.9%	6.5%
September	52,856,216	2,516,963	14.4%	3.9%
October ³	6,101,874	3,050,937	1.7%	0.5%

Source: Bloomberg

Notes:

1. The calculation is based on the number of Shares in issue as at the end of each month, excluding the relevant number of Shares interested in by the Offeror for the corresponding month
2. Based on the number of Shares in issue as at the end of each month during the Review Period.
3. Up to the Latest Practicable Date of 5 October 2010.

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4. Analysis of Cancellation Consideration

Subject to the Scheme of Arrangement becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Consideration:

HK\$29.45 in cashfor every Scheme Share cancelled.

We also note that, the Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.

4.1 *Premium to historical market price*

In assessing the fairness and reasonableness of the Cancellation Consideration, we have reviewed the premium represented by the Cancellation Consideration to ICBC Asia's historical share price performance.

The table below states the closing price of the Shares as at 5 October 2010, being the Latest Practicable Date, as at 26 July 2010, being the Last Trading Day on which the Shares were traded prior to the publication of the Joint Announcement, and the average closing price for the 5, 10, 30, 60 and 90 trading day period prior to and including the Last Trading Day and the premium which the Cancellation Consideration represents over such closing prices:

Date/Corresponding Period	Closing price/ average closing price (HK\$)	Approximate premium of the Cancellation Consideration to the closing price/average closing price (%)
5 October 2010 — Latest Practicable Date	28.15	4.62%
Last Trading Day	23.05	27.77%
5 trading-day period prior to the Last Trading Day	21.88	34.60%
10 trading-day period prior to the Last Trading Day	21.40	37.62%
30 trading-day period prior to the Last Trading Day	20.86	41.18%
60 trading-day period prior to the Last Trading Day	19.91	47.92%
90 trading-day period prior to the Last Trading Day	19.80	48.74%

Source: Bloomberg

As shown in the table above, the premiums represented by the Cancellation Consideration to the closing price as at the Last Trading Day and the average closing price for the respective periods prior to and including the Last Trading Day range from approximately 27.77% to approximately 48.74%. We also note that the Cancellation Consideration represents a premium of approximately 21.79% to the historically highest closing price of the Shares, being HK\$24.18 per Share, since the Shares became listed on the Hong Kong Stock Exchange on 1 September 1997 up to the Last Trading Day.

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4.2 Comparison with privatisation precedents in Hong Kong

As identified from publicly available sourced, set out in the table below are all the privatisation proposals that: (i) involve companies listed on the Hong Kong Stock Exchange; (ii) were announced since 1 January 2008 and up to the Latest Practicable Date; and (iii) have been successfully completed (the “Privatisation Precedents”). The table illustrates the range of premiums/discounts over the then prevailing market prices prior to the announcement of the privatisation over the periods indicated. The Privatisation Precedents were conducted under various market conditions and the companies involved are engaged in a variety of industry sectors. Accordingly, the premiums of offer/cancellation price of the Privatisation Precedents may be affected by factors different from those applying to the Proposal.

Date of initial announcement	Company	P/NAV ¹	Premium/(discount) of the offer/cancellation price over/(to) the average share price prior to announcement of privatisation				Principal Business of Targets	Transaction Background ⁴	Consideration
			Last trading day	30 trading days	90 trading days	180 trading days			
28-Feb-2008	Mirabell International Holdings Limited (1179)	1.19	15.2%	17.7%	15.0%	36.8%	Retail, wholesale and manufacturing of footwear	b	Cash
2-Jun-2008	Wing Lung Bank Limited (96)	2.91	6.2%	9.7%	35.8%	58.0%	Banking and financial services	c	Cash
2-Jun-2008	China Netcom Group Cooperation (Hong Kong) Limited (906)	2.27	3.0%	17.3%	18.3%	22.2%	Telecommunication	a	Share Swap
10-Jun-2008	CITIC International Financial Holdings Limited (183)	1.66	33.3%	46.1%	71.3%	51.1%	Banking and financial services	a	Cash + share
3-Dec-2008	GST Holdings Limited (416)	2.42	77.9%	93.5%	52.5%	43.9%	Development, manufacturing, sale and installation of intelligent fire detection and control systems, automatic and intelligent security systems for residential, commercial and industrial uses	b	Cash
22-Dec-2008	Shaw Brothers (Hong Kong) Limited (80)	2.64	64.2%	69.9%	19.6%	-13.4%	Investment holding and making investments in the media and entertainment industries	a	Cash
12-Mar-2009	Delta Networks, Inc. (722)	1.20	43.8%	80.3%	96.4%	32.7%	Design and manufacturing of a wide range of networking products, such as switches, broad bands access products, wireless adaptors and routers	a	Cash
19-May-2009	Nam Tai Electronic & Electrical Products Limited (2633)	3.46	2.0%	6.3%	68.2%	60.4%	Consumer electronic and communication products,telecommunication component assembly and LCD products	b	Cash
22-May-2009	The Ming An (Holdings) Company Limited (1389)	1.12	44.4%	55.1%	60.8%	64.1%	Property and casualty insurance companies in Hong Kong and the PRC	a	Share Swap

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Date of initial announcement	Company	Premium/(discount) of the offer/ cancellation price over/(to) the average share price prior to announcement of privatisation	Premium/(discount) of the offer/ cancellation price over/(to) the average share price prior to announcement of privatisation				Principal Business of Targets	Transaction Background ⁴	Consideration
			Last trading day	30 trading days	90 trading days	180 trading days			
25-May-2009	Stone Group Holdings Limited(409)	0.33	39.1%	48.1%	69.5%	68.9%	Distribution of a range of healthcare products and the manufacture, distribution and selling of electronic and electrical products, office equipment and the operation of an internet café chain in the PRC	a	Cash
8-Jan-2010	Hutchison Telecommunications International Limited(2332)	0.88	36.6%	38.5%	37.2%	32.4%	Telecommunication	a	Cash
27-Apr-2010	Wheelock Properties Limited(49) ²	0.97	143.9%	162.3%	162.2%	155.2%	Real estate development	a	Cash
19-May-2010	Denway Motors Limited (203)	2.52	18.5%	25.0%	19.3%	26.1%	Manufacturing, assembly and trading of motor vehicles and, the manufacturing and trading of automotive equipment and parts in the PRC	a	Share Swap
Maximum		3.46	143.9%	162.3%	162.2%	155.2%			
Minimum		0.33	2.0%	6.3%	15.0%	-13.4%			
Median		1.66	36.6%	46.1%	52.5%	43.9%			
Average		1.81	40.6%	51.5%	55.9%	49.1%			
Adjusted Average ³		1.88	32.0%	42.3%	47.0%	40.3%			
10-Aug-2010	ICBC Asia (349)	2.14	27.8%	41.2%	48.7%	59.1%		a	Cash

Sources: announcements and scheme documents dispatched by the relevant companies, Bloomberg

Notes:

- NAV, or net assets value, is based on the audited financial information that is the latest available before the relevant announcement for each Privatisation Precedent was announced.
- Based on the reassessed unaudited net assets value of Wheelock Properties Limited (“Wheelock”) as prepared by Knight Frank, an independent property valuer, the consideration for cancelling the scheme shares represents a discount of 12.1% to Wheelock’s NAV as at 31 March 2010.
- The adjusted average is calculated after excluding the privatisation of Wheelock as an outlier as the cancellation price represented significant premiums to the market closing prices over the average and median of the premiums of the other Privatisation Precedents and that the cancellation price represented a discount instead of a premium to NAV compared to the other Privatisation Precedents.
- a means “scheme of arrangement”; b means “voluntary conditional offer” and c means “unconditional mandatory offer”

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In assessing the fairness of the Cancellation Consideration, we have compared the premiums represented by the Cancellation Consideration over the average closing price of the Shares at various dates/periods with the respective premiums represented by the offer prices or cancellation considerations offered under the Privatisation Precedents. As set out in the table above, the premiums represented by the Cancellation Consideration, being approximately 27.8%, 41.2%, 48.7% and 59.1% for the Last Trading Day and for the periods of 30, 90 and 180 trading days up to and including the Last Trading Day respectively, are within the range of premiums observed from the Privatisation Precedents.

When compared to the median price premiums for the Privatisation Precedents, the premiums represented by the Cancellation Consideration over the Share's closing price are relatively lower for the Last Trading Day and for the periods of 30 and 90 days up to and including the Last Trading Day by approximately 8.8%, 4.9% and 3.8%, respectively, which are relatively immaterial. However, for the period of 180 days up to and including the Last Trading Day, the premium represented by the Cancellation Consideration is higher than, thus compares favourably to, the median price premium for the Privatisation Precedents by approximately 15.2%.

The adjusted average premiums for the Privatisation Precedents are approximately 32.0%, 42.3%, 47.0% and 40.3%, respectively, over the closing price of the last trading day before the relevant announcement and over the average closing prices for the periods of 30, 90 and 180 trading days up to and including the last trading days before the announcement of each of the Privatisation Precedents. When compared to the adjusted average numbers, the premiums represented by the Cancellation Consideration are slightly lower than the premiums for the Last Trading Day and the period of 30 days up to and including the Last Trading Day by approximately 4.2% and 1.1%, respectively, but are higher than the premiums for the periods of 90 days and 180 days up to and including the Last Trading Day by approximately 1.7% and 18.8%, respectively, and are therefore generally in line with the average premiums observed from the other previous privatisation proposals.

We have also compared the price to NAV ratio represented by the Cancellation Consideration under the Scheme of Arrangement to the corresponding ratios underlying each of the Privatisation Precedents. We note that, the price to NAV ratio of 2.14 times represented by the Cancellation Consideration is higher than, and thus compares favorably to, the median and average price to NAV ratio, being 1.66 times and 1.81 times respectively, for the Privatisation Precedents.

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4.3 *Precedent transactions in the financial sector*

We have also reviewed all the transactions relating to acquisition of equity interests in companies in the Hong Kong banking sector which have taken place since 1 January 2008 where relevant information is publicly available. The following table sets out our findings:

Date Announced	Target Name	Acquiror Name	% of Transaction Share Acquired	Value of Transaction (HK\$ million)	Target Net Assets (HK\$ million)	P/NAV
10-Aug-10	ICBC Asia	ICBC	27.19	10,829	18,268	2.14
13-Aug-09	Dah Sing Banking Group Ltd	Dah Sing Financial Holding Ltd	11.24	1,000	8,193	1.09
11-Jun-09	Bank of East Asia Ltd	Criteria CaixaCorp SA	5.18	3,698	32,485	2.20
10-Jun-08	CITIC International Financial Holding Ltd	CITIC Group Ltd and BBVA	30.33	13,272	26,484	1.66
2-Jun-08	Wing Lung Bank Ltd	China Merchants Bank Co Ltd	100.00	36,338	12,480	2.91
25-Mar-08	Dah Sing Financial Holding Ltd	Bank of Tokyo-Mitsubishi UFJ	3.27	472	12,781	1.13
Average						1.80

Source: Thomson

Note:

1. *P or Price refers to the consideration paid to acquire the relevant equity interests in the respective acquisition target*
2. *The P/NAV multiple in relation to the Scheme of Arrangement of ICBC Asia is calculated based upon (i) the Cancellation Consideration and (ii) the NAV underlying each Share as at 31 December 2009 as extracted from the audited financial statements of the Company*
3. *The transaction in relation to CITIC International Financial Holdings Limited ("CIFH") comprised two transactions where after acquisition of an additional 30.32% interest in and privatisation of CIFH, CITIC Group transferred 15.16% of CIFH to BBVA.*

From the above comparable transaction multiples analysis only, we note that the price to NAV multiple of 2.14 times represented by Cancellation Consideration is higher than, and thus compares favorably to, the average price to NAV multiple of 1.80 times for those comparable transactions.

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5. Other Considerations:

As stated in the “Explanatory Statement” in the Scheme Document, after the successful privatisation of the Company, the Offeror intends to continue the core business of ICBC Asia in banking and financial services. ICBC does not have any plans to make any material adjustments with respect to the assets and existing employees of ICBC Asia and ICBC Asia will also actively expand its client base and business in the Greater China region in the future

We are further advised by the Directors that there will be no material impact on the Company’s operation if the Scheme of Arrangement does not become effective. In particular, even if the Proposal is not to proceed, the Offeror has advised that it has no present intention whatsoever to divest any of its shareholdings in the Company. However, considering that the Offeror was interested approximately 72.81% of the issued Shares of the Company as at the Latest Practicable Date, the Directors are of the belief that it is unlikely for the Minority Shareholders to receive any other offer from a third party to acquire their Shares if the Scheme of Arrangement does not become effective. Based on our discussion with the Directors and review of publicly available information (which includes conducting a news search, covering the period starting from 19 April 2000¹ up to the Latest Practicable Date, for any indication of offers or possible offers that the Company has received or may receive from third parties), we concur with the Directors’ belief.

CONCLUSION AND OPINION

In reaching our opinion (on the bases set out at the beginning of this letter), we have considered the above principal factors and reasons and, in particular, have taken into account the following in arriving at our opinion:

- The reasons for the Proposal, are that it would be beneficial to the Company as it would allow ICBC Asia to take advantage of market opportunities and to obtain necessary capital funding to achieve future business development as well as to achieve cost saving in relation to listing-related costs and expenses. At the same time, the Proposal would provide the Minority Shareholders with an opportunity to realise their investment now rather than to bear the risks associated with Company’s possible future endeavors to pursue more aggressive growth strategies;
- The Cancellation Consideration represents a premium of 27.77%, 34.60%, 37.62%, 41.18%, 47.92% and 48.74%, respectively, over the closing price of the Shares as at the Last Trading Day and the average closing prices for 5, 10, 30, 60 and 90 days prior to and including the Last Trading Day;
- The Cancellation Consideration represents a premium of approximately 21.79% to the historically highest closing price of the Shares since the Shares became listed on the Hong Kong Stock Exchange on 1 September 1997 up to the Last Trading Day;

¹ On 19 April 2000, announcement was made in relation to ICBC’s intention to make a conditional voluntary cash offer for the shares of Union Bank of Hong Kong Limited (the predecessor company of ICBC Asia). ICBC became the controlling shareholder of the Company upon completion of the offer on 15 July 2000.

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- When comparing the Cancellation Consideration to the closing price of the Shares as at the Last Trading Day and the average closing prices of the Shares over the last 30, 90 and 180 days, prior to and including the Last Trading Day, the premiums represented by the Cancellation Consideration are within the range of those corresponding premiums observed from the Privatisation Precedents and, save for the relatively small differences in relation to the median and the adjusted average premiums of the Privatisation Precedents over the indicated periods, are generally in line with the average premiums of the Privatisation Precedents;
- Further, the P/NAV ratio represented by the Cancellation Consideration is within the range of and compares favorably to the average and median P/NAV ratios of the Privatisation Precedents; and
- The P/NAV ratio represented by the Cancellation Consideration is higher than and compares favorably to the average P/NAV ratio observed from recent acquisition transactions in the Hong Kong banking sector.

Having considered the above, we are of the opinion that the terms and conditions of the Proposal, in particular the Cancellation Consideration, are fair and reasonable so far as the Minority Shareholders are concerned. Our conclusion is based on the results of all the analyses taken as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Minority Shareholders to vote in favor of the Scheme of Arrangement at the Court Meeting and to vote in favour of the special resolution to give effect to the Scheme of Arrangement at the Extraordinary General Meeting to be convened on 9 November 2010.

Yours faithfully,
For and on behalf of
CLSA Equity Capital Markets Limited
William Yeung
Managing Director of Investment Banking

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Section 166A of the Companies Ordinance.

INTRODUCTION

On 10 August 2010, the Offeror and the Company jointly announced that on 28 July 2010, the Offeror had requested the Board to put forward to the Scheme Shareholders the Proposal which, if implemented, would result in the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange. The Offeror also confirmed in such announcement that there would be no revision to the Cancellation Consideration.

As at the Latest Practicable Date, the Offeror owned approximately 72.81% of the issued share capital of the Company. The Board, having reviewed the Proposal, agreed to put it forward by way of this document to the Scheme Shareholders for consideration.

The primary purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme of Arrangement.

The proposed privatisation of the Company will be implemented by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror, and the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange.

THE PROPOSAL

Subject to the Conditions being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme of Arrangement between the Company and the Scheme Shareholders.

SCHEME OF ARRANGEMENT

The Scheme of Arrangement involves a reduction of the authorised and issued share capital of the Company by the cancellation of the Scheme Shares. Upon the reduction of capital taking effect, the authorised share capital of the Company will be restored to its former amount by the allotment and issuance at par to the Offeror credited as fully paid of the same number of New Shares as is equal to the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the New Shares so issued to the Offeror. The Scheme of Arrangement provides that, in consideration of the cancellation of the Scheme Shares, the Scheme Shareholders whose names appear on the register of members of the Company at the Record Time, which is expected to be 4:00 p.m. on 20 December 2010, will be entitled to receive from the Offeror:—

HK\$29.45 in cash for every Scheme Share cancelled.

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The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$5,160,000,000 comprising of HK\$4,000,000,000 divided into 2,000,000,000 Shares of par value HK\$2.00 each and HK\$1,160,000,000 divided into 232,000,000 Preference Shares of HK\$5.00 each, and the issued share capital of the Company was HK\$2,704,123,066 divided into 1,352,061,533 Shares. As at the Latest Practicable Date, no Preference Share was in issue.

As at the Latest Practicable Date, the Offeror beneficially owns 984,364,740 Shares, representing approximately 72.81% of the issued Shares. The Shares beneficially owned by the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. However, the Offeror has indicated that, if the Scheme of Arrangement is approved at the Court Meeting, the Offeror will vote in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled.

As at the Latest Practicable Date, the Goldman Sachs group (other than those members of the Goldman Sachs group that are conducting exempt principal trader activities and exempt fund manager activities), presumed to be acting in concert with the Offeror, held 300,000 Shares, representing approximately 0.02% of the issued Shares. Although the Shares beneficially owned by parties acting in concert with the Offeror may form part of the Scheme Shares, such Shares will not, in compliance with the Takeovers Code, be voted at the Court Meeting.

Further, Mr. Jiang Jianqing, a non-executive Director, Mr. Zhang Yi, an executive Director, and Mr. Yuen Kam Ho, George, an independent non-executive Director beneficially owned 15,453 Shares, 2,223 Shares and 19,293 Shares, respectively, representing approximately 0.0011%, 0.0002% and 0.0014%, respectively, of the issued Shares as at the Latest Practicable Date. Mr. Jiang Jianqing is the chairman and an executive director of the Offeror and hence is acting in concert with the Offeror and is not entitled to vote at the Court Meeting. Based on the confirmation from Mr. Zhang Yi and Mr. Yuen Kam Ho, George that they are not acting in concert with the Offeror and parties acting in concert with it, they will be entitled to vote at the Court Meeting since their rights under the Scheme of Arrangement will not be any different from those of any other Minority Shareholder. Mr. Zhang Yi and Mr. Yuen Kam Ho, George have confirmed that they intend to vote in favour of the Proposal.

Although the Shares owned by all of the concert parties identified in the preceding two paragraphs, which are the Shares held by the Goldman Sachs group (other than those members of the Goldman Sachs group that are conducting exempt principal trader activities and exempt fund manager activities) and Mr. Jiang Jianqing, will form part of the Scheme Shares, such Shares will not, in compliance with the Takeovers Code, be voted at the Court Meeting. However, the Offeror and the concert parties have indicated that, if the Scheme of Arrangement is approved at the Court Meeting, all of the Shares owned by them will be voted in favour of the special resolution to give effect to the Scheme of Arrangement at the Extraordinary General Meeting.

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As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

Save as aforesaid, the Offeror and parties acting in concert with it (including Huijin) do not hold any other Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company. Huijin has undertaken to the Offeror that it will not deal in any Shares or any options, warrants, derivatives or securities convertible into Shares until the earlier of (i) the listing of the Shares being withdrawn from the Hong Kong Stock Exchange and (ii) 1 March 2011.

As at the Latest Practicable Date, the Minority Shareholders are interested in an aggregate of 367,381,340 Shares, representing approximately 27.17% of the issued Shares, and they will be entitled to vote at the Court Meeting.

As of the Latest Practicable Date, none of the Offeror or parties acting in concert with it has received any irrevocable voting commitment from the Minority Shareholders in respect of the Court Meeting.

As of the Latest Practicable Date, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares or shares of the Offeror which might be material to the Proposal or the Scheme of Arrangement.

As of the Latest Practicable Date, the Offeror and any person acting in concert with it have not borrowed or lent any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) except the Goldman Sachs group (other than those members of the Goldman Sachs group that are conducting exempt principal trader activities and exempt fund manager activities) has borrowed 6,000 Shares to cover its short position, representing approximately 0.0004% of the issued Shares.

CONDITIONS OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

The Proposal will become effective and binding on the Company, the Offeror and all the Scheme Shareholders subject to the fulfilment or waiver, as applicable, of the following Conditions:

- (a) the approval of the Scheme of Arrangement (by way of poll) by a majority in number of the Scheme Shareholders, representing not less than three-fourths in nominal value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting, provided that:
 - (i) the Scheme of Arrangement is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Minority Shareholders;

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- (b) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the Extraordinary General Meeting to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled;
- (c) the sanction of the Scheme of Arrangement (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme of Arrangement by the High Court and the delivery to the Registrar of Companies of a copy of the order of the High Court for registration;
- (d) the compliance with the procedural requirements of Section 61 and Section 166 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme of Arrangement, respectively;
- (e) all necessary authorisations, consents and approvals (including approval in-principle) of any governmental or regulatory body (including approval from the China Banking Regulatory Commission) in relation to the Proposal (including its implementation) having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in Hong Kong, the PRC and other relevant jurisdictions;
- (f) all necessary third party consents in relation to the Proposal required pursuant to any agreement to which any member of the ICBC Asia Group is a party (where any failure to obtain a consent would have a material adverse effect on the business of the ICBC Asia Group taken as a whole) having been obtained or waived by the relevant party(ies);
- (g) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Proposal void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Proposal (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Proposal);
- (h) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the Scheme of Arrangement becomes effective;
- (i) no event having occurred which would make the Proposal or the cancellation of the Scheme Shares void, unenforceable or illegal or which would prohibit the implementation of the Proposals or impose any additional material conditions or obligations with respect to the Proposal or any part thereof or on the cancellation of the Scheme Shares; and

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- (j) since the date of the Announcement, there having been no material adverse change in the business, financial or trading position of the ICBC Asia Group, taken as a whole.

Condition (a) to the Scheme of Arrangement takes into account the approval requirements under Rule 2.10 of the Takeovers Code, in addition to the statutory requirements under Section 166 of the Companies Ordinance. Under Section 166 of the Companies Ordinance, the Scheme of Arrangement will, subject to the sanction of the High Court, be binding on the Company and all the Scheme Shareholders if the Scheme of Arrangement is approved by way of poll by a majority in number of the Scheme Shareholders, representing not less than three-fourths in value of their Shares, present and voting either in person or by proxy at the Court Meeting. Under Rule 2.10 of the Takeovers Code, however, the Scheme of Arrangement has to be approved by at least 75% of the votes attaching to the Shares held by the Minority Shareholders that are cast either in person or by proxy at the Court Meeting; and the number of votes cast against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all of the Shares held by such Minority Shareholders. Based on the 367,381,340 Shares held by the Minority Shareholders as at the Latest Practicable Date, 10% of such Shares would amount to 36,738,134 Shares.

ICBC reserves the right to waive all or any of the Conditions (except for the Conditions referred to in paragraphs (a) to (e), (g) and (i) above) in whole or in part. ICBC Asia does not have the right to waive any of the Conditions. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before 1 March 2011 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise, and subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn. If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

To the best of the knowledge of the Offeror and the Company, none of the Conditions has been satisfied as of the Latest Practicable Date and, save that the Conditions referred to in paragraphs (g) to (j) above are continuing conditions, none of such Conditions is capable of being revoked.

As of the Latest Practicable Date, there are no agreements or arrangements to which ICBC is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

In accordance with Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor any person who acted in concert with it in the course of the Proposal, nor any person who is subsequently acting in concert with any of them, may within 12 months from the date on which the Proposal is withdrawn or lapses, either announce an offer or possible offer for the Company or acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

Assuming that the above conditions are fulfilled or, as applicable, waived, the Scheme of Arrangement will become effective on the Effective Date, which is expected to be 21 December 2010, and the listing of the Shares on the Hong Kong Stock Exchange is expected to be withdrawn on the same day pursuant to Rule 6.15 of the Listing Rules.

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An announcement will be made by the Offeror and the Company if the Scheme of Arrangement is withdrawn or lapses. Further announcements regarding the Proposal will be made as and when appropriate.

Shareholders, shareholders of the Offeror and potential investors should be aware that the implementation of the Proposal and the Scheme of Arrangement is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme of Arrangement may or may not become effective. Shareholders, shareholders of the Offeror and potential investors are advised to exercise caution when dealing in the Shares or in securities of the Offeror, as appropriate. Persons who are in any doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

FINANCIAL RESOURCES

The total cash payment under the Proposal will be approximately HK\$10,828.67 million which will be funded from the internal resources of the Offeror.

ICBCI and Goldman Sachs, the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in accordance with its terms.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The Proposal will facilitate business integration between ICBC Asia and ICBC and will provide ICBC with greater flexibility to support the future business development of ICBC Asia. The Offeror currently holds approximately 72.81% of the total issued Shares and the Listing Rules require a minimum public float of 25%. As the business scale of ICBC Asia is expected to continue to develop in the next few years, its capital requirements may need to increase correspondingly and the listing status of ICBC Asia will limit the flexibility of ICBC in providing additional capital to ICBC Asia.

In addition, the listing of the Shares requires ICBC Asia to bear listing-related costs and expenses. If the privatisation of ICBC Asia is successful, these costs and expenses can be saved.

During the six-month period preceding the Last Trading Day, the highest closing price of the Shares as quoted on the Hong Kong Stock Exchange was HK\$23.05 per Share on the Last Trading Day, and the lowest closing price of the Shares as quoted on the Hong Kong Stock Exchange was HK\$15.20 per Share on 27 January 2010. In addition, the historically highest closing price of the Shares up to the Last Trading Day as quoted on the Hong Kong Stock Exchange was HK\$24.18 per Share on 1 September 1997. ICBC believes that the Cancellation Consideration represents a premium to the prices at which the market had valued ICBC Asia and has reflected the potential value of the development of the business of ICBC Asia in the next few years under its current state and provides an opportunity for the Scheme Shareholders to immediately realise their investments.

IF THE PROPOSAL DOES NOT PROCEED

If the Proposal does not proceed, the ongoing compliance with the relevant regulatory requirements to maintain the listing status of ICBC Asia, including continuing connected transaction

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and minimum public float requirements, could restrict the future business development of ICBC Asia and thereby adversely affect Shareholders in realising the value of their investment. At the same time, ICBC Asia may need to consider increasing its capital through methods which are feasible under its existing shareholding structure (including but not limited to rights issue) and implementing measures such as appropriately controlling the distribution of any dividend to satisfy the Company's future business needs. The Offeror has no intention of disposing any of its approximately 72.81% interest in the Company if the Proposal does not proceed. Considering that the Offeror was interested in approximately 72.81% of the issued Shares of the Company as at the Latest Practicable Date, the Directors are of the belief that it is unlikely for the Minority Shareholders to receive any other offer from a third party to acquire their Shares if the Scheme of Arrangement does not become effective. Further information about the future plans for ICBC Asia is set out in the section below headed "Future Plans for ICBC Asia".

CANCELLATION CONSIDERATION

Cancellation Consideration is final

The Cancellation Consideration of HK\$29.45 in cash for every Scheme Share cancelled as announced on 10 August 2010 is final and will not be revised by the Offeror.

Comparison of value and financial effects

Comparison of value

The Cancellation Consideration of HK\$29.45 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 27.77% over the closing price of HK\$23.05 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 41.18% over the average closing price of approximately HK\$20.86 per Share as quoted on the Hong Kong Stock Exchange for the 30 Trading Days up to and including the Last Trading Day; and
- (iii) a premium of approximately 47.92% over the average closing price of approximately HK\$19.91 per Share as quoted on the Hong Kong Stock Exchange for 60 Trading Days up to and including the Last Trading Day;
- (iv) a premium of approximately 48.74% over the average closing price of approximately HK\$19.80 per Share as quoted on the Hong Kong Stock Exchange for the 90 Trading Days up to and including the Last Trading Day;
- (v) a premium of approximately 21.79% over the historically highest closing price (up to the Last Trading Day) of HK\$24.18 per Share as quoted on the Hong Kong Stock Exchange on 1 September 1997; and
- (vi) a premium of approximately 114.49% over the audited consolidated net asset value of approximately HK\$13.73 per Share as at 31 December 2009.

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Dividends

On 24 March 2010, it was announced that the Board recommended the payment of a final dividend of HK\$0.57 per Share for the year ended 31 December 2009 payable on or about 29 June 2010 to the Shareholders whose names appeared on the register of members of the Company on 25 May 2010. Shareholders were given an option of electing to receive an allotment of new Shares credited as fully paid in lieu of cash for the final dividend. The recommended final dividend was approved by the Shareholders at the annual general meeting of the Company held on 25 May 2010 and 33,720,890 Shares were issued on 29 June 2010. On 25 August 2010, it was announced that the Board declared an interim dividend of HK\$0.37 per Share for the six months ended 30 June 2010 payable in cash to the Shareholders whose names appeared on the register of members of the Company at the close of business on 14 September 2010. Save as aforesaid, the Company does not expect to declare any other dividend prior to the Effective Date.

FUTURE PLANS FOR ICBC ASIA

It is the intention of ICBC to continue the core business of ICBC Asia in banking and financial services after the successful privatisation of the Company. ICBC Asia will also actively expand its client base and business in the Greater China region in the future. ICBC does not have any plans to make any material adjustments with respect to the assets and existing employees of ICBC Asia and its subsidiaries.

In the event that the proposed privatisation of the Company by ICBC is not successful, the Company will continue its core business in banking and financial services. At the same time, the Company may need to consider increasing its capital through methods which are feasible under its existing shareholding structure (including but not limited to rights issue) and implementing measures such as appropriately controlling the distribution of any dividend to satisfy the Company's future business needs.

The Board notes that the Offeror has stated its intention in respect of the businesses, assets and employees of ICBC Asia and its subsidiaries upon the successful privatisation of ICBC Asia as described above in this section, and welcomes such intention.

EFFECT OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

If the Scheme of Arrangement is approved at the Court Meeting in accordance with the requirements of Section 166 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the High Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme of Arrangement will become binding on the Company and all the Scheme Shareholders.

If the Scheme of Arrangement becomes effective:

- (i) all the Scheme Shares will be cancelled, whereupon the issued share capital of the Company will be reduced from approximately HK\$2,704 million to approximately HK\$1,968 million (assuming that there are no changes to its shareholding structure on or prior to the Effective Date) and all share certificates representing holdings of those Scheme Shares cancelled shall cease to have effect as evidence of title;

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- (ii) the issued share capital of the Company will then be restored to approximately HK\$2,704 million by the creation of the same number of New Shares as is equal to the Scheme Shares cancelled;
- (iii) on the Effective Date, the credit which will arise in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full at par the number of New Shares created (equal to the number of Scheme Shares cancelled) and such New Shares will be allotted and issued, credited as fully paid, to the Offeror; and
- (iv) the Offeror will pay the Cancellation Consideration of HK\$29.45 per Scheme Share to the Scheme Shareholders for each Scheme Share held by them at the Record Time.

Pursuant to Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the Independent Financial Adviser, all expenses incurred by the Company in connection with the Proposal shall be borne by the Offeror if the Scheme of Arrangement is not approved. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company has agreed that it will bear its own expenses incurred in connection with the Scheme of Arrangement, irrespective of whether the Scheme of Arrangement will become effective.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme of Arrangement has become effective (assuming there are no other changes to the Company's shareholding structure on or prior to the Effective Date):

Shareholders	As at the Latest Practicable Date		Upon the Scheme of Arrangement becoming effective	
	Number of Shares	%	Number of Shares	%
The Offeror	984,364,740	72.81	1,352,061,533	100
Other concert parties	315,453	0.02	0	0
The Offeror and parties acting in concert with it	984,680,193	72.83	1,352,061,533	100
Minority Shareholders	367,381,340	27.17	0	0
Total issued share capital	1,352,061,533	100	1,352,061,533	100

INFORMATION ON THE COMPANY

The Company is a licensed bank incorporated in Hong Kong, the Shares of which are listed on the Hong Kong Stock Exchange. The Company is principally engaged in banking, financial and other financial related services with a focus on retail banking, commercial banking as well as corporate banking business. As at the Latest Practicable Date, the Company has 44 retail branches, 10 "Elite Club" wealth management centres and 4 commercial business centres in Hong Kong, and an overseas branch established in the Cayman Islands. The Company is the listed flagship of the Hong Kong banking business of ICBC.

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A summary of the audited consolidated results of the Company for each of the two financial years ended 31 December 2008 and 2009, as extracted from the annual report of the Company published on 22 April 2010, is set out below:

	For the year ended		Increase/ Decrease
	31 December		compared to
	2008	2009	previous year
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Operating income	3,752,311	4,190,181	11.67
Profit before taxation	1,063,837	3,070,201	188.60
Profit attributable to Shareholders	969,023	2,526,142	160.69
Dividends*	596,305	1,115,241	87.03
Basic earnings per Share (<i>HK cents</i>)	77	195	153.25

**Note:* Includes interim dividend paid during the year and underprovision of final dividend in respect of the previous year.

Based on the annual report of the Company published on 22 April 2010, the audited consolidated net assets attributable to the Shareholders were approximately HK\$13,937,778,000 as at 31 December 2008 and approximately HK\$18,104,597,000 as at 31 December 2009.

The attention of the Scheme Shareholders is drawn to Appendix I to this document which sets out the financial information relating to the ICBC Asia Group.

Based on the closing price of HK\$28.15 per Share as at the Latest Practicable Date and the total number of the Shares in issue of 1,352,061,533 as at the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$38,060.53 million.

INFORMATION ON THE OFFEROR

Industrial and Commercial Bank of China Limited, formerly known as Industrial and Commercial Bank of China, was wholly restructured as a joint-stock limited company on 28 October 2005 and was listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 27 October 2006. Through its continuous endeavour and stable development, ICBC has developed into the world's top listed bank with the highest market capitalisation, customer deposits and profit. As of 31 December 2009, ICBC provides comprehensive financial products and services to 3.61 million corporate banking customers and 216 million personal banking customers through its distribution network comprising 16,232 domestic institutions, 162 overseas institutions and over 1,504 correspondent banks worldwide, as well as through its E-banking network comprising a range of internet and telephone banking services and self-service banking centres. The controlling shareholders of ICBC are the MOF and Huijin, a wholly-State-owned investment company incorporated with the approval of the State Council. Based on public information, the Minister of Finance of the PRC is currently Mr. Xie Xuren and the directors of Huijin are Mr. Lou Jiwei, Mr. Li Jiange, Mr. Peng Chun, Ms. Wu Xiaoling and Ms. Jin Lianshu.

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WITHDRAWAL OF THE LISTING OF THE SHARES AND THE SHARE CERTIFICATES

Upon the Scheme of Arrangement becoming effective, all of the Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be 21 December 2010.

Conditional upon the approval of the Scheme of Arrangement at the Court Meeting and the passing of the special resolution to give effect to the Scheme of Arrangement at the Extraordinary General Meeting, the listing of the Shares from the Hong Kong Stock Exchange will be withdrawn in accordance with Rule 6.15 of the Listing Rules as soon as practicable. If the Scheme of Arrangement becomes effective on 21 December 2010, the listing of the Shares on the Hong Kong Stock Exchange is expected to be withdrawn at 9:30 a.m. on the same date.

Subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse if any of the Conditions described in the section above entitled “Conditions of the Proposal and the Scheme of Arrangement” has not been fulfilled or waived, as applicable, on or before 1 March 2011 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the High Court may direct and as may be permitted under the Takeovers Code. The Scheme Shareholders will be notified by way of an announcement of the last day for dealing in the Shares and the Effective Date.

If the Scheme of Arrangement is withdrawn or not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn.

ENTITLEMENTS TO AND PAYMENT OF CANCELLATION CONSIDERATION

All transferees of the Shares must lodge the duly completed transfer forms, together with the relevant certificate for the Shares, with the share registrar of the Company, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m. on 15 December 2010, being the day immediately prior to the date of the closure of the register of members of the Company.

Upon the Scheme of Arrangement becoming effective, the Cancellation Consideration will be paid to the Scheme Shareholders whose names appear on the register of members of the Company at the Record Time as soon as possible but in any event within ten days of the Effective Date. On the basis that the Scheme of Arrangement becomes effective on 21 December 2010, the cheques for the payment of the Cancellation Consideration will be despatched on or before 23 December 2010, in compliance with Rule 20.1 of the Takeovers Code. The cheques for the payment of the Cancellation Consideration will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first on the register of members in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company and any of their respective officers or agents will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the Offeror’s name with a licensed bank in Hong Kong selected by the Company.

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Before the expiry of six years from the Effective Date, the Offeror shall make payments from the deposit or custodian account of the sums, together with interest thereon, to persons who satisfy the Company that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme of Arrangement and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Settlement of the Cancellation Consideration to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

OVERSEAS SCHEME SHAREHOLDERS

This document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

Offers made under the Proposal to those Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to accept the offers under the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

In the event that the receipt of this document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the shareholders of the Offeror), this document will not be despatched to such overseas Scheme Shareholders. As of the Latest Practicable Date, there was one overseas Scheme Shareholder with a registered address in France and holding 239 Shares, representing approximately 0.00002% of the issued Shares. For that purpose, the Offeror made an application to the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code for a waiver with respect to despatch of this document to the overseas Scheme Shareholder with address registered in France and such a waiver has been granted. Apart from the overseas Scheme Shareholder with a registered address in France, no other overseas Scheme Shareholder will be excluded from the despatch of this document.

The Offeror reserves the right to make arrangements in respect of Scheme Shareholders who are not resident in Hong Kong in relation to the terms of the Proposal. Such arrangements may include notifying any matter in connection with the Proposal to the Scheme Shareholders having a registered

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overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given, despite any failure by such Scheme Shareholders to receive or see that notice.

TAXATION AND INDEPENDENT ADVICE

As the cancellation of the Scheme Shares upon the Scheme of Arrangement becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, in this respect.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Consideration will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Company, the Offeror, ICBCI, Goldman Sachs, the Independent Financial Adviser, any of their respective officers or advisers and any other person involved in the Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

COURT MEETING AND EXTRAORDINARY GENERAL MEETING

The High Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme of Arrangement (with or without modification). Only the Minority Shareholders will be entitled to attend and vote at the Court Meeting under Rule 2.10 of the Takeovers Code. Such Minority Shareholders include Mr. Zhang Yi, an executive Director, and Mr. Yuen Kam Ho, George, an independent non-executive Director, holding an aggregate of 21,516 Shares as at the Latest Practicable Date. These Directors have indicated that they intend to vote their Shares in favour of the resolution for the approval of the Scheme of Arrangement at the Court Meeting. Shares owned by other concert parties, including Goldman Sachs group, will not be voted at the Court Meeting.

Immediately following the conclusion of the Court Meeting, the Extraordinary General Meeting will be held for the purpose of considering and, if thought fit, passing the special resolution to give effect to the Scheme of Arrangement, including the reduction of the authorised and issued share capital of the Company. All Shareholders will be entitled to attend and vote in respect of the special resolution at the Extraordinary General Meeting. If the Scheme of Arrangement is approved at the Court Meeting, the Offeror and its concert parties have indicated that their respective Shares will be voted in favour of the special resolution to be proposed at the Extraordinary General Meeting.

Notice of the Court Meeting is set out on pages CM-1 to CM-2 of this document. The Court Meeting will be held on 9 November 2010 at the time and place specified in the notice.

EXPLANATORY STATEMENT

Notice of the Extraordinary General Meeting is set out on pages EGM-1 to EGM-2 of this document. The Extraordinary General Meeting will be held at the same place and date at 10:30 a.m. or immediately after the conclusion or adjournment of the Court Meeting.

For the avoidance of doubt, the articles of association of the Company relating to general meetings do not apply to the Court Meeting, which must be convened and held in accordance with the directions of the High Court.

ACTIONS TO BE TAKEN

Actions to be taken by Shareholders

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the Extraordinary General Meeting are enclosed with this document.

Whether or not you are able to attend the Court Meeting or the Extraordinary General Meeting or any adjournment thereof in person, if you are a Minority Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the Extraordinary General Meeting, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any case not later than the following respective times. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 10:00 a.m. on Sunday, 7 November 2010 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the Extraordinary General Meeting must be deposited not later than 10:30 a.m. on Sunday, 7 November 2010 or it may alternatively be handed to the chairman of the Extraordinary General Meeting at the Extraordinary General Meeting if it is not so lodged.

The completion and return of a form of proxy for each of the Court Meeting or the Extraordinary General Meeting will not preclude you from attending and voting in person at the Court Meeting or the Extraordinary General Meeting or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the Extraordinary General Meeting, you will still be bound by the outcome of such Court Meeting and/or Extraordinary General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the Extraordinary General Meeting in person or by proxy.

Voting at the Court Meeting and the Extraordinary General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

EXPLANATORY STATEMENT

If a Registered Owner or Beneficial Owner in Hong Kong has questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at (852) 2980 1333 (general line) between 9:00 a.m. and 6:00 p.m. Monday to Friday. This helpline cannot and will not provide advice on the merits of the Proposal or the Scheme of Arrangement or give financial or legal advice.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the Extraordinary General Meeting, the register of members of the Company will be closed from Tuesday, 2 November 2010 to Tuesday, 9 November 2010 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the Extraordinary General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 1 November 2010.

An announcement will be made by the Company in relation to the results of the Court Meeting and the Extraordinary General Meeting, and if all the resolutions are passed at those meetings, further announcement(s) will be made in relation to the results of the hearing of the petition for the sanction of the Scheme of Arrangement by the High Court, the Effective Date and the date of withdrawal of the listing of the Shares from the Hong Kong Stock Exchange.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the Extraordinary General Meeting.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the Extraordinary General Meeting personally, you should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the Extraordinary General Meeting and for such purpose the Registered Owner may appoint you as its proxy.

Alternatively, if you are a Beneficial Owner who wishes to attend the Court Meeting and/or the Extraordinary General Meeting personally, you may arrange for some or all of your Shares to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the Extraordinary General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

EXPLANATORY STATEMENT

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this document.

The completion and return of a form of proxy for the Court Meeting and/or the Extraordinary General Meeting will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the Extraordinary General Meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a person admitted to participate in CCASS as an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in respect of the Scheme of Arrangement. The procedure for voting in respect of the Scheme of Arrangement by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

FURTHER INFORMATION

Further information in relation to the Proposal is set out in the Appendices in this document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this document. None of the Company, ICBC, ICBCI, Goldman Sachs, the Independent Financial Adviser nor any of their respective directors, officers, employees, agents, affiliates or any persons involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this document.

LANGUAGE

In case of any inconsistency, the English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

I. THREE-YEAR FINANCIAL SUMMARY

Set out below is the financial information of the ICBC Asia Group for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June, 2010, which are extracted from the audited consolidated financial statements of the ICBC Asia Group for the years then ended and the unaudited condensed consolidated interim financial information of the ICBC Asia Group for the six months ended 30 June 2010. The auditor's reports issued by Ernst & Young in respect of the ICBC Asia Group's audited consolidated financial statements for each of the three years ended 31 December 2007, 2008 and 2009 did not contain any qualifications.

	30 Jun 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	2,513,851	4,479,068	7,753,857	8,845,058
Interest expense	<u>(788,979)</u>	<u>(1,469,872)</u>	<u>(4,755,554)</u>	<u>(6,457,053)</u>
Net interest income	1,724,872	3,009,196	2,998,303	2,388,005
Fee and commission income	<u>421,997</u>	<u>814,429</u>	<u>756,268</u>	<u>719,362</u>
Fee and commission expense	<u>(64,156)</u>	<u>(87,395)</u>	<u>(93,166)</u>	<u>(43,647)</u>
Net fee and commission income	357,841	727,034	663,102	675,715
Net trading income	163,299	214,338	273,441	185,592
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	18,037	193,215	(230,640)	(95,708)
Dividend income from financial investments	3,591	6,476	14,859	3,800
Other operating income	<u>10,650</u>	<u>39,922</u>	<u>33,246</u>	<u>21,281</u>
Operating income	2,278,290	4,190,181	3,752,311	3,178,685
Operating expenses	<u>(679,802)</u>	<u>(1,358,339)</u>	<u>(1,252,119)</u>	<u>(1,134,895)</u>
Operating profit before impairment losses	1,598,488	2,831,842	2,500,192	2,043,790
(Charge for)/write-back of impairment losses on loans and advances	(210,328)	(385,536)	(408,629)	114,866
Write-back of impairment losses on held-to-maturity financial investments	80	2,145	156	3,131
Charge for impairment losses on available-for-sale financial investments	<u>—</u>	<u>(195,058)</u>	<u>(802,880)</u>	<u>(251,929)</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

	30 Jun 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit after impairment losses	1,388,240	2,253,393	1,288,839	1,909,858
Revaluation gain/(loss) on investment properties	1,275	6,087	(498)	2,761
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment	2,271	3,850	5,513	11,102
Gain/(loss) on disposal of loans and advances	21,291	—	(28,710)	—
Net gain/(loss) on disposal of available-for-sale financial investments	58,529	782,300	(201,962)	16,616
Gain on disposal of subsidiaries and an associate	<u>—</u>	<u>1,328</u>	<u>—</u>	<u>—</u>
Operating profit	1,471,606	3,046,958	1,063,182	1,940,337
Share of profits of associates	<u>7,174</u>	<u>23,243</u>	<u>655</u>	<u>11,297</u>
Profit before tax	1,478,780	3,070,201	1,063,837	1,951,634
Income tax expense	<u>(249,622)</u>	<u>(544,059)</u>	<u>(94,814)</u>	<u>(342,846)</u>
Profit for the period/year and attributable to equity holders	<u>1,229,158</u>	<u>2,526,142</u>	<u>969,023</u>	<u>1,608,788</u>
Earnings per share	<u>HK\$0.93</u>	<u>HK\$1.95</u>	<u>HK\$0.77</u>	<u>HK\$1.41</u>
Dividends				
Interim dividend	500,263	363,787	355,599	262,114
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	—	—	9,358	—
Final dividend	<u>—</u>	<u>751,454</u>	<u>231,348</u>	<u>772,350</u>
	<u>500,263</u>	<u>1,115,241</u>	<u>596,305</u>	<u>1,034,464</u>
Dividends per Share	<u>HK\$0.37</u>	<u>HK\$0.85</u>	<u>HK\$0.46</u>	<u>HK\$0.86</u>

No net profit or loss attributable to minority shareholders or exceptional items were recorded in the financial statements of the Group for the three financial years ended 31 December 2007, 2008 and 2009 or the six months ended 30 June 2010.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Financial impact of the adoption of the amendment to HKAS 17

The adoption of HKAS 17 Amendment have 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 in the corresponding prior years comparatives have been adjusted as follows:

	As reported <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Year ended 31 December 2009			
Operating expense - Depreciation and amortization	(65,622)	(2,604)	(68,226)
Profit for the year	2,526,142	(2,604)	2,523,538
Year ended 31 December 2008			
Operating expense - Depreciation and amortization	(95,174)	(2,841)	(98,015)
Profit for the year	969,023	(2,841)	966,182
Year ended 31 December 2007			
Operating expense - Depreciation and amortization	(92,606)	(2,287)	(94,893)
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment	11,102	(853)	10,249
Profit for the year	1,608,788	(3,140)	1,605,648

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

II. AUDITED FINANCIAL INFORMATION

Set out below is the full text of the audited consolidated financial statements of the ICBC Asia Group for the year ended 31 December 2009 extracted from the annual report of ICBC Asia for the year ended 31 December 2009.

Consolidated Income Statement

For the year ended 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest income	(6)	4,479,068	7,753,857
Interest expense	(6)	<u>(1,469,872)</u>	<u>(4,755,554)</u>
Net interest income	(6)	3,009,196	2,998,303
Fee and commission income	(7)	814,429	756,268
Fee and commission expense	(7)	<u>(87,395)</u>	<u>(93,166)</u>
Net fee and commission income	(7)	727,034	663,102
Net trading income	(8)	214,338	273,441
Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss	(9)	193,215	(230,640)
Dividend income from financial investments	(10)	6,476	14,859
Other operating income	(11)	<u>39,922</u>	<u>33,246</u>
Operating income		4,190,181	3,752,311
Operating expenses	(12)	<u>(1,358,339)</u>	<u>(1,252,119)</u>
Operating profit before impairment losses		2,831,842	2,500,192
Charge for impairment losses on loans and advances	(14)	(385,536)	(408,629)
Write-back of impairment losses on held-to-maturity financial investments	(28)	2,145	156
Charge for impairment losses on available-for-sale financial investments		<u>(195,058)</u>	<u>(802,880)</u>
Operating profit after impairment losses		2,253,393	1,288,839
Revaluation gain/(loss) on investment properties	(31)	6,087	(498)
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights	(15)	3,850	5,513
Loss on disposal of loans and advances		—	(28,710)
Net gain/(loss) on disposal of available-for-sale financial investments		782,300	(201,962)
Gain on disposal of subsidiaries and an associate		<u>1,328</u>	<u>—</u>
Operating profit		3,046,958	1,063,182
Share of profits of associates		<u>23,243</u>	<u>655</u>
Profit before tax		3,070,201	1,063,837
Income tax expense	(16)	<u>(544,059)</u>	<u>(94,814)</u>
Profit attributable to equity holders		<u>2,526,142</u>	<u>969,023</u>
Earnings per share — Basic and diluted	(19)	<u>HK\$1.95</u>	<u>HK\$0.77</u>

Details of the dividend paid and proposed for the year are disclosed in Note 18 to the financial statements.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Consolidated Statement of Financial Position

As at 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Assets			
Cash and balances with banks and other financial institutions	(21)	27,910,582	28,678,778
Placements with and advances to banks and other financial institutions	(22)	1,663,286	844,358
Financial assets held for trading	(23)	190,246	52,051
Financial assets designated at fair value through profit or loss	(24)	1,162,149	1,488,003
Derivative financial instruments	(25)	1,285,306	2,308,702
Loans and advances to customers, banks and other financial institutions	(26)	147,024,582	137,082,721
Financial investments:		33,653,175	19,379,478
— Available-for-sale	(27)	32,361,666	17,403,075
— Held-to-maturity	(28)	1,291,509	1,976,403
Investments in associates	(29)	175,177	184,854
Goodwill and other intangible assets	(30)	1,020,893	1,032,938
Investment properties	(31)	46,213	40,126
Property, plant and equipment	(32)	273,953	276,074
Leasehold land and land use rights	(33)	43,117	43,860
Current income tax assets		—	130,988
Deferred income tax assets	(38)	—	151,619
Other assets	(34)	1,305,150	2,869,559
Total assets		<u>215,753,829</u>	<u>194,564,109</u>
Liabilities			
Deposits from banks and other financial institutions		20,176,700	20,056,756
Derivative financial instruments	(25)	1,403,832	3,296,670
Deposits from customers	(36)	161,161,561	138,183,332
— Designated at fair value through profit or loss	(37)	—	301,216
— At amortised cost		161,161,561	137,882,116
Certificates of deposit issued		2,394,546	4,312,361
— Designated at fair value through profit or loss	(37)	1,419,077	3,489,361
— At amortised cost		975,469	823,000
Debt securities in issue		159,526	3,146,399
— Designated at fair value through profit or loss	(37)	—	3,146,399
— At amortised cost		159,526	—
Current income tax liabilities		1,531,204	10,113
Deferred income tax liabilities	(38)	190,262	14,072
Subordinated debts measured at amortised cost	(39)	8,561,125	8,556,348
Other liabilities	(40)	2,070,476	3,050,280
Total liabilities		<u>197,649,232</u>	<u>180,626,331</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Equity			
Share capital	(41)	2,636,681	2,570,536
Retained earnings	(42)	5,181,915	3,290,741
Other reserves	(42)	<u>10,286,001</u>	<u>8,076,501</u>
Total equity		<u>18,104,597</u>	<u>13,937,778</u>
Total equity and liabilities		<u><u>215,753,829</u></u>	<u><u>194,564,109</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Statement of Financial Position

As at 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Assets			
Cash and balances with banks and other financial institutions	(21)	25,247,532	27,649,423
Placements with and advances to banks and other financial institutions	(22)	2,427,183	1,660,123
Financial assets held for trading	(23)	67,998	52,051
Financial assets designated at fair value through profit or loss	(24)	1,162,149	1,488,003
Derivative financial instruments	(25)	1,285,306	2,308,702
Loans and advances to customers, banks and other financial institutions	(26)	137,725,764	128,285,852
Financial investments:		33,652,605	19,378,861
— Available-for-sale	(27)	32,361,096	17,402,458
— Held-to-maturity	(28)	1,291,509	1,976,403
Investments in associates	(29)	138,138	152,646
Investments in subsidiaries	(35)	2,772,478	1,908,750
Goodwill and other intangible assets	(30)	630,967	642,109
Investment properties	(31)	25,500	25,200
Property, plant and equipment	(32)	180,464	185,878
Leasehold land and land use rights	(33)	43,117	43,860
Current income tax assets		—	128,586
Deferred income tax assets	(38)	—	151,619
Other assets	(34)	1,647,361	3,095,070
Total assets		207,006,562	187,156,733
Liabilities			
Deposits from banks and other financial institutions		16,804,941	17,001,164
Derivative financial instruments	(25)	1,403,832	3,324,174
Deposits from customers	(36)	157,977,892	137,636,067
— Designated at fair value through profit or loss	(37)	—	301,216
— At amortised cost		157,997,892	137,334,851
Certificates of deposit issued		2,394,546	4,312,361
— Designated at fair value through profit or loss	(37)	1,419,077	3,489,361
— At amortised cost		975,469	823,000
Debt securities in issue measured at amortised cost		159,526	—
Current income tax liabilities		208,893	—
Deferred income tax liabilities	(38)	184,850	—
Subordinated debts measured at amortised cost	(39)	8,561,125	8,556,348
Other liabilities	(40)	2,217,332	3,101,794
Total liabilities		189,912,937	173,931,908

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Equity			
Share capital	(41)	2,636,681	2,570,536
Retained earnings	(42)	4,525,547	2,885,298
Other reserves	(42)	<u>9,931,397</u>	<u>7,768,991</u>
Total equity		<u>17,093,625</u>	<u>13,224,825</u>
Total equity and liabilities		<u>207,006,562</u>	<u>187,156,733</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Total equity as at 1 January		<u>13,937,778</u>	<u>15,008,139</u>
Profit attributable to equity holders	(42)	2,526,142	969,023
Other comprehensive income		<u>1,738,685</u>	<u>(2,068,516)</u>
Total comprehensive income		4,264,827	(1,099,493)
Dividends	(42)	(595,135)	(1,137,307)
Shares issued in lieu of dividends	(41)	497,187	868,160
Shares issued on exercise of warrants	(41)	—	298,400
Share issue expenses	(41),(42)	<u>(60)</u>	<u>(121)</u>
Total equity as at 31 December		<u><u>18,104,597</u></u>	<u><u>13,937,778</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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	(28)	(2,145)	(156)
Charge for impairment losses on loans and advances	(14)	385,536	408,629
Charge for impairment losses on available-for-sale financial investments		195,058	802,880
Amortisation of intangible assets	(12)	17,755	46,835
Amortisation of leasehold land	(12)	743	744
Depreciation	(12)	47,124	47,595
Interest paid on subordinated debts measured at amortised cost		147,886	292,565
Recoveries of loans and advances written off	(14)	43,532	11,594
Net gain from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights	(15)	(3,850)	(5,513)
Revaluation (gain)/loss on investment properties	(31)	(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	(10)	(664)	(1,133)
Dividend income received from listed available-for-sale financial investments	(10)	(2,006)	(9,747)
Dividend income received from unlisted available-for-sale financial investments	(10)	<u>(3,806)</u>	<u>(3,979)</u>
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

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	<i>Notes</i>	2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
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		<u>(1,892,838)</u>	<u>1,944,972</u>
Cash flows used in operations		(1,096,961)	(15,148,508)
Hong Kong profits tax paid		(50,799)	(335,533)
Overseas tax paid		<u>(35,770)</u>	<u>(48,242)</u>
Net cash flows used in operating activities		<u>(1,183,530)</u>	<u>(15,532,283)</u>
Cash flows from investing activities:			
Investments in subsidiaries/purchase of a subsidiary	(35b)	1,171,732	(18,786)
Purchase of intangible assets	(30)	(5,900)	(16,439)
Purchase of property, plant and equipment	(32)	(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	(35c)	4,627	—
Dividend income received from listed financial assets held for trading	(10)	664	1,133
Dividend income received from listed available-for-sale financial investments	(10)	2,006	9,747
Dividend income received from unlisted available-for-sale financial investments	(10)	<u>3,806</u>	<u>3,979</u>
Net cash flows from/(used in) investing activities		<u>1,174,155</u>	<u>(82,259)</u>

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	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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	(41)	—	298,400
Share issue expenses	(41),(42)	(60)	(121)
Interest paid on subordinated debts measured at amortised cost		(147,886)	(292,565)
Dividends paid on ordinary shares		<u>(97,948)</u>	<u>(269,147)</u>
Net cash flows (used in)/from financing activities		<u>(245,894)</u>	<u>786,587</u>
Effects of foreign exchange differences		<u>30,246</u>	<u>67,330</u>
Net decrease in cash and cash equivalents		(225,023)	(14,760,625)
Cash and cash equivalents at 1 January		<u>28,933,732</u>	<u>43,694,357</u>
Cash and cash equivalents at 31 December		<u><u>28,708,709</u></u>	<u><u>28,933,732</u></u>

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

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cash and balances with banks and other financial institutions (Note 21)	6,776,503	9,182,552
Placements with banks and other financial institutions	<u>21,932,206</u>	<u>19,751,180</u>
	<u><u>28,708,709</u></u>	<u><u>28,933,732</u></u>

Notes to the Financial Statements

1.1 PRINCIPAL ACTIVITIES

The principal activities of the Bank are the provision of banking, financial and other financial related services. The principal activities of the subsidiaries are shown in Note 35 to the financial statements.

1.2 PRINCIPAL PLACE OF BUSINESS

The Bank is a licenced bank incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost convention, except for certain buildings modified by the revaluation, available-for-sale financial assets, financial assets and financial liabilities held for trading, financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

2.2 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	Transfers 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).

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

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.

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(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.

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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 financial statements 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.

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2.3 Impact of 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 — Limited Exemptions from Comparative HKFRS7 Disclosures for First-time Adopters ⁴
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	Amendment 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

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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

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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

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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.

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- (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.

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries and attributable share of results and reserves of its associates (collectively referred to as the “Group”) for the year ended 31 December 2009.

(a) *Subsidiaries*

Subsidiaries are those entities in which the Bank, directly or indirectly, controls the composition of the Board of Directors, controls more than half of the voting power or holds more than half of the issued share capital; or over which the Bank has a contractual right to exercise a dominant influence with respect to that entity’s financial and operating policies. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

The results of subsidiaries are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in subsidiaries are stated at cost less any impairment losses.

(b) *Associates*

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment.

The results of associates are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

For regulatory reporting, the basis of consolidation for calculation of consolidated capital adequacy ratio of the Group is set out in Note 1 of the "Supplementary Financial Information" section.

2.5 **Interest income and expenses**

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, an interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.6 Non-interest income

Fee and commission income and expense

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis.

Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities classified as held for trading and available for sale. Gains or losses arising from changes in fair value of derivatives to the extent as described in the accounting policy set out in Note 2.10 are reported as “Net trading income”.

Gains and losses on foreign exchange trading and other transactions are also reported as “Net trading income” except for those gains and losses on translation of foreign currencies recognised in the foreign exchange reserve in accordance with the accounting policy set out in Note 2.15.

Dividend income

Dividends are recognised in the income statement when the Group’s right to receive payment is established.

2.7 Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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(b) *Loans and receivables*

Loans and receivables, including cash and short-term funds, placements with and advances to banks and other financial institutions, trade bills and loans and advances to customers, banks and other financial institutions, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in net interest income in the income statement. The loss arising from impairment is recognised in the income statement.

(c) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in net interest income in the income statement. The loss arising from impairment is recognised in the income statement. Were the Group to sell or reclassify other than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available for sale.

(d) *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial investment reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale financial investment reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “net interest income” and “dividend income from financial investments”.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. In rare

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circumstances, reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in reserve is amortised to the income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in reserve is reclassified to the income statement.

(e) *Derecognition of financial assets*

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay in full without material delay to a third party under a “pass through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(f) *Fair value*

The fair values of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation

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techniques. The Group establishes the fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, a discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2.8 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty granting to the borrower, a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- deterioration in the value of collateral;
- downgrading below investment grade level; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group; or national or local economic conditions that correlate with the defaults on the assets in the group.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether

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significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The present value of the estimated future cash flows of a collateralised financial asset less costs for obtaining and selling the collateral, reflects the cash flows that may result from foreclosure whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, overdue status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows from groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and the historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loan is written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowances for loan impairment in the income statement.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

(b) *Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.9 Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition.

(a) *Financial liabilities at fair value through profit or loss*

This category has two sub-categories: financial liabilities held for trading and those designated at fair value through profit or loss at inception.

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Financial liabilities designated as at fair value through profit or loss, including the Group's own debt securities in issue and deposits received from customers that are embedded with certain derivatives, are designated as such at inception. Financial liabilities designated at fair value through profit or loss are carried at fair value and any gains and losses from changes in fair value are recognised in the income statement.

A financial liability is classified as held for trading if it is incurred principally for the purpose of sale in the short term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Any interests charged on these financial liabilities are included in the income statement under "Interest expense". It is carried at fair value and any gains and losses from changes in fair value are recognised in the income statement.

(b) *Other financial liabilities*

Other financial liabilities are recognised initially at fair value net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the other financial liabilities using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Interest expense" in the income statement.

(c) *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.10 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is better evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day one.

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Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

Derivatives that qualify for hedge accounting

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge); or (ii) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(b) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts recognised in other comprehensive income are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

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When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

2.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Sale and repurchase agreements

Securities sold subject to repurchase agreements (“repos”) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks and other financial institutions or deposits from customers, as appropriate. Securities purchased under agreements to resell (“reverse repos”) are recorded as loans and advances to customers, banks or other financial institutions, as appropriate. The difference between sale and repurchase prices is treated as an interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in the trading income. The obligation to return them is recorded at fair value as a trading liability.

2.13 Repossessed assets

Repossession collateral assets are reported as off balance-sheet items and are stated at fair value. In the recovery of impaired loans and advances, the Group may take possession of the collateral assets through court proceedings or voluntary delivery of possession by the borrowers. In accordance with the Group’s accounting policy set out in Note 2.8(a), impairment allowances for impaired loans and advances are maintained after taking into account the net realisable value of the collateral assets. On a sale transaction of repossessed assets, the amount received will be used to offset the loans and advances first until they are fully recovered, and any remaining amount will be released to the borrowers.

2.14 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.15 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equity held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) *Group companies*

The results and financial positions of all the group entities (none of which has a functional currency which is the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of these entities are translated at the closing rate at the end of the reporting period;

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- their income statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates prevailing at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are included in a separate component of equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) *Consolidated statement of cash flows*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.16 **Property, plant and equipment**

Bank premises and properties comprise mainly branches and offices. Bank premises and properties are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. All other items of property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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Increases in the carrying amount arising on revaluation of bank premises and properties are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against bank premises revaluation reserve directly in equity; all other decreases are expensed in the income statement. Each year the difference between the depreciation amount based on the revalued carrying amount of the asset expensed in the income statement and the depreciation amount based on the asset's original cost is transferred from the bank premises revaluation reserve to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Bank premises and properties	Over the remaining lease period of the land on which the properties are situated or 50 years, whichever is shorter
Leasehold improvements	Over the lease term of the leased premises or 10 years whichever is shorter
Furniture and equipment	4 to 10 years

The residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, with the amount charged directly to the income statement.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal of a revalued asset, the relevant portion of the reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

2.17 Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment properties comprise land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as an investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment properties that are being redeveloped for continuing use as investment properties, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties. Some of those outflows are recognised as liabilities, including finance lease liabilities in respect of land classified as investment properties; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Properties that are being constructed or developed for future use as investment properties is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time they are reclassified and subsequently accounted for as investment properties.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2.18 Leasehold land and land use rights

Leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in land at the time the lease was first entered into by the Group. The interest in leasehold land is stated at cost less impairment loss in the statement of financial position and is amortised to the income statement on the straight-line basis over the remaining lease term.

2.19 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities and contingent liabilities assumed of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of an associate is included in "Investments in associates". The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in a subsequent period. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

2.20 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Gains or losses from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the assets are derecognised.

(a) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of four years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as intangible assets are amortised over their estimated useful life (not exceeding four years).

(b) *Trading rights*

Trading rights represent eligibility rights with indefinite useful lives to trade on or through The Stock Exchange of Hong Kong Limited and are tested for impairment annually. Such intangible assets are not amortised. The useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable, if not, the change in the useful life assessment from indefinite to infinite is accounted for on a prospective basis.

2.21 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

2.22 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for as deferred income tax. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.23 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

(b) *Pension obligations*

The Group operates a defined contribution retirement scheme under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”) and another defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (the “MPF Scheme”) for those employees of the Group who are eligible and have elected to participate in the schemes. The Group’s contributions to the ORSO Scheme are made based on a percentage of the eligible employees’ basic salaries and those made to the MPF Scheme are made based on a percentage of the eligible employees’ relevant income as defined in the MPF Scheme. These contributions are expensed as incurred and are reduced by contributions forfeited by those employees of the Group who leave the schemes prior to the contributions vesting fully. The assets of the schemes are held separately from those of the Group in independently administered funds.

2.24 Provisions

Provisions for restructuring costs and legal claims are recognised when (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.25 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on the straight-line basis over the period of the lease. The Group's interests in leasehold land and land use rights are also accounted as operating leases.

Where the Group is a lessor under operating leases, assets leased out are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on the straight-line basis over the lease term.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.26 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with banks and other financial institutions, treasury bills, other eligible bills and certificates of deposit.

2.27 Contingent liabilities and contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the Group's control.

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A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control, or a present obligation arising from past events that is not recognised either because an outflow of resources embodying economic benefits will be required to settle the obligation is not probable or the amount of obligation cannot be measured with sufficient reliability.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.28 Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.29 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Bank's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.30 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment allowances on loans and advances

The Group reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or in the national or local economic conditions that correlate with defaults on assets in the group of borrowers. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined by using various valuation techniques according to the nature of the financial instruments. These include third party price quotation, a discounted cash flow and option pricing models. These models are built by reputable system suppliers and are widely used in the market. They are reviewed and calibrated by qualified personnel independent of the area that created them. Valuation outputs are generated from these systems using relevant current observable market parameters and are verified before they are used for financial reporting purposes.

(c) Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share prices. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operating and financing cash flows.

(d) Held-to-maturity investments

The Group follows the guidance of HKAS 39 to classify non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances, for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-sale financial investments. The investments would therefore be measured at fair value and not at amortised cost.

(e) Fair value of bank premises and properties

The fair value of the leasehold building is estimated based on the valuation made by an independent professionally qualified valuer on an open market basis.

(f) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on the value-in-use calculations. These calculations require the use of estimates of discount rate and long-term growth rate.

(g) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 FINANCIAL RISK MANAGEMENT

4.1 Overall risk management

Pursuant to the implementation of Basel II New Accord since January 2007, the Group practises risk management in 2009 in congruence with the principles and requirements of the New Accord. Paying increased attention to corporate governance, the Board oversight and a top-down approach permeated through the Group's risk management structure, processes, policies and internal control. For its business plan and activities, the Group identifies, assesses, monitors, controls, reports and reviews the major risks to ensure capital adequacy and compliance with regulatory guidelines and adherence to the Board's risk expectation, including during stress times.

Risk management structure and principles

The Group has established policies and procedures for the identification, measurement, control and monitoring of risk factors (including credit, liquidity, market, interest rate, operational, legal and compliance risks). Central to the Group's risk management is the Board's oversight, which ultimately endorses all core risk policies and their subsequent amendments. Two Risk Management Committees, one at Board level and the other at senior executive level, reinforce the Board and management's oversight in the risk management structure, process and policies. The management of the Group, the Risk Management Department and the relevant functional committees review and revise these policies and procedures on a regular basis. The Group's Internal Audit Department also performs regular checks on compliance with policies and procedures.

Launch of new products and services

The launch of new banking products and services has to go through the essential steps of development and approval process to ensure their commercial viability, ethical suitability and statutory compliance. The Product Development Department or other relevant business unit is responsible to prepare a proposal for any new product or service to the New Product & Business Committee (chaired by an executive director of the Bank) for approval. The main objective of the process is to identify and assess the risks associated with the product; to implement steps to prevent the occurrence or minimise its magnitude of impact; and to exercise measures to ensure the risks are all the times under managed and control.

In accordance with Basel II Pillar I, the Group adopts the following approaches for its credit, market and operational risk exposure in the calculation of its capital adequacy ratio ("CAR"):

Credit risk	— Standardized approach
Market risk	— Standardized approach
Operational risk	— Basic indicator approach

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The Risk Management Department is responsible for credit, market and operational risk management. Its department head reports to Chief Risk Officer, who in turn reports to the Risk Management Committee of the Board of Directors.

The following diagram depicts the Group's risk management structure under the Basel II regime and compatible with relevant HKMA guidelines.



4.2 Credit risk

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

The Group devotes considerable resources to maintaining sound credit risk management. Management has set credit policies and systems to identify, measure, monitor and control risks inherent in various lending businesses. This process ensures prudence, minimises operational omissions in credit matters, and aims at early detection of potential problems, thereby minimising business loss.

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

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

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

The Group employs RAROC techniques to help ensure that its loan assets are commensurately priced on a credit risk-adjusted basis according to Basel II principles.

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

The Group's credit risk appetite is spelt out, disseminated and referred to in daily credit decision. Purpose is to limit the range of credit proposals presented to the credit approval process to those that fit the Group's risk appetite developed out of the Group's past experience, the Board preference and risk or reward evaluation.

The Bank is vigilant about risk concentration and has therefore be practising credit risk exposure limits to individual customers in absolute amount and as a percentage of the Bank's equity, to industry sectors and to geographical markets.

The Group's quarterly credit guidelines and quarterly loan portfolio review have been practised for years. In economic bad times, it is basic to the mechanism for initiating pre-emptive measures to help stabilise the quality of the Group's loan asset portfolio. Given that the market liquidity of investment papers tends to rapidly dry up when global economic conditions suffer, the Group increases its reliance, too, on the Credit Function and on the Credit Committee in the approval and risk monitoring process of these investment papers.

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(a) *Maximum exposure to credit risk before collateral held or other credit enhancements*

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Credit risk exposures relating to on-balance sheet assets are as follows:				
Cash and balances with banks and other financial institutions	27,910,582	28,678,778	25,247,532	27,649,423
Placements with and advances to banks and other financial institutions	1,663,286	844,358	2,427,183	1,660,123
Financial assets held for trading	190,246	52,051	67,998	52,051
Financial assets designated at fair value through profit or loss	1,162,149	1,488,003	1,162,149	1,488,003
Derivative financial instruments	1,285,306	2,308,702	1,285,306	2,308,702
Loans and advances to customers, banks and other financial institutions	147,024,582	137,082,721	137,725,764	128,285,852
Available-for-sale financial investments	32,361,666	17,403,075	32,361,096	17,402,458
Held-to-maturity financial investments	<u>1,291,509</u>	<u>1,976,403</u>	<u>1,291,509</u>	<u>1,976,403</u>
Credit risk exposures relating to off-balance sheet items are as follows:				
Loan commitments and other credit related commitments	11,085,237	17,994,335	6,183,199	5,752,305
Financial guarantees and other credit related contingent liabilities	92,672,144	71,723,015	92,446,260	71,525,226
At the end of the reporting period	<u>316,646,707</u>	<u>279,551,441</u>	<u>300,197,996</u>	<u>258,100,546</u>

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(b) *Credit quality*

Gross loans and advances

(i) Distribution of gross loans and advances by credit quality is summarised as follows:

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross loans and advances to customers:				
— neither past due nor impaired	135,103,632	117,918,865	125,928,706	109,378,442
— past due but not impaired	529,218	1,230,299	529,218	1,226,677
— impaired	<u>1,358,618</u>	<u>888,965</u>	<u>1,095,353</u>	<u>835,897</u>
Total	<u><u>136,991,468</u></u>	<u><u>120,038,129</u></u>	<u><u>127,553,277</u></u>	<u><u>111,441,016</u></u>

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross loans and advances to banks and other financial institutions:				
— neither past due nor impaired	10,671,725	16,731,818	10,671,725	16,556,691
— past due but not impaired	—	—	—	—
— impaired	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u><u>10,671,725</u></u>	<u><u>16,731,818</u></u>	<u><u>10,671,725</u></u>	<u><u>16,556,691</u></u>

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(ii) Distribution of gross loans and advances that are neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired at the end of the reporting periods can be assessed by reference to the internal rating system adopted by the Group.

Credit rating	Internal S&P's rating equivalent		Group		Bank	
			2009	2008	2009	2008
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pass Grade	A-E	AAA to BBB-	34,875,810	34,061,738	34,019,167	33,393,354
	F-H	BB+ to BB	63,989,856	70,190,588	61,993,408	65,952,459
	I-J	BB- to B+	36,472,345	24,189,154	30,404,242	20,666,337
Special Mention Grade	K-L	B to CCC-	10,437,346	6,209,203	10,183,614	5,922,983
Total			<u>145,775,357</u>	<u>134,650,683</u>	<u>136,600,431</u>	<u>125,935,133</u>

The various internal and external rating criteria and calibration are mapped back to one single internal credit rating scale for statistical and regulatory purposes. The Standard & Poor's ("S&P") equivalent ratings are based on mapping the individual probability of default of each internal grade with that of the S&P's ratings.

The Credit Function and Credit Committee decide an individual borrower's credit rating. Credit rating is a function of quantitative and management attributes that include economic outlook, account conduct and industry risk. The Group has a different rating scale for large corporates and SMEs. The external rating of S&P, Moodys and Fitch will be adopted, if available.

The following table which gives a distribution of the Group's total loans and advances by credit rating. The Group has calibrated its borrowing customers into Grade A — Grade O and works out their respective weighted average probability of default ("PD") and loss given default ("LGD") since 2005.

Pass Grades	A	to	J
Special Mention Grades	K	to	L
Non-Performing Loan Grade ("NPL")	M	to	O

Grades A — J: Loans where borrowers are currently in meeting commitment and full repayment of interest and principal is not in doubt. There are 10 grades within the performing category from A to J.

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Grades K — L: All pass grade borrowers which have overdue loans for a period exceeding one month are downgraded to special mention rating or below, unless with strong justification irrespective of the internal ratings. Borrowers exhibiting one or more of the characteristics per the HKMA's special mention or non-performing grades definition or as general economic environment deteriorates, may also be graded K & L, notwithstanding the absence of overdue loan on default record. This is a stringent credit rating approach to raise the Group's credit risk alertness.

(iii) Gross loans and advances which were past due but not impaired

The analysis below shows the gross loans and advances to customers, banks and other financial institutions that were past due but not impaired at the end of the reporting periods:

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due up to 30 days	473,455	748,891	473,455	748,891
Past due 31-60 days	51,519	73,419	51,519	69,797
Past due 61-90 days	1,890	404,953	1,890	404,953
Past due over 90 days	<u>2,354</u>	<u>3,036</u>	<u>2,354</u>	<u>3,036</u>
 Total	 <u>529,218</u>	 <u>1,230,299</u>	 <u>529,218</u>	 <u>1,226,677</u>
 Fair value of collateral	 <u>479,922</u>	 <u>1,034,412</u>	 <u>479,922</u>	 <u>1,030,790</u>

Other than gross loans and advances, no financial assets were past due but not impaired at the end of the reporting periods of 2009 and 2008.

Where collateral values are greater than gross loans and advances, only the amount of collateral up to the gross loans and advances was included.

(iv) Loans and advances individually impaired

The Group has a policy of downgrading customers to the NPL grade when overdue is longer than 90 days. Very seldom would outstandings for over 90 days be retained in pass grade instead of the impaired. Impaired borrowing accounts are typically transferred to management by the Special Assets Department, so that the prospect and means of recovery can be more independently evaluated, decided and implemented. The Special Assets Department may not take any immediate recovery action. It may even help in circumstances where the customer in question is deemed to be able to be rehabilitated and the collateral is important to the customer's continued business operation. The Group may at times join or seek agreement with other creditor

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banks to stand still in concert. Otherwise, the Group will take appropriate measures to preserve the customer's assets, to maximise recovery and to fast realise property collateral in a timely manner either by private sale or by public auction at prices that are in acceptable proximity with the average of several external valuations.

The Group adopts an objective individual impairment policy in compliance with the requirement of HKAS 39. Impairment requirement, if any, can always be traceable back to reasonably expected discounted repayment cash flows and/or the assessed net realisable value of the collateral.

(v) Renegotiated loans that would otherwise be past due or impaired

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar restructured debts by the Special Assets Department. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated loans that would otherwise be past due or impaired totalled HK\$7,049,372 as at 31 December 2009 (2008: HK\$6,651,801). They are retained in classified loans for as long as we do not have sufficient good reasons to believe that the obligor will be able to sustainably meet the re-scheduled loan repayment terms.

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Debt and equity securities

(i) Financial investments by rating agency designation

The table below presents an analysis of financial investments by rating agency designation at 31 December, based on S&P's ratings or their equivalence to the respective categories of financial investments. In the absence of such issue ratings, the rating scale adopted by the issuers is used.

Group	Financial assets designated at fair value				Total
	Financial assets held for trading	through profit or loss	Available-for-sale financial investments	Held-to-maturity financial investments	
2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
AAA	—	—	4,697,943	—	4,697,943
AA- to AA+	425	201,022	7,016,151	1,206,732	8,424,330
A- to A+	62,687	562,713	15,569,046	84,777	16,279,223
Lower than A-	4,886	398,414	4,723,280	—	5,126,580
Unrated	122,248	—	355,246	—	477,494
Total	<u>190,246</u>	<u>1,162,149</u>	<u>32,361,666</u>	<u>1,291,509</u>	<u>35,005,570</u>

Group	Financial assets designated at fair value				Total
	Financial assets held for trading	through profit or loss	Available-for-sale financial investments	Held-to-maturity financial investments	
2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
AAA	—	—	1,700,548	—	1,700,548
AA- to AA+	628	200,119	2,192,436	1,219,821	3,613,004
A- to A+	46,728	399,792	9,051,465	756,582	10,254,567
Lower than A-	4,695	695,092	4,241,970	—	4,941,757
Unrated	—	193,000	216,656	—	409,656
Total	<u>52,051</u>	<u>1,488,003</u>	<u>17,403,075</u>	<u>1,976,403</u>	<u>20,919,532</u>

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Bank 2009	Financial assets designated at fair value				Total
	Financial assets held for trading	through profit or loss	Available- for-sale financial investments	Held-to- maturity financial investments	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
AAA	—	—	4,697,943	—	4,697,943
AA- to AA+	425	201,022	7,016,151	1,206,732	8,424,330
A- to A+	62,687	562,713	15,569,046	84,777	16,279,223
Lower than A-	4,886	398,414	4,723,280	—	5,126,580
Unrated	—	—	354,676	—	354,676
Total	<u>67,998</u>	<u>1,162,149</u>	<u>32,361,096</u>	<u>1,291,509</u>	<u>34,882,752</u>

Bank 2008	Financial assets designated at fair value				Total
	Financial assets held for trading	through profit or loss	Available- for-sale financial investments	Held-to- maturity financial investments	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
AAA	—	—	1,700,548	—	1,700,548
AA- to AA+	628	200,119	2,192,436	1,219,821	3,613,004
A- to A+	46,728	399,792	9,051,465	756,582	10,254,567
Lower than A-	4,695	695,092	4,241,970	—	4,941,757
Unrated	—	193,000	216,039	—	409,039
Total	<u>52,051</u>	<u>1,488,003</u>	<u>17,402,458</u>	<u>1,976,403</u>	<u>20,918,915</u>

(ii) Investment portfolio

As at 31 December 2009, the Bank's debt securities portfolio amounted to HK\$32.1 billion, with a 77.1% increase over the HK\$18.1 billion as at 31 December 2008. HK\$10.3 billion or 32.1% of the portfolio will mature in 2010. The majority of the portfolio are denominated in US\$ and HK\$ whereas the rest are in other currencies, such as AUD, EUR, CNY, JPY and SGD. In terms of booking, over 90% of the outstanding exposures are kept in the available-for-sale book category. Over 84% of the portfolio falls within the investment grade category. The Bank's debt securities portfolio operates under a strict and prudent risk management framework and is in

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compliance with all pre-determined internal investment guidelines, which are reviewed and approved by the Board of Directors annually. It is noteworthy that the Bank has no exposure to collateralised debt obligations (“CDOs”) and United States subprime mortgages but has some exposures to structured-investment vehicles (“SIVs”) and commercial mortgage-backed securities (“CMBSs”).

The Bank adopts HKAS 39 compliant accounting and value impairment policy for its investment paper portfolio other than the held-to-maturity ones. They are marked-to-market on a monthly basis, often with prices quoted by several reliable sources from which the more realistically conservative one is selected for impairment adjustment or permanent value diminution purpose.

(c) *Derivatives*

The Group maintains strict control limits on open derivative positions. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., assets where their fair values are positive), which is only a small fraction of the contracts in relation to derivatives, or is not limited to the notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with counterparties on nominal amounts. Collateral or other security is obtained for credit risk exposures either in the form of margin deposits or when the accrued marked-to-market loss exceeds a pre-determined threshold.

(d) *Master netting arrangements*

The Group further restricts its exposure to credit risk by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

(e) *Credit-related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer to settle his obligations as required. Guarantees and standby letters of credit which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct lending.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments.

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However, even in the worst scenario, loss is likely to be less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(f) *Collateral and other credit enhancements*

The Group holds collateral against loans and advances to customers in the forms of mortgages over property, other registered securities over assets, cash deposits and guarantees. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument.

(g) *Credit risk stress test*

In accordance with the HKMA's supervisory policy guidelines, the Group runs the counterparty credit risk stress test periodically in estimation of the probable credit loss in a mild, moderate and severe crisis scenario. The Group performs the credit risk stress test on the basis of the empirical data during the Asian financial crisis spanning 1998 and 2004, including the 2003 SARS epidemic. The Senior Executive Risk Management Committee reviews the stress test, their parameters and their impact on the Group's regulatory capital adequacy ratio. Contingent measures will be devised to control possible adversities, if deemed necessary.

The following table summarises the result of the Group's latest credit risk stress tests for counterparties.

Crisis scenario		31 December 2009	31 December 2008
Mild	NPL (HK\$ million)	3,412	5,611
	NPL ratio (%)	2.80%	4.67%
	Expected credit loss (HK\$ million)	<u>1,126</u>	<u>828</u>
Moderate	NPL (HK\$ million)	4,057	6,548
	NPL ratio (%)	3.35%	5.45%
	Expected credit loss (HK\$ million)	<u>1,393</u>	<u>1,158</u>
Severe	NPL (HK\$ million)	4,649	7,497
	NPL ratio (%)	3.84%	6.24%
	Expected credit loss (HK\$ million)	<u>1,674</u>	<u>1,549</u>

All the above credit risk reports are reviewed monthly by the Credit Committee or quarterly by the Senior Executive Risk Management Committee. Warning signals or policy deviations, if any, will be investigated, discussed, rectified or dealt with, and, if necessary, be reported to the Board in due course for information, instruction or approval.

4.3 Market risk management

Market risk is the risk that market rates and prices on assets, liabilities and off-balance sheet positions change, thus causing profits or losses. Generally the Group's market risk is associated with its positions in foreign exchange, money market, debt securities, derivatives and stocks. Most off-balance sheet derivative positions arise from the execution of customer-related orders and positions taken for hedging purposes. Structured products are basically offered to customers in most cases on a back-to-back basis to maintain the Bank's market competitiveness at minimal market risk, commensurate with the Group's risk appetite. The Board places material emphasis on market risk control, including the operational control of the Bank's proprietary and non-bank customer dealing operation, for which regular Board's initiatives are made.

The objective of the Group's market risk management is to optimise return and control market risk in ways consistent with the Group's risk profile and its status as a premier provider of financial products and services.

The Group classifies exposures to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market-making, proprietary position taking and other mark-to-market positions so designated. Non-trading portfolios primarily arise from the effective foreign exchange and interest rate management of the Group's retail, corporate and commercial banking assets and liabilities.

(a) *Market risk management framework*

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

Besides, various reputable treasury systems are being used to further strengthen the functions of control and monitoring, supplemented as mentioned by, among others, predetermined stop loss limits to keep the risk of increased trading limits at bay. An enhanced system is in process of installation with implementation in phases during 2009 through 2012, and with a view to ultimately strengthen the Group's market risk management and counterparty credit risk control for structured products.

(b) *Measurement of Market Risk*

Measurement techniques used to quantify the market risk arising from the Bank's trading and non-trading activities include sensitivity analysis and stress testing. Sensitivity measures, concentration and stop-loss limits are used as the risk management tools. Limits are set for each portfolio, product and risk type. Stress tests are performed regularly to assess the potential losses under extreme circumstances. The ALCO and the Senior Executive Risk Management Committee review stress test results on a regular basis.

(c) *Interest rate risk*

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

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

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

The Group will use and counts on stop loss, management trigger limits, stress test and a software system in installation to manage its interest rate risk.

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The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Group At 31 December 2009	Up to 1 month <i>HK\$'000</i>	1-3 months <i>HK\$'000</i>	3-12 months <i>HK\$'000</i>	1-5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Non- interest- bearing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets							
Cash and balances with banks and other financial institutions	27,490,845	—	—	—	—	419,737	27,910,582
Placements with and advances to banks and other financial institutions	—	903,730	759,556	—	—	—	1,663,286
Financial assets held for trading	—	—	19,884	19,244	7,920	143,198	190,246
Financial assets designated at fair value through profit or loss	—	78,433	157,551	711,467	214,698	—	1,162,149
Derivative financial instruments	—	—	—	—	—	1,285,306	1,285,306
Loans and advances to customers, banks and other financial institutions	110,067,397	25,486,467	9,366,608	534,006	1,503,876	66,228	147,024,582
Available-for-sale financial investments	2,843,909	8,600,204	5,158,233	12,678,739	1,486,571	1,594,010	32,361,666
Held-to-maturity financial investments	114,436	—	1,177,073	—	—	—	1,291,509
Other assets	12,330	—	—	—	—	2,852,173	2,864,503
Total assets	<u>140,528,917</u>	<u>35,068,834</u>	<u>16,638,905</u>	<u>13,943,456</u>	<u>3,213,065</u>	<u>6,360,652</u>	<u>215,753,829</u>
Liabilities							
Deposits from banks and other financial institutions	11,564,169	6,958,339	1,026,322	—	—	627,870	20,176,700
Derivative financial instruments	—	—	—	—	—	1,403,832	1,403,832
Deposits from customers	94,676,777	33,875,477	23,533,062	989,716	28,357	8,058,172	161,161,561
Certificates of deposit issued	1,053,200	50,306	356,013	935,027	—	—	2,394,546
Debt securities in issue measured at amortised cost	—	—	—	—	—	159,526	159,526
Subordinated debts measured at amortised cost	3,063,225	3,714,250	1,783,650	—	—	—	8,561,125
Other liabilities	387,162	—	—	—	—	3,404,780	3,791,942
Total liabilities	<u>110,744,533</u>	<u>44,598,372</u>	<u>26,699,047</u>	<u>1,924,743</u>	<u>28,357</u>	<u>13,654,180</u>	<u>197,649,232</u>
Total interest sensitivity gap	<u>29,784,384</u>	<u>(9,529,538)</u>	<u>(10,060,142)</u>	<u>12,018,713</u>	<u>3,184,708</u>	<u>(7,293,528)</u>	<u>18,104,597</u>

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Group	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest- bearing	Total
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets							
Cash and balances with banks and other financial institutions	28,116,080	—	—	—	—	562,698	28,678,778
Placements with and advances to banks and other financial institutions	—	689,360	154,998	—	—	—	844,358
Financial assets held for trading	—	50	5,692	25,109	—	21,200	52,051
Financial assets designated at fair value through profit or loss	—	—	77,400	923,444	487,159	—	1,488,003
Derivative financial instruments	—	—	—	—	—	2,308,702	2,308,702
Loans and advances to customers, banks and other financial institutions	95,205,918	30,084,808	11,086,371	466,590	139,535	99,499	137,082,721
Available-for-sale financial investments	1,836,298	4,154,659	1,850,926	6,458,068	1,818,947	1,284,177	17,403,075
Held-to-maturity financial investments	292,086	292,852	1,361,659	29,806	—	—	1,976,403
Other assets	734,126	—	—	—	—	3,995,892	4,730,018
Total assets	<u>126,184,508</u>	<u>35,221,729</u>	<u>14,537,046</u>	<u>7,903,017</u>	<u>2,445,641</u>	<u>8,272,168</u>	<u>194,564,109</u>
Liabilities							
Deposits from banks and other financial institutions	6,896,715	12,031,964	778,690	—	—	349,387	20,056,756
Derivative financial instruments	—	—	—	—	—	3,296,670	3,296,670
Deposits from customers	102,133,978	21,024,863	10,973,517	36,087	10,075	4,004,812	138,183,332
Certificates of deposit issued	250,000	1,220,762	2,261,857	579,742	—	—	4,312,361
Debt securities in issue designated at fair value through profit or loss	—	3,146,399	—	—	—	—	3,146,399
Subordinated debts measured at amortised cost	3,061,290	3,712,535	1,782,523	—	—	—	8,556,348
Other liabilities	83,761	—	—	—	—	2,990,704	3,074,465
Total liabilities	<u>112,425,744</u>	<u>41,136,523</u>	<u>15,796,587</u>	<u>615,829</u>	<u>10,075</u>	<u>10,641,573</u>	<u>180,626,331</u>
Total interest sensitivity gap	<u>13,758,764</u>	<u>(5,914,794)</u>	<u>(1,259,541)</u>	<u>7,287,188</u>	<u>2,435,566</u>	<u>(2,369,405)</u>	<u>13,937,778</u>

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Bank	Up to 1	1-3	3-12	1-5	Over 5	Non-	Total
At 31 December 2009	month	months	months	years	years	interest-	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>bearing</i>	<i>HK\$'000</i>
Assets							
Cash and balances with banks and other financial institutions	24,841,315	—	—	—	—	406,217	25,247,532
Placements with and advances to banks and other financial institutions	212,120	1,229,597	985,466	—	—	—	2,427,183
Financial assets held for trading	—	—	19,884	19,244	7,920	20,950	67,998
Financial assets designated at fair value through profit or loss	—	78,433	157,551	711,467	214,698	—	1,162,149
Derivative financial instruments	—	—	—	—	—	1,285,306	1,285,306
Loans and advances to customers, banks and other financial institutions	104,979,951	23,240,230	7,979,938	145,667	1,213,750	166,228	137,725,764
Available-for-sale financial investments	2,843,909	8,600,204	5,158,233	12,678,739	1,486,571	1,593,440	32,361,096
Held-to-maturity financial investments	114,436	—	1,177,073	—	—	—	1,291,509
Other assets	12,330	—	—	—	—	5,425,695	5,438,025
Total assets	<u>133,004,061</u>	<u>33,148,464</u>	<u>15,478,145</u>	<u>13,555,117</u>	<u>2,922,939</u>	<u>8,897,836</u>	<u>207,006,562</u>
Liabilities							
Deposits from banks and other financial institutions	11,108,520	5,052,300	15,510	—	—	628,611	16,804,941
Derivative financial instruments	—	—	—	—	—	1,403,832	1,403,832
Deposits from customers	93,082,814	33,183,194	22,139,693	786,232	28,356	8,757,603	157,977,892
Certificates of deposit issued	1,053,200	50,306	356,013	935,027	—	—	2,394,546
Debt securities in issue measured at amortised cost	—	—	—	—	—	159,526	159,526
Subordinated debts measured at amortised cost	3,063,225	3,714,250	1,783,650	—	—	—	8,561,125
Other liabilities	387,162	—	—	—	—	2,223,913	2,611,075
Total liabilities	<u>108,694,921</u>	<u>42,000,050</u>	<u>24,294,866</u>	<u>1,721,259</u>	<u>28,356</u>	<u>13,173,485</u>	<u>189,912,937</u>
Total interest sensitivity gap	<u>24,309,140</u>	<u>(8,851,586)</u>	<u>(8,816,721)</u>	<u>11,833,858</u>	<u>2,894,583</u>	<u>(4,275,649)</u>	<u>17,093,625</u>

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Bank	Up to 1	1-3	3-12	1-5	Over 5	Non-	Total
At 31 December 2008	month	months	months	years	years	interest-	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>bearing</i>	<i>HK\$'000</i>
Assets							
Cash and balances with banks and other financial institutions	27,288,086	—	—	—	—	361,337	27,649,423
Placements with and advances to banks and other financial institutions	—	496,415	1,163,708	—	—	—	1,660,123
Financial assets held for trading	—	50	5,692	25,109	—	21,200	52,051
Financial assets designated at fair value through profit or loss	—	—	77,400	923,444	487,159	—	1,488,003
Derivative financial instruments	—	—	—	—	—	2,308,702	2,308,702
Loans and advances to customers, banks and other financial institutions	89,223,831	28,606,164	9,737,876	517,074	139,535	61,372	128,285,852
Available-for-sale financial investments	1,836,298	4,154,659	1,850,926	6,458,068	1,818,947	1,283,560	17,402,458
Held-to-maturity financial investments	292,086	292,852	1,361,659	29,806	—	—	1,976,403
Other assets	718,899	—	—	—	—	5,614,819	6,333,718
Total assets	<u>119,359,200</u>	<u>33,550,140</u>	<u>14,197,261</u>	<u>7,953,501</u>	<u>2,445,641</u>	<u>9,650,990</u>	<u>187,156,733</u>
Liabilities							
Deposits from banks and other financial institutions	6,470,722	10,174,632	—	—	—	355,810	17,001,164
Derivative financial instruments	—	—	—	—	—	3,324,174	3,324,174
Deposits from customers	99,912,839	20,544,328	12,978,351	915	10,075	4,189,559	137,636,067
Certificates of deposit issued	250,000	1,220,762	2,261,857	579,742	—	—	4,312,361
Subordinated debts measured at amortised cost	3,061,290	3,712,535	1,782,523	—	—	—	8,556,348
Other liabilities	83,761	—	—	—	—	3,018,033	3,101,794
Total liabilities	<u>109,778,612</u>	<u>35,652,257</u>	<u>17,022,731</u>	<u>580,657</u>	<u>10,075</u>	<u>10,887,576</u>	<u>173,931,908</u>
Total interest sensitivity gap	<u>9,580,588</u>	<u>(2,102,117)</u>	<u>(2,825,470)</u>	<u>7,372,844</u>	<u>2,435,566</u>	<u>(1,236,586)</u>	<u>13,224,825</u>

Trading portfolio

The Group's control of interest rate risk is based on restricting individual operations to trading within the market risk limits, and a list of permissible instruments authorised by the Board. In particular, trading in the derivative products is supported by robust control systems whereas more complicated derivatives are basically undertaken on a back-to-back basis. Sensitivity measures, concentration and stop-loss limits are used as the risk management tools. Risk limits are independently monitored on a daily basis.

Non-trading portfolio

The principal objective of interest rate risk management of non-trading portfolios (also known as "banking book") is to optimise net interest income but without exposing to excessive risk. This is done on a daily basis by the Global Markets and Trading Department ("GMT") taking over the interest rate risk in non-treasury business under the supervision of the ALCO. When the behavioral characteristics of a product differ from its contractual characteristics, the behavioral characteristics are assessed to determine their actual underlying interest rate risk. The ALCO monitors all such behavioral assumptions and interest rate risk positions to ensure they comply with interest rate risk limits established by the Board. Interest rate risk limits are set for the purpose of governing the interest rate risk arising from non-trading portfolio. The limits are measured and independently monitored on a regular basis.

There are four primary forms of interest rate risk faced by the Group with regard to its banking book: re-pricing (or maturity mismatch) risk, yield curve risk, basis risk and option risk. Interest rate risk is measured in relation to the impact of changes in interest rates on earnings or economic values assuming all other factors to remain constant, e.g., no action taken by GMT or other business units to mitigate the impact of this interest rate risk and interest rates of all maturities move by the same amount. Prepayment, early withdrawal of customer loans or deposits are usually not entertained or with fees paid.

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Sensitivity analysis

The tables below show the last stress tests on the Bank's trading and investment portfolios conducted in December 2009 and 2008 respectively. The testing scenario (bps of yield curve shift) of the stress test is changed in the current year to be in line with the financial market development:

2009

Interest rate stress test for interest rate trading

(HK\$'000)

Yield curve shift	Light		Scenario Moderate		Extreme	
	-100 bps	+100 bps	-200 bps	+200 bps	-300 bps	+300 bps
December 2009	<u>(4,403)</u>	<u>(2,973)</u>	<u>(8,831)</u>	<u>(5,861)</u>	<u>(13,283)</u>	<u>(8,703)</u>

Interest rate risk for investment book debt securities

(excluding HTM book and EFNs)

(HK\$'000)

Yield curve shift	Light		Scenario Moderate		Extreme		Yield curve steepen		Yield curve flatten	
	+100 bps	+200 bps	+300 bps	100 bps	300 bps	100 bps	300 bps	100 bps	300 bps	
December 2009	<u>(304,178)</u>	<u>(550,813)</u>	<u>(760,644)</u>	<u>(204,356)</u>	<u>(465,467)</u>	<u>(105,342)</u>	<u>(321,087)</u>			

2008

Interest rate stress test for interest rate trading

(HK\$'000)

Yield curve shift	Light		Scenario Moderate		Extreme	
	-100 bps	+100 bps	-200 bps	+200 bps	-300 bps	+300 bps
December 2008	<u>(4,659)</u>	<u>(5,787)</u>	<u>(9,307)</u>	<u>(11,574)</u>	<u>(13,899)</u>	<u>(17,227)</u>

Interest rate risk for investment book debt securities

(excluding HTM book and EFNs)

(HK\$'000)

Yield curve shift	Light		Scenario Moderate		Extreme		Yield curve steepen		Yield curve flatten	
	+100 bps	+200 bps	+300 bps	100 bps	300 bps	100 bps	300 bps	100 bps	300 bps	
December 2008	<u>(323,547)</u>	<u>(587,275)</u>	<u>(718,522)</u>	<u>(185,599)</u>	<u>(413,918)</u>	<u>(111,346)</u>	<u>(327,935)</u>			

(d) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group's foreign exchange exposures mainly comprise foreign exchange dealing by GMT and currency exposures originated from the Group's banking business. Currency exposures arising from non-trading businesses are transferred to GMT for centralised management within foreign exchange position limits approved by the Board of Directors. Management has set limits on positions by currency. Positions are independently monitored by Risk Management Department against the approved limits on a daily basis.

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The tables below summarise the Group's and the Bank's exposure to foreign currency exchange risk. Included in the tables are the Group's and the Bank's assets and liabilities at carrying amounts, categorised by currency.

Group	HK\$	US\$	Others	Total
At 31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Cash and balances with banks and other financial institutions	4,637,922	19,023,634	4,249,026	27,910,582
Placements with and advances to banks and other financial institutions	721,257	942,029	—	1,663,286
Financial assets held for trading	143,623	7,920	38,703	190,246
Financial assets designated at fair value through profit or loss	325,210	836,939	—	1,162,149
Loans and advances to customers, banks and other financial institutions	94,653,805	39,316,802	13,053,975	147,024,582
Available-for-sale financial investments	2,197,991	26,608,511	3,555,164	32,361,666
Held-to-maturity financial investments	1,206,733	54,117	30,659	1,291,509
Investments in associates	175,177	—	—	175,177
Goodwill and other intangible assets	653,422	—	367,471	1,020,893
Investment properties	25,500	—	20,713	46,213
Property, plant and equipment	181,145	—	92,808	273,953
Leasehold land and land use rights	43,117	—	—	43,117
Other assets	<u>779,508</u>	<u>473,252</u>	<u>52,390</u>	<u>1,305,150</u>
Total assets	<u>105,744,410</u>	<u>87,263,204</u>	<u>21,460,909</u>	<u>214,468,523</u>
Liabilities				
Deposits from banks and other financial institutions	6,010,926	11,431,061	2,734,713	20,176,700
Deposits from customers	76,597,664	66,572,639	17,991,258	161,161,561
Certificates of deposit issued	1,458,472	936,074	—	2,394,546
Debt securities in issue at amortised cost	159,526	—	—	159,526
Subordinated debts measured at amortised cost	1,000,000	7,561,125	—	8,561,125
Other liabilities, including current and deferred tax liabilities	<u>2,605,906</u>	<u>909,475</u>	<u>276,561</u>	<u>3,791,942</u>
Total liabilities	<u>87,832,494</u>	<u>87,410,374</u>	<u>21,002,532</u>	<u>196,245,400</u>
Net on-balance sheet position	<u>17,911,916</u>	<u>(147,170)</u>	<u>458,377</u>	<u>18,223,123</u>
Credit commitments	<u>81,353,064</u>	<u>19,856,953</u>	<u>2,547,364</u>	<u>103,757,381</u>

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Group	HK\$	US\$	Others	Total
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Cash and balances with banks and other financial institutions	650,345	15,530,015	12,498,418	28,678,778
Placements with and advances to banks and other financial institutions	23,660	751,747	68,951	844,358
Financial assets held for trading	21,828	—	30,223	52,051
Financial assets designated at fair value through profit or loss	300,580	1,187,423	—	1,488,003
Loans and advances to customers, banks and other financial institutions	81,987,659	42,033,711	13,061,351	137,082,721
Available-for-sale financial investments	1,616,080	12,757,816	3,029,179	17,403,075
Held-to-maturity financial investments	1,319,509	627,088	29,806	1,976,403
Investments in associates	184,854	—	—	184,854
Goodwill and other intangible assets	1,028,060	—	4,878	1,032,938
Investment properties	25,200	—	14,926	40,126
Property, plant and equipment	186,971	—	89,103	276,074
Leasehold land and land use rights	43,860	—	—	43,860
Other assets	1,785,619	1,302,506	64,041	3,152,166
Total assets	<u>89,174,225</u>	<u>74,190,306</u>	<u>28,890,876</u>	<u>192,255,407</u>
Liabilities				
Deposits from banks and other financial institutions	3,056,158	14,276,836	2,723,762	20,056,756
Deposits from customers	60,958,666	64,796,200	12,428,466	138,183,332
Certificates of deposit issued	2,915,886	1,396,475	—	4,312,361
Debt securities in issue designated at fair value through profit or loss	—	3,146,399	—	3,146,399
Subordinated debts measured at amortised cost	1,000,000	7,556,348	—	8,556,348
Other liabilities, including current and deferred tax liabilities	1,800,468	945,427	328,570	3,074,465
Total liabilities	<u>69,731,178</u>	<u>92,117,685</u>	<u>15,480,798</u>	<u>177,329,661</u>
Net on-balance sheet position	<u>19,443,047</u>	<u>(17,927,379)</u>	<u>13,410,078</u>	<u>14,925,746</u>
Credit commitments	<u>65,133,066</u>	<u>22,035,266</u>	<u>2,549,018</u>	<u>89,717,350</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	HK\$	US\$	Others	Total
At 31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Cash and balances with banks and other financial institutions	4,612,417	18,769,411	1,865,704	25,247,532
Placements with and advances to banks and other financial institutions	996,810	1,309,044	121,329	2,427,183
Financial assets held for trading	21,375	7,920	38,703	67,998
Financial assets designated at fair value through profit or loss	325,210	836,939	—	1,162,149
Loans and advances to customers, banks and other financial institutions	94,365,635	37,662,880	5,697,249	137,725,764
Available-for-sale financial investments	2,197,421	26,608,511	3,555,164	32,361,096
Held-to-maturity financial investments	1,206,733	54,117	30,659	1,291,509
Investments in associates	138,138	—	—	138,138
Investments in subsidiaries	400,403	—	2,372,075	2,772,478
Goodwill and other intangible assets	630,967	—	—	630,967
Investment properties	25,500	—	—	25,500
Property, plant and equipment	180,464	—	—	180,464
Leasehold land and land use rights	43,117	—	—	43,117
Other assets	<u>1,074,181</u>	<u>468,337</u>	<u>104,843</u>	<u>1,647,361</u>
Total assets	<u><u>106,218,371</u></u>	<u><u>85,717,159</u></u>	<u><u>13,785,726</u></u>	<u><u>205,721,256</u></u>
Liabilities				
Deposits from banks and other financial institutions	6,011,645	10,626,751	166,545	16,804,941
Deposits from customers	77,197,505	67,611,414	13,168,973	157,977,892
Certificates of deposit issued	1,458,472	936,074	—	2,394,546
Debt securities in issue measured at amortised cost	159,526	—	—	159,526
Subordinated debts measured at amortised cost	1,000,000	7,561,125	—	8,561,125
Other liabilities, including current and deferred tax liabilities	<u>1,574,259</u>	<u>909,983</u>	<u>126,833</u>	<u>2,611,075</u>
Total liabilities	<u><u>87,401,407</u></u>	<u><u>87,645,347</u></u>	<u><u>13,462,351</u></u>	<u><u>188,509,105</u></u>
Net on-balance sheet position	<u><u>18,816,964</u></u>	<u><u>(1,928,188)</u></u>	<u><u>323,375</u></u>	<u><u>17,212,151</u></u>
Credit commitments	<u><u>81,179,115</u></u>	<u><u>15,799,118</u></u>	<u><u>1,651,226</u></u>	<u><u>98,629,459</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	HK\$	US\$	Others	Total
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Cash and balances with banks and other financial institutions	675,478	15,373,500	11,600,445	27,649,423
Placements with and advances to banks and other financial institutions	105,999	1,471,216	82,908	1,660,123
Financial assets held for trading	21,828	—	30,223	52,051
Financial assets designated at fair value through profit or loss	300,580	1,187,423	—	1,488,003
Loans and advances to customers, banks and other financial institutions	81,848,955	40,394,074	6,042,823	128,285,852
Available-for-sale financial investments	1,615,463	12,757,816	3,029,179	17,402,458
Held-to-maturity financial investments	1,319,509	627,088	29,806	1,976,403
Investments in associates	152,646	—	—	152,646
Investments in subsidiaries	148,403	—	1,760,347	1,908,750
Goodwill and other intangible assets	642,109	—	—	642,109
Investment properties	25,200	—	—	25,200
Property, plant and equipment	185,878	—	—	185,878
Leasehold land and land use rights	43,860	—	—	43,860
Other assets	<u>1,903,151</u>	<u>1,353,394</u>	<u>118,730</u>	<u>3,375,275</u>
Total assets	<u>88,989,059</u>	<u>73,164,511</u>	<u>22,694,461</u>	<u>184,848,031</u>
Liabilities				
Deposits from banks and other financial institutions	3,062,581	13,584,245	354,338	17,001,164
Deposits from customers	61,141,628	67,795,705	8,698,734	137,636,067
Certificates of deposit issued	2,915,886	1,396,475	—	4,312,361
Subordinated debts measured at amortised cost	1,000,000	7,556,348	—	8,556,348
Other liabilities, including current and deferred tax liabilities	<u>1,982,109</u>	<u>983,451</u>	<u>136,234</u>	<u>3,101,794</u>
Total liabilities	<u>70,102,204</u>	<u>91,316,224</u>	<u>9,189,306</u>	<u>170,607,734</u>
Net on-balance sheet position	<u>18,886,855</u>	<u>(18,151,713)</u>	<u>13,505,155</u>	<u>14,240,297</u>
Credit commitments	<u>64,755,918</u>	<u>10,782,238</u>	<u>1,739,375</u>	<u>77,277,531</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Stress test

The tables below show the last stress tests conducted in December which calculate the change in dollar term of a reasonably possible movement of spot rates and foreign exchange volatility for 2009 and 2008, with all other variables held constant. The testing scenario (volatility change) of the stress test is changed in the current year to be in line with the financial market development:

2009

Risk stress testing for foreign exchange position

<i>HK\$'000</i>	Scenario		
	Light 2%	Moderate 5%	Extreme 15%
Worst of spot and 5% volatility change (excluding CNY)	<u>(3,685)</u>	<u>(9,261)</u>	<u>(18,938)</u>

<i>HK\$'000</i>	Scenario		
	Light 1%	Moderate 3%	Extreme 5%
Worst of spot and 5% volatility change (CNY)	<u>(790)</u>	<u>(2,370)</u>	<u>(3,951)</u>

2008

Risk stress testing for foreign exchange position

<i>HK\$'000</i>	Scenario		
	Light 2%	Moderate 5%	Extreme 15%
Worst of spot and 5% volatility change (excluding CNY)	<u>(3,828)</u>	<u>(8,895)</u>	<u>(21,253)</u>

<i>HK\$'000</i>	Scenario		
	Light 1%	Moderate 3%	Extreme 5%
Worst of spot and 5% volatility change (CNY)	<u>(6,083)</u>	<u>(18,275)</u>	<u>(30,458)</u>

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(e) *Equity price risk*

Equity price risk is the risk that the fair values of the equity portfolio decrease as the result of changes in the levels of equity indices and the value of individual stocks. Since the second half of 2006, the Group has begun to take market risk positions in shares at the time of their respective IPO process. Concentration limits and stop-loss limits are set for individual shares. Market risk positions on equity are relatively not sizeable at this stage.

Investments that are held for the purpose of entering into a strategic cooperation with the investee with a view to leveraging the respective strengths to enhance the Group's business are classified by the Group as strategic investments. Other equity investments are held for capital gain purposes.

For capital adequacy ratio purpose, the Bank deducts those equity holdings taken for relationship and strategic reasons from the core and supplementary capital and includes those equity holdings taken for other reasons in the risk-weighted assets.

The Group's equity exposures in 2009 and 2008 are mainly long-term equity investments which are reported as "available-for-sale financial investments" set out in Note 27. Equities held for trading purpose are included under "Financial assets held for trading" set out in Note 23. These are subject to risk management control procedures.

Accounting techniques and valuation methodologies applied for equity investments are detailed in Note 2 of the financial statements. There are no significant changes during the annual reporting period.

	Group and Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cumulative realised gains arising from sales and liquidations of equity exposure	834,384	5,896
Total unrealised gains recognised in the Bank's reserve but not through the income statement	1,247,844	778,217
Unrealised gains included in the Bank's supplementary capital for capital adequacy ratio purpose	<u>—</u>	<u>—</u>

4.4 Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations as and when they fall due. Liquidity risk management is therefore to ensure adequate cash flows to meet all financial obligations under both normal and contingency circumstances in a cost-effective manner and within regulatory requirements. To manage liquidity risk, the Group has established asset and liquidity management policies that are reviewed by the relevant functional committees, with prominent issues approved by the Board. Liquidity is also managed and forecasted on a daily basis to enable GMT and the relevant functional committee to act proactively according to the changing market conditions and to implement contingent plans on a timely basis. Stress tests are regularly performed to assess contingent funding needs and the adequacy of funds to meet them. In case of shortage identified, the corresponding remedial measures will be executed. The Group continues to explore and diversify funding channels to capitalise on opportunities for the Group's business expansion. Concrete funding from the parent company, ICBC, has proven to be efficient in strengthening the Group's liquidity capability.

The liquidity position remained affluent throughout 2009 with an average liquidity ratio of 40.2% (Average for 2008: 37.0%), that was well above the statutory requirement of 25%.

In early 2009, the Group set up a new Asset and Liability Management Department to support the ALCO in the latter's implementation of liquidity risk monitoring and control. The Group has always a high vigilance for liquidity risk management, relying much more significantly on customer's deposit than on inter-bank funding, particularly in volatile times. The Group will continue to take the necessary measures commensurate with its scale and complexity of operation to strengthen its liquidity capability, including meeting various stress scenarios and any new liquidity risk requirements that will be introduced in 2010 by regulators.

The table below summarises the Group's and the Bank's assets and liabilities by maturity based on the remaining period at the end of the reporting period to the contractual maturity date.

The matching and controlled mismatching assets and liabilities are fundamental to the liquidity management of the Group. It is unusual for banks to be completely matched, as transactions often entail uncertain terms and are often of different types. While an unmatched position potentially enhances profitability, it increases the interest rate risk and the liquidity risk of an entity.

As the trading and available-for-sale portfolios may be sold before maturity or deposit from customers may mature without being withdrawn, the contractual maturity dates do not totally represent the expected timing and availability of future cash flows.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitments because the Group does not generally expect its third parties to draw funds under the agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or be terminated without being funded.

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The tables below analyse assets and liabilities of the Group and the Bank as at 31 December into relevant maturing groupings based on the remaining period at the end of reporting period date to the contractual maturity date.

Group	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
At 31 December 2009	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Cash and balances with banks and other financial institutions	6,240,723	21,134,079	—	—	—	—	535,780	27,910,582
Placements with and advances to banks and other financial institutions	—	—	903,730	759,556	—	—	—	1,663,286
Financial assets held for trading	—	—	—	19,884	19,244	7,920	143,198	190,246
Financial assets designated at fair value through profit or loss								
— other debt securities	—	—	78,433	157,551	711,467	214,698	—	1,162,149
Derivative financial instruments	61	399,829	149,750	320,904	256,211	158,551	—	1,285,306
Loans and advances to customers, banks and other financial institutions	15,629,122	6,722,168	8,189,544	25,454,036	61,072,255	29,957,457	—	147,024,582
Available-for-sale financial investments								
— equity securities	—	—	—	—	—	—	1,587,800	1,587,800
— certificates of deposit held	—	—	—	—	150,225	—	—	150,225
— other debt securities	—	302,225	3,291,607	5,473,922	19,863,398	1,686,279	6,210	30,623,641
Held-to-maturity financial investments								
— treasury bills	—	—	—	1,146,414	—	—	—	1,146,414
— other debt securities	—	—	—	84,777	—	60,318	—	145,095
Investments in associates	—	—	—	—	—	—	175,177	175,177
Goodwill and other intangible assets	—	—	—	—	—	—	1,020,893	1,020,893
Investment properties	—	—	—	—	—	—	46,213	46,213
Property, plant and equipment	—	—	—	—	—	—	273,953	273,953
Leasehold land and land use rights	—	—	—	—	—	43,117	—	43,117
Other assets	19,676	588,916	251,953	111,209	84,220	—	249,176	1,305,150
Total assets	21,889,582	29,147,217	12,865,017	33,528,253	82,157,020	32,128,340	4,038,400	215,753,829
Liabilities								
Deposits from banks and other financial institutions	1,313,038	10,879,001	6,731,190	1,253,471	—	—	—	20,176,700
Derivative financial instruments	5,164	244,176	137,561	391,698	441,575	183,658	—	1,403,832
Deposits from customers	46,811,559	55,923,263	33,875,477	23,533,175	989,730	28,357	—	161,161,561
Certificates of deposit issued	—	77,731	99,748	356,013	1,861,054	—	—	2,394,546
Debt securities in issue measured at amortised cost	—	66,529	92,997	—	—	—	—	159,526
Subordinated debts measured at amortised cost	—	—	—	—	7,010,125	1,551,000	—	8,561,125
Other liabilities, including current and deferred tax liabilities	182,704	707,880	541,684	1,971,797	94,060	—	293,817	3,791,942
Total liabilities	48,312,465	67,898,580	41,478,657	27,506,154	10,396,544	1,763,015	293,817	197,649,232
Net liquidity gap	(26,422,883)	(38,751,363)	(28,613,640)	6,022,099	71,760,476	30,365,325	3,744,583	18,104,597

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
At 31 December 2009	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Cash and balances with banks and other financial institutions	5,271,923	19,975,609	—	—	—	—	—	25,247,532
Placements with and advances to banks and other financial institutions	—	—	906,652	1,520,531	—	—	—	2,427,183
Financial assets held for trading	—	—	—	19,884	19,244	7,920	20,950	67,998
Financial assets designated at fair value through profit or loss								
— other debt securities	—	—	78,433	157,551	711,467	214,698	—	1,162,149
Derivative financial instruments	61	399,829	149,750	320,904	256,211	158,551	—	1,285,306
Loans and advances to customers, banks and other financial institutions	15,447,695	6,368,202	7,046,141	21,618,818	57,889,763	29,355,145	—	137,725,764
Available-for-sale financial investments								
— equity securities	—	—	—	—	—	—	1,587,800	1,587,800
— certificates of deposit held	—	—	—	—	150,225	—	—	150,225
— other debt securities	—	302,225	3,291,607	5,473,922	19,863,398	1,686,279	5,640	30,623,071
Held-to-maturity financial investments								
— treasury bills	—	—	—	1,146,414	—	—	—	1,146,414
— other debt securities	—	—	—	84,777	—	60,318	—	145,095
Investments in associates	—	—	—	—	—	—	138,138	138,138
Investments in subsidiaries	—	—	—	—	—	—	2,772,478	2,772,478
Goodwill and other intangible assets	—	—	—	—	—	—	630,967	630,967
Investment properties	—	—	—	—	—	—	25,500	25,500
Property, plant and equipment	—	—	—	—	—	—	180,464	180,464
Leasehold land and land use rights	—	—	—	—	—	43,117	—	43,117
Other assets	8,415	869,567	252,023	174,136	96,456	—	246,764	1,647,361
Total assets	20,728,094	27,915,432	11,724,606	30,516,937	78,986,764	31,526,028	5,608,701	207,006,562
Liabilities								
Deposits from banks and other financial institutions	1,323,435	10,413,696	5,052,300	15,510	—	—	—	16,804,941
Derivative financial instruments	5,164	244,176	137,561	391,698	441,575	183,658	—	1,403,832
Deposits from customers	46,184,497	55,655,794	33,183,194	22,139,807	786,244	28,356	—	157,977,892
Certificates of deposit issued	—	77,731	99,748	356,013	1,861,054	—	—	2,394,546
Debt securities in issue measured at amortised cost	—	66,529	92,997	—	—	—	—	159,526
Subordinated debts measured at amortised cost	—	—	—	—	7,010,125	1,551,000	—	8,561,125
Other liabilities, including current and deferred tax liabilities	181,359	987,721	530,781	675,061	51,474	—	184,679	2,611,075
Total liabilities	47,694,455	67,445,647	39,096,581	23,578,089	10,150,472	1,763,014	184,679	189,912,937
Net liquidity gap	(26,966,361)	(39,530,215)	(27,371,975)	6,938,848	68,836,292	29,763,014	5,424,022	17,093,625

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
At 31 December 2008	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Cash and balances with banks and other financial institutions	8,465,361	19,184,062	—	—	—	—	—	27,649,423
Placements with and advances to banks and other financial institutions	—	—	496,415	1,163,708	—	—	—	1,660,123
Financial assets held for trading	—	—	50	5,692	25,109	—	21,200	52,051
Financial assets designated at fair value through profit or loss								
— other debt securities	—	—	—	77,400	923,444	487,159	—	1,488,003
Derivative financial instruments	5,071	436,272	403,457	661,278	615,555	187,069	—	2,308,702
Loans and advances to customers, banks and other financial institutions	13,714,196	7,571,828	14,081,899	16,984,348	49,046,920	26,886,661	—	128,285,852
Available-for-sale financial investments								
— equity securities	—	—	—	—	—	—	1,277,921	1,277,921
— certificates of deposit held	—	—	—	—	—	7,931	—	7,931
— other debt securities	—	—	115,219	2,580,260	11,145,044	2,270,443	5,640	16,116,606
Held-to-maturity financial investments								
— treasury bills	—	—	—	1,136,282	—	—	—	1,136,282
— other debt securities	—	154,522	—	518,228	83,832	83,539	—	840,121
Investments in associates	—	—	—	—	—	—	152,646	152,646
Investments in subsidiaries	—	—	—	—	—	—	1,908,750	1,908,750
Goodwill and other intangible assets	—	—	—	—	—	—	642,109	642,109
Investment properties	—	—	—	—	—	—	25,200	25,200
Property, plant and equipment	—	—	—	—	—	—	185,878	185,878
Leasehold land and land use rights	—	—	—	—	—	43,860	—	43,860
Other assets	41,720	1,627,207	286,554	1,049,078	237,377	2,301	131,038	3,375,275
Total assets	22,226,348	28,973,891	15,383,594	24,176,274	62,077,281	29,968,963	4,350,382	187,156,733
Liabilities								
Deposits from banks and other financial institutions	851,683	5,974,849	10,174,632	—	—	—	—	17,001,164
Derivative financial instruments	252	309,961	251,479	1,589,503	819,922	353,057	—	3,324,174
Deposits from customers	25,141,505	78,960,802	20,544,329	12,978,351	1,005	10,075	—	137,636,067
Certificates of deposit issued	—	—	997,762	2,734,857	579,742	—	—	4,312,361
Subordinated debts measured at amortised cost	—	—	—	1,162,515	5,843,813	1,550,020	—	8,556,348
Other liabilities, including current and deferred tax liabilities	82,863	1,870,898	329,704	698,116	43,583	—	76,630	3,101,794
Total liabilities	26,076,303	87,116,510	32,297,906	19,163,342	7,288,065	1,913,152	76,630	173,931,908
Net liquidity gap	(3,849,955)	(58,142,619)	(16,914,312)	5,012,932	54,789,216	28,055,811	4,273,752	13,224,825

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

The tables below present the cash flows payable by the Group under non-derivative financial liabilities, derivative financial liabilities that will be settled on a net basis and derivative financial instruments that will be settled on a gross basis by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on the expected undiscounted cash inflows.

Those derivatives that will be settled on a net basis include:

- Foreign exchange derivatives: over-the-counter (“OTC”) currency options; and
- Interest rate derivatives: interest rate swaps, forward rate agreements and OTC interest rate options

Those derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forward, currency swaps; and
- Interest rate derivatives: cross currency interest rate swaps.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Group	Repayable on demand	3 months or less	3-12 months	1-5 years	Over 5 years	Total
At 31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities						
Deposits from banks and other financial institutions	1,313,039	18,345,501	571,493	—	—	20,230,033
Deposits from customers	46,608,827	90,103,686	23,774,438	1,022,925	28,357	161,538,233
Certificates of deposit issued	—	207,169	395,511	1,899,196	—	2,501,876
Debt securities in issue measured at amortised cost	—	159,526	—	—	—	159,526
Subordinated debts measured at amortised cost	—	15,498	64,795	7,286,525	1,763,900	9,130,718
Other financial liabilities	178,079	1,058,822	1,783,258	71,393	293,817	3,385,369
Total financial liabilities	<u>48,099,945</u>	<u>109,890,202</u>	<u>26,589,495</u>	<u>10,280,039</u>	<u>2,086,074</u>	<u>196,945,755</u>

Derivative cash flows

Derivative financial instruments settled on a net basis	(2,375)	19	(221,885)	(923,874)	(270,996)	(1,419,111)
Total inflow	—	552,952	3,818,804	16,606,459	6,712,951	27,691,166
Total outflow	(2,375)	(552,933)	(4,040,689)	(17,530,333)	(6,983,947)	(29,110,277)
Derivative financial instruments settled on a gross basis						
Total inflow	<u>229,834</u>	<u>32,869,801</u>	<u>51,286,554</u>	<u>3,112,984</u>	<u>—</u>	<u>87,499,173</u>
Total outflow	<u>(234,937)</u>	<u>(32,710,957)</u>	<u>(51,351,749)</u>	<u>(3,128,392)</u>	<u>—</u>	<u>(87,426,035)</u>

Off-balance sheet items

Group	No later than 1 year	1-5 years	Over 5 years	Total
At 31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan commitments	71,985,549	19,871,892	—	91,857,441
Guarantees, acceptances and other financial facilities	11,085,237	—	—	11,085,237
Forward forward deposits placed	814,703	—	—	814,703
Total	<u>83,885,489</u>	<u>19,871,892</u>	<u>—</u>	<u>103,757,381</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Group	Repayable on demand	3 months or less	3-12 months	1-5 years	Over 5 years	Total
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities						
Deposits from banks and other financial institutions	840,528	18,543,148	841,210	4,408	—	20,229,294
Deposits from customers	25,341,896	102,172,660	11,341,091	41,954	10,075	138,907,676
Certificates of deposit issued	1,880	1,028,719	2,824,376	606,486	—	4,461,461
Debt securities in issue designated at fair value through profit or loss	—	105,637	3,206,075	—	—	3,311,712
Subordinated debts measured at amortised cost	—	63,704	1,394,744	6,931,521	2,526,031	10,916,000
Other financial liabilities	108,560	1,416,345	453,779	81,368	65,326	2,125,378
Total financial liabilities	<u>26,292,864</u>	<u>123,330,213</u>	<u>20,061,275</u>	<u>7,665,737</u>	<u>2,601,432</u>	<u>179,951,521</u>

Derivative cash flows

Derivative financial instruments settled on a net basis	(4,626)	4,050	21,689	(151,214)	(21,202)	(151,303)
Total inflow	26,193	1,201,782	8,023,139	15,579,501	6,795,710	31,626,325
Total outflow	(30,819)	(1,197,732)	(8,001,450)	(15,730,715)	(6,816,912)	(31,777,628)
Derivative financial instruments settled on a gross basis						
Total inflow	<u>63,533</u>	<u>46,041,388</u>	<u>44,670,723</u>	<u>4,606,561</u>	<u>—</u>	<u>95,382,205</u>
Total outflow	<u>(58,714)</u>	<u>(45,777,898)</u>	<u>(45,610,624)</u>	<u>(4,608,657)</u>	<u>—</u>	<u>(96,055,893)</u>

Off-balance sheet items

Group	No later than 1 year	1-5 years	Over 5 years	Total
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan commitments	58,714,921	10,697,995	—	69,412,916
Guarantees, acceptances and other financial facilities	17,994,335	—	—	17,994,335
Forward forward deposits placed	<u>2,310,099</u>	<u>—</u>	<u>—</u>	<u>2,310,099</u>
Total	<u>79,019,355</u>	<u>10,697,995</u>	<u>—</u>	<u>89,717,350</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Repayable on demand	3 months or less	3-12 months	1-5 years	Over 5 years	Total
At 31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities						
Deposits from banks and other financial institutions	1,323,435	15,484,883	15,606	—	—	16,823,924
Deposits from customers	46,185,563	88,933,528	22,325,744	796,350	28,356	158,269,541
Certificates of deposit issued	—	207,169	395,511	1,899,196	—	2,501,876
Debt securities in issue measured at amortised cost	—	159,526	—	—	—	159,526
Subordinated debts measured at amortised cost	—	15,498	64,795	7,286,525	1,763,900	9,130,718
Other financial liabilities	<u>177,917</u>	<u>1,339,251</u>	<u>507,208</u>	<u>35,886</u>	<u>184,679</u>	<u>2,244,941</u>
Total financial liabilities	<u><u>47,686,915</u></u>	<u><u>106,139,855</u></u>	<u><u>23,308,864</u></u>	<u><u>10,017,957</u></u>	<u><u>1,976,935</u></u>	<u><u>189,130,526</u></u>
Derivative cash flows						
Derivative financial instruments settled on a net basis	(2,375)	19	(221,885)	(923,874)	(270,996)	(1,419,111)
Total inflow	—	552,952	3,818,804	16,606,459	6,712,951	27,691,166
Total outflow	(2,375)	(552,933)	(4,040,689)	(17,530,333)	(6,983,947)	(29,110,277)
Derivative financial instruments settled on a gross basis						
Total inflow	<u>229,834</u>	<u>32,869,801</u>	<u>51,286,554</u>	<u>3,112,984</u>	<u>—</u>	<u>87,499,173</u>
Total outflow	<u>(234,937)</u>	<u>(32,710,957)</u>	<u>(51,351,749)</u>	<u>(3,128,392)</u>	<u>—</u>	<u>(87,426,035)</u>

Off-balance sheet items

Bank	No later than 1 year	1-5 years	Over 5 years	Total
At 31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan commitments	71,939,852	19,497,830	—	91,437,682
Guarantees, acceptances and other financial facilities	6,377,074	—	—	6,377,074
Forward forward deposits placed	<u>814,703</u>	<u>—</u>	<u>—</u>	<u>814,703</u>
Total	<u><u>79,131,629</u></u>	<u><u>19,497,830</u></u>	<u><u>—</u></u>	<u><u>98,629,459</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Repayable on demand	3 months or less	3-12 months	1-5 years	Over 5 years	Total
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities						
Deposits from banks and other financial institutions	851,851	16,217,433	—	—	—	17,069,284
Deposits from customers	25,150,135	99,835,424	13,324,070	1,043	10,075	138,320,747
Certificates of deposit issued	1,880	1,028,719	2,824,376	606,486	—	4,461,461
Subordinated debts measured at amortised cost	—	63,704	1,394,744	6,931,521	2,526,031	10,916,000
Other financial liabilities	42,144	1,682,869	460,043	35,482	76,630	2,297,168
Total financial liabilities	<u>26,046,010</u>	<u>118,828,149</u>	<u>18,003,233</u>	<u>7,574,532</u>	<u>2,612,736</u>	<u>173,064,660</u>
Derivative cash flows						
Derivative financial instruments settled on a net basis	(4,626)	(7,207)	11,306	(151,214)	(21,202)	(172,943)
Total inflow	26,193	1,211,387	11,069,624	15,579,501	6,795,710	34,682,415
Total outflow	(30,819)	(1,218,594)	(11,058,318)	(15,730,715)	(6,816,912)	(34,855,358)
Derivative financial instruments settled on a gross basis						
Total inflow	<u>63,533</u>	<u>46,041,388</u>	<u>44,670,723</u>	<u>4,606,561</u>	<u>—</u>	<u>95,382,205</u>
Total outflow	<u>(58,714)</u>	<u>(45,777,898)</u>	<u>(45,610,624)</u>	<u>(4,608,657)</u>	<u>—</u>	<u>(96,055,893)</u>

Off-balance sheet items

Bank	No later than 1 year	1-5 years	Over 5 years	Total
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan commitments	58,616,668	10,598,459	—	69,215,127
Guarantees, acceptances and other financial facilities	5,752,305	—	—	5,752,305
Forward forward deposits placed	<u>2,310,099</u>	<u>—</u>	<u>—</u>	<u>2,310,099</u>
Total	<u>66,679,072</u>	<u>10,598,459</u>	<u>—</u>	<u>77,277,531</u>

4.5 Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to optimise the interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins generally by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity in the process to meet all claims that might fall due.

The Group also seeks to raise its interest margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but also guarantees and other commitments such as letters of credit and performance and other bonds.

The Group also trades in financial instruments by taking positions in OTC instruments to take advantage of short-term market movements in currencies, interest rates and securities prices. The Management places trading limits on the level of exposure for trading products.

(a) *Fair value hedges*

The Group hedges part of the existing Hong Kong dollar and foreign currency interest rate risk in its fixed rate assets by means of interest rate and cross-currency interest rate swaps. The net fair value of these swaps as at 31 December 2009 was HK\$136 million negative (2008: HK\$271 million negative).

(b) *Cash flow hedges*

The Group uses cross-currency swaps to protect against exposures to variability in future cash flows on non-trading assets which bear interest at variable rates. There was no cross-currency swap as at 31 December 2009 (2008: HK\$37 million negative).

4.6 Fair values of financial assets and liabilities

Financial instruments measured at fair value using a valuation technique

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on observable market conditions existing at the end of each reporting period. Market quotes are used for debt securities and structured derivatives. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the end of the reporting period.

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Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a “Day 1” profit) in “Net trading income”. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Determination of fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

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The following table shows an analysis of financial instruments measured at fair value by level of the fair value hierarchy:

Group	Level 1	Level 2	Level 3	Total
31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	—	694,470	—	694,470
Currency swaps	—	13,084	—	13,084
FX options	—	33,645	—	33,645
Interest rate swaps	—	326,018	55,681	381,699
Interest rate options	—	4,657	—	4,657
Equity options	—	157,751	—	157,751
	<u>—</u>	<u>1,229,625</u>	<u>55,681</u>	<u>1,285,306</u>
Financial assets held for trading				
Debt securities	46,883	165	—	47,048
Fund investment	122,248	—	—	122,248
Equities	20,950	—	—	20,950
	<u>190,081</u>	<u>165</u>	<u>—</u>	<u>190,246</u>
Financial assets designated at fair value through profit or loss				
Debt securities	598,890	563,259	—	1,162,149
	<u>598,890</u>	<u>563,259</u>	<u>—</u>	<u>1,162,149</u>
Available-for-sale financial investments				
Debt securities	22,697,961	8,067,735	1,960	30,767,656
Equities	1,501,944	—	—	1,501,944
	<u>24,199,905</u>	<u>8,067,735</u>	<u>1,960</u>	<u>32,269,600</u>
Total financial assets	<u>24,988,876</u>	<u>9,860,784</u>	<u>57,641</u>	<u>34,907,301</u>

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Group	Level 1	Level 2	Level 3	Total
31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	—	608,472	—	608,472
Currency swaps	—	23,720	—	23,720
FX options	—	34,179	—	34,179
Interest rate swaps	—	519,372	55,681	575,053
Interest rate options	—	4,657	—	4,657
Equity options	—	157,751	—	157,751
	<u>—</u>	<u>1,348,151</u>	<u>55,681</u>	<u>1,403,832</u>
Financial liabilities designated at fair value through profit or loss				
Certificates of deposit issued	<u>—</u>	<u>1,419,077</u>	<u>—</u>	<u>1,419,077</u>
	<u>—</u>	<u>1,419,077</u>	<u>—</u>	<u>1,419,077</u>
Total financial liabilities	<u>—</u>	<u>2,767,228</u>	<u>55,681</u>	<u>2,822,909</u>

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Bank	Level 1	Level 2	Level 3	Total
31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	—	694,470	—	694,470
Currency swaps	—	13,084	—	13,084
FX options	—	33,645	—	33,645
Interest rate swaps	—	326,018	55,681	381,699
Interest rate options	—	4,657	—	4,657
Equity options	—	157,751	—	157,751
	<u>—</u>	<u>1,229,625</u>	<u>55,681</u>	<u>1,285,306</u>
Financial assets held for trading				
Debt securities	46,883	165	—	47,048
Equities	20,950	—	—	20,950
	<u>67,833</u>	<u>165</u>	<u>—</u>	<u>67,998</u>
Financial assets designated at fair value through profit or loss				
Debt securities	598,890	563,259	—	1,162,149
	<u>598,890</u>	<u>563,259</u>	<u>—</u>	<u>1,162,149</u>
Available-for-sale financial investments				
Debt securities	22,697,961	8,067,735	1,960	30,767,656
Equities	1,501,944	—	—	1,501,944
	<u>24,199,905</u>	<u>8,067,735</u>	<u>1,960</u>	<u>32,269,600</u>
Total financial assets	<u>24,866,628</u>	<u>9,860,784</u>	<u>57,641</u>	<u>34,785,053</u>

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Bank	Level 1	Level 2	Level 3	Total
31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	—	608,472	—	608,472
Currency swaps	—	23,720	—	23,720
FX options	—	34,179	—	34,179
Interest rate swaps	—	519,372	55,681	575,053
Interest rate options	—	4,657	—	4,657
Equity options	—	157,751	—	157,751
	<u>—</u>	<u>1,348,151</u>	<u>55,681</u>	<u>1,403,832</u>
Financial liabilities designated at fair value through profit or loss				
Certificates of deposit issued	<u>—</u>	<u>1,419,077</u>	<u>—</u>	<u>1,419,077</u>
	<u>—</u>	<u>1,419,077</u>	<u>—</u>	<u>1,419,077</u>
Total financial liabilities	<u>—</u>	<u>2,767,228</u>	<u>55,681</u>	<u>2,822,909</u>

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Movements in the fair value measurements in Level 3 during the year are as follows:

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2009 <i>HK\$'000</i>	Total gains/(losses) recorded in the income statement <i>HK\$'000</i>	Total gains recorded in other comprehensive income <i>HK\$'000</i>	At 31 December 2009 <i>HK\$'000</i>
Financial assets				
Derivative financial instruments				
Interest rate swaps	<u>47,202</u>	<u>8,479</u>	<u>—</u>	<u>55,681</u>
	<u>47,202</u>	<u>8,479^(a)</u>	<u>—</u>	<u>55,681</u>
Available-for-sale financial investments				
Debt securities	<u>13,247</u>	<u>(12,572)</u>	<u>1,285</u>	<u>1,960</u>
	<u>13,247</u>	<u>(12,572)^(b)</u>	<u>1,285</u>	<u>1,960</u>
Total Level 3 financial assets	<u>60,449</u>	<u>(4,093)</u>	<u>1,285</u>	<u>57,641</u>
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	<u>(47,202)</u>	<u>(8,479)</u>	<u>—</u>	<u>(55,681)</u>
Total Level 3 financial liabilities	<u>(47,202)</u>	<u>(8,479)^(a)</u>	<u>—</u>	<u>(55,681)</u>
Total net Level 3 financial assets/(liabilities)	<u>13,247</u>	<u>(12,572)</u>	<u>1,285</u>	<u>1,960</u>

(a) Included in "Net trading income"

(b) Included in "Impairment losses on available-for-sale financial investments"

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Losses on Level 3 financial instruments included in the income statement for the year comprise:

2009	Unrealised losses <i>HK\$'000</i>	Unrealised gain <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total losses included in the income statement for the year	<u>(12,572)</u>	<u>—</u>	<u>(12,572)</u>

During the year ended 31 December 2009, there was no transfer of fair value measurements between Level 1 and 2 and no transfers into or out of Level 3.

Financial instruments not measured at fair value

The fair values of financial assets and liabilities are estimated as follows:

(a) *Balances and placements with banks and other financial institutions*

The fair values of floating rate placements and overnight deposits are their carrying amounts. The estimated fair value of fixed interest-bearing deposits, all of which are less than one year, is based on the discounted cash flows using prevailing money-market interest rates and the remaining maturity. Therefore, the fair value is approximately equal to its carrying value.

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

Loans and advances to customers, banks and other financial institutions are net of allowances for impairment. All items, except a very insignificant portion of loans and advances to customers, bear interest at a floating rate. The Group has assessed the fair values of loans and advances to customers, banks and other financial institutions, after taking into account the relevant market interest rates and noted that the total fair value is not materially different from the total carrying value.

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(c) *Held-to-maturity financial investments*

The fair value of held-to-maturity debt securities is determined with reference to the available market value. If quoted market prices are not available, then the fair value is estimated on the basis of pricing models.

Group and Bank	Carrying value		Fair value	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Held-to-maturity financial investments	<u>1,291,509</u>	<u>1,976,403</u>	<u>1,290,189</u>	<u>1,961,113</u>

(d) *Deposits and balances from customers, banks and other financial institutions.*

The estimated fair value of deposits and balances with no stated maturity is the amount repayable on demand. The fair value of those balances having an interest at a floating rate is their carrying value.

The estimated fair value of the fixed interest-bearing deposits of banks and deposits from customers without quoted market prices is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As their maturity is normally less than one year from the end of the reporting period, their fair values are approximately equal to their carrying values.

(e) *Certificates of deposit issued and subordinated debts*

The Group has assessed the fair value of certificates of deposit after taking into account the relevant yield curve and noted that the total fair value is not materially different from the total carrying value.

(f) *Other assets and other liabilities*

The estimated fair value of the other assets and other liabilities, which are normally non-interest-bearing, is their carrying value.

4.7 Capital management

The Group's objective for managing capital is to allocate capital in an efficient and risk-based approach to optimise risk adjusted return to the shareholders. The Group periodically reviews its capital structure and maintains a strong capital base to support the development of its business.

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The Group manages its capital to execute its strategic business plans and support its growth and investments in an efficient way. The Group's core capital ratio and capital adequacy ratio were 9.0% and 14.9% respectively as at 31 December 2009. The Group adjusts its business and lending strategy from time to time to optimise its risk-return profile. A capital planning and allocation policy is in place to ensure compliance with Basel II Pillar II and the related HKMA requirements, engineered by the Asset and Liability Management Department.

The HKMA requires the Bank to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at the minimum of 8% plus a capital cushion. Certain subsidiaries of the Group are also subject to statutory capital requirements from other regulatory authorities, such as the Hong Kong Securities and Futures Commission. Capital adequacy and the use of regulatory capital are closely monitored by the Management, employing techniques based on the Capital Rules. The required information is filed with the HKMA on a quarterly basis. The disclosure of capital adequacy and capital base are shown in Note 1 of the Supplementary Financial Information.

The following exhibits the Bank's Basel II Pillar I Regulatory Capital Adequacy Ratio ("CAR") on a consolidated basis. The Group will perform capital planning and allocation in due course to fulfill Basel II Pillar II standards. During the two years ended 31 December 2009 and 2008, the Group complied with all of the capital requirements externally imposed by the HKMA.

	2009	2008
Capital adequacy ratio	<u>14.9%</u>	<u>13.6%</u>

4.8 Operational risk management

Operational risk is the risk of unexpected financial losses resulting from inadequate or failed internal processes, people, systems and from external events. It is inherent to every business organisation and covers a wide spectrum of issues. Enhanced efforts in identifying and understanding the underlying operational risks in process are taken. This is part of the job of the Risk Management Department. Its capability for handling operational risk management is enhanced. An Operational Risk Committee is in place in forging ahead with the initiatives. Such operational risk is further mitigated through the implementation of key risk assessment, key risk indicators, comprehensive internal control systems, adequate insurance cover, offshore computer back-up sites and contingency plans with periodic drills. The Group's Internal Audit Department also plays an important role in detecting any deviations from operating procedures and identifying weaknesses at all operating levels independently and objectively. The Group will keep on pursuing active and proactive operational risk management practice in accordance with the relevant Basel II and HKMA guidelines and principles. In the wake of the financial tsunami that began in the last quarter of 2008, the Group has adopted incremental presumptive measures to detect and prevent fraud.

4.9 Legal and compliance risk management

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

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

5 SEGMENT REPORTING

(a) Class of business

Following an internal restructuring during 2009, the business of the Group has been organised into seven major 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 comprises corporate banking, the provision of 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.

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	Corporate and investment banking	Commercial banking	Retail banking	Global markets and trading	Institutional banking	Chinese Mercantile Bank	Unallocated	Total
2009	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net interest income/(expense)	826,679	948,050	575,871	414,889	112,587	269,041	(137,921)	3,009,196
Fee and commission income	134,506	241,854	302,591	1,610	67,037	49,406	17,425	814,429
Fee and commission expense	(15,497)	(10,970)	(50,188)	—	(1,004)	(2,640)	(7,096)	(87,395)
Net fee and commission income	119,009	230,884	252,403	1,610	66,033	46,766	10,329	727,034
Net trading income/(expense)	747	41,920	18,894	187,604	1,365	(496)	(35,696)	214,338
Net gain on financial assets and liabilities designated at fair value through profit or loss	—	—	—	110,097	—	—	83,118	193,215
Dividend income from financial investments	597	—	40	—	—	—	5,839	6,476
Other operating income	352	3,374	13,992	180	31	10,758	11,235	39,922
Operating income/(expense)	947,384	1,224,228	861,200	714,380	180,016	326,069	(63,096)	4,190,181
Operating expenses	(62,323)	(285,877)	(623,777)	(98,579)	(15,909)	(73,299)	(198,575)	(1,358,339)
Operating profit/(loss) before impairment losses	885,061	938,351	237,423	615,801	164,107	252,770	(261,671)	2,831,842
(Charge for)/write-back of impairment losses on loans and advances	(110,567)	(152,355)	(3,779)	473	(5,868)	(141,011)	27,571	(385,536)
Write-back of impairment losses on held-to-maturity financial investments	—	—	—	2,145	—	—	—	2,145
Charge for impairment losses on available-for-sale financial investments	—	—	—	(43,676)	—	—	(151,382)	(195,058)
Operating profit/(loss) after impairment losses	774,494	785,996	233,644	574,743	158,239	111,759	(385,482)	2,253,393
Revaluation gain on investment properties	—	—	—	—	—	5,787	300	6,087
Net (loss)/gain from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights	(6)	1	(438)	(22)	—	(12)	4,327	3,850
Gain on disposal of subsidiaries and an associate	—	—	—	—	—	—	1,328	1,328
Net (loss)/gain on disposal of available-for-sale financial investments	—	—	—	(51,829)	—	—	834,129	782,300
Operating profit	774,488	785,997	233,206	522,892	158,239	117,534	454,602	3,046,958
Share of profits of associates	—	—	—	—	—	—	23,243	23,243
Profit before tax	<u>774,488</u>	<u>785,997</u>	<u>233,206</u>	<u>522,892</u>	<u>158,239</u>	<u>117,534</u>	<u>477,845</u>	<u>3,070,201</u>
Segment assets	45,757,943	51,775,753	28,448,567	59,620,247	12,546,559	12,805,062	708,626	211,662,757
Investments in associates	—	—	—	—	—	—	3,915,895	3,915,895
Unallocated assets	—	—	—	—	—	—	175,177	175,177
Total assets	<u>45,757,943</u>	<u>51,775,753</u>	<u>28,448,567</u>	<u>59,620,247</u>	<u>12,546,559</u>	<u>12,805,062</u>	<u>4,799,698</u>	<u>215,753,829</u>
Segment liabilities	51,006,908	47,579,809	50,110,770	17,414,802	8,634,626	9,119,425	853,476	184,719,816
Unallocated liabilities	—	—	—	—	—	—	12,929,416	12,929,416
Total liabilities	<u>51,006,908</u>	<u>47,579,809</u>	<u>50,110,770</u>	<u>17,414,802</u>	<u>8,634,626</u>	<u>9,119,425</u>	<u>13,782,892</u>	<u>197,649,232</u>
Capital expenditure	28	169	16,382	762	65	667	19,574	37,647
Depreciation and amortisation charges	602	2,364	24,437	1,399	156	12,183	24,481	65,622

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	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
2008								
Net interest income/(expense)	443,610	813,727	526,553	624,614	284,668	306,812	(1,681)	2,998,303
Fee and commission income/(expense)	246,743	212,091	262,365	(787)	26,112	32,582	(22,838)	756,268
Fee and commission expense	(24,048)	(21,149)	(38,835)	—	(621)	(712)	(7,801)	(93,166)
Net fee and commission income/(expense)	222,695	190,942	223,530	(787)	25,491	31,870	(30,639)	663,102
Net trading income/(expense)	6,373	43,630	17,081	182,852	196	(17,264)	40,573	273,441
Net loss on financial assets and liabilities designated at fair value through profit or loss	—	—	—	(163,855)	—	—	(66,785)	(230,640)
Dividend income from financial investments	943	—	22	—	—	—	13,894	14,859
Other operating (loss)/income	(1)	7,650	13,147	629	—	3,070	8,751	33,246
Inter segment (expense)/income	—	—	(830)	—	—	—	830	—
Operating income/(expense)	673,620	1,055,949	779,503	643,453	310,355	324,488	(35,057)	3,752,311
Operating expenses	(71,106)	(299,020)	(557,787)	(97,089)	(12,325)	(78,981)	(135,811)	(1,252,119)
Operating profit/(loss) before impairment losses	602,514	756,929	221,716	546,364	298,030	245,507	(170,868)	2,500,192
(Charge for)/write-back of impairment losses on loans and advances	(101,821)	(242,754)	(34,921)	(190)	(4,984)	(30,774)	6,815	(408,629)
Write-back of impairment losses on held-to-maturity financial investments	—	—	—	156	—	—	—	156
Charge for impairment losses on available-for-sale financial investments	—	—	—	(721,390)	—	—	(81,490)	(802,880)
Operating profit/(loss) after impairment losses	500,693	514,175	186,795	(175,060)	293,046	214,733	(245,543)	1,288,839
Revaluation gain/(loss) on investment properties	—	—	—	—	—	302	(800)	(498)
Net gain/(loss) from disposal/reversal of revaluation deficits of property, plant and equipment and leasehold land and land use rights	—	5	(1,107)	(1)	—	—	6,616	5,513
Loss on disposal of loans and advances	(3,493)	(11,075)	(3,600)	—	(252)	—	(10,290)	(28,710)
Net gain/(loss) on disposal of available-for-sale financial investments	—	—	6,560	(214,201)	—	—	5,679	(201,962)
Operating profit/(loss)	497,200	503,105	188,648	(389,262)	292,794	215,035	(244,338)	1,063,182
Share of profits of associates	—	—	—	—	—	—	655	655
Profit/(loss) before tax	497,200	503,105	188,648	(389,262)	292,794	215,035	(243,683)	1,063,837
Segment assets	42,056,048	43,470,331	26,687,406	49,534,105	18,044,877	10,397,781	249,236	190,439,784
Investments in associates	—	—	—	—	—	—	184,854	184,854
Unallocated assets	—	—	—	—	—	—	3,939,471	3,939,471
Total assets	42,056,048	43,470,331	26,687,406	49,534,105	18,044,877	10,397,781	4,373,561	194,564,109
Segment liabilities	39,174,235	36,905,248	51,232,047	19,564,555	9,495,181	7,705,671	355,348	164,432,285
Unallocated liabilities	—	—	—	—	—	—	16,194,046	16,194,046
Total liabilities	39,174,235	36,905,248	51,232,047	19,564,555	9,495,181	7,705,671	16,549,394	180,626,331
Capital expenditure	100	1,094	42,909	230	76	8,708	20,168	73,285
Depreciation and amortisation charges	545	2,092	25,422	1,985	126	11,850	53,154	95,174

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

(b) **Geographical area**

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

	Hong Kong	Asia Pacific (excluding Hong Kong)	Europe	Total
2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating income	3,861,083	326,069	3,029	4,190,181
Profit before tax	2,950,575	117,533	2,093	3,070,201
Total assets	202,522,159	12,816,014	415,656	215,753,829
Total liabilities	187,026,401	10,613,554	9,277	197,649,232
Contingent liabilities and commitments	<u>98,629,459</u>	<u>5,127,922</u>	<u>—</u>	<u>103,757,381</u>
Capital expenditure during the year	<u>36,980</u>	<u>667</u>	<u>—</u>	<u>37,647</u>

	Hong Kong	Asia Pacific (excluding Hong Kong)	Europe	Total
2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating income/(expense)	3,437,069	324,489	(9,247)	3,752,311
Profit/(loss) before tax	867,849	215,036	(19,048)	1,063,837
Total assets	183,756,501	10,397,781	409,827	194,564,109
Total liabilities	172,915,166	7,705,671	5,494	180,626,331
Contingent liabilities and commitments	<u>77,277,530</u>	<u>12,439,819</u>	<u>—</u>	<u>89,717,349</u>
Capital expenditure during the year	<u>64,577</u>	<u>8,708</u>	<u>—</u>	<u>73,285</u>

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2009 or 2008.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

6 NET INTEREST INCOME

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>24,510</u>	<u>79,279</u>
	4,408,943	7,666,019
Financial assets held for trading	1,809	458
Financial assets designated at fair value through profit or loss	<u>68,316</u>	<u>87,380</u>
	<u>4,479,068</u>	<u>7,753,857</u>
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	<u>90,354</u>	<u>9,617</u>
	1,305,582	4,474,411
Financial liabilities designated at fair value through profit or loss	<u>164,290</u>	<u>281,143</u>
	<u>1,469,872</u>	<u>4,755,554</u>
Net interest income	<u><u>3,009,196</u></u>	<u><u>2,998,303</u></u>

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).

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

7 NET FEE AND COMMISSION INCOME

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans, overdrafts and guarantees	261,870	296,175
Securities and brokerage	199,579	128,822
Trade finance	161,612	151,423
Credit card	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	<u>37,046</u>	<u>47,991</u>
Fee and commission income	814,429	756,268
Fee and commission expense	<u>(87,395)</u>	<u>(93,166)</u>
Net fee and commission income	<u>727,034</u>	<u>663,102</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>423,482</u>	<u>447,598</u>
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	<u>14,041</u>	<u>10,405</u>
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Of which:		
Fee and commission income by product line constitutes not less than 10% of the total amount of fee and commission income, as follows:		
— securities and brokerage	199,579	128,822
— syndicated loan	<u>200,128</u>	<u>173,755</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

8 NET TRADING INCOME

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>118,009</u>	<u>361,928</u>
	220,930	301,592
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	<u>147,231</u>	<u>(232,635)</u>
	<u>(6,592)</u>	<u>(28,151)</u>
Total net trading income	<u><u>214,338</u></u>	<u><u>273,441</u></u>

Included in the total net trading income is the gain on financial liabilities measured at amortised cost of HK\$2,884 (2008: HK\$501,762).

9 NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

10 DIVIDEND INCOME FROM FINANCIAL INVESTMENTS

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>3,806</u>	<u>3,979</u>
Total dividend income from financial investments	<u><u>6,476</u></u>	<u><u>14,859</u></u>

11 OTHER OPERATING INCOME

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>30,388</u>	<u>23,410</u>
Total other operating income	<u><u>39,922</u></u>	<u><u>33,246</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

12 OPERATING EXPENSES

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

13 RETIREMENT BENEFIT COSTS

The retirement benefit cost charged to the income statement represents contributions payable by the Group to the ORSO Scheme and the MPF Scheme (the "Schemes").

Under the Schemes, the Group's contributions are reduced by contributions forfeited by those employees who leave the Schemes prior to the contributions vesting fully. Forfeited contributions totalling HK\$2,290,000 (2008: HK\$1,450,000) were utilised during the year leaving HK\$232,000 (2008: HK\$152,000) available at the year-end to reduce future contributions.

No contributions were payable to the Schemes at the year end (2008: Nil). The assets of the Schemes are held separately from those of the Group in independently administered funds.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

14 CHARGE FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charge for impairment losses on loans and advances		
Individually assessed		
— New allowances	414,003	272,908
— Releases	(59,113)	(21,655)
— Recoveries (Note 26)	<u>(43,532)</u>	<u>(11,594)</u>
Net charge for impairment losses on individually assessed loans and advances (Note 26)	<u>311,358</u>	<u>239,659</u>
Collectively assessed		
— New allowances	77,800	168,970
— Releases	<u>(3,622)</u>	<u>—</u>
Net charge for impairment losses on collectively assessed loans and advances (Note 26)	<u>74,178</u>	<u>168,970</u>
Net charge to the income statement	<u>385,536</u>	<u>408,629</u>

15 NET GAIN FROM DISPOSAL/REVERSAL OF REVALUATION DEFICITS OF PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND AND LAND USE RIGHTS

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gain on disposal of property, plant and equipment	3,840	5,503
Write-back of reversal of revaluation deficits of bank premises	<u>10</u>	<u>10</u>
	<u>3,850</u>	<u>5,513</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

16 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable for overseas branches and subsidiaries have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — provision for Hong Kong Profits Tax for the year	490,729	159,332
— provision for overseas tax for the year	50,156	49,315
Under/(over) provision in respect of prior years	1,394	(83,299)
Deferred taxation		
Origination and reversal of temporary differences	1,780	(29,960)
Effect of change in tax rate	<u>—</u>	<u>(574)</u>
	<u>544,059</u>	<u>94,814</u>

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	3,070,201	1,063,837
Calculated at a tax rate of 16.5% (2008: 16.5%)	506,583	175,534
Effect of different tax rates in other countries	30,488	3,033
Effect of change of tax rate	—	(574)
Income not subject to tax	(38,283)	(43,771)
Expenses not deductible for tax purposes	55,288	43,999
Adjustments in respect of current tax of previous years	1,346	(83,299)
Tax credit claimed	(10,412)	—
Share of tax of an associate	(3,835)	(108)
Taxation of partnership	(2,923)	—
Others	<u>5,807</u>	<u>—</u>
Tax charge	<u>544,059</u>	<u>94,814</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

17 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2009 is set out below:

Name of director	Salaries and		Discretionary bonuses	Contribution	Total
	Fees	allowances		to the Schemes (as defined in Note 13)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Jiang Jianqing	190	—	—	—	190
Ms. Wang Lili	140	—	—	—	140
Mr. Chen Aiping	—	3,166	2,000	217	5,383
Mr. Wong Yuen Fai	—	4,397	1,100	332	5,829
Mr. Zhang Yi	—	2,419	1,800	159	4,378
Mr. Hu Hao	90	—	—	—	90
Prof. Wong Yue Chim, Richard, S.B.S., J.P.***	260	—	—	—	260
Mr. Tsui Yiu Wa, Alec***	270	—	—	—	270
Mr. Yuen Kam Ho, George***	270	—	—	—	270
	<u>1,220</u>	<u>9,982</u>	<u>4,900</u>	<u>708</u>	<u>16,810</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

The remuneration of every director for the year ended 31 December 2008 is set out below:

Name of director	Salaries and		Discretionary bonuses	Contribution	Total
	Fees	allowances		to the Schemes (as defined in Note 13)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Jiang Jianqing	190	—	—	—	190
Ms. Wang Lili	140	—	—	—	140
Mr. Zhu Qi*	—	1,387	—	128	1,515
Mr. Chen Aiping	50	1,041	—	61	1,152
Mr. Wong Yuen Fai	—	4,375	300	330	5,005
Mr. Zhang Yi	—	1,724	500	159	2,383
Mr. Hu Hao	15	—	—	—	15
Mr. Damis Jacobus Ziengs**	—	—	—	—	—
Prof. Wong Yue Chim, Richard, S.B.S., J.P.***	250	—	—	—	250
Mr. Tsui Yiu Wa, Alec***	250	—	—	—	250
Mr. Yuen Kam Ho, George***	250	—	—	—	250
	<u>1,145</u>	<u>8,527</u>	<u>800</u>	<u>678</u>	<u>11,150</u>

* Resigned on 22 July 2008

** Resigned on 24 January 2008

*** Independent Non-executive directors

There was no arrangement under which any director waived or agreed to waive any remuneration during the year.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include three directors (2008: three) whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining two (2008: two) individuals during the year are as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	4,750	4,724
Bonuses	2,824	632
Contributions to the Schemes	<u>526</u>	<u>523</u>
	<u><u>8,100</u></u>	<u><u>5,879</u></u>

The emoluments fall within the following bands:

Emolument bands	2009	2008
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	—	—
HK\$3,000,001 to HK\$3,500,000	1	—
HK\$3,500,001 to HK\$4,000,000	—	1
HK\$4,000,001 to HK\$4,500,000	—	—
HK\$4,500,001 to HK\$5,000,000	<u>1</u>	<u>—</u>
	<u><u>2</u></u>	<u><u>2</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

18 DIVIDENDS

(a) Dividends attributable to the year

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>751,454</u>	<u>231,348</u>
	<u><u>1,115,241</u></u>	<u><u>596,305</u></u>

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>—</u>	<u>781,708</u>

At a meeting held on 24 March 2010, the Board of Directors proposed a final dividend of HK\$0.57 per ordinary share. 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. This proposed dividend is subject to the approval of the Bank's shareholders and was not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2009.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

19 EARNINGS PER SHARE

The basic earnings per share amount is calculated by dividing the profit for the year attributable to equity holders of the Group 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	<u>HK\$1.95</u>	<u>HK\$0.77</u>

No adjustments have been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as per share amount presented.

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

20 ACCOUNTING CLASSIFICATIONS

Group	Trading	Designated Hedging at fair value	Available- for-sale	Held-to- maturity	Loans and receivables	Other amortised cost	Total	
At 31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Assets								
Cash and balances with banks and other financial institutions	—	—	—	—	—	—	27,910,582	27,910,582
Placements with and advances to banks and other financial institutions	—	—	—	—	—	1,663,286	—	1,663,286
Derivative financial instruments	1,235,654	49,652	—	—	—	—	—	1,285,306
Loans and advances to customers, banks and other financial institutions	—	—	—	—	—	147,024,582	—	147,024,582
Investment securities	190,246	—	1,162,149	32,361,666	1,291,509	—	—	35,005,570
Total financial assets	<u>1,425,900</u>	<u>49,652</u>	<u>1,162,149</u>	<u>32,361,666</u>	<u>1,291,509</u>	<u>148,687,868</u>	<u>27,910,582</u>	212,889,326
Non-financial assets								<u>2,864,503</u>
Total assets								<u><u>215,753,829</u></u>
Liabilities								
Deposits from banks and other financial institutions	—	—	—	—	—	—	20,176,700	20,176,700
Derivative financial instruments	1,218,304	185,528	—	—	—	—	—	1,403,832
Deposits from customers	—	—	—	—	—	—	161,161,561	161,161,561
Certificates of deposit issued and debt securities in issue	—	—	1,419,077	—	—	—	1,134,995	2,554,072
Subordinated debts measured at amortised cost	—	—	—	—	—	—	8,561,125	8,561,125
Total financial liabilities	<u>1,218,304</u>	<u>185,528</u>	<u>1,419,077</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>191,034,381</u>	193,857,290
Non-financial liabilities								<u>3,791,942</u>
Total liabilities								<u><u>197,649,232</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Group	Trading	Designated Hedging at fair value	Available- for-sale	Held-to- maturity	Loans and receivables	Other amortised cost	Total	
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Assets								
Cash and balances with banks and other financial institutions	—	—	—	—	—	—	28,678,778	28,678,778
Placements with and advances to banks and other financial institutions	—	—	—	—	—	844,358	—	844,358
Derivative financial instruments	2,305,212	3,490	—	—	—	—	—	2,308,702
Loans and advances to customers, banks and other financial institutions	—	—	—	—	—	137,082,721	—	137,082,721
Investment securities	52,051	—	1,488,003	17,403,075	1,976,403	—	—	20,919,532
Total financial assets	<u>2,357,263</u>	<u>3,490</u>	<u>1,488,003</u>	<u>17,403,075</u>	<u>1,976,403</u>	<u>137,927,079</u>	<u>28,678,778</u>	189,834,091
Non-financial assets								<u>4,730,018</u>
Total assets								<u>194,564,109</u>
Liabilities								
Deposits from banks and other financial institutions	—	—	—	—	—	—	20,056,756	20,056,756
Derivative financial instruments	3,023,284	273,386	—	—	—	—	—	3,296,670
Deposits from customers	—	—	301,216	—	—	—	137,882,116	138,183,332
Certificates of deposit issued and debt securities in issue	—	—	6,635,760	—	—	—	823,000	7,458,760
Subordinated debts measured at amortised cost	—	—	—	—	—	—	8,556,348	8,556,348
Total financial liabilities	<u>3,023,284</u>	<u>273,386</u>	<u>6,936,976</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>167,318,220</u>	177,551,866
Non-financial liabilities								<u>3,074,465</u>
Total liabilities								<u>180,626,331</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Trading	Hedging	Designated at fair value	Available- for-sale	Held-to- maturity	Loans and receivables	Other amortised cost	Total
At 31 December 2009	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets								
Cash and balances with banks and other financial institutions	—	—	—	—	—	—	25,247,532	25,247,532
Placements with and advances to banks and other financial institutions	—	—	—	—	—	2,427,183	—	2,427,183
Derivative financial instruments	1,235,654	49,652	—	—	—	—	—	1,285,306
Loans and advances to customers, banks and other financial institutions	—	—	—	—	—	137,725,764	—	137,725,764
Investment securities	67,998	—	1,162,149	32,361,096	1,291,509	—	—	34,882,752
Total financial assets	<u>1,303,652</u>	<u>49,652</u>	<u>1,162,149</u>	<u>32,361,096</u>	<u>1,291,509</u>	<u>140,152,947</u>	<u>25,247,532</u>	<u>201,568,537</u>
Non-financial assets								<u>5,438,025</u>
Total assets								<u><u>207,006,562</u></u>
Liabilities								
Deposits from banks and other financial institutions	—	—	—	—	—	—	16,804,941	16,804,941
Derivative financial instruments	1,218,304	185,528	—	—	—	—	—	1,403,832
Deposits from customers	—	—	—	—	—	—	157,977,892	157,977,892
Certificates of deposit issued and debt securities in issue	—	—	1,419,077	—	—	—	1,134,995	2,554,072
Subordinated debts measured at amortised cost	—	—	—	—	—	—	8,561,125	8,561,125
Total financial liabilities	<u>1,218,304</u>	<u>185,528</u>	<u>1,419,077</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>184,478,953</u>	<u>187,301,862</u>
Non-financial liabilities								<u>2,611,075</u>
Total liabilities								<u><u>189,912,937</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Trading	Hedging	Designated at fair value	Available- for-sale	Held-to- maturity	Loans and receivables	Other amortised cost	Total
At 31 December 2008	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets								
Cash and balances with banks and other financial institutions	—	—	—	—	—	—	27,649,423	27,649,423
Placements with and advances to banks and other financial institutions	—	—	—	—	—	1,660,123	—	1,660,123
Derivative financial instruments	2,305,212	3,490	—	—	—	—	—	2,308,702
Loans and advances to customers, banks and other financial institutions	—	—	—	—	—	128,285,852	—	128,285,852
Investment securities	52,051	—	1,488,003	17,402,458	1,976,403	—	—	20,918,915
Total financial assets	<u>2,357,263</u>	<u>3,490</u>	<u>1,488,003</u>	<u>17,402,458</u>	<u>1,976,403</u>	<u>129,945,975</u>	<u>27,649,423</u>	<u>180,823,015</u>
Non-financial assets								<u>6,333,718</u>
Total assets								<u><u>187,156,733</u></u>
Liabilities								
Deposits from banks and other financial institutions	—	—	—	—	—	—	17,001,164	17,001,164
Derivative financial instruments	3,050,788	273,386	—	—	—	—	—	3,324,174
Deposits from customers	—	—	301,216	—	—	—	137,334,851	137,636,067
Certificates of deposit issued and debt securities in issue	—	—	3,489,361	—	—	—	823,000	4,312,361
Subordinated debts measured at amortised cost	—	—	—	—	—	—	8,556,348	8,556,348
Total financial liabilities	<u>3,050,788</u>	<u>273,386</u>	<u>3,790,577</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>163,715,363</u>	<u>170,830,114</u>
Non-financial liabilities								<u>3,101,794</u>
Total liabilities								<u><u>173,931,908</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

21 CASH AND BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash on hand	266,421	260,075	266,409	260,061
Balances with central banks	5,213,938	924,435	4,045,227	408,605
Balances with other banks and financial institutions	1,296,144	7,998,042	960,287	7,796,695
Placements with banks and other financial institutions maturing within one month	<u>21,134,079</u>	<u>19,496,226</u>	<u>19,975,609</u>	<u>19,184,062</u>
	<u><u>27,910,582</u></u>	<u><u>28,678,778</u></u>	<u><u>25,247,532</u></u>	<u><u>27,649,423</u></u>

22 PLACEMENTS WITH AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Placements with other banks and other financial institutions maturing between one and twelve months	<u>1,663,286</u>	<u>844,358</u>	<u>2,427,183</u>	<u>1,660,123</u>
	<u><u>1,663,286</u></u>	<u><u>844,358</u></u>	<u><u>2,427,183</u></u>	<u><u>1,660,123</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

23 FINANCIAL ASSETS HELD FOR TRADING

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt securities, at fair value:		
Listed in Hong Kong	8,180	410
Unlisted	<u>38,868</u>	<u>30,441</u>
	<u>47,048</u>	<u>30,851</u>
Equity securities, at fair value:		
Listed in Hong Kong	20,950	21,200
Unlisted	<u>122,248</u>	<u>—</u>
	143,198	21,200
Total financial assets held for trading	<u><u>190,246</u></u>	<u><u>52,051</u></u>
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	<u>7,920</u>	<u>—</u>
	<u><u>190,246</u></u>	<u><u>52,051</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

	Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt securities, at fair value:		
Listed in Hong Kong	8,180	410
Unlisted	<u>38,868</u>	<u>30,441</u>
	<u>47,048</u>	<u>30,851</u>
Equity securities, at fair value:		
Listed in Hong Kong	<u>20,950</u>	<u>21,200</u>
	20,950	21,200
Total financial assets held for trading	<u><u>67,998</u></u>	<u><u>52,051</u></u>
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	59,630	51,423
Corporate entities	<u>7,920</u>	<u>—</u>
	<u><u>67,998</u></u>	<u><u>52,051</u></u>

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24 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt securities, at fair value:		
Listed in Hong Kong	377,848	340,506
Listed outside Hong Kong	599,139	973,906
Unlisted	<u>185,162</u>	<u>173,591</u>
 Total financial assets designated at fair value through profit or loss	 <u>1,162,149</u>	 <u>1,488,003</u>
 Financial assets designated at fair value through profit or loss are comprised of the following item:		
Other debt securities	<u>1,162,149</u>	<u>1,488,003</u>
	 <u>1,162,149</u>	 <u>1,488,003</u>
 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	<u>777,411</u>	<u>775,661</u>
	 <u>1,162,149</u>	 <u>1,488,003</u>

25 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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The following tables summaries the contractual/notional amounts of each significant type of derivative financial instruments as at 31 December:

2009	Contractual/ notional amount HK\$'000	Group Fair value assets liabilities HK\$'000	
1) Derivatives held for trading			
a) Foreign exchange derivatives			
— Currency forwards	87,492,643	707,554	(632,192)
— OTC currency options purchased	5,013,375	33,494	(151)
— OTC currency options written	5,007,140	<u>151</u>	<u>(34,028)</u>
Total foreign exchange derivatives		741,199	(666,371)
b) Interest rate derivatives			
— Interest rate swaps	16,136,691	327,792	(301,572)
— Interest rate options purchased	804,075	4,657	—
— Interest rate options written	804,075	<u>—</u>	<u>(4,657)</u>
Total interest rate derivatives		332,449	(306,229)
c) Equity derivatives			
— Equity options	310,807	<u>157,751</u>	<u>(157,751)</u>
Total equity derivatives		<u>157,751</u>	<u>(157,751)</u>
Total derivative assets/(liabilities) held for trading		<u>1,231,399</u>	<u>(1,130,351)</u>
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges	8,388,175	49,652	(185,528)
— Interest rate swaps			
b) Derivatives designated as cash flow hedges			
— Cross currency swaps	—	<u>—</u>	<u>—</u>
Total derivative assets/(liabilities) held for hedging		<u>49,652</u>	<u>(185,528)</u>
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Interest rate swaps	1,300,395	<u>4,255</u>	<u>(87,953)</u>
Total derivative assets/(liabilities) not qualified as hedges	1,300,395	<u>4,255</u>	<u>(87,953)</u>
Total recognised derivative assets/(liabilities)		<u>1,285,306</u>	<u>(1,403,832)</u>

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2008	Contractual/ notional amount <i>HK\$'000</i>	Group Fair value assets <i>HK\$'000</i>		Fair value liabilities <i>HK\$'000</i>
1) Derivatives held for trading				
a) Foreign exchange derivatives				
— Currency forwards	94,045,118	1,644,821		(2,262,968)
— OTC currency options purchased	6,258,859	62,706		(88,640)
— OTC currency options written	6,080,840	<u>88,640</u>		<u>(62,842)</u>
Total foreign exchange derivatives		1,796,167		(2,414,450)
b) Interest rate derivatives				
— Interest rate swaps	23,309,829	501,510		(431,715)
— Interest rate options purchased	300,000	5,470		—
— Interest rate options written	300,000	<u>—</u>		<u>(5,470)</u>
Total interest rate derivatives		506,980		(437,185)
c) Equity derivatives				
— Equity options	30,130	<u>—</u>		<u>—</u>
Total equity derivatives		<u>—</u>		<u>—</u>
Total derivative assets/(liabilities) held for trading		<u>2,303,147</u>		<u>(2,851,635)</u>
2) Derivatives held for hedging				
a) Derivatives designated as fair value hedges				
— Interest rate swaps	3,185,923	—		(270,636)
b) Derivatives designated as cash flow hedges				
— Cross currency swaps	503,757	<u>—</u>		<u>(37,261)</u>
Total derivative assets/(liabilities) held for hedging		<u>—</u>		<u>(307,897)</u>
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss				
Interest rate swaps	1,648,517	<u>5,555</u>		<u>(137,138)</u>
Total derivative assets/(liabilities) not qualified as hedges	1,648,517	<u>5,555</u>		<u>(137,138)</u>
Total recognised derivative assets/(liabilities)		<u><u>2,308,702</u></u>		<u><u>(3,296,670)</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

2009	Contractual/ notional amount HK\$'000	Bank Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
— Currency forwards	87,492,643	707,554	(632,192)
— OTC currency options purchased	5,013,375	33,494	(151)
— OTC currency options written	5,007,140	<u>151</u>	<u>(34,028)</u>
Total foreign exchange derivatives		741,199	(666,371)
b) Interest rate derivatives			
— Interest rate swaps	16,136,691	327,792	(301,572)
— Interest rate options purchased	804,075	4,657	—
— Interest rate options written	804,075	<u>—</u>	<u>(4,657)</u>
Total interest rate derivatives		332,449	(306,229)
c) Equity derivatives			
— Equity options	310,807	<u>157,751</u>	<u>(157,751)</u>
Total equity derivatives		<u>157,751</u>	<u>(157,751)</u>
Total derivative assets/(liabilities) held for trading		<u>1,231,399</u>	<u>(1,130,351)</u>
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges	8,388,175	49,652	(185,528)
— Interest rate swaps			
b) Derivatives designated as cash flow hedges			
— Cross currency swaps	—	<u>—</u>	<u>—</u>
Total derivative assets/(liabilities) held for hedging		<u>49,652</u>	<u>(185,528)</u>
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Interest rate swaps	1,300,395	<u>4,255</u>	<u>(87,953)</u>
Total derivative assets/(liabilities) not qualified as hedges	1,300,395	<u>4,255</u>	<u>(87,953)</u>
Total recognised derivative assets/(liabilities)		<u><u>1,285,306</u></u>	<u><u>(1,403,832)</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

2008	Contractual/ notional amount HK\$'000	Bank Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
— Currency forwards	94,045,118	1,644,821	(2,262,968)
— OTC currency options purchased	6,258,859	62,706	(88,640)
— OTC currency options written	6,080,840	<u>88,640</u>	<u>(62,842)</u>
Total foreign exchange derivatives		1,796,167	(2,414,450)
b) Interest rate derivatives			
— Interest rate swaps	26,409,869	501,510	(459,219)
— Interest rate options purchased	300,000	5,470	—
— Interest rate options written	300,000	<u>—</u>	<u>(5,470)</u>
Total interest rate derivatives		506,980	(464,689)
c) Equity derivatives			
— Equity options	30,130	<u>—</u>	<u>—</u>
Total equity derivatives		<u>—</u>	<u>—</u>
Total derivative assets/(liabilities) held for trading		<u>2,303,147</u>	<u>(2,879,139)</u>
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
— Interest rate swaps	3,185,923	—	(270,636)
b) Derivatives designated as cash flow hedges			
— Cross currency swaps	503,757	<u>—</u>	<u>(37,261)</u>
Total derivative assets/(liabilities) held for hedging		<u>—</u>	<u>(307,897)</u>
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Interest rate swaps	1,648,517	<u>5,555</u>	<u>(137,138)</u>
Total derivative assets/(liabilities) not qualified as hedges	1,648,517	<u>5,555</u>	<u>(137,138)</u>
Total recognised derivative assets/(liabilities)		<u><u>2,308,702</u></u>	<u><u>(3,324,174)</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

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.

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

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

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

	Group and Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain/(loss) arising from fair value hedge, net:		
— Hedging instruments	147,231	(232,635)
— Hedged items attributable to the hedged risk	<u>(153,823)</u>	<u>204,484</u>
	<u>(6,592)</u>	<u>(28,151)</u>

Cash flow hedge consists of a cross-currency interest swap entered into in 2008 that is used to protect the Group against exposures to variability of a floating-rate asset. Gains and losses on the effective portion of the swap are initially recognised directly in equity, in the cash flow hedging reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the year, there was no ineffectiveness recognised in the income statement that arose from cash flow hedges (2008: Nil). The hedging cross-currency interest rate swap had matured during the year. The related cash flow hedge reserve of HK\$7,853,000 (2008: Nil) previously recognised in equity was transferred to the income statement and included in the net interest income.

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

	Group and Bank			
	2009		2008	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contingent liabilities and commitments	—	14,394,189	—	14,141,170
Exchange rate contracts				
— Forwards	475,856	485,712	1,050,816	611,967
— Swaps	13,084	13,685	331,641	160,531
— Options	<u>33,366</u>	<u>39,711</u>	<u>62,635</u>	<u>102,839</u>
	522,306	539,108	1,445,092	875,337
Interest rate contracts				
— Swaps	384,475	366,596	507,066	502,651
— Options	4,657	4,916	5,476	1,395
	389,132	371,512	512,542	504,046
Equity contracts	<u>157,751</u>	<u>33,467</u>	<u>—</u>	<u>181</u>
	<u>1,069,189</u>	<u>15,338,276</u>	<u>1,957,634</u>	<u>15,520,734</u>

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

26 LOANS AND ADVANCES TO CUSTOMERS, BANKS AND OTHER FINANCIAL INSTITUTIONS

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

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances to customers	135,734,340	118,428,192	126,358,120	109,838,262
Advances to banks and other financial institutions	10,671,725	16,731,818	10,671,725	16,556,691
Trade bills	<u>1,257,128</u>	<u>1,609,937</u>	<u>1,195,157</u>	<u>1,602,754</u>
Gross loans and advances to customers, banks and other financial institutions	147,663,193	136,769,947	138,225,002	127,997,707
Accrued interest	<u>256,677</u>	<u>974,129</u>	<u>237,454</u>	<u>920,113</u>
	<u>147,919,870</u>	<u>137,744,076</u>	<u>138,462,456</u>	<u>128,917,820</u>
Less: impairment allowances				
— Individually assessed	(441,896)	(282,506)	(370,636)	(267,287)
— Collectively assessed	<u>(453,392)</u>	<u>(378,849)</u>	<u>(366,056)</u>	<u>(364,681)</u>
	<u>147,024,582</u>	<u>137,082,721</u>	<u>137,725,764</u>	<u>128,285,852</u>

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross impaired loans and advances	1,358,618	888,965	1,095,353	835,897
Impairment allowances made in respect of such loans	441,896	282,506	370,636	267,287
Gross impaired loans and advances as a percentage of the total gross loans and advances	0.92%	0.65%	0.79%	0.65%
Market value of collateral	<u>693,671</u>	<u>806,490</u>	<u>501,666</u>	<u>784,185</u>

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.

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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.

(b) Loan impairment allowances against advances to customers, banks and other financial institutions

2009	Individual assessment	Group Collective Assessment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Movement in impairment allowances on loans and advances:			
Balance at 1 January 2009	282,506	378,849	661,355
Impairment losses (Note 14)	311,358	74,178	385,536
Loans written off as uncollectible	(184,514)	—	(184,514)
Unwinding of discounts of loan impairment allowances recognised as interest income (Note 6)	(10,999)	—	(10,999)
Recoveries of advances written off in previous years (Note 14)	43,533	—	43,533
Exchange and other adjustments	12	365	377
At 31 December 2009	441,896	453,392	895,288
Deducted from:			
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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

2008	Individual assessment	Group Collective assessment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Movement in impairment allowances on loans and advances:			
Balance at 1 January 2008	125,293	210,269	335,562
Impairment losses (Note 14)	239,659	168,970	408,629
Loans written off as uncollectible	(79,829)	—	(79,829)
Unwinding of discounts of loan impairment allowances recognised as interest income (Note 6)	(13,213)	—	(13,213)
Recoveries of advances written off in previous years (Note 14)	11,594	—	11,594
Exchange and other adjustments	<u>(998)</u>	<u>(390)</u>	<u>(1,388)</u>
At 31 December 2008	<u>282,506</u>	<u>378,849</u>	<u>661,355</u>
Deducted from:			
Advances to customers	279,794	356,201	635,995
Advances to banks and other financial institutions	—	17,589	17,589
Trade bills	<u>2,712</u>	<u>5,059</u>	<u>7,771</u>
	<u>282,506</u>	<u>378,849</u>	<u>661,355</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

2009	Individual assessment	Bank Collective assessment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Movement in impairment allowances on loans and advances:			
Balance at 1 January 2009	267,287	364,681	631,968
Impairment losses	257,947	1,375	259,322
Loans written off as uncollectible	(173,936)	—	(173,936)
Unwinding of discounts of loan impairment allowances recognised as interest income	(9,398)	—	(9,398)
Recoveries of advances written off in previous years	<u>28,736</u>	<u>—</u>	<u>28,736</u>
At 31 December 2009	<u>370,636</u>	<u>366,056</u>	<u>736,692</u>
Deducted from:			
Advances to customers	368,971	341,980	710,951
Advances to banks and other financial institutions	—	20,825	20,825
Trade bills	<u>1,665</u>	<u>3,251</u>	<u>4,916</u>
	<u>370,636</u>	<u>366,056</u>	<u>736,692</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

2008	Individual assessment	Bank Collective assessment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Movement in impairment allowances on loans and advances:			
Balance at 1 January 2008	125,293	210,269	335,562
Impairment losses	227,913	154,412	382,325
Loans written off as uncollectible	(79,829)	—	(79,829)
Unwinding of discounts of loan impairment allowances recognised as interest income	(13,213)	—	(13,213)
Recoveries of advances written off in previous years	<u>7,123</u>	<u>—</u>	<u>7,123</u>
At 31 December 2008	<u>267,287</u>	<u>364,681</u>	<u>631,968</u>
Deducted from:			
Advances to customers	264,575	342,407	606,982
Advances to banks and other financial institutions	—	17,229	17,229
Trade bills	<u>2,712</u>	<u>5,045</u>	<u>7,757</u>
	<u>267,287</u>	<u>364,681</u>	<u>631,968</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

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

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

Group	Gross advances to advances <i>HK\$'000</i>	% of advances to customers	Market value of collateral <i>HK\$'000</i>	Amount of secured balance <i>HK\$'000</i>	Amount of unsecured balance <i>HK\$'000</i>	Individual impairment allowance <i>HK\$'000</i>
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	<u>109,111</u>	<u>0.1</u>	<u>65,283</u>	<u>43,668</u>	<u>65,443</u>	<u>70,033</u>
	<u>527,361</u>	<u>0.4</u>	<u>314,899</u>	<u>280,026</u>	<u>247,335</u>	<u>267,513</u>
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	<u>13,007</u>	<u>0.0</u>	<u>5,461</u>	<u>3,224</u>	<u>9,783</u>	<u>13,007</u>
	<u>289,929</u>	<u>0.2</u>	<u>328,640</u>	<u>199,267</u>	<u>90,662</u>	<u>73,231</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Gross advances to advances <i>HK\$'000</i>	% of advances to customers	Market value of collateral <i>HK\$'000</i>	Amount of secured balance <i>HK\$'000</i>	Amount of unsecured balance <i>HK\$'000</i>	Individual impairment allowance <i>HK\$'000</i>
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	178,735	0.1	58,830	54,714	124,021	163,678
Over one year	<u>55,958</u>	<u>0.0</u>	<u>50,496</u>	<u>28,881</u>	<u>27,077</u>	<u>31,667</u>
	<u>264,096</u>	<u>0.1</u>	<u>122,894</u>	<u>88,021</u>	<u>176,075</u>	<u>196,253</u>
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	<u>13,007</u>	<u>0.0</u>	<u>5,461</u>	<u>3,224</u>	<u>9,783</u>	<u>13,007</u>
	<u>289,929</u>	<u>0.2</u>	<u>328,640</u>	<u>199,267</u>	<u>90,662</u>	<u>73,231</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 rights to repossess the collateral is legally enforceable and without impediment; and
- If the collateral is a movable asset, it should be under the Bank's custody, or its whereabouts can be located by the Bank.

The eligible collateral is mainly properties, deposits and shares.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

(d) **Other overdue assets**

Group	2009 Accrued interest <i>HK\$'000</i>	2009 Other assets <i>HK\$'000</i>	2008 Accrued interest <i>HK\$'000</i>	2008 Other assets <i>HK\$'000</i>
Six months or less but over three months	—	—	25	227
One year or less but over six months	692	1,635	—	—
Over one year	<u>7,378</u>	<u>—</u>	<u>1</u>	<u>1,439</u>
	8,070	1,635	26	1,666
Rescheduled assets	<u>9</u>	<u>—</u>	<u>2</u>	<u>—</u>
	<u><u>8,079</u></u>	<u><u>1,635</u></u>	<u><u>28</u></u>	<u><u>1,666</u></u>
	2009 Accrued interest <i>HK\$'000</i>	2009 Other assets <i>HK\$'000</i>	2008 Accrued interest <i>HK\$'000</i>	2008 Other assets <i>HK\$'000</i>
Bank				
Six months or less but over three months	—	—	25	227
One year or less but over six months	—	1,635	—	—
Over one year	<u>1</u>	<u>—</u>	<u>1</u>	<u>1,439</u>
	1	1,635	26	1,666
Rescheduled assets	<u>9</u>	<u>—</u>	<u>2</u>	<u>—</u>
	<u><u>10</u></u>	<u><u>1,635</u></u>	<u><u>28</u></u>	<u><u>1,666</u></u>

Other assets refer to trade bills and receivables.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

(e) **Rescheduled advances**

Group and Bank	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Rescheduled advances (excluding overdue loans over three months)	<u>112,377</u>	<u>161,662</u>
As % of advances to customers	<u>0.1</u>	<u>0.1</u>

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 (c) above.

There were no advances to banks and other financial institutions which were overdue for over 3 months; nor were there any rescheduled advances to banks and other financial institutions as at 31 December 2009 and 31 December 2008.

(f) **Reposessed assets**

At 31 December 2009, the estimated market value of the reposessed assets of the Group amounted to HK\$6,304,000 (2008: HK\$49,023,000). They only comprise properties which the Group has acquired access or control (e.g., through legal actions or voluntary actions by the borrowers concerned) for releasing in full or in part on the obligations of the borrowers.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

27 AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt securities		
Listed in Hong Kong	2,386,583	1,916,434
Listed outside Hong Kong	15,803,326	8,752,054
Unlisted	<u>12,583,957</u>	<u>5,456,666</u>
	<u>30,773,866</u>	<u>16,125,154</u>
Equity securities		
Listed in Hong Kong	1,501,944	1,198,756
Unlisted	<u>85,856</u>	<u>79,165</u>
	<u>1,587,800</u>	<u>1,277,921</u>
Total available-for-sale financial investments	<u>32,361,666</u>	<u>17,403,075</u>
Market value of listed securities	<u>19,691,853</u>	<u>11,867,244</u>
Debt securities after taking into account of impairment loss comprised the following items:		
Certificates of deposit held	150,225	7,931
Other debt securities	<u>30,623,641</u>	<u>16,117,223</u>
	<u>30,773,866</u>	<u>16,125,154</u>
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	<u>4,197</u>	<u>981</u>
	<u>32,361,666</u>	<u>17,403,075</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

During the year, the individual impairment loss made amounted to HK\$195,058,000 (2008: HK\$802,880).

	Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt securities		
Listed in Hong Kong	2,386,583	1,916,434
Listed outside Hong Kong	15,803,326	8,752,054
Unlisted	<u>12,583,387</u>	<u>5,456,049</u>
	<u>30,773,296</u>	<u>16,124,537</u>
Equity securities		
Listed in Hong Kong	1,501,944	1,198,756
Unlisted	<u>85,856</u>	<u>79,165</u>
	<u>1,587,800</u>	<u>1,277,921</u>
Total available-for-sale financial investments	<u>32,361,096</u>	<u>17,402,458</u>
Market value of listed securities	<u>19,691,853</u>	<u>11,867,244</u>
Debt securities after taking into account of impairment loss comprised the following items:		
Certificates of deposit held	150,225	7,931
Other debt securities	<u>30,623,071</u>	<u>16,116,606</u>
	<u>30,773,296</u>	<u>16,124,537</u>
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	8,790,366	7,893,390
Others	<u>377</u>	<u>377</u>
	<u>32,361,096</u>	<u>17,402,458</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

28 HELD-TO-MATURITY FINANCIAL INVESTMENTS

	Group and Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt securities		
Listed in Hong Kong	—	78,605
Listed outside Hong Kong	80,466	575,811
Unlisted	<u>1,211,277</u>	<u>1,324,366</u>
	<u>1,291,743</u>	<u>1,978,782</u>
Less: Impairment loss	<u>(234)</u>	<u>(2,379)</u>
Total held-to-maturity financial investments	<u>1,291,509</u>	<u>1,976,403</u>
Market value of listed securities	<u>79,045</u>	<u>630,681</u>
Debt securities after taking into account of impairment loss comprised the following items:		
Treasury bills	1,146,414	1,136,282
Other debt securities	<u>145,095</u>	<u>840,121</u>
	<u>1,291,509</u>	<u>1,976,403</u>
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	<u>—</u>	<u>439,870</u>
	<u>1,291,509</u>	<u>1,976,403</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Movement in collective impairment allowances on held-to-maturity financial investments

	Group and Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	2,379	2,535
Write-back of collective impairment losses	<u>(2,145)</u>	<u>(156)</u>
At 31 December	<u>234</u>	<u>2,379</u>

29 INVESTMENTS IN ASSOCIATES

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	145,391	155,068
Goodwill on acquisition	<u>29,786</u>	<u>29,786</u>
	<u>175,177</u>	<u>184,854</u>

	Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares investments at cost	<u>138,138</u>	<u>152,646</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

The Group's interests in its principal associates which are unlisted, are as follows:

	Place of incorporation	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Revenues <i>HK\$'000</i>	Profit/ (loss) <i>HK\$'000</i>	% of interest held
2009						
IEC Investments Limited	Hong Kong	<u>214,719</u>	<u>131,792</u>	<u>21,874</u>	<u>18,984</u>	<u>40%</u>
2008						
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	51,547	22,886	(7,112)	(13,743)	25%
IEC Investments Limited	Hong Kong	<u>207,956</u>	<u>81,549</u>	<u>19,802</u>	<u>14,398</u>	<u>40%</u>

The interest of shareholding held by the Group in China Ping An Insurance (Hong Kong) Company Limited was disposed during the year.

IEC Investments Limited engages in investment holding in Hong Kong. The Group held 40,000 ordinary shares of HK\$1 each of this associate during the year.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

30 GOODWILL AND OTHER INTANGIBLE ASSETS

Group	Goodwill <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Trading rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or net carrying amount				
At 1 January 2009	999,715	210,827	1,895	1,212,437
Additions (Note (i))	—	5,900	—	5,900
Disposal	—	(560)	—	(560)
Other adjustments	<u>—</u>	<u>(302)</u>	<u>—</u>	<u>(302)</u>
At 31 December 2009	<u>999,715</u>	<u>215,865</u>	<u>1,895</u>	<u>1,217,475</u>
Accumulated amortisation				
At 1 January 2009	—	179,499	—	179,499
Charge for the year	—	17,768	—	17,768
Disposal	—	(468)	—	(468)
Other adjustments	—	(217)	—	(217)
At 31 December 2009	<u>—</u>	<u>196,582</u>	<u>—</u>	<u>196,582</u>
Net book value				
At 31 December 2009	<u>999,715</u>	<u>19,283</u>	<u>1,895</u>	<u>1,020,893</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Group	Goodwill <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Trading rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or net carrying amount				
At 1 January 2008	974,805	203,349	1,895	1,180,049
Acquired from a subsidiary	—	11	—	11
Additions (Notes (i) and (ii))	24,910	11,270	—	36,180
Disposal	<u>—</u>	<u>(3,803)</u>	<u>—</u>	<u>(3,803)</u>
At 31 December 2008	<u>999,715</u>	<u>210,827</u>	<u>1,895</u>	<u>1,212,437</u>
Accumulated amortisation				
At 1 January 2008	—	136,467	—	136,467
Charge for the year	—	46,835	—	46,835
Disposal	<u>—</u>	<u>(3,803)</u>	<u>—</u>	<u>(3,803)</u>
At 31 December 2008	<u>—</u>	<u>179,499</u>	<u>—</u>	<u>179,499</u>
Net book value				
At 31 December 2008	<u>999,715</u>	<u>31,328</u>	<u>1,895</u>	<u>1,032,938</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Goodwill	Computer software	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or net carrying amount			
At 1 January 2009	615,669	204,792	820,461
Additions (Notes (i))	—	5,537	5,537
Disposal	—	(442)	(442)
Other adjustments	<u>—</u>	<u>(288)</u>	<u>(288)</u>
At 31 December 2009	<u>615,669</u>	<u>209,599</u>	<u>825,268</u>
Accumulated amortisation			
At 1 January 2009	—	178,352	178,352
Charge for the year	—	16,607	16,607
Disposal	—	(442)	(442)
Other adjustments	<u>—</u>	<u>(216)</u>	<u>(216)</u>
At 31 December 2009	<u>—</u>	<u>194,301</u>	<u>194,301</u>
Net book value			
At 31 December 2009	<u>615,669</u>	<u>15,298</u>	<u>630,967</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank	Goodwill <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or net carrying amount			
At 1 January 2008	615,669	202,513	818,182
Additions (Notes (i))	—	6,082	6,082
Disposal	<u>—</u>	<u>(3,803)</u>	<u>(3,803)</u>
At 31 December 2008	<u>615,669</u>	<u>204,792</u>	<u>820,461</u>
Accumulated amortisation			
At 1 January 2008	—	136,438	136,438
Charge for the year	—	45,717	45,717
Disposal	<u>—</u>	<u>(3,803)</u>	<u>(3,803)</u>
At 31 December 2008	<u>—</u>	<u>178,352</u>	<u>178,352</u>
Net book value			
At 31 December 2008	<u>615,669</u>	<u>26,440</u>	<u>642,109</u>

Notes:

- (i) The Core banking system was upgraded in October 2005 with direct costs including software development consultancy fees and employee costs recognised as intangible asset as at 31 December 2009 and 2008 respectively.
- (ii) In section 7.13 of the sale and purchase agreement of the acquisition of Belgian Bank, Hong Kong Branch, it was agreed that the purchaser (the Bank) shall pay to the seller (Fortis Bank) the difference between the payment by the debtor of Belgian Bank's debt and the amount paid by the purchaser during the period while the tax deed is in effect. The clause 2.1.2 of the tax deed stipulated that the seller will pay to the purchaser the tax liability which has arisen in respect of income, profits or gains earned, accrued or received on or before the completion date. The goodwill represents the difference between the amount paid on Belgian Bank's debts and the amount received from tax deeds.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

(iii) Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment's as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate and Investment Banking	585,715	585,715
Commercial Banking	230,450	230,450
Retail Banking	142,386	142,386
Others	<u>41,164</u>	<u>41,164</u>
	<u>999,715</u>	<u>999,715</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. Such calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the one-year period are extrapolated using the estimate rates stated below. The growth rate which applies to the cash flow projections over the one-year period does not exceed the long-term average growth rate for the business of which the CGU operates.

The discount rates used for value-in-use calculations range from 0% to 4% (2008: 2% to 8%).

Management determined the budgeted financial performance based on the past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

31 INVESTMENT PROPERTIES

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January	40,126	40,624	25,200	26,000
Net revaluation gain/(loss)	<u>6,087</u>	<u>(498)</u>	<u>300</u>	<u>(800)</u>
Carrying amount at 31 December	<u>46,213</u>	<u>40,126</u>	<u>25,500</u>	<u>25,200</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

The Group's investment properties are situated in Hong Kong and Mainland China and its net book value are held under the following lease terms:

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Held in Hong Kong				
Long term leases (over 50 years)	25,500	25,200	25,500	25,200
Medium term leases (10-50 years)	—	—	—	—
Held outside Hong Kong				
Medium term leases (10-50 years)	<u>20,713</u>	<u>14,926</u>	<u>—</u>	<u>—</u>
	<u>46,213</u>	<u>40,126</u>	<u>25,500</u>	<u>25,200</u>

The Bank's investment property was revalued on 31 December 2009 by A.G. Wilkinson & Associates, an independent professionally qualified valuer, at HK\$25,500,000 (2008: HK\$25,200,000) on an open market, existing use basis. The investment properties of the Bank's subsidiaries were revalued on 31 December 2009 by Shenzhen GuoZhongLian Asset and Real Estate Appraisal Consulting Co., Ltd, an independent professionally qualified valuer, at HK\$20,713,000 (2008: HK\$14,926,000) on an open market, existing use basis.

Particulars of investment properties

31 December 2009

Location	Use	Lease term	Attributable interest of the Group
Shop B on the Ground Floor No. 8 Causeway Road Hong Kong	Office building	Long term lease (over 50 years)	100%
23/F, Dongfeng Building No. 2010 Shennan Central Road Futian District, Shenzhen	Office building	Medium term lease (10-50 years)	100%
Units A&B, 2/F, Block 4 SEG Technology Park Zhenxing Road, Futian District, Shenzhen	Office building	Medium term lease (10-50 years)	100%

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32 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Bank premises and properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2008 and 1 January 2009:				
Cost or valuation	150,720	204,330	233,670	588,720
Accumulated depreciation and impairment	<u>(52,718)</u>	<u>(111,236)</u>	<u>(148,692)</u>	<u>(312,646)</u>
Net book value at 31 December 2008 and 1 January 2009	<u>98,002</u>	<u>93,094</u>	<u>84,978</u>	<u>276,074</u>
Additions	—	15,630	16,117	31,747
Disposals	—	(119)	(1,172)	(1,291)
Revaluation (Note (i))	14,452	—	—	14,452
Depreciation provided during the year	(10,074)	(17,560)	(19,490)	(47,124)
Exchange rate and other adjustments	<u>86</u>	<u>1</u>	<u>8</u>	<u>95</u>
Net book value at 31 December 2009	<u>102,466</u>	<u>91,046</u>	<u>80,441</u>	<u>273,953</u>
At 31 December 2009:				
Cost or valuation	171,868	208,261	221,736	601,865
Accumulated depreciation and impairment	<u>(69,402)</u>	<u>(117,215)</u>	<u>(141,295)</u>	<u>(327,912)</u>
Net book value at 31 December 2009	<u>102,466</u>	<u>91,046</u>	<u>80,441</u>	<u>273,953</u>
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2009:				
At cost	—	208,261	221,736	429,997
At valuation	<u>102,466</u>	<u>—</u>	<u>—</u>	<u>102,466</u>
	<u>102,466</u>	<u>208,261</u>	<u>221,736</u>	<u>532,463</u>

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

BANK

	Bank premises and properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2008 and 1 January 2009:				
Cost or valuation	17,306	203,605	221,788	442,699
Accumulated depreciation and impairment	<u>(2,763)</u>	<u>(111,117)</u>	<u>(142,941)</u>	<u>(256,821)</u>
Net book value at 31 December 2008 and 1 January 2009	<u>14,543</u>	<u>92,488</u>	<u>78,847</u>	<u>185,878</u>
Additions	—	15,630	15,764	31,394
Disposals	—	(119)	(1,032)	(1,151)
Revaluation (Note (i))	(30)	—	—	(30)
Depreciation provided during the year	<u>(800)</u>	<u>(17,187)</u>	<u>(17,640)</u>	<u>(35,627)</u>
Net book value at 31 December 2009	<u>13,713</u>	<u>90,812</u>	<u>75,939</u>	<u>180,464</u>
At 31 December 2009:				
Cost or valuation	17,234	207,535	209,622	434,391
Accumulated depreciation and impairment	<u>(3,521)</u>	<u>(116,723)</u>	<u>(133,683)</u>	<u>(253,927)</u>
Net book value at 31 December 2009	<u>13,713</u>	<u>90,812</u>	<u>75,939</u>	<u>180,464</u>
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2009:				
At cost	—	207,535	209,622	417,157
At valuation	<u>13,713</u>	<u>—</u>	<u>—</u>	<u>13,713</u>
	<u>13,713</u>	<u>207,535</u>	<u>209,622</u>	<u>430,870</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

	Bank premises and properties	Leasehold improvements	Furniture and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2007 and 1 January 2008:				
Cost or valuation	17,261	182,290	244,769	444,320
Accumulated depreciation and impairment	<u>(2,139)</u>	<u>(97,432)</u>	<u>(178,059)</u>	<u>(277,630)</u>
Net book value at 31 December 2007 and 1 January 2008	<u>15,122</u>	<u>84,858</u>	<u>66,710</u>	<u>166,690</u>
Additions	—	27,371	29,917	57,288
Disposals	—	(993)	(238)	(1,231)
Revaluation (Note (i))	181	—	—	181
Depreciation provided during the year	(760)	(18,748)	(17,201)	(36,709)
Exchange rate and other adjustments	<u>—</u>	<u>—</u>	<u>(341)</u>	<u>(341)</u>
Net book value at 31 December 2008	<u>14,543</u>	<u>92,488</u>	<u>78,847</u>	<u>185,878</u>
At 31 December 2008:				
Cost or valuation	17,306	203,605	221,788	442,699
Accumulated depreciation and impairment	<u>(2,763)</u>	<u>(111,117)</u>	<u>(142,941)</u>	<u>(256,821)</u>
Net book value at 31 December 2008	<u>14,543</u>	<u>92,488</u>	<u>78,847</u>	<u>185,878</u>
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2008:				
At cost	—	203,605	221,788	425,393
At valuation	<u>14,543</u>	<u>—</u>	<u>—</u>	<u>14,543</u>
	<u>14,543</u>	<u>203,605</u>	<u>221,788</u>	<u>439,936</u>

Note:

- (i) The bank premises were revalued at 31 December 2009 based on the open market value by A.G. Wilkinson & Associates, an independent professionally qualified valuer. The subsidiary's premises were revalued at 31

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December 2009 based on the open market value by Shenzhen GuoZhongLian Asset and Real Estate Appraisal Consulting Co., Ltd, an independent professionally qualified valuer in Mainland China. The revaluation surplus net of applicable deferred income taxes was credited to bank premises revaluation reserve in shareholders' equity. The carrying amounts of the bank premises and properties of the Group and the Bank would have been HK\$41,861,000 (2008: HK\$49,060,000) and HK\$9,321,000 (2008: HK\$9,720,000) respectively had they been stated at cost less accumulated depreciation.

The Group's properties are situated in Hong Kong and Mainland China and their net book values are held under the following lease terms:

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Held in Hong Kong				
Long term leases (over 50 years)	4,039	4,405	4,039	4,405
Medium term leases (10-50 years)	9,674	10,138	9,674	10,138
Held outside Hong Kong				
Medium term leases (10-50 years)	<u>88,753</u>	<u>83,459</u>	<u>—</u>	<u>—</u>
	<u>102,466</u>	<u>98,002</u>	<u>13,713</u>	<u>14,543</u>

33 LEASEHOLD LAND AND LAND USE RIGHTS

	Group and Bank <i>HK\$'000</i>
Carrying amount	
At 1 January 2009 and as at 31 December 2009	<u>54,449</u>
Accumulated amortisation and impairment	
At 1 January 2009	10,589
Amortisation for the year	<u>743</u>
At 31 December 2009	<u>11,332</u>
Net carrying amount	
At 31 December 2009	<u>43,117</u>

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	Group and Bank
	<i>HK\$'000</i>
Carrying amount	
At 1 January 2008 and as at 31 December 2008	<u>54,449</u>
Accumulated amortisation and impairment	
At 1 January 2008	9,845
Amortisation for the year	<u>744</u>
At 31 December 2008	<u>10,589</u>
Net carrying amount	
At 31 December 2008	<u><u>43,860</u></u>

The Group's interests in leasehold land and land use rights represent operating leases and their net book values are analysed as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong, held on:		
— Leases over 50 years	29,014	29,380
— Leases between 10 and 50 years	<u>14,103</u>	<u>14,480</u>
	<u><u>43,117</u></u>	<u><u>43,860</u></u>

34 OTHER ASSETS

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest receivable	340,173	498,375	336,088	540,501
Prepayments	110,882	130,557	108,850	124,640
Settlement accounts	409,350	1,209,518	689,398	1,390,600
Others	<u>444,745</u>	<u>1,031,109</u>	<u>513,025</u>	<u>1,039,329</u>
	<u><u>1,305,150</u></u>	<u><u>2,869,559</u></u>	<u><u>1,647,361</u></u>	<u><u>3,095,070</u></u>

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35 INVESTMENTS IN SUBSIDIARIES

(a) Investments at cost

	Bank	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares at cost	<u>2,772,478</u>	<u>1,908,750</u>

The following is a list of subsidiaries held by the Bank at 31 December 2009:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued shares held/ registered capital	Interest held	
				2009	2008
Chinese Mercantile Bank*	People's Republic of China	Banking business	RMB1,650,000,000	100%	100%
ICBC (Asia) Asset Management Company Limited	Hong Kong	Provision of asset management services	1,000,000 ordinary shares of HK\$1 each	100%	100%
ICBC (Asia) Bullion Company Limited	Hong Kong	Inactive	6,000,000 ordinary shares of HK\$1 each	100%	100%
ICBC (Asia) Investment Holdings Limited	Hong Kong	Management of the Bank's PRC impaired loan portfolio	26,000,000 ordinary shares of HK\$1 each	100%	100%
ICBC (Asia) Investment Management Company Limited	Hong Kong	Provision of asset management services	27,828,870 ordinary shares of HK\$1 each	100%	100%
ICBC (Asia) Nominee Limited	Hong Kong	Provision of nominee services	100 ordinary shares of HK\$100 each	100%	100%
ICBC (Asia) Securities Limited	Hong Kong	Provision of securities brokerage services	100,000,000 ordinary shares of HK\$1 each	100%	100%
ICBC (Asia) Trustee Company Limited	Hong Kong	Provision of trustee services	30,000 ordinary shares of HK\$100 each	100%	100%
ICBC (Asia) Wa Pei Nominees Limited	Hong Kong	Inactive	100 ordinary shares of HK\$1 each	100%	100%
ICBC Asia Wa Pei Limited	Belgium	In liquidation	415,879 ordinary shares of EUR72.14 each	100%	100%
ICBCA (C.I.) Limited	Cayman Islands	Being a special-purpose vehicle for bond issuance	1 ordinary share of US\$1 each	100%	100%
UB China Business Management Co. Ltd.	British Virgin Islands	Inactive	1 ordinary share of US\$1 each	100%	100%

Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network firms

* Foreign-owned enterprise

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(b) Investment in controlled unit trusts

During the year, the Bank acquired a number of controlled unit trusts.

The fair value of the identifiable assets and liabilities acquired at the date of acquisition and the correspond carrying amounts immediately before the acquisition are as follows:

	Fair value/ Carrying amount <i>HK\$'000</i>
Cash and cash equivalents	1,291,732
Financial assets held for trading	120,648
Current income tax liabilities	<u>(1,292,380)</u>
Net assets acquired	<u>120,000</u>
Goodwill	<u>—</u>
Total purchase consideration paid (discharged by cash)	<u>120,000</u>
Cost of acquisition	
Less: cash and cash equivalents in controlled unit trusts acquired	<u>(1,291,732)</u>
Net inflow of cash on acquisition	<u><u>(1,171,732)</u></u>

(c) Disposed of controlled unit trusts

	2009 <i>HK\$'000</i>
Net assets disposed of:	
Trading securities	<u>4,500</u>
	<u>4,500</u>
Gain on disposal of controlled unit trusts	<u>127</u>
	<u><u>4,627</u></u>

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An analysis of the net inflow of cash and cash equivalents in respect of the disposal of controlled unit trusts is as follows:

	2009 <i>HK\$'000</i>
Satisfied by:	
Cash	4,627
Cash consideration	4,627
Cash and bank balances disposed of	—
Net inflow of cash and cash equivalents in respect of the disposal of controlled unit trusts	4,627

36 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Demand deposits and current accounts	9,869,396	4,986,854	9,105,791	4,446,744
Savings deposits	36,475,880	20,034,376	36,827,183	20,383,633
Time, call and notice deposits	114,816,285	113,162,102	112,044,918	112,805,690
	161,161,561	138,183,332	157,977,892	137,636,067

37. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits from customers	—	301,216	—	301,216
Certificates of deposit issued (i)	1,419,077	3,489,361	1,419,077	3,489,361
Debt securities in issue	—	3,146,399	—	—
	1,419,077	6,936,976	1,419,077	3,790,577

- (i) The fair value of the certificates of deposit issued at 31 December 2009 was HK\$14 million higher (2008: HK\$46 million higher) than the contractual amount at maturity. The amounts of changes in the fair value of the financial liabilities that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2009 and 31 December 2008.

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The amounts of changes in the fair value of the financial liabilities that are attributable to changes in credit risk are determined as the amounts of changes in the fair value of the financial liabilities that are not attributable to changes in market conditions that give rise to market risk. The credit spread has not changed and the changes in fair value of the financial liabilities are attributable to the changes in other market factor components.

38 DEFERRED INCOME TAX

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

The movements on the deferred tax assets/(liabilities) account are as follows:

	Group		Total		Bank	
	2009	2008	2008	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	137,547	(11,539)	(324,717)	(336,256)	151,619	(324,717)
Effect of change in tax rate (Debited)/credited to the income statement	—	—	18,556	18,556	—	18,556
(Debited)/credited to equity (Note 42)	(1,780)	(75)	30,035	29,960	(394)	30,035
Exchange and other adjustments	(339,696)	(1,744)	427,744	426,000	(336,075)	427,744
	<u>13,667</u>	<u>(714)</u>	<u>1</u>	<u>(713)</u>	<u>—</u>	<u>1</u>
At 31 December	<u>(190,262)</u>	<u>(14,072)</u>	<u>151,619</u>	<u>137,547</u>	<u>(184,850)</u>	<u>151,619</u>

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The deferred income tax credited/(debited) to equity during the year is as follows:

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value reserves in shareholder's equity				
Bank premises (Note 42)	(3,614)	(1,773)	7	(29)
Available-for-sale financial investments (Note 42)	(336,082)	427,773	(336,082)	427,773
Effect of change in tax rate	<u>—</u>	<u>17,982</u>	<u>—</u>	<u>17,982</u>
	<u>(339,696)</u>	<u>443,982</u>	<u>(336,075)</u>	<u>445,726</u>

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

DEFERRED INCOME TAX ASSETS

Group	Collective impairment losses		Investment revaluation reserve		Accelerated tax depreciation		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	38,688	14,038	261,403	16,954	1,484	1,398	301,575	32,390
Effect of change in tax rate	—	(802)	—	(969)	—	—	—	(1,771)
(Charged)/credited to the income statement	(127)	25,452	—	—	61	—	(66)	25,452
(Debited)/credited to equity	—	—	(258,594)	245,418	—	—	(258,594)	245,418
Exchange and other adjustments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,201</u>	<u>86</u>	<u>12,201</u>	<u>86</u>
At 31 December	<u>38,561</u>	<u>38,688</u>	<u>2,809</u>	<u>261,403</u>	<u>13,746</u>	<u>1,484</u>	<u>55,116</u>	<u>301,575</u>

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Bank	Collective impairment losses		Investment revaluation reserve		Total	
	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	38,688	14,038	261,403	16,954	300,091	30,992
Effect of change in tax rate	—	(802)	—	(969)	—	(1,771)
(Charged)/credited to the income statement	(127)	25,452	—	—	(127)	25,452
(Debited)/credited to equity	—	—	(258,594)	245,418	(258,594)	245,418
Exchange and other adjustments	—	—	—	—	—	—
At 31 December	<u>38,561</u>	<u>38,688</u>	<u>2,809</u>	<u>261,403</u>	<u>41,370</u>	<u>300,091</u>

DEFERRED INCOME TAX LIABILITIES

Group	Premises revaluation reserve		Investment revaluation reserve		Accelerated tax depreciation		Partnership		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	17,507	14,976	128,406	329,595	18,115	24,075	—	—	164,028	368,646
Effect of change in tax rate	—	(117)	—	(18,834)	—	(1,376)	—	—	—	(20,327)
Credited/(charged) to the income statement	1,447	75	—	—	(215)	(4,583)	482	—	1,714	(4,508)
Credited/(debited) to equity	3,614	1,773	77,488	(182,355)	—	—	—	—	81,102	(180,582)
Exchange and other adjustments	(1,466)	800	—	—	—	(1)	—	—	(1,466)	799
At 31 December	<u>21,102</u>	<u>17,507</u>	<u>205,894</u>	<u>128,406</u>	<u>17,900</u>	<u>18,115</u>	<u>482</u>	<u>—</u>	<u>245,378</u>	<u>164,028</u>

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	Premises revaluation reserve		Investment revaluation reserve		Accelerated tax depreciation		Partnership		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Bank	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	1,951	2,039	128,406	329,595	18,115	24,075	—	—	148,472	355,709
Effect of change in tax rate	—	(117)	—	(18,834)	—	(1,376)	—	—	—	(20,327)
(Charged)/credited to the income statement	—	—	—	—	(215)	(4,583)	482	—	267	(4,583)
(Debited)/credited to equity	(7)	29	77,488	(182,355)	—	—	—	—	77,481	(182,326)
Exchange and other adjustments	—	—	—	—	—	(1)	—	—	—	(1)
At 31 December	<u>1,944</u>	<u>1,951</u>	<u>205,894</u>	<u>128,406</u>	<u>17,900</u>	<u>18,115</u>	<u>482</u>	<u>—</u>	<u>226,220</u>	<u>148,472</u>

The Group has tax losses arising in Hong Kong of HK\$19,883,116 (2008: HK\$4,300,465) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for sometime and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2009, there was no significant unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the future earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be received.

There are no income tax consequences attaching to the payment of dividends by the Bank to its shareholders.

The amounts shown in the statement of financial position include the following:

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Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position.

Group	2009	2008	2008	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets:				
to be recovered after 12 months	54,177	1,484	299,275	300,759
to be recovered within 12 months	<u>939</u>	<u>—</u>	<u>816</u>	<u>816</u>
	<u>55,116</u>	<u>1,484</u>	<u>300,091</u>	<u>301,575</u>
Deferred income tax liabilities:				
to be settled after 12 months	(243,842)	(15,556)	(144,099)	(159,655)
to be settled within 12 months	<u>(1,536)</u>	<u>—</u>	<u>(4,373)</u>	<u>(4,373)</u>
	<u>(245,378)</u>	<u>(15,556)</u>	<u>(148,472)</u>	<u>(164,028)</u>
Deferred income tax (liabilities)/assets, net	<u>(190,262)</u>	<u>(14,072)</u>	<u>151,619</u>	<u>137,547</u>
Bank			2009	2008
			<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets:				
to be recovered after 12 months			40,431	299,275
to be recovered within 12 months			<u>939</u>	<u>816</u>
			<u>41,370</u>	<u>300,091</u>
Deferred income tax liabilities:				
to be settled after 12 months			(224,684)	(144,099)
to be settled within 12 months			<u>(1,536)</u>	<u>(4,373)</u>
			<u>(226,220)</u>	<u>(148,472)</u>
Deferred income tax (liabilities)/assets, net			<u>(184,850)</u>	<u>151,619</u>

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39 SUBORDINATED DEBTS MEASURED AT AMORTISED COST

	Group and Bank			
	2009		2008	
	<i>HK\$'000</i>	<i>Interest rate %</i>	<i>HK\$'000</i>	<i>Interest rate %</i>
Subordinated floating rate notes				
— with a final maturity on 2 July 2011	581,625	0.481%	581,258	0.686%
— with a final maturity on 12 December 2011	620,400	0.680%	620,008	2.000%
— with a final maturity on 26 March 2012	542,850	0.680%	542,507	2.000%
— with a final maturity on 28 April 2014	1,163,250	1.430%	1,162,515	2.250%
— with a final maturity on 29 June 2016 (callable on 30 June 2011)	620,400	0.751%	620,008	1.925%
— with a final maturity on 20 October 2018 (callable on 21 October 2013)	1,551,000	1.101%	1,550,020	2.275%
— perpetual (callable on 10 December 2012)	1,000,000	0.639%	1,000,000	1.451%
— perpetual (callable on 9 July 2013)	930,600	0.751%	930,012	1.925%
— perpetual (callable on 30 June 2016)	<u>1,551,000</u>	<u>0.851%</u>	<u>1,550,020</u>	<u>2.025%</u>
	<u>8,561,125</u>		<u>8,556,348</u>	

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

40 OTHER LIABILITIES

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest payable	406,233	821,990	376,829	804,652
Salaries and welfare payable	101,702	47,171	94,116	47,171
Settlement accounts	407,497	1,212,046	689,975	1,398,032
Others	<u>1,155,044</u>	<u>969,073</u>	<u>1,056,412</u>	<u>851,939</u>
	<u>2,070,476</u>	<u>3,050,280</u>	<u>2,217,332</u>	<u>3,101,794</u>

The Group and the Bank have not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2008: Nil).

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41 SHARE CAPITAL

	Number of shares in thousands	Ordinary shares HK\$'000	Ordinary share premium HK\$'000
At 1 January 2009	1,285,268	2,570,536	8,209,593
Allotment of new shares regarding the scrip dividend scheme of final dividend for the year ended 31 December 2008	13,970	27,940	160,323
Allotment of new shares regarding the scrip dividend scheme of interim dividend for the period ended 30 June 2009	19,102	38,205	270,719
Share issue expenses	—	—	(60)
At 31 December 2009	<u>1,318,340</u>	<u>2,636,681</u>	<u>8,640,575</u>
At 1 January 2008	1,225,952	2,451,904	7,161,786
Allotment of new shares regarding the scrip dividend scheme of final dividend for the year ended 31 December 2007	29,125	58,250	550,450
Allotment of new shares regarding the scrip dividend scheme of interim dividend for the period ended 30 June 2008	15,271	30,542	228,918
Warrants exercised	14,920	29,840	268,560
Share issue expenses	—	—	(121)
At 31 December 2008	<u>1,285,268</u>	<u>2,570,536</u>	<u>8,209,593</u>

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

The total number of authorised convertible non-cumulative preference shares is 232 million shares (2008: 232 million shares) with a par value of HK\$5 per share (2008: HK\$5 per share).

The Bank adopted a scrip dividend scheme allowing the shareholders to have the options to receive (1) dividends in cash; (2) an allotment of new shares in lieu of cash; or (3) a combination of cash and new shares. Certain shareholders have selected to receive new shares as dividends amounted to HK\$497.2 million (2008: HK\$868.2million).

Share options

Share Option Scheme

During the year, no option has been granted and as at 31 December 2009 (2008: Nil), there was no option outstanding.

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

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

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42 RESERVES

Group

	Bank		Investment revaluation reserve	Cash flow hedge reserve	Exchange reserve	General reserve	Retained earnings	Total
	Ordinary share premium	premi- se revaluation reserve						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	8,209,593	52,469	(681,710)	7,853	141,906	346,390	3,290,741	11,367,242
Issue of shares (Note 41)	431,042	—	—	—	—	—	—	431,042
Share issue expenses (Note 41)	(60)	—	—	—	—	—	—	(60)
Change in fair value of available-for-sale financial investments	—	—	2,678,462	—	—	—	—	2,678,462
Reserve realised on disposal of available-for-sale financial investments	—	—	(643,409)	—	—	—	—	(643,409)
Transfer from available-for-sale financial investments reserve to the income statement on impairment	—	—	43,715	—	—	—	—	43,715
Charge in fair value of cash flow hedge	—	—	—	(7,853)	—	—	—	(7,853)
Revaluation surplus on bank premi- se	—	7,343	—	—	—	—	—	7,343
Exchange differences	—	—	1	—	123	(1)	—	123
Partial transfer of retained earnings to general reserve (Note a)	—	—	—	—	—	39,833	(39,833)	—
Total comprehensive income for the year	—	—	—	—	—	—	2,526,142	2,526,142
Change in deferred tax (Note 38)	—	(3,614)	(336,082)	—	—	—	—	(339,696)
2008 final dividend paid (Note 18)	—	—	—	—	—	—	(231,348)	(231,348)
2009 interim dividend paid (Note 18)	—	—	—	—	—	—	(363,787)	(363,787)
At 31 December 2009	<u>8,640,575</u>	<u>56,198</u>	<u>1,060,977</u>	<u>—</u>	<u>142,029</u>	<u>386,222</u>	<u>5,181,915</u>	<u>15,467,916</u>

(a) The general reserve of the Group comprised of:

- the transfer of retained earnings which is distributable to the shareholders of the Group; and
- a statutory surplus reserve of a subsidiary represents 10% of the profit after tax appropriation as required by law and regulation in the PRC. This reserve is used to offset accumulated losses or increase in capital.

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- (b) The directors proposed a final dividend of HK\$751,454,000 after the year end which will be reflected as an appropriation of retained earnings for the year ended 31 December 2009 (Note 18).

- (c) 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 HKMA.

- (d) The consolidated profit attributable to equity holders of the Group includes a profit of HK\$2,235,384,000 (2008: HK\$739,638,000) which has been dealt with in the financial statements of the Bank.

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Group

	Ordinary share premium HK\$'000	Bank premises revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Cash flow hedge reserve HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2008	7,161,786	46,835	1,473,070	—	69,129	323,882	3,481,533	12,556,235
Issue of shares (Note 41)	1,047,928	—	—	—	—	—	—	1,047,928
Share issue expenses (Note 41)	(121)	—	—	—	—	—	—	(121)
Change in fair value of available-for-sale financial investments	—	—	(3,416,759)	—	—	—	—	(3,416,759)
Reserve realised on disposal of available-for-sale financial investments	—	—	(3,163)	—	—	—	—	(3,163)
Transfer from available-for-sale financial investments reserve to the income statement on impairment	—	—	819,504	—	—	—	—	819,504
Charge in fair value of cash flow hedge	—	—	—	7,853	—	—	—	7,853
Revaluation surplus on bank premises	—	7,289	—	—	—	—	—	7,289
Exchange differences	—	1	—	—	72,777	—	—	72,778
Partial transfer of retained earnings to general reserve (Note a)	—	—	—	—	—	22,508	(22,508)	—
Total comprehensive income for the year	—	—	—	—	—	—	969,023	969,023
Change in deferred tax (Note 38)	—	(1,656)	445,638	—	—	—	—	443,982
2007 final dividend paid (Note 18)	—	—	—	—	—	—	(781,708)	(781,708)
2008 interim dividend paid (Note 18)	—	—	—	—	—	—	(355,599)	(355,599)
At 31 December 2008	<u>8,209,593</u>	<u>52,469</u>	<u>(681,710)</u>	<u>7,853</u>	<u>141,906</u>	<u>346,390</u>	<u>3,290,741</u>	<u>11,367,242</u>

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Bank

	Bank							
	Ordinary share premium	Bank premises revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Exchange reserve	General reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2009	8,209,593	9,871	(680,903)	7,853	3,377	219,200	2,885,298	10,654,289
Issue of shares (Note 41)	431,042	—	—	—	—	—	—	431,042
Share issue expenses (Note 41)	(60)	—	—	—	—	—	—	(60)
Change in fair value of available-for-sale financial investments	—	—	2,678,462	—	—	—	—	2,678,462
Reserve realised on disposal of available-for-sale financial investments	—	—	(643,409)	—	—	—	—	(643,409)
Transfer from available-for-sale financial investments reserve to the income statement on impairment	—	—	43,715	—	—	—	—	43,715
Charge in fair value of cash flow hedge	—	—	—	(7,853)	—	—	—	(7,853)
Revaluation surplus on bank premises	—	(40)	—	—	—	—	—	(40)
Exchange differences	—	—	1	—	(3,377)	—	—	(3,376)
Total comprehensive income for the year	—	—	—	—	—	—	2,235,384	2,235,384
Change in deferred tax (Note 38)	—	7	(336,082)	—	—	—	—	(336,075)
2008 final dividend paid (Note 18)	—	—	—	—	—	—	(231,348)	(231,348)
2009 interim dividend paid (Note 18)	—	—	—	—	—	—	(363,787)	(363,787)
At 31 December 2009	<u>8,640,575</u>	<u>9,838</u>	<u>1,061,784</u>	<u>—</u>	<u>—</u>	<u>219,200</u>	<u>4,525,547</u>	<u>14,456,944</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

Bank

	Bank							
	Ordinary share premium	Bank premises revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Exchange reserve	General reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2008	7,161,786	9,611	1,473,877	—	822	219,200	3,282,967	12,148,263
Issue of shares (Note 41)	1,047,928	—	—	—	—	—	—	1,047,928
Share issue expenses (Note 41)	(121)	—	—	—	—	—	—	(121)
Change in fair value of available-for-sale financial investments	—	—	(3,416,759)	—	—	—	—	(3,416,759)
Reserve realised on disposal of available-for-sale financial investments	—	—	(3,163)	—	—	—	—	(3,163)
Transfer from available-for-sale financial investments reserve to the income statement on impairment	—	—	819,504	—	—	—	—	819,504
Charge in fair value of cash flow hedge	—	—	—	7,853	—	—	—	7,853
Revaluation surplus on bank premises	—	171	—	—	—	—	—	171
Exchange differences	—	1	—	—	2,555	—	—	2,556
Total comprehensive income for the year	—	—	—	—	—	—	739,638	739,638
Change in deferred tax (Note 38)	—	88	445,638	—	—	—	—	445,726
2007 final dividend paid (Note 18)	—	—	—	—	—	—	(781,708)	(781,708)
2008 interim dividend paid (Note 18)	—	—	—	—	—	—	(355,599)	(355,599)
At 31 December 2008	<u>8,209,593</u>	<u>9,871</u>	<u>(680,903)</u>	<u>7,853</u>	<u>3,377</u>	<u>219,200</u>	<u>2,885,298</u>	<u>10,654,289</u>

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43 RELATED PARTY TRANSACTIONS

Listed out below is a summary of the transactions entered into during the ordinary course of business with the ultimate holding company and fellow subsidiaries and associates, including the acceptance of placement of interbank deposits, corresponding banking transactions and off-balance sheet transactions. The activities were priced at the relevant market rates at the time of transactions.

a. **Ultimate holding company**

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	242,035	1,274,954
Interest expense	351,297	1,079,392
Other operating income ^{1, 2}	64,372	13,774
Other operating expenses ³	23,717	14,805
Amounts due from	18,713,744	19,052,897
Amounts due to	<u>23,552,602</u>	<u>21,200,266</u>

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

2. In accordance with the custodian and trustee services agreement dated 4 September 2007 and the supplemental custodian and trustee services agreements dated 16 May 2008 and 31 December 2009, services fees were paid by the ultimate holding company to the Bank for providing custodian, settlement and clearing services in relation to the investments outside the PRC in certain investment products by the customers of the ultimate holding company in connection with the Qualified Domestic Institutional Investor Scheme of the PRC.

3. In accordance with the service levels agreements with the Bank dated 21 February 2002 (as amended and supplemented by supplemental agreements), and the service levels agreement with a subsidiary of the Bank dated 19 March 2008, service fee expense was paid to the ultimate holding company for the provision of data processing services to the Bank and its subsidiary.

Transactions with the ultimate holding company included the issuance of certificates of deposit and subordinated floating rate notes, which were both fully subscribed by the ultimate holding company and its branches. As at 31 December 2009, the Bank has issued floating rate certificates of deposit with a nominal value of US\$100,000,000 to the ultimate holding company (2008: fixed rate certificates of deposit with nominal value of US\$100,000,000).

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Information relating to issuance of subordinated floating rate notes by the Group, fully subscribed by the ultimate holding company and its branch can be found in Note 39.

Other material transactions

i. *Undertaking from the ultimate holding company*

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

Simultaneously on 3 July 2001, the ultimate holding company and the Bank entered into a guarantee agreement whereby the ultimate holding company agreed to guarantee to the extent of HK\$9,000,000,000 the payment obligations of certain customers whose “large exposures” were transferred to the Bank pursuant to a business transfer agreement and to indemnify the Bank in respect of any losses incurred if any obligation of such customers becomes unenforceable. The amount of such on-balance sheet large exposures of the Bank covered by this guarantee as at 31 December 2009 was approximately HK\$39,212,000 (2008: HK\$39,188,000).

ii. *Sub-participation of loans*

The Bank entered into various capital markets transactions with the Branch, which include arranging participation/sub-participation in loans, acquiring and disposing of interests in syndicated or individual loans, subscribing to and/or issuing of debt securities and tax efficient financing. These transactions included sub-participation in loans of the Bank by the ultimate holding company and/or the Branch for a total of HK\$36,048,500,000 (2008: HK\$130,793,038,000). For 2008, there was similar sub-participation in loans of the Branch by the Bank for a total of HK\$24,178,687,000, but no such transaction took place during 2009. The total fee attributable to the above transactions of approximately HK\$28,737,000 (2008: HK\$48,745,000) was paid by the Bank to the Branch in 2009. These transactions were priced based either on the terms of the underlying loan agreement, if applicable, or prevailing market rates if such comparable rates were available, or on terms that were no less favorable than those available to other independent loan members.

b. **Fellow subsidiaries**

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	15,468	16,716
Interest expense	1,452	23,457
Other operating income	211	—
Amounts due from	476	476
Amounts due to	<u>1,571,449</u>	<u>1,562,725</u>

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c. **Associates**

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1,899	611
Interest expense	78	596
Other operating income	1	3,510
Amounts due from	6	2,635
Amounts due to	<u>7,769</u>	<u>28,355</u>

d. **Transactions with other state-controlled entities**

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

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	64,440	91,847
Interest expense	14,782	43,158
Amounts due from	8,146,831	4,076,075
Amounts due to	<u>1,010,312</u>	<u>3,819,913</u>

e. **Key management personnel’s remuneration**

Remuneration for key management personnel, including the Bank’s directors’ emoluments as disclosed in Note 17(a) and the five highest paid individuals as disclosed in Note 17(b), is as follows:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employee benefits	<u>22,611</u>	<u>24,758</u>

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f. **Material transactions with key management personnel**

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	134	178
Interest expense	141	356
Loans and advances	4,347	5,657
Deposits	<u>18,513</u>	<u>21,245</u>

g. **Loans to officers**

Particulars of the loans made to officers and disclosed pursuant to Section 161B(4B) of the Hong Kong Companies Ordinance are as follows:

	Balance		Maximum balance	
	outstanding at	31 December	during the year	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate amount outstanding in respect of principal and interest	<u>4,347</u>	<u>5,657</u>	<u>5,309</u>	<u>6,562</u>

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44 OFF-BALANCE SHEET EXPOSURES

(a) Contingent liabilities and commitments

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

Group	2009	2009	2008	2008
	Contractual amount	Credit risk weighted amount	Contractual amount	Credit risk weighted amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 forward deposits placed	<u>814,703</u>	<u>162,941</u>	<u>2,310,099</u>	<u>462,020</u>
	<u>103,757,381</u>	<u>14,394,189</u>	<u>89,717,349</u>	<u>14,141,170</u>

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	2009		2008	
	Contractual amount	Credit risk weighted amount	Contractual amount	Credit risk weighted amount
Bank	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct credit substitutes	2,119,160	1,258,280	2,459,258	1,672,433
Transaction-related contingencies	132,742	36,848	314,227	101,271
Trade-related contingencies	3,931,297	644,944	2,978,820	534,506
Asset sales with recourse	193,875	193,875	—	—
Other commitments				
— Unconditionally cancellable	71,161,225	—	58,436,103	—
— With original maturity of less than one year	778,627	116,946	180,564	36,113
— With original maturity of over one year	19,497,830	9,605,393	10,598,459	5,160,246
Forward forward deposits placed	<u>814,703</u>	<u>162,941</u>	<u>2,310,099</u>	<u>462,020</u>
	<u>98,629,459</u>	<u>12,019,227</u>	<u>77,277,530</u>	<u>7,966,589</u>

(b) **Capital commitments**

Capital commitments for property, plant and equipment outstanding as at 31 December 2009 not provided for in the financial statements were as follows:

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expenditure contracted but not provided for	48,111	4,268	47,956	4,135
Expenditure authorised but not contracted for	<u>235</u>	<u>7,505</u>	<u>235</u>	<u>7,505</u>
	<u>48,346</u>	<u>11,773</u>	<u>48,191</u>	<u>11,640</u>

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(c) Operating lease commitments

At 31 December 2009, the Group and the Bank had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings				
— Not later than one year	237,070	239,993	235,248	236,439
— Later than one year and not later than five years	503,870	833,255	503,409	830,171
— More than five years	<u>—</u>	<u>48,420</u>	<u>—</u>	<u>48,420</u>
	<u>740,940</u>	<u>1,121,668</u>	<u>738,657</u>	<u>1,115,030</u>

(d) Operating lease arrangements

The Group leases its investment properties (Note 31 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from two to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At as 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Bank	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,659	2,203	320	320
In the second to fifth years, inclusive	<u>3,561</u>	<u>2,814</u>	<u>—</u>	<u>—</u>
	<u>5,220</u>	<u>5,017</u>	<u>320</u>	<u>320</u>

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

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45 POST BALANCE SHEET EVENT

On 23 March 2010, ICBC Asia Wa Pei Limited, a wholly-owned subsidiary of the Bank, had completed its liquidation process with its total assets and liabilities of HK\$54,858,000 and HK\$8,548,000 respectively as of the date of liquidation fully transferred to the Bank.

46 COMPARATIVE AMOUNTS

As further explained in Note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirement. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

47 THE ULTIMATE HOLDING COMPANY

In the opinion of the directors, the ultimate holding company of the Bank is Industrial and Commercial Bank of China Limited, which is established in the PRC.

48 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 March 2010.

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III. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Set out below is the full text of the unaudited condensed consolidated financial information of the ICBC Asia Group for the six months ended 30 June 2010 extracted from the interim report of the ICBC Asia Group for the six months ended 30 June 2010.

**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTH ENDED 30 JUNE 2010**

	<i>Notes</i>	Restated		Change %
		Six Months Ended		
		30 Jun 2010 <i>HK\$'000</i>	30 Jun 2009 <i>HK\$'000</i>	
Interest income	(6)	2,513,851	2,322,494	8%
Interest expense	(6)	<u>(788,979)</u>	<u>(832,462)</u>	-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)	<u>(64,156)</u>	<u>(35,661)</u>	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)	<u>10,650</u>	<u>18,311</u>	-42%
Operating income		2,278,290	2,019,258	13%
Operating expenses	(12)	<u>(679,802)</u>	<u>(696,418)</u>	-2%
Operating profit before impairment losses		1,598,488	1,322,840	21%
Charge for impairment losses on loans and advances	(13)	<u>(210,328)</u>	<u>(224,605)</u>	-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		<u>—</u>	<u>(42,870)</u>	-100%

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	<i>Notes</i>	Restated		Change
		Six Months Ended		
		30 Jun 2010	30 Jun 2009	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
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		<u>21,291</u>	<u>—</u>	-%
Operating profit		1,471,606	1,116,145	32%
Share of profit of an associate		<u>7,174</u>	<u>10,881</u>	-34%
Profit before tax		1,478,780	1,127,026	31%
Income tax expense	(14)	<u>(249,622)</u>	<u>(198,183)</u>	26%
Profit for the period and attributable to equity holders	(3.3)	<u>1,229,158</u>	<u>928,843</u>	32%
Earnings per share	(16)	<u>HK\$0.93</u>	<u>HK\$0.72</u>	29%

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH ENDED 30 JUNE 2010**

		Restated		
		Six Months Ended		
	<i>Note</i>	30 Jun 2010	30 Jun 2009	Change
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Profit for the period	(3.3)	<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		<u>20,781</u>	<u>1,233</u>	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	(3.3)	<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%

APPENDIX I FINANCIAL INFORMATION RELATING TO THE ICBC ASIA GROUP

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

		Unaudited 30 Jun 2010	Restated 31 Dec 2009	Change	Restated 30 Jun 2009	Change
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	
Assets						
Cash and balances with banks and other financial institutions	(17)	27,424,822	27,910,582	-2%	38,390,316	-29%
Placements with and advances to banks and other financial institutions	(18)	1,549,249	1,663,286	-7%	15,326,779	-90%
Financial assets held for trading	(19)	197,876	190,246	4%	45,849	332%
Financial assets designated at fair value through profit or loss	(20)	944,553	1,162,149	-19%	1,305,904	-28%
Derivative financial instruments	(21)	2,006,609	1,285,306	56%	1,348,166	49%
Loans and advances to customers, banks and other financial institutions	(22)	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	(23)	34,596,813	32,361,666	7%	28,404,433	22%
- Held-to-maturity	(24)	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	(25)	47,488	46,213	3%	40,126	18%
Property, plant and equipment	(3.3), (26)	486,775	514,191	-5%	498,360	-2%
Other assets	(27)	1,554,306	1,305,150	19%	1,310,067	19%
Total assets		<u>255,806,628</u>	<u>215,950,950</u>	18%	<u>218,350,222</u>	17%

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		Unaudited 30 Jun 2010	Restated 31 Dec 2009	Change	Restated 30 Jun 2009	Change
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	
Liabilities						
Deposits from banks and other financial institutions		33,477,605	20,176,700	66%	25,745,556	30%
Derivative financial instruments	(21)	2,427,258	1,403,832	73%	1,431,854	70%
Deposits from customers						
- At amortised cost	(28)	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	(29)	206,317	224,386	-8%	102,471	101%
Subordinated debts measured at amortised cost	(30)	8,589,790	8,561,125	0%	8,556,348	0%
Other liabilities	(31)	1,842,906	2,070,476	-11%	1,996,521	-8%
Total liabilities		<u>236,466,726</u>	<u>197,683,356</u>	20%	<u>202,326,420</u>	17%
Equity						
Share capital	(32)	2,704,123	2,636,681	3%	2,598,476	4%
Retained earnings	(3.3),(33)	5,610,900	5,172,225	8%	3,981,150	41%
Other reserves	(33)	11,024,879	10,458,688	5%	9,444,176	17%
Total equity		<u>19,339,902</u>	<u>18,267,594</u>	6%	<u>16,023,802</u>	21%
Total equity and liabilities		<u>255,806,628</u>	<u>215,950,950</u>	18%	<u>218,350,222</u>	17%

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH ENDED 30 JUNE 2010**

		30 Jun 2010	Restated 30 Jun 2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity as at 1 January		18,104,597	13,937,778
Effect of adopting HKAS 17		<u>162,997</u>	<u>152,384</u>
		18,267,594	14,090,162
Profit for the period	(33)	1,229,158	928,843
Other comprehensive income		<u>(20,060)</u>	<u>1,050,933</u>
Total comprehensive income		1,209,098	1,979,776
Change in general reserve		—	(3,051)
Dividends paid during the period	(33)	(751,454)	(231,348)
Shares issued in lieu of dividends	(32)	<u>614,664</u>	<u>188,263</u>
Total equity as at 30 June		<u><u>19,339,902</u></u>	<u><u>16,023,802</u></u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH ENDED 30 JUNE 2010**

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>38,851</u>	<u>(6,071)</u>
Net (decrease)/increase in cash and cash equivalents	(899,347)	21,201,358
Cash and cash equivalents at 1 January	<u>28,708,709</u>	<u>28,933,732</u>
Cash and cash equivalents at 30 June	<u><u>27,809,362</u></u>	<u><u>50,135,090</u></u>

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 Principal activities

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

2.1 Basis of preparation

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

The unaudited condensed consolidated interim accounts do not include all the information and disclosures required in the annual accounts, and should be read in conjunction with the Group’s annual accounts for the year ended 31 December 2009.

The preparation of accounts requires management to exercise its judgement and make estimates and assumptions in the process of applying the Group’s accounting policies and reporting amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management were the same as those applied to the consolidated accounts for the year ended 31 December 2009.

2.2 Basis of consolidation

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

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

- Chinese Mercantile Bank
- ICBC (Asia) Asset Management Company Limited
- ICBC (Asia) Bullion Company Limited
- ICBC (Asia) Investment Holdings Limited
- ICBC (Asia) Investment Management Company Limited
- ICBC (Asia) Nominee Limited

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- ICBC (Asia) Securities Limited
- ICBC (Asia) Trustee Company Limited
- ICBC (Asia) Wa Pei Nominees Limited
- ICBCA (C.I.) Limited
- UB China Business Management Co. Ltd.

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

The accounting policies adopted in the preparation of the condensed interim report are consistent with those used in the preparation of the Group’s audited accounts for the year ended 31 December 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.

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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

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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 3.3.

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.

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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 impact 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.

3.2 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

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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

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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.

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3.3 Financial impact of the adoption of the amendment to HKAS 17

As explained in note 3.1 above, following the adoption of the amendment to HKAS 17, the corresponding prior year comparatives have been adjusted as follows:

	As reported <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	Restated <i>HK\$'000</i>
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

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4 Analysis of assets and liabilities by remaining maturity

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

Group 30 June 2010	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets								
Cash and balances with banks and other financial institutions	9,873,833	16,495,571	—	—	—	—	1,055,418	27,424,822
Placements with and advances to banks and other financial institutions	—	—	390,185	1,159,064	—	—	—	1,549,249
Financial assets held for trading	—	4,936	14,964	419	13,542	6,643	157,372	197,876
Financial assets designated at fair value through profit or loss	—	—	—	219,000	725,553	—	—	944,553
Derivative financial instruments	159,664	129,205	330,241	965,245	275,869	146,385	—	2,006,609
Loans and advances to customers, banks and other financial institutions	23,080,387	20,726,316	9,514,185	33,833,377	63,437,013	34,001,243	—	184,592,521
Available-for-sale financial investments								
— equity securities	—	—	—	—	—	—	1,515,792	1,515,792
— certificates of deposit held	—	—	—	733,516	989,430	—	—	1,722,946
— other debt securities	—	697,063	1,521,022	3,128,601	24,271,136	1,732,613	7,640	31,358,075
Held-to-maturity financial investments								
— treasury bills	—	—	—	1,145,621	—	—	—	1,145,621
— other debt securities	—	54,346	4,580	—	—	—	—	58,926
Investments in associates	—	—	—	—	—	—	182,351	182,351
Goodwill and other intangible assets	—	—	—	—	—	—	1,018,718	1,018,718
Investment properties	—	—	—	—	—	—	47,488	47,488
Property, plant and equipment	—	—	—	—	—	—	486,775	486,775
Other assets	9,088	587,218	99,801	252,201	104,960	—	501,038	1,554,306
Total assets	<u>33,122,972</u>	<u>38,694,655</u>	<u>11,874,978</u>	<u>41,437,044</u>	<u>89,817,503</u>	<u>35,886,884</u>	<u>4,972,592</u>	<u>255,806,628</u>
Liabilities								
Deposits from banks and other financial institutions	1,201,372	14,334,321	10,586,288	7,355,624	—	—	—	33,477,605
Derivative financial instruments	28,919	131,729	372,225	980,506	650,182	263,697	—	2,427,258
Deposits from customers	41,425,973	63,020,145	50,848,074	24,914,975	441,097	28,464	—	180,678,728
Certificates of deposit issued	—	150,306	49,759	3,469,740	3,619,418	—	—	7,289,223
Debt securities in issue	1,110	150,312	50,929	—	—	—	—	202,351
Subordinated debts measured at amortised cost	—	—	—	622,752	6,410,158	1,556,880	—	8,589,790
Other liabilities, including current and deferred tax liabilities	93,179	776,052	396,539	2,208,668	80,402	1,211	245,720	3,801,771
Total liabilities	<u>42,750,553</u>	<u>78,562,865</u>	<u>62,303,814</u>	<u>39,552,265</u>	<u>11,201,257</u>	<u>1,850,252</u>	<u>245,720</u>	<u>236,466,726</u>
Net liquidity gap	<u>(9,627,581)</u>	<u>(39,868,210)</u>	<u>(50,428,836)</u>	<u>1,884,779</u>	<u>78,616,246</u>	<u>34,036,632</u>	<u>4,726,872</u>	<u>19,339,902</u>

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Group (Restated) At 31 December 2009	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Cash and balances with banks and other financial institutions	6,240,723	21,134,079	—	—	—	—	535,780	27,910,582
Placements with and advances to banks and other financial institutions	—	—	903,730	759,556	—	—	—	1,663,286
Financial assets held for trading	—	—	—	19,884	19,244	7,920	143,198	190,246
Financial assets designated at fair value through profit or loss	—	—	78,433	157,551	711,467	214,698	—	1,162,149
Derivative financial instruments	61	399,829	149,750	320,904	256,211	158,551	—	1,285,306
Loans and advances to customers, banks and other financial institutions	15,629,122	6,722,168	8,189,544	25,454,036	61,072,255	29,957,457	—	147,024,582
Available-for-sale financial investments								
— equity securities	—	—	—	—	—	—	1,587,800	1,587,800
— certificates of deposit held	—	—	—	—	150,225	—	—	150,225
— other debt securities	—	302,225	3,291,607	5,473,922	19,863,398	1,686,279	6,210	30,623,641
Held-to-maturity financial investments								
— treasury bills	—	—	—	1,146,414	—	—	—	1,146,414
— other debt securities	—	—	—	84,777	—	60,318	—	145,095
Investments in associates	—	—	—	—	—	—	175,177	175,177
Goodwill and other intangible assets	—	—	—	—	—	—	1,020,893	1,020,893
Investment properties	—	—	—	—	—	—	46,213	46,213
Property, plant and equipment	—	—	—	—	—	—	514,191	514,191
Other assets	19,676	588,916	251,953	111,209	84,220	—	249,176	1,305,150
Total assets	<u>21,889,582</u>	<u>29,147,217</u>	<u>12,865,017</u>	<u>33,528,253</u>	<u>82,157,020</u>	<u>32,085,223</u>	<u>4,278,638</u>	<u>215,950,950</u>
Liabilities								
Deposits from banks and other financial institutions	1,313,038	10,879,001	6,731,190	1,253,471	—	—	—	20,176,700
Derivative financial instruments	5,164	244,176	137,561	391,698	441,575	183,658	—	1,403,832
Deposits from customers	46,811,559	55,923,263	33,875,477	23,533,175	989,730	28,357	—	161,161,561
Certificates of deposit issued	—	77,731	99,748	356,013	1,861,054	—	—	2,394,546
Debt securities in issue	—	66,529	92,997	—	—	—	—	159,526
Subordinated debts measured at amortised cost	—	—	—	—	7,010,125	1,551,000	—	8,561,125
Other liabilities, including current and deferred tax liabilities	182,704	707,880	541,684	1,971,797	94,060	—	327,941	3,826,066
Total liabilities	<u>48,312,465</u>	<u>67,898,580</u>	<u>41,478,657</u>	<u>27,506,154</u>	<u>10,396,544</u>	<u>1,763,015</u>	<u>327,941</u>	<u>197,683,356</u>
Net liquidity gap	<u>(26,422,883)</u>	<u>(38,751,363)</u>	<u>(28,613,640)</u>	<u>6,022,099</u>	<u>71,760,476</u>	<u>30,322,208</u>	<u>3,950,697</u>	<u>18,267,594</u>

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5 Segment reporting

(a) 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	Commercial banking	Retail banking	Global markets and trading	Institutional banking	Chinese Mercantile Bank	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

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30 Jun 2010	Corporate and investment banking	Commercial banking	Retail banking	Global markets and trading	Institutional banking	Chinese Mercantile Bank	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>416,380</u>	<u>514,614</u>	<u>104,063</u>	<u>198,849</u>	<u>91,511</u>	<u>57,564</u>	<u>95,799</u>	<u>1,478,780</u>
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	<u>51,362,828</u>	<u>60,241,200</u>	<u>31,616,558</u>	<u>60,401,417</u>	<u>28,077,267</u>	<u>19,409,792</u>	<u>4,697,566</u>	<u>255,806,628</u>
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	<u>54,053,694</u>	<u>52,407,094</u>	<u>56,318,668</u>	<u>28,886,476</u>	<u>10,716,021</u>	<u>15,193,676</u>	<u>18,891,097</u>	<u>236,466,726</u>
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

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(Restated) 30 Jun 2009	Corporate and investment banking	Commercial banking	Retail banking	Global markets and trading	Institutional banking	Chinese Mercantile Bank	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

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(b) **Geographical area**

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

	For the six months ended 30 Jun 2010			
	Hong Kong	Asia Pacific (excluding Hong Kong)	Europe	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating income (net of interest expense)	2,125,440	215,418	(62,568)	2,278,290
Profit/(loss) before tax	1,483,932	57,564	(62,716)	1,478,780
Total assets	236,396,836	19,409,792	—	255,806,628
Total liabilities	221,273,050	15,193,676	—	236,466,726
Contingent liabilities and commitments	<u>101,064,417</u>	<u>20,075,171</u>	<u>—</u>	<u>121,139,588</u>
Capital expenditure during the period	<u>13,986</u>	<u>904</u>	<u>—</u>	<u>14,890</u>

	For the six months ended 30 Jun 2009			
	Hong Kong	Asia Pacific (excluding Hong Kong)	Europe	Consolidated
Restated	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating income (net of interest expense)	1,875,545	150,081	(6,368)	2,019,258
Profit before tax	1,055,077	79,458	(7,509)	1,127,026
Total assets	209,995,603	7,946,089	408,530	218,350,222
Total liabilities	197,602,912	4,711,802	11,706	202,326,420
Contingent liabilities and commitments	<u>79,972,486</u>	<u>2,880,646</u>	<u>—</u>	<u>82,853,132</u>
Capital expenditure during the period	<u>23,975</u>	<u>505</u>	<u>—</u>	<u>24,480</u>

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6 Net interest income

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>1,946</u>	<u>19,324</u>
	2,488,111	2,282,913
Financial assets held for trading	737	1,006
Financial assets designated at fair value through profit or loss	<u>25,003</u>	<u>38,575</u>
	<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	<u>160,438</u>	<u>18,651</u>
	769,207	718,524
Financial liabilities designated at fair value through profit or loss	<u>19,772</u>	<u>113,938</u>
	<u>788,979</u>	<u>832,462</u>
Net interest income	<u><u>1,724,872</u></u>	<u><u>1,490,032</u></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).

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7 Net fee and commission income

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>14,777</u>	<u>16,309</u>
Fee and commission income	421,997	348,439
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	—

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8 Net trading income

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>158,145</u>	<u>52,808</u>
	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	<u>(348,033)</u>	<u>110,605</u>
	<u>(377)</u>	<u>374</u>
Total net trading income	<u><u>163,299</u></u>	<u><u>120,864</u></u>

There is no trading income on the gain of financial liabilities measured at amortised cost for first half of 2010 (First half of 2009: HK\$2,884).

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

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets designated at fair value through profit or loss	12,719	19,736
Financial liabilities designated at fair value through profit or loss	<u>5,318</u>	<u>54,020</u>
Total net gain on financial assets and liabilities designated at fair value through profit or loss	<u><u>18,037</u></u>	<u><u>73,756</u></u>

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10 Dividend income from financial investments

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from listed financial assets held for trading	720	737
Dividend income from unlisted available-for-sale financial investments	<u>2,871</u>	<u>2,780</u>
Total dividend income from financial investments	<u><u>3,591</u></u>	<u><u>3,517</u></u>

11 Other operating income

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>5,675</u>	<u>13,389</u>
Total other operating income	<u><u>10,650</u></u>	<u><u>18,311</u></u>

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12 **Operating expenses**

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

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13 Charge for impairment losses on loans and advances

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charge for impairment losses on loans and advances		
Individually assessed		
— New allowances	102,955	242,528
— Releases	(17,570)	(18,348)
— Recoveries	<u>(2,746)</u>	<u>(5,505)</u>
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	<u>—</u>	<u>(3,622)</u>
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><u>210,328</u></u>	<u><u>224,605</u></u>

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14 **Tax**

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 subsidiaries have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
— provision for Hong Kong Profits Tax for the period	240,812	162,976
— provision for overseas tax for the period	16,805	14,633
Underprovision in respect of prior years	3,448	19,388
Deferred taxation relating to the origination and reversal of temporary differences	<u>(11,443)</u>	<u>1,186</u>
	<u>249,622</u>	<u>198,183</u>

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

	30 Jun 2010	Restated 30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	1,478,780	1,127,026
Calculated at a tax rate of 16.5% (2009: 16.5%)	243,999	185,959
Effect of different tax rates in other countries	7,273	2,913
Income not subject to tax	(31,510)	(25,816)
Expenses not deductible for tax purposes	27,703	17,534
Adjustments in respect of current tax of previous periods	3,448	19,388
Share of tax of associates	(1,184)	(1,795)
Taxation of partnership	<u>(107)</u>	<u>—</u>
Tax charge	<u>249,622</u>	<u>198,183</u>

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15 Declared interim dividend

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

At the Board Meeting of the Bank held on 25 August 2010, the Board has declared an interim dividend of HK\$0.37 per ordinary share. 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.

16 Earnings per share

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

	30 Jun 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 earning per share, as the Group had no potential dilutive ordinary shares in issue during those periods.

17 Cash and balances with banks and other financial institutions

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash in hand	271,592	266,421
Balances with central banks	7,651,646	5,213,938
Balances with other banks and financial institutions	3,006,013	1,296,144
Placements with banks and other financial institutions maturing within one month	<u>16,495,571</u>	<u>21,134,079</u>
	<u>27,424,822</u>	<u>27,910,582</u>

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18 Placements with and advances to banks and other financial institutions

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Placements with banks and other financial institutions maturing between one and twelve months	<u>1,549,249</u>	<u>1,663,286</u>

19 Financial assets held for trading

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>

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20 Financial assets designated at fair value through profit or loss

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>
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>

21 Derivative financial instruments

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

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

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

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

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

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

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

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The following tables summarise the contractual/notional amounts of each significant type of derivative financial instruments as at 30 June 2010 and 31 December 2009:

As at 30 June 2010	Contractual/ notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
— Currency forwards	182,615,563	1,345,426	(1,230,257)
— OTC currency options purchased	6,132,716	88,275	—
— OTC currency options written	5,606,569	—	(111,278)
— Structured foreign exchange instruments	200,506	<u>23,542</u>	<u>(22,575)</u>
Total foreign exchange derivatives		1,457,243	(1,364,110)
b) Interest rate derivatives			
— Interest rate swaps	15,616,456	319,132	(278,691)
— Interest rate options purchased	705,986	1,763	—
— Interest rate options written	705,986	—	(1,763)
— Structured interest rate instruments	746,068	<u>5,108</u>	<u>(5,149)</u>
Total interest rate derivatives		326,003	(285,603)
c) Equity derivatives			
— Equity options	195,706	<u>190,291</u>	<u>(190,291)</u>
		<u>190,291</u>	<u>(190,291)</u>
Total derivative assets/(liabilities) held for trading		<u>1,973,537</u>	<u>(1,840,004)</u>
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
— Interest rate swaps	8,114,380	—	(418,970)
— Cross currency swaps	959,993	27,103	(27,367)
b) Derivatives designated as cash flow hedges			
— Interest rate swaps	3,139,381	—	(42,186)
— Cross currency swaps	404,789	<u>1,631</u>	<u>—</u>
Total derivative assets/(liabilities) held for hedging		<u>28,734</u>	<u>(488,523)</u>
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
— Interest rate swaps	1,070,656	<u>4,338</u>	<u>(98,731)</u>
Total derivative assets/(liabilities) not qualified as hedges		<u>4,338</u>	<u>(98,731)</u>
Total recognised derivative assets/(liabilities)		<u><u>2,006,609</u></u>	<u><u>(2,427,258)</u></u>

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As at 31 December 2009	Contractual/ notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
— Currency forwards	87,492,643	707,554	(632,192)
— OTC currency options purchased	5,013,375	33,494	(151)
— OTC currency options written	5,007,140	<u>151</u>	<u>(34,028)</u>
Total foreign exchange derivatives		741,199	(666,371)
b) Interest rate derivatives			
— Interest rate swaps	16,136,691	327,792	(301,572)
— Interest rate options purchased	804,075	4,657	—
— Interest rate options written	804,075	<u>—</u>	<u>(4,657)</u>
Total interest rate derivatives		332,449	(306,229)
c) Equity derivatives			
— Equity options	310,807	<u>157,751</u>	<u>(157,751)</u>
		<u>157,751</u>	<u>(157,751)</u>
Total derivative assets/(liabilities) held for trading		<u>1,231,399</u>	<u>(1,130,351)</u>
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
— Interest rate swaps	8,388,175	<u>49,652</u>	<u>(185,528)</u>
Total derivative assets/(liabilities) held for hedging		<u>49,652</u>	<u>(185,528)</u>
3) Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
— Interest rate swaps	1,300,395	<u>4,255</u>	<u>(87,953)</u>
Total derivative assets/(liabilities) not qualified as hedges		<u>4,255</u>	<u>(87,953)</u>
Total recognised derivative assets/(liabilities)		<u><u>1,285,306</u></u>	<u><u>(1,403,832)</u></u>

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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.

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

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

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

	Group and Bank	
	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain/(loss) arising from fair value hedge, net:		
- Hedging instruments	(348,033)	110,605
- Hedged items attributable to the hedged risk	<u>347,656</u>	<u>(110,231)</u>
	<u>(377)</u>	<u>374</u>

Cash flow hedge consists of interest rate swaps entered into in 2010 that is used to protect the Group against exposures to variability of floating-rate liabilities. Gains and losses on the effective portion of the swap are initially recognised directly in equity, in the cash flow hedging reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the period, there was no ineffectiveness recognised in the income statement that arose from cash flow hedges (First half of 2009: Nil).

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

	30 Jun 2010		31 Dec 2009	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>190,291</u>	<u>39,245</u>	<u>157,751</u>	<u>33,467</u>
	<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.

22 Loans and advances to customers, banks and other financial institutions

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

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

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	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>497,241</u>	<u>693,671</u>

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

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

There were no impaired advances to banks and other financial institutions as at 30 June 2010 and 31 December 2009; nor were there any individual impairment allowances made for them on these two dates.

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

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

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

	Gross advances HK\$'000	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 allowance HK\$'000
As at 30 June 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	<u>259,639</u>	<u>0.1</u>	<u>136,997</u>	<u>89,479</u>	<u>169,794</u>	<u>214,222</u>
	<u><u>1,016,411</u></u>	<u><u>0.5</u></u>	<u><u>348,170</u></u>	<u><u>277,539</u></u>	<u><u>738,222</u></u>	<u><u>390,196</u></u>
As at 31 December 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	<u>109,111</u>	<u>0.1</u>	<u>65,283</u>	<u>43,668</u>	<u>65,443</u>	<u>70,033</u>
	<u><u>527,361</u></u>	<u><u>0.4</u></u>	<u><u>314,899</u></u>	<u><u>280,026</u></u>	<u><u>247,335</u></u>	<u><u>267,513</u></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 rights to repossess the collateral is legally enforceable and without impediment; and
- If the collateral is a moveable asset, it should be under the Bank's custody, or its whereabouts can be located by the Bank.

The eligible collaterals are mainly properties, deposits and shares.

There were no advances to banks and other financial institutions which were overdue, nor were there any rescheduled advances to banks and other financial institutions as at 30 June 2010 and 31 December 2009.

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(c) *Other overdue assets*

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

Other assets refer to trade bills and receivables.

There were no debt securities which were overdue for over 3 months; nor were there any rescheduled assets as at 30 June 2010 and 31 December 2009.

(d) *Rescheduled advances*

	As percentage of advances to customers		As percentage of advances to customers	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Rescheduled advances (excluding overdue loans over three months)	<u>105,458</u>	<u>0.1</u>	<u>112,377</u>	<u>0.1</u>

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

(e) *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). These are properties which the Group has acquired access to or control of (e.g. through legal actions or voluntary actions by the borrowers concerned) for releasing in full or in part on the obligations of the borrowers.

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23 Available-for-sale financial investments

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Debt securities:		
Listed in Hong Kong	2,366,893	2,386,583
Listed outside Hong Kong	16,235,682	15,803,326
Unlisted	<u>14,478,759</u>	<u>12,583,957</u>
	<u>33,081,334</u>	<u>30,773,866</u>
Equity securities:		
Listed in Hong Kong	1,431,329	1,501,944
Unlisted	<u>84,150</u>	<u>85,856</u>
	<u>1,515,479</u>	<u>1,587,800</u>
 Total available-for-sale financial investments	 <u>34,596,813</u>	 <u>32,361,666</u>
 Market value of listed securities	 <u>20,033,904</u>	 <u>19,691,853</u>
 Debt securities after taking into account impairment losses comprise the following items:		
Certificates of deposit held	1,722,946	150,225
Other debt securities	<u>31,358,388</u>	<u>30,623,641</u>
	<u>33,081,334</u>	<u>30,773,866</u>
 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	<u>677</u>	<u>4,197</u>
	<u>34,596,813</u>	<u>32,361,666</u>

During the period, there was no individual impairment loss made on available-for-sale financial investments (First half of 2009: HK\$42,870,000).

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24 **Held-to-maturity financial investments**

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

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Movement in collective impairment allowances on held-to-maturity financial investments:

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	234	2,379
Write back of collective impairment loss	<u>(80)</u>	<u>(2,145)</u>
At 30 June/31 December	<u>154</u>	<u>234</u>

25 Investment properties

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January	46,213	40,126
Net revaluation gain	<u>1,275</u>	<u>6,087</u>
Carrying amount at 30 June/31 December	<u>47,488</u>	<u>46,213</u>

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26 Property, plant and equipment

Group

	Bank premises HK\$'000	Leasehold improve- ments HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
At 31 December 2009 and 1 January 2010:				
Cost or valuation	171,868	208,261	221,736	601,865
Accumulated depreciation and impairment	<u>(69,402)</u>	<u>(117,215)</u>	<u>(141,295)</u>	<u>(327,912)</u>
Net book value at 31 December 2009 and 1 January 2010	<u>102,466</u>	<u>91,046</u>	<u>80,441</u>	<u>273,953</u>
Effect of adopting Amendment to HKAS17	<u>240,238</u>	<u>—</u>	<u>—</u>	<u>240,238</u>
Net book value at 31 December 2009 and 1 January 2010, as restated				
	342,704	91,046	80,441	514,191
Additions	—	2,837	9,503	12,340
Disposals	(26,879)	—	(112)	(26,991)
Revaluation	13,116	—	—	13,116
Depreciation provided during the year	(7,354)	(8,706)	(10,314)	(26,374)
Exchange rate and other adjustments	<u>(157)</u>	<u>1</u>	<u>649</u>	<u>493</u>
Net book value at 30 June 2010	<u>321,430</u>	<u>85,178</u>	<u>80,167</u>	<u>486,775</u>
At 30 June 2010:				
Cost or valuation	399,393	210,828	229,291	839,512
Accumulated depreciation and impairment	<u>(77,963)</u>	<u>(125,650)</u>	<u>(149,124)</u>	<u>(352,737)</u>
Net book value at 30 June 2010	<u>321,430</u>	<u>85,178</u>	<u>80,167</u>	<u>486,775</u>
The analysis of cost or valuation of the above assets is as follows:				
At 30 June 2010:				
At cost	—	210,828	229,291	440,119
At valuation	<u>321,430</u>	<u>—</u>	<u>—</u>	<u>321,430</u>
	<u>321,430</u>	<u>210,828</u>	<u>229,291</u>	<u>761,549</u>

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Group (Restated)

	Bank premises <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2008 and 1 January 2009:				
Cost or valuation	150,720	204,330	233,670	588,720
Accumulated depreciation and impairment	<u>(52,718)</u>	<u>(111,236)</u>	<u>(148,692)</u>	<u>(312,646)</u>
Net book value at 31 December 2008 and 1 January 2009	<u>98,002</u>	<u>93,094</u>	<u>84,978</u>	<u>276,074</u>
Effect of adopting Amendment to HKAS17	<u>227,757</u>	<u>—</u>	<u>—</u>	<u>227,757</u>
Net book value at 31 December 2009 and 1 January 2010, as restated				
	325,759	93,094	84,978	503,831
Additions	—	15,630	16,117	31,747
Disposals	—	(119)	(1,172)	(1,291)
Revaluation	30,280	—	—	30,280
Depreciation provided during the year	(13,421)	(17,560)	(19,490)	(50,471)
Exchange rate and other adjustments	<u>86</u>	<u>1</u>	<u>8</u>	<u>95</u>
Net book value at 31 December 2009	<u>342,704</u>	<u>91,046</u>	<u>80,441</u>	<u>514,191</u>
At 31 December 2009:				
Cost or valuation	415,917	208,261	221,736	845,914
Accumulated depreciation and impairment	<u>(73,213)</u>	<u>(117,215)</u>	<u>(141,295)</u>	<u>(331,723)</u>
Net book value at 31 December 2009	<u>342,704</u>	<u>91,046</u>	<u>80,441</u>	<u>514,191</u>
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2009:				
At cost	—	208,261	221,736	429,997
At valuation	<u>342,704</u>	<u>—</u>	<u>—</u>	<u>342,704</u>
	<u>342,704</u>	<u>208,261</u>	<u>221,736</u>	<u>772,701</u>

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27 **Other assets**

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest receivable	319,826	340,173
Prepayments	139,854	110,882
Settlement accounts	400,852	409,350
Others	<u>693,774</u>	<u>444,745</u>
	<u>1,554,306</u>	<u>1,305,150</u>

28 **Deposits from customers**

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

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29 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2009: 16.5%).

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

	30 Jun 2010	Restated 31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	(190,262)	137,547
Effect of adopting Amendment to HKAS 17	<u>(34,124)</u>	<u>(31,512)</u>
At 1 January, as restated	(224,386)	106,035
Credited/(debited) to income statement	11,443	(1,780)
Credited/(debited) to equity (Note 33)	6,613	(342,308)
Exchange and other adjustments	<u>13</u>	<u>13,667</u>
At 30 June/31 December	<u>(206,317)</u>	<u>(224,386)</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position.

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Group	30 Jun 2010	Restated 31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets:		
to be recovered after more than 12 months	61,713	54,177
to be recovered within 12 months	<u>—</u>	<u>939</u>
	<u>61,713</u>	<u>55,116</u>
Deferred income tax liabilities:		
to be settled after more than 12 months	(264,933)	(277,966)
to be settled within 12 months	<u>(3,097)</u>	<u>(1,536)</u>
	<u>(268,030)</u>	<u>(279,502)</u>
Deferred income tax liabilities, net	<u>(206,317)</u>	<u>(224,386)</u>

30 Subordinated debts measured at amortised cost

	30 Jun 2010		31 Dec 2009	
	<i>HK\$'000</i>	<i>Interest rate %</i>	<i>HK\$'000</i>	<i>Interest rate %</i>
Subordinated floating rate notes				
- with a final maturity on 2 July 2011	583,830	0.598%	581,625	0.481%
- with a final maturity on 12 December 2011	622,752	1.003%	620,400	0.680%
- with a final maturity on 26 March 2012	544,908	1.003%	542,850	0.680%
- with a final maturity on 28 April 2014	1,167,660	1.753%	1,163,250	1.430%
- with a final maturity on 29 June 2016 (callable on 30 June 2011)	622,752	1.034%	620,400	0.751%
- with a final maturity on 20 October 2018 (callable on 21 October 2013)	1,556,880	1.384%	1,551,000	1.101%
- perpetual (callable on 10 December 2012)	1,000,000	1.071%	1,000,000	0.639%
- perpetual (callable on 9 July 2013)	934,128	1.034%	930,600	0.751%
- perpetual (callable on 30 June 2016)	<u>1,556,880</u>	1.134%	<u>1,551,000</u>	0.851%
	<u>8,589,790</u>		<u>8,561,125</u>	

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

31 Other liabilities

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest payable	463,991	406,233
Salaries and welfare payable	79,724	101,702
Settlement accounts	376,373	407,497
Others	<u>922,818</u>	<u>1,155,044</u>
	<u>1,842,906</u>	<u>2,070,476</u>

32 Share capital

	Number of shares	Ordinary shares	Ordinary share premium
	<i>(in thousands)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2010	1,318,340	2,636,681	8,640,575
Allotment of new shares regarding the scrip dividend scheme of final dividend for the year ended 31 December 2009 (Note 33)	<u>33,721</u>	<u>67,442</u>	<u>547,222</u>
At 30 June 2010	<u>1,352,061</u>	<u>2,704,123</u>	<u>9,187,797</u>
At 1 January 2009	1,285,268	2,570,536	8,209,593
Allotment of new shares regarding the scrip dividend scheme of final dividend for the year ended 31 December 2008 (Note 33)	13,970	27,940	160,323
Allotment of new shares regarding the scrip dividend scheme of interim dividend for the period ended 30 June 2009 (Note 33)	19,102	38,205	270,719
Share issue expenses (Note 33)	<u>—</u>	<u>—</u>	<u>(60)</u>
At 31 December 2009	<u>1,318,340</u>	<u>2,636,681</u>	<u>8,640,575</u>

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The total number of authorised ordinary shares is 2,000 million (2009: 2,000 million) with a par value of HK\$2 per share (2009: HK\$2 per share). All issued shares are fully paid.

The total number of authorised convertible non-cumulative preference shares is 232 million (2009: 232 million) with a par value of HK\$5 per share (2009: HK\$5 per share).

The Bank adopted a scrip dividend scheme allowing the shareholders to have the options to receive (1) dividends in cash; or (2) an allotment of new shares in lieu of cash; or (3) a combination of cash and new shares. Certain shareholders have selected to receive new shares as dividends amounting to HK\$614.7 million (2009: HK\$497.2million).

Share options

Share Option Scheme

During the period, no option has been granted and at 30 June 2010 (2009: Nil), there was no option outstanding.

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

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

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33 Reserves

Group

	Ordinary share premium HK\$'000	Bank premise revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Cash flow hedge reserve HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2010	8,640,575	56,198	1,060,977	—	142,029	386,222	5,181,915	15,467,916
Adoption of Amendment to HKAS 17:								
Land	—	206,811	—	—	—	—	(9,690)	197,121
Deferred tax	—	(34,124)	—	—	—	—	—	(34,124)
Effect of adopting Amendment to HKAS 17	—	172,687	—	—	—	—	(9,690)	162,997
At 1 January 2010, as restated	8,640,575	228,885	1,060,977	—	142,029	386,222	5,172,225	15,630,913
Issue of shares (Note 32)	547,222	—	—	—	—	—	—	547,222
Change in fair value of available -for-sale financial investments	—	—	26,011	—	—	—	—	26,011
Reserve realised on disposal of available-for-sale financial investments	—	—	(44,170)	—	—	—	—	(44,170)
Changes in fair value of cash flow hedge	—	—	—	(42,191)	—	—	—	(42,191)
Disposal of bank premises	—	(26,671)	—	—	—	—	26,671	—
Revaluation surplus on bank premises	—	12,896	—	—	—	—	—	12,896
Exchange differences	—	—	(1)	—	20,783	(1)	—	20,781
Partial transfer of retained earnings to general reserve (Note a)	—	—	—	—	—	65,700	(65,700)	—
Profit for the period	—	—	—	—	—	—	1,229,158	1,229,158
Change in deferred tax (Note 29)	—	2,273	(2,622)	6,962	—	—	—	6,613
2009 final dividend paid	—	—	—	—	—	—	(751,454)	(751,454)
At 30 June 2010	<u>9,187,797</u>	<u>217,383</u>	<u>1,040,195</u>	<u>(35,229)</u>	<u>162,812</u>	<u>451,921</u>	<u>5,610,900</u>	<u>16,635,779</u>

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Group (Restated)

	Bank							
	Ordinary share premium	Bank premises Revaluation Reserve	Investment revaluation reserve	Cash flow hedge reserve	Exchange reserve	General reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	8,209,593	52,469	(681,710)	7,853	141,906	346,390	3,290,741	11,367,242
Adoption of Amendment to HKAS 17:								
Land	—	190,982	—	—	—	—	(7,086)	183,896
Deferred tax	—	(31,512)	—	—	—	—	—	(31,512)
Effect of adopting Amendment to HKAS 17	—	159,470	—	—	—	—	(7,086)	152,384
At 1 January 2009, as restated	8,209,593	211,939	(681,710)	7,853	141,906	346,390	3,283,655	11,519,626
Issue of shares (Note 32)	431,042	—	—	—	—	—	—	431,042
Share issue expenses (Note 32)	(60)	—	—	—	—	—	—	(60)
Change in fair value of available-for-sale financial investments	—	—	2,678,462	—	—	—	—	2,678,462
Reserve realised on disposal of available-for-sale financial investments	—	—	(643,409)	—	—	—	—	(643,409)
Transfer from available- for-sale financial investments reserve to the income statement on impairment	—	—	43,715	—	—	—	—	43,715
Changes in fair value of cash flow hedge	—	—	—	(7,853)	—	—	—	(7,853)
Revaluation surplus on bank premises	—	23,172	—	—	—	—	—	23,172
Exchange differences	—	—	1	—	123	(1)	—	123
Partial transfer of retained earnings to general reserve (Note a)	—	—	—	—	—	39,833	(39,833)	—
Profit for the year	—	—	—	—	—	—	2,523,538	2,523,538
Change in deferred tax (Note 29)	—	(6,226)	(336,082)	—	—	—	—	(342,308)
2008 final dividend paid	—	—	—	—	—	—	(231,348)	(231,348)
2009 interim dividend paid (Note 15)	—	—	—	—	—	—	(363,787)	(363,787)
At 31 December 2009	<u>8,640,575</u>	<u>228,885</u>	<u>1,060,977</u>	<u>—</u>	<u>142,029</u>	<u>386,222</u>	<u>5,172,225</u>	<u>15,630,913</u>

(a) The general reserve of the Group comprised of:

- the transfer of retained earnings which is distributable to the shareholders of the Group; and
- a statutory surplus reserve of a subsidiary represents 10% of the profit after tax appropriation as required by law and regulation in PRC. This reserve is used to offset accumulated losses or increase in capital.

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- (b) As at 30 June 2010, the Group has earmarked a “Regulatory Reserve” of HK\$992,660,000 (31 December 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.

34 Related party transactions

Listed out below is a summary of the transactions entered into during the ordinary course of business with the ultimate holding company and fellow subsidiaries and associates, including the acceptance of placement of interbank deposits, corresponding banking transactions and off-balance sheet transactions. The activities were priced at the relevant market rates at the time of transactions. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 June 2010, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2009: Nil).

(a) Ultimate holding company

	Six months ended	
	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	161,560	172,204
Interest expense	136,416	216,116
Other operating income ^{1,2}	21,911	25,123
Other operating expenses ^{3,4}	<u>12,005</u>	<u>11,685</u>
	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from	34,169,736	18,713,744
Amounts due to	<u>36,799,760</u>	<u>23,552,602</u>

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

2. In accordance with the custodian and trustee services agreement dated 4 September 2007 and the supplemental custodian and trustee services agreements dated 16 May 2008 and 31 December 2009, services fees were paid by the ultimate holding company to the Bank for providing custodian, settlement and clearing services in relation to the investments outside the PRC in certain investment products by the customers of the ultimate holding company in connection with the Qualified Domestic Institutional Investor Scheme of the PRC.

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3. In accordance with the service levels agreements with the Bank dated 21 February 2002 (as amended and supplemented by supplemental agreements), and the service levels agreement with a subsidiary of the Bank dated 19 March 2008, service fee expense was paid to the ultimate holding company for the provision of data processing services to the Bank and its subsidiary.
4. In accordance with the tenancy agreement dated 31 December 2008, rental expense was paid to the ultimate holding company for the leasing of a property located in Hong Kong.

The transactions with the ultimate holding company included the issuance of floating rate certificates of deposits and subordinated floating rate notes, which were both fully subscribed by the ultimate holding company and its branches. As at 30 June 2010, the Bank has issued floating rate certificates of deposit with a nominal value of HK\$2,500,000,000 and US\$100,000,000 to the ultimate holding company (First half of 2009: Nil).

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

Other material transactions

i. Undertaking from the ultimate holding company

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

Simultaneously on 3 July 2001, the ultimate holding company and the Bank entered into a guarantee agreement whereby the ultimate holding company agreed to guarantee to the extent of HK\$9,000,000,000, being the payment obligations of certain customers whose “large exposures” were transferred to the Bank pursuant to the business transfer agreement and to indemnify the Bank in respect of any losses incurred if any obligation of such customers becomes unenforceable. The amount of such on-balance sheet large exposures of the Bank covered by this guarantee as at 30 June 2010 was HK\$39,361,000 (First half of 2009: HK\$39,188,000).

ii. Sub-participation of loans

During the period, the Bank entered into various capital markets transactions with the Branch, which included arranging participation/sub-participation in loans, acquiring and disposing of interests in syndicated or individual loans, subscribing to and/or issuing of debt securities and tax efficient financing. These transactions included sub-participation in the loans of the Bank by the ultimate holding company and/or the Branch for a total of HK\$45,132,992,000 (First half of 2009:

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HK\$31,738,295,000). For the first half of 2009, there was similar sub-participation in the loans of the Branch by the Bank for a total of HK\$3,179,183,622, but no such transaction took place during 2010. The total fee attributable to the above transactions of approximately HK\$25,270,000 (First half of 2009: HK\$11,840,000) was paid by the Bank to the Branch. These transactions were priced based either on the terms of the underlying loan agreement, if applicable, or prevailing market rates if such comparable rates were available, or on terms that were no less favourable than those available to other independent loan members.

(b) Fellow subsidiaries

	Six months ended	
	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	25,838	3,044
Interest expense	157	1,013
Other operating income	<u>20</u>	<u>1,403</u>
	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from	1,660,046	476
Amounts due to	<u>905,314</u>	<u>1,571,449</u>

(c) Associates

	Six months ended	
	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	2,089	863
Interest expense	7	77
Other operating income	<u>5,990</u>	<u>1</u>
	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from	6	6
Amounts due to	<u>2,192</u>	<u>7,769</u>

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(d) **Transactions with other state-controlled entities**

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

- The Ministry of Finance (“MOF”) of the PRC
- Central Huijin Investment Limited (“Huijin”)
- Other banks and financial institutions under the direction of the PRC government in which Huijin has control, joint control or significant influence.

	Six months ended	
	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	36,564	42,178
Interest expense	<u>1,807</u>	<u>11,394</u>
	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from	5,604,564	8,146,831
Amounts due to	<u>80,353</u>	<u>1,010,312</u>

(e) **Key management personnel remuneration**

Remuneration for key management personnel is as follows:

	Six months ended	
	30 Jun 2010	30 Jun 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employee benefits	<u>13,728</u>	<u>11,400</u>

(f) **Material transactions with key management personnel**

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

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	Six months ended	
	30 Jun 2010 <i>HK\$'000</i>	30 Jun 2009 <i>HK\$'000</i>
Interest income	53	79
Interest expense	<u>65</u>	<u>81</u>
	30 Jun 2010 <i>HK\$'000</i>	31 Dec 2009 <i>HK\$'000</i>
Amounts due from	3,737	4,347
Amounts due to	<u>31,421</u>	<u>18,513</u>

35 Off-balance sheet exposures

(a) Contingent liabilities and commitments

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

	30 Jun 2010 Contractual amount <i>HK\$'000</i>	30 Jun 2010 Credit risk weighted amount <i>HK\$'000</i>	31 Dec 2009 Contractual amount <i>HK\$'000</i>	31 Dec 2009 Credit risk weighted amount <i>HK\$'000</i>
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	<u>3,022,346</u>	<u>604,469</u>	<u>814,703</u>	<u>162,941</u>
	<u>121,139,588</u>	<u>19,717,088</u>	<u>103,757,381</u>	<u>14,394,189</u>

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(b) Capital commitments

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

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Expenditure contracted but not provided for	31,470	48,111
Expenditure authorised but not contracted for	<u>—</u>	<u>235</u>
	<u>31,470</u>	<u>48,346</u>

(c) Operating lease commitments

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

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
— Not later than one year	221,603	237,070
— Later than one year and not later than five years	<u>379,557</u>	<u>503,870</u>
	<u>601,160</u>	<u>740,940</u>

(d) Operating lease arrangements

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

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At 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 Jun 2010	31 Dec 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,501	1,659
In the second to fifth years, inclusive	<u>3,502</u>	<u>3,561</u>
	<u>6,003</u>	<u>5,220</u>

During the period/year, the Group has no unrecognised contingent rentals receivable (2009: Nil).

36 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 3.3.

37 Events after the reporting period

On 10 August 2010, ICBC and the Bank jointly announced that ICBC had 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.

IV. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the ICBC Asia Group had the following indebtedness:

- (a) Subordinated floating rate notes of HK\$8,573 million and debt securities issued of HK\$99 million. In addition, borrowings from banks and money market takings from banks and other financial institutions, deposits from customers and certificates of deposits that arose from the normal course of the ICBC Asia Group's banking and deposit taking businesses.
- (b) Direct credit substitutes, transaction-related contingencies, trade-related contingencies and other commitments that mainly arose from the normal course of banking business.
- (c) A charge over moneys held in an account of the Company, Bombo Limited and Carrabelle Limited (collectively the "Partnership") as security in relation to a loan made available to the Partnership to finance a hire purchase of aircraft by Cathay Pacific Airways Limited.

Except as set out above, the ICBC Asia Group did not have, as at 31 July 2010, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 July 2010. The Directors have confirmed that there had been no material change in the Group's indebtedness and contingent liability position since 31 July 2010.

V. MATERIAL CHANGES

Save for the matters disclosed in the interim results announcement and the interim report of the Company for the six months ended 30 June 2010, there are no material changes in the financial or trading position or outlook of the ICBC Asia Group since 31 December 2009, the date to which the last published audited consolidated financial statements of the ICBC Asia Group were made up, and up to the Latest Practicable Date.

APPENDIX II - GENERAL INFORMATION

1 RESPONSIBILITY STATEMENT

This document includes materials given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Company.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the ICBC Asia Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no facts not contained in this document, the omission of which would make any statement in this document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document relating to the ICBC Asia Group, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Offeror or ICBCI or Goldman Sachs) have been arrived at after due and careful consideration and there are no facts not contained in this document, the omission of which would make any statement in this document misleading.

2 MARKET PRICES OF THE SHARES

- (a) The lowest and highest closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the period commencing six months before 28 July 2010 up to the Latest Practicable Date were HK\$15.20 per Share on 29 January 2010 and HK\$28.85 per Share on 2, 3 and 6 September 2010.
- (b) The table below sets out the closing prices of the Shares on the Hong Kong Stock Exchange on the last business day of each of the calendar months commencing six months immediately preceding 28 July 2010 up to the Latest Practicable Date:

	the Shares <i>HK\$</i>
29 January 2010	15.20
26 February 2010	16.70
31 March 2010	19.44
30 April 2010	19.52
31 May 2010	18.90
30 June 2010	20.75
Last Trading Day (26 July 2010)	23.05
30 July 2010 (<i>Note</i>)	N/A
31 August 2010	28.75
30 September 2010	28.50
Latest Practicable Date (5 October 2010)	28.15

Note:

On 30 July 2010, trading in the Shares was suspended pending issue of the Announcement.

3 DISCLOSURE OF INTERESTS

(a) Interests of the Directors and the chief executives of the Company in the securities of ICBC Asia

- (i) As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) in the Listing Rules, or which were required to be entered on the register required to be kept by the Company pursuant to Section 352 of the SFO, were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate % of total issued share capital (Note 1)
Mr Jiang Jiangqing	Beneficial owner	15,453	0.0011%
Mr Zhang Yi	Beneficial owner	2,223	0.0002%
Mr Yuen Kam Ho, George	Beneficial owner	19,293	0.0014%

Notes:

- (1) The percentage is calculated based on the total number of the issued Shares of 1,352,061,533 as at Latest Practicable Date.
- (2) All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under Section 352 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code in the Listing Rules, or which were required to be entered on the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be disclosed herein pursuant to the Takeovers Code.

(b) Interests of substantial shareholders in the securities of ICBC Asia

As at the Latest Practicable Date, so far as was known to any of the Directors, the following persons had or were deemed to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(i) Long positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate % of total issued share capital
ICBC ^(Note 1)	Beneficial owner	925,903,979	72.04% ^(Note 2)
Huijin ^(Note 3)	Interest of controlled corporation	925,903,979	72.04% ^(Note 2)
MOF ^(Note 3)	Interest of controlled corporation	925,903,979	72.04% ^(Note 2)
Deutsche Bank Aktiengesellschaft	Beneficial owner	25,019,054	1.85% ^(Note 4)
	Persons having a security interest in shares	24,248,697	1.79% ^(Note 4)

Note:

- (1) This represents the interest of ICBC in the Shares as required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. Subsequent to the disclosure of interest filing made by ICBC on 10 October 2008, ICBC exercised the option of electing to receive the allotments of Shares from the Company in lieu of cash for the final dividend for the years ended 31 December 2008 and 2009 and for the interim dividend for the six months ended 30 June 2009. These allotments of Shares from the Company to ICBC are not required to be disclosed by ICBC under the provisions of Divisions 2 and 3 of Part XV of the SFO as the shareholding of ICBC in the Company did not cross a percentage level. As at the Latest Practicable Date, ICBC holds and beneficially owns 984,364,740 Shares.
- (2) The percentage is based on the issued share capital of the Company of 1,285,266,257 Shares as at 10 October 2008.
- (3) Each of Huijin and MOF is interested in such Shares as a result of Huijin and MOF being entitled to exercise, or control the exercise of, one-third or more of the voting power at general meetings of ICBC.
- (4) The percentage is based on the issued share capital of the Company of 1,352,061,533 Shares as at the Latest Practicable Date.

(ii) *Short position in the Shares*

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate % of total issued share capital (Note 1)
Deutsche Bank Aktiengesellschaft	Beneficial owner	43,096,535	3.19%
	Persons having a security interest in shares	1,697,000	0.13%

Note:

- (1) The percentage is based on the issued share capital of the Company of 1,352,061,533 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any of the Directors, there was no person who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be disclosed herein pursuant to the Takeovers Code.

(c) **Interests and dealings in the Shares**

- (i) As at the Latest Practicable Date, the Offeror was interested in 984,364,740 Shares, representing approximately 72.81% of the issued Shares and Mr. Jiang Jianqing, the chairman and an executive director of the Offeror, was interested in 15,453 Shares, representing approximately 0.0011% of the issued Shares. Save as aforesaid, none of the Offeror or its directors were interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (ii) As at the Latest Practicable Date, the Goldman Sachs group (other than those members of the Goldman Sachs group that are conducting exempt principal trader activities and exempt fund manager activities), presumed to be acting in concert with the Offeror, holds 300,000 Shares, representing approximately 0.02% of the issued Shares. Save as aforesaid, none of the persons acting in concert with the Offeror owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

- (iii) Save as disclosed below, none of the Offeror, its directors and the concert parties in respect of the Proposal had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing six months before 28 July 2010 and ending on the Latest Practicable Date:

The Offeror and Mr. Jiang Jianqing exercised the option of electing to receive the allotments of 29,848,276 Shares and 468 Shares, respectively, from the Company at an exercise price of HK\$18.228 per Share on 29 June 2010 in lieu of cash for the final dividend for the year ended 31 December 2009.

The following are the dealings in ordinary shares during the period beginning six months prior to the date of the Announcement on 28 July 2010 and ending on the Latest Practicable Date conducted by the Goldman Sachs Group (other than exempt fund managers and exempt principal traders activities), but excluding dealings on an agency or non-discretionary basis.

Period of Transaction			Number of		Price paid for	
From 28 January 2010 to 30 April 2010			ordinary shares		each ordinary	
aggregated on a weekly basis			involved		share (HK\$)	
Entity	Start Date	End Date	Buy	Sell	Buy	Sell
Goldman Sachs (Asia)						
Finance ("GSAF")	28-Jan-10	29-Jan-10	—	32,000	—	15.35
Goldman Sachs						
International ("GSI")			—	—	—	—
Goldman, Sachs & Co.						
("GSCO")			—	—	—	—
GSAF	1-Feb-10	5-Feb-10	7,000	19,000	15.41	15.73
GSI			—	—	—	—
GSCO			—	—	—	—
GSAF	8-Feb-10	12-Feb-10	12,000	217,000	16.33	16.05
GSI			—	—	—	—
GSCO			—	—	—	—
GSAF	17-Feb-10	19-Feb-10	4,000	53,000	17.09	17.20
GSI			—	—	—	—
GSCO			—	—	—	—

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Period of Transaction From 28 January 2010 to 30 April 2010 aggregated on a weekly basis			Number of ordinary shares involved		Price paid for each ordinary share (HK\$) <i>(See Note)</i>	
Entity	Start Date	End Date	Buy	Sell	Buy	Sell
GSAF	22-Feb-10	26-Feb-10	270,000	1,000	16.69	17.12
GSI			—	50,000	—	16.65
GSCO			—	—	—	—
GSAF	1-Mar-10	5-Mar-10	127,000	15,000	16.97	16.80
GSI			—	—	—	—
GSCO			—	—	—	—
GSAF	8-Mar-10	12-Mar-10	94,000	3,000	17.16	17.17
GSI			—	—	—	—
GSCO			—	—	—	—
GSAF	15-Mar-10	19-Mar-10	30,000	186,000	17.91	17.89
GSI			—	47,000	—	17.83
GSCO			—	—	—	—
GSAF	22-Mar-10	26-Mar-10	47,000	99,000	19.06	19.07
GSI			—	—	—	—
GSCO			—	—	—	—
GSAF	29-Mar-10	1-Apr-10	19,000	25,000	19.54	19.77
GSI			—	—	—	—
GSCO			—	—	—	—
GSAF	7-Apr-10	9-Apr-10	39,000	1,000	20.33	20.80
GSI			—	—	—	—
GSCO			200,000	—	20.84	—
GSAF	12-Apr-10	16-Apr-10	34,000	149,000	20.30	20.62
GSI			—	—	—	—
GSCO			—	—	—	—
GSAF	19-Apr-10	23-Apr-10	84,000	59,000	20.16	19.73
GSI			233,000	—	20.22	—
GSCO			—	—	—	—
GSAF	26-Apr-10	30-Apr-10	164,000	—	19.63	—
GSI			—	—	—	—
GSCO			—	—	—	—

Period of Transaction From 3 May 2010 to 14 June 2010 aggregated on a daily basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$) (See Note)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	3-May-10	—	22,000	—	19.55
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	4-May-10	—	37,000	—	19.93
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	5-May-10	—	64,000	—	19.39
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	6-May-10	—	44,000	—	19.15
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	7-May-10	—	75,000	—	18.77
GSI		—	41,000	—	18.77
GSCO		—	—	—	—
GSAF	10-May-10	—	14,000	—	19.01
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	11-May-10	12,000	—	19.08	—
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	12-May-10	—	1,000	—	19.20
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	13-May-10	—	53,000	—	19.48
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	14-May-10	—	23,000	—	19.27
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	17-May-10	—	38,000	—	19.00
GSI		—	—	—	—
GSCO		—	100,000	—	19.00
GSAF	18-May-10	—	16,000	—	18.92
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	19-May-10	19,000	—	18.32	—

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Period of Transaction From 3 May 2010 to 14 June 2010 aggregated on a daily basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$) (See Note)	
Entity	Date	Buy	Sell	Buy	Sell
GSI		—	—	—	—
GSCO		—	100,000	—	18.33
GSAF	20-May-10	55,000	—	18.11	—
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	24-May-10	38,000	—	18.02	—
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	25-May-10	39,000	—	17.81	—
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	26-May-10	—	32,000	—	17.74
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	27-May-10	—	61,000	—	17.90
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	28-May-10	69,000	—	18.77	—
GSI		—	22,000	—	18.78
GSCO		—	—	—	—
GSAF	31-May-10	—	25,000	—	18.92
GSI		—	10,000	—	18.90
GSCO		—	—	—	—
GSAF	1-Jun-10	45,000	—	19.10	—
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	2-Jun-10	—	3,000	—	19.27
GSI		—	203,000	—	19.27
GSCO		—	—	—	—
GSAF	3-Jun-10	1,000	—	19.28	—
GSI		—	147,000	—	19.29
GSCO		—	—	—	—
GSAF	4-Jun-10	27,000	—	19.29	—
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	7-Jun-10	19,000	—	18.96	—
GSI		—	—	—	—

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Period of Transaction		Number of		Price paid for	
From 3 May 2010 to 14 June 2010		ordinary shares		each ordinary	
aggregated on a daily basis		involved		share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSCO		—	—	—	—
GSAF	8-Jun-10	42,000	—	18.91	—
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	9-Jun-10	19,000	—	19.11	—
GSI		203,000	—	19.11	—
GSCO		—	—	—	—
GSAF	10-Jun-10	—	5,000	—	19.14
GSI		84,000	—	19.16	—
GSCO		—	—	—	—
GSAF	11-Jun-10	—	15,000	—	19.57
GSI		—	—	—	—
GSCO		—	—	—	—
GSAF	14-Jun-10	—	14,000	—	19.91
GSI		—	—	—	—
GSCO		—	—	—	—

Period of Transaction		Number of		Price paid for	
From 15 June 2010 to 6 August 2010		ordinary shares		each ordinary	
on a non aggregated basis		involved		share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	15-Jun-10	—	1,000	—	19.98
GSAF	15-Jun-10	—	1,000	—	20.05
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.35	—
GSI	17-Jun-10	1,000	—	20.35	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.25	—
GSI	17-Jun-10	1,000	—	20.15	—

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.35	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.45	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.30	—

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.25	—
GSI	17-Jun-10	1,000	—	20.25	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.35	—
GSI	17-Jun-10	1,000	—	20.35	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.30	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.40	—
GSI	17-Jun-10	1,000	—	20.45	—
GSAF	17-Jun-10	—	1,000	—	20.35
GSAF	17-Jun-10	—	1,000	—	20.45
GSAF	17-Jun-10	—	1,000	—	20.40
GSAF	17-Jun-10	—	1,000	—	20.40
GSAF	17-Jun-10	—	1,000	—	20.40
GSAF	17-Jun-10	—	1,000	—	20.40
GSAF	17-Jun-10	—	1,000	—	20.15
GSAF	17-Jun-10	—	1,000	—	20.45
GSAF	17-Jun-10	—	1,000	—	20.45
GSAF	17-Jun-10	—	1,000	—	20.45
GSAF	17-Jun-10	—	1,000	—	20.35
GSAF	17-Jun-10	—	1,000	—	20.40
GSAF	17-Jun-10	—	1,000	—	20.40
GSAF	17-Jun-10	—	1,000	—	20.40
GSAF	17-Jun-10	—	1,000	—	20.45
GSAF	17-Jun-10	—	1,000	—	20.45
GSAF	17-Jun-10	—	1,000	—	20.35
GSAF	17-Jun-10	—	1,000	—	20.35
GSAF	17-Jun-10	—	1,000	—	20.25
GSAF	17-Jun-10	—	2,000	—	20.30
GSAF	17-Jun-10	—	1,000	—	20.30
GSAF	17-Jun-10	—	1,000	—	20.40
GSAF	17-Jun-10	—	1,000	—	20.30
GSAF	17-Jun-10	—	1,000	—	20.30
GSAF	18-Jun-10	1,000	—	20.25	—
GSAF	18-Jun-10	1,000	—	20.25	—

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	18-Jun-10	1,000	—	20.15	—
GSAF	18-Jun-10	1,000	—	20.05	—
GSAF	21-Jun-10	—	1,000	—	20.50
GSAF	21-Jun-10	—	1,000	—	20.50
GSAF	21-Jun-10	—	1,000	—	20.50
GSAF	21-Jun-10	—	1,000	—	20.45
GSAF	21-Jun-10	—	1,000	—	20.50
GSAF	21-Jun-10	—	1,000	—	20.55
GSAF	21-Jun-10	—	1,000	—	20.35
GSAF	21-Jun-10	—	1,000	—	20.35
GSAF	21-Jun-10	—	1,000	—	20.40
GSAF	21-Jun-10	—	2,000	—	20.40
GSAF	21-Jun-10	—	1,000	—	20.45
GSAF	21-Jun-10	—	1,000	—	20.45
GSAF	21-Jun-10	—	1,000	—	20.55
GSAF	21-Jun-10	—	1,000	—	20.60
GSAF	21-Jun-10	—	1,000	—	20.50
GSAF	21-Jun-10	—	1,000	—	20.50
GSAF	21-Jun-10	—	1,000	—	20.50
GSAF	22-Jun-10	1,000	—	21.05	—
GSAF	22-Jun-10	1,000	—	21.15	—
GSAF	22-Jun-10	1,000	—	20.85	—
GSAF	22-Jun-10	1,000	—	20.85	—
GSAF	22-Jun-10	1,000	—	20.90	—
GSAF	22-Jun-10	1,000	—	20.85	—
GSAF	22-Jun-10	1,000	—	20.85	—
GSAF	22-Jun-10	1,000	—	20.85	—
GSAF	22-Jun-10	1,000	—	20.90	—
GSAF	22-Jun-10	1,000	—	20.90	—
GSAF	22-Jun-10	1,000	—	20.90	—
GSAF	22-Jun-10	1,000	—	20.90	—
GSAF	22-Jun-10	1,000	—	20.90	—
GSAF	22-Jun-10	1,000	—	20.90	—
GSAF	22-Jun-10	1,000	—	20.85	—
GSAF	22-Jun-10	1,000	—	21.05	—
GSAF	22-Jun-10	1,000	—	21.05	—
GSAF	22-Jun-10	1,000	—	21.00	—

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	22-Jun-10	1,000	—	21.05	—
GSAF	22-Jun-10	1,000	—	21.05	—
GSAF	22-Jun-10	1,000	—	21.05	—
GSAF	22-Jun-10	1,000	—	21.00	—
GSAF	22-Jun-10	1,000	—	21.00	—
GSI	23-Jun-10	—	1,000	—	20.60
GSI	23-Jun-10	—	1,000	—	20.55
GSI	23-Jun-10	—	1,000	—	20.60
GSI	23-Jun-10	—	1,000	—	20.85
GSI	23-Jun-10	—	1,000	—	20.60
GSI	23-Jun-10	—	1,000	—	20.80
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	23-Jun-10	—	1,000	—	20.55
GSAF	23-Jun-10	—	1,000	—	20.55
GSAF	23-Jun-10	—	2,000	—	20.55
GSAF	23-Jun-10	—	1,000	—	20.55
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	23-Jun-10	—	1,000	—	20.80
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	23-Jun-10	—	1,000	—	20.75
GSAF	23-Jun-10	—	1,000	—	20.75
GSAF	23-Jun-10	—	1,000	—	20.80
GSAF	23-Jun-10	—	1,000	—	20.70
GSAF	23-Jun-10	—	1,000	—	20.70
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	23-Jun-10	—	1,000	—	20.60
GSAF	24-Jun-10	1,000	—	21.20	—
GSAF	24-Jun-10	1,000	—	21.15	—
GSAF	24-Jun-10	1,000	—	21.10	—
GSAF	24-Jun-10	1,000	—	21.10	—
GSAF	24-Jun-10	1,000	—	21.00	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.90	—

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.90	—
GSAF	25-Jun-10	1,000	—	20.85	—
GSAF	25-Jun-10	1,000	—	20.85	—
GSAF	25-Jun-10	1,000	—	20.85	—
GSAF	25-Jun-10	1,000	—	21.00	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	21.00	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.90	—
GSAF	25-Jun-10	1,000	—	20.90	—
GSAF	25-Jun-10	1,000	—	20.80	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	21.05	—
GSAF	25-Jun-10	1,000	—	21.05	—
GSAF	25-Jun-10	1,000	—	21.00	—
GSAF	25-Jun-10	1,000	—	21.00	—
GSAF	25-Jun-10	1,000	—	21.05	—
GSAF	25-Jun-10	1,000	—	21.00	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	21.00	—
GSAF	25-Jun-10	1,000	—	20.95	—
GSAF	25-Jun-10	1,000	—	21.05	—
GSAF	25-Jun-10	1,000	—	21.10	—
GSAF	25-Jun-10	1,000	—	21.25	—
GSAF	25-Jun-10	1,000	—	20.90	—
GSAF	25-Jun-10	1,000	—	20.85	—
GSAF	25-Jun-10	1,000	—	21.35	—
GSAF	25-Jun-10	1,000	—	21.30	—
GSAF	25-Jun-10	1,000	—	21.30	—

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	25-Jun-10	1,000	—	21.25	—
GSAF	25-Jun-10	1,000	—	21.30	—
GSAF	25-Jun-10	1,000	—	21.30	—
GSAF	25-Jun-10	1,000	—	21.30	—
GSAF	28-Jun-10	—	1,000	—	21.55
GSAF	28-Jun-10	—	1,000	—	21.55
GSAF	28-Jun-10	—	1,000	—	21.70
GSAF	28-Jun-10	—	1,000	—	21.55
GSAF	28-Jun-10	—	1,000	—	21.55
GSAF	28-Jun-10	—	1,000	—	21.60
GSAF	28-Jun-10	—	1,000	—	21.60
GSAF	28-Jun-10	—	1,000	—	21.60
GSAF	28-Jun-10	—	1,000	—	21.20
GSAF	28-Jun-10	—	1,000	—	21.20
GSAF	28-Jun-10	—	1,000	—	21.20
GSAF	28-Jun-10	—	1,000	—	21.20
GSAF	28-Jun-10	—	4,000	—	21.20
GSAF	28-Jun-10	—	1,000	—	21.20
GSAF	28-Jun-10	—	1,000	—	21.20
GSAF	28-Jun-10	—	1,000	—	21.20
GSAF	28-Jun-10	—	1,000	—	21.35
GSAF	28-Jun-10	—	1,000	—	21.35
GSAF	28-Jun-10	—	1,000	—	21.35
GSAF	28-Jun-10	—	1,000	—	21.35
GSAF	28-Jun-10	—	1,000	—	21.35
GSAF	28-Jun-10	—	1,000	—	21.35
GSAF	28-Jun-10	—	1,000	—	21.45
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.30
GSAF	28-Jun-10	—	2,000	—	21.30
GSAF	28-Jun-10	—	1,000	—	21.30
GSAF	28-Jun-10	—	1,000	—	21.30
GSAF	28-Jun-10	—	1,000	—	21.30
GSAF	28-Jun-10	—	1,000	—	21.30
GSAF	28-Jun-10	—	1,000	—	21.30

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	28-Jun-10	—	1,000	—	21.30
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.25
GSAF	28-Jun-10	—	1,000	—	21.00
GSAF	28-Jun-10	—	1,000	—	21.00
GSAF	28-Jun-10	—	1,000	—	21.00
GSAF	28-Jun-10	—	2,000	—	21.00
GSAF	29-Jun-10	—	1,000	—	21.15
GSAF	29-Jun-10	—	1,000	—	21.15
GSAF	29-Jun-10	—	1,000	—	20.90
GSAF	29-Jun-10	—	1,000	—	20.90
GSAF	29-Jun-10	—	2,000	—	20.90
GSAF	29-Jun-10	—	1,000	—	20.80
GSAF	29-Jun-10	—	1,000	—	20.85
GSAF	29-Jun-10	—	1,000	—	20.80
GSAF	29-Jun-10	—	1,000	—	20.80
GSAF	29-Jun-10	—	1,000	—	20.80
GSAF	29-Jun-10	—	1,000	—	20.65
GSAF	29-Jun-10	—	1,000	—	20.65
GSAF	29-Jun-10	—	1,000	—	21.30
GSAF	29-Jun-10	—	1,000	—	20.60
GSAF	29-Jun-10	—	1,000	—	20.60
GSAF	29-Jun-10	—	1,000	—	20.65
GSAF	29-Jun-10	—	1,000	—	20.65
GSAF	29-Jun-10	—	1,000	—	20.65
GSAF	29-Jun-10	—	2,000	—	20.65
GSAF	29-Jun-10	—	1,000	—	20.65
GSAF	29-Jun-10	—	1,000	—	20.70
GSAF	29-Jun-10	—	1,000	—	20.65
GSAF	29-Jun-10	—	1,000	—	20.65
GSAF	29-Jun-10	—	1,000	—	21.20
GSAF	29-Jun-10	—	1,000	—	20.60
GSAF	29-Jun-10	—	1,000	—	20.60
GSAF	29-Jun-10	—	1,000	—	20.60
GSAF	29-Jun-10	—	1,000	—	20.60

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	30-Jun-10	—	1,000	—	20.55
GSAF	30-Jun-10	—	1,000	—	20.70
GSAF	30-Jun-10	—	1,000	—	20.80
GSAF	30-Jun-10	—	1,000	—	20.85
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.60
GSAF	2-Jul-10	—	1,000	—	20.55
GSAF	2-Jul-10	—	1,000	—	20.55
GSAF	2-Jul-10	—	1,000	—	20.60
GSAF	2-Jul-10	—	1,000	—	20.60
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.50
GSAF	2-Jul-10	—	1,000	—	20.45
GSAF	2-Jul-10	—	1,000	—	20.45
GSAF	2-Jul-10	—	1,000	—	20.45
GSAF	2-Jul-10	—	1,000	—	20.25
GSAF	2-Jul-10	—	1,000	—	20.25
GSAF	2-Jul-10	—	1,000	—	20.25
GSAF	2-Jul-10	—	1,000	—	20.35
GSAF	2-Jul-10	—	1,000	—	20.45
GSAF	2-Jul-10	—	1,000	—	20.45
GSAF	2-Jul-10	—	1,000	—	20.55
GSAF	2-Jul-10	—	1,000	—	20.55
GSAF	2-Jul-10	—	1,000	—	20.55
GSAF	2-Jul-10	—	1,000	—	20.75
GSAF	2-Jul-10	—	1,000	—	20.55
GSAF	2-Jul-10	—	1,000	—	20.55
GSAF	2-Jul-10	—	1,000	—	20.55
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	5,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.40
GSAF	5-Jul-10	—	1,000	—	20.40
GSAF	5-Jul-10	—	1,000	—	20.40
GSAF	5-Jul-10	—	1,000	—	20.40
GSAF	5-Jul-10	—	1,000	—	20.40
GSAF	5-Jul-10	—	1,000	—	20.40
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	6,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.50
GSAF	5-Jul-10	—	1,000	—	20.55
GSAF	5-Jul-10	—	1,000	—	20.55
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.60
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	5-Jul-10	—	1,000	—	20.45
GSAF	6-Jul-10	—	1,000	—	20.55
GSAF	6-Jul-10	—	1,000	—	20.55
GSAF	6-Jul-10	—	1,000	—	20.55
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.50

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	6-Jul-10	—	1,000	—	20.50
GSAF	6-Jul-10	—	2,000	—	20.55
GSAF	6-Jul-10	—	1,000	—	20.55
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.65
GSAF	6-Jul-10	—	1,000	—	20.65
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.60
GSAF	6-Jul-10	—	1,000	—	20.50
GSAF	6-Jul-10	—	1,000	—	20.50
GSAF	6-Jul-10	—	1,000	—	20.50
GSAF	6-Jul-10	—	1,000	—	20.50
GSAF	6-Jul-10	—	1,000	—	20.55
GSAF	6-Jul-10	—	1,000	—	20.55
GSAF	6-Jul-10	—	1,000	—	20.55
GSAF	7-Jul-10	—	1,000	—	20.60
GSAF	7-Jul-10	—	1,000	—	20.60
GSAF	7-Jul-10	—	1,000	—	20.75
GSAF	7-Jul-10	—	1,000	—	20.90
GSAF	7-Jul-10	—	1,000	—	20.95
GSAF	7-Jul-10	—	1,000	—	20.80
GSAF	7-Jul-10	—	1,000	—	20.70
GSAF	7-Jul-10	—	1,000	—	20.70
GSAF	7-Jul-10	—	1,000	—	20.70
GSAF	7-Jul-10	—	1,000	—	20.65
GSAF	7-Jul-10	—	1,000	—	20.70
GSAF	7-Jul-10	—	1,000	—	20.65
GSAF	7-Jul-10	—	1,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.55
GSAF	8-Jul-10	—	1,000	—	20.55
GSAF	8-Jul-10	—	3,000	—	20.55
GSAF	8-Jul-10	—	1,000	—	20.60

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	8-Jul-10	—	2,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.60
GSAF	8-Jul-10	—	1,000	—	20.55
GSAF	8-Jul-10	—	1,000	—	20.85
GSAF	8-Jul-10	—	1,000	—	20.40
GSAF	8-Jul-10	—	1,000	—	20.40
GSAF	8-Jul-10	—	1,000	—	20.40
GSAF	8-Jul-10	—	3,000	—	20.40
GSAF	8-Jul-10	—	1,000	—	20.40
GSAF	8-Jul-10	—	1,000	—	20.45
GSAF	8-Jul-10	—	1,000	—	20.40
GSAF	8-Jul-10	—	1,000	—	20.40
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.60	—
GSAF	9-Jul-10	1,000	—	20.60	—
GSAF	9-Jul-10	1,000	—	20.60	—
GSAF	9-Jul-10	1,000	—	20.60	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	9-Jul-10	1,000	—	20.65	—

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	9-Jul-10	1,000	—	20.60	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.60	—
GSAF	9-Jul-10	1,000	—	20.60	—
GSAF	9-Jul-10	1,000	—	20.60	—
GSAF	9-Jul-10	2,000	—	20.60	—
GSAF	9-Jul-10	1,000	—	20.30	—
GSAF	9-Jul-10	1,000	—	20.30	—
GSAF	9-Jul-10	1,000	—	20.30	—
GSAF	9-Jul-10	1,000	—	20.30	—
GSAF	9-Jul-10	1,000	—	20.30	—
GSAF	9-Jul-10	1,000	—	20.30	—
GSAF	9-Jul-10	1,000	—	20.40	—
GSAF	9-Jul-10	1,000	—	20.55	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.85	—
GSAF	9-Jul-10	1,000	—	20.85	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.75	—

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.80	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.75	—
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.70	—
GSAF	9-Jul-10	1,000	—	20.65	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	21.05	—
GSAF	12-Jul-10	1,000	—	21.10	—
GSAF	12-Jul-10	1,000	—	21.05	—
GSAF	12-Jul-10	1,000	—	20.85	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	20.95	—
GSAF	12-Jul-10	1,000	—	20.95	—
GSAF	12-Jul-10	1,000	—	20.95	—
GSAF	12-Jul-10	1,000	—	20.95	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	20.95	—
GSAF	12-Jul-10	1,000	—	20.90	—

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	12-Jul-10	1,000	—	20.95	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	20.95	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	21.00	—
GSAF	12-Jul-10	1,000	—	21.05	—
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	13-Jul-10	—	1,000	—	21.10
GSAF	13-Jul-10	—	1,000	—	21.05
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.05
GSAF	13-Jul-10	—	1,000	—	21.05
GSAF	13-Jul-10	—	1,000	—	21.05
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.05
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.05
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	21.00
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	13-Jul-10	—	1,000	—	21.05
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	13-Jul-10	—	1,000	—	20.90
GSAF	13-Jul-10	—	1,000	—	20.90
GSAF	13-Jul-10	—	3,000	—	20.90
GSAF	13-Jul-10	—	1,000	—	20.90
GSAF	13-Jul-10	—	1,000	—	20.90
GSAF	13-Jul-10	—	1,000	—	20.90
GSAF	13-Jul-10	—	1,000	—	20.95

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	13-Jul-10	—	1,000	—	20.95
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.05	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.05	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	21.00	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSAF	14-Jul-10	1,000	—	20.95	—
GSI	15-Jul-10	209,267	—	21.00	—
GSI	15-Jul-10	—	267	—	20.75
GSI	15-Jul-10	1,000	—	21.00	—
GSI	15-Jul-10	—	1,000	—	21.05
GSI	15-Jul-10	—	1,000	—	21.10
GSI	15-Jul-10	—	1,000	—	21.05
GSI	15-Jul-10	—	1,000	—	21.10
GSI	15-Jul-10	—	1,000	—	21.00
GSI	15-Jul-10	—	1,000	—	21.05
GSI	15-Jul-10	—	1,000	—	20.90
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	1,000	—	20.90
GSI	15-Jul-10	—	1,000	—	20.90

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Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	15-Jul-10	—	1,000	—	20.90
GSI	15-Jul-10	—	1,000	—	21.00
GSI	15-Jul-10	—	1,000	—	21.00
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	4,000	—	20.95
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	1,000	—	21.05
GSI	15-Jul-10	—	1,000	—	21.05
GSI	15-Jul-10	—	1,000	—	21.00
GSI	15-Jul-10	—	1,000	—	21.00
GSI	15-Jul-10	—	1,000	—	20.95
GSI	15-Jul-10	—	180,000	—	21.00
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.10	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.10	—
GSAF	15-Jul-10	1,000	—	21.10	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—

APPENDIX II

GENERAL INFORMATION

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	20.90	—
GSAF	15-Jul-10	1,000	—	20.95	—
GSAF	15-Jul-10	1,000	—	21.00	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	15-Jul-10	1,000	—	21.05	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	16-Jul-10	1,000	—	21.05	—
GSAF	16-Jul-10	1,000	—	21.15	—
GSAF	16-Jul-10	1,000	—	21.15	—

APPENDIX II

GENERAL INFORMATION

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	16-Jul-10	1,000	—	21.10	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	16-Jul-10	1,000	—	21.10	—
GSAF	16-Jul-10	1,000	—	21.10	—
GSAF	16-Jul-10	1,000	—	21.10	—
GSAF	16-Jul-10	1,000	—	21.05	—
GSAF	16-Jul-10	1,000	—	21.05	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	16-Jul-10	1,000	—	21.05	—
GSAF	16-Jul-10	1,000	—	21.10	—
GSAF	16-Jul-10	1,000	—	21.10	—
GSAF	16-Jul-10	1,000	—	21.10	—
GSAF	16-Jul-10	1,000	—	21.10	—
GSAF	16-Jul-10	1,000	—	21.05	—
GSAF	16-Jul-10	1,000	—	21.05	—
GSAF	16-Jul-10	1,000	—	20.90	—
GSAF	16-Jul-10	1,000	—	21.00	—
GSAF	19-Jul-10	—	1,000	—	20.80
GSAF	19-Jul-10	—	1,000	—	20.80
GSAF	19-Jul-10	—	1,000	—	20.75
GSAF	19-Jul-10	—	1,000	—	20.75
GSAF	19-Jul-10	—	1,000	—	20.75
GSAF	19-Jul-10	—	1,000	—	20.75
GSAF	19-Jul-10	—	1,000	—	20.80
GSAF	19-Jul-10	—	1,000	—	20.80
GSAF	19-Jul-10	—	1,000	—	20.80
GSAF	19-Jul-10	—	1,000	—	20.80
GSAF	19-Jul-10	—	1,000	—	20.80
GSAF	20-Jul-10	—	1,000	—	20.90
GSAF	20-Jul-10	—	1,000	—	20.95
GSAF	20-Jul-10	—	1,000	—	21.10
GSAF	20-Jul-10	—	1,000	—	21.10
GSAF	20-Jul-10	—	1,000	—	21.05
GSAF	20-Jul-10	—	1,000	—	20.75
GSAF	20-Jul-10	—	1,000	—	20.95
GSAF	20-Jul-10	—	1,000	—	20.95

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	20-Jul-10	—	1,000	—	20.95
GSI	21-Jul-10	—	1,000	—	21.40
GSI	21-Jul-10	—	1,000	—	21.40
GSI	21-Jul-10	—	1,000	—	21.40
GSI	21-Jul-10	—	2,000	—	21.40
GSI	21-Jul-10	—	1,000	—	21.45
GSI	21-Jul-10	—	1,000	—	21.45
GSI	21-Jul-10	—	2,000	—	21.45
GSI	21-Jul-10	—	1,000	—	21.45
GSI	21-Jul-10	—	1,000	—	21.45
GSI	21-Jul-10	—	1,000	—	21.45
GSI	21-Jul-10	—	1,000	—	20.95
GSI	21-Jul-10	—	1,000	—	20.95
GSI	21-Jul-10	—	1,000	—	21.45
GSI	21-Jul-10	—	1,000	—	21.45
GSI	21-Jul-10	—	1,000	—	21.05
GSI	21-Jul-10	—	1,000	—	21.45
GSI	21-Jul-10	—	1,000	—	21.15
GSI	21-Jul-10	—	1,000	—	21.35
GSI	21-Jul-10	—	1,000	—	21.35
GSI	21-Jul-10	—	1,000	—	21.40
GSI	21-Jul-10	—	1,000	—	21.35
GSI	21-Jul-10	—	1,000	—	21.35
GSI	21-Jul-10	—	1,000	—	21.40
GSI	21-Jul-10	—	1,000	—	21.45
GSAF	21-Jul-10	—	1,000	—	21.40
GSAF	21-Jul-10	—	1,000	—	21.40
GSAF	21-Jul-10	—	1,000	—	21.40
GSAF	21-Jul-10	—	1,000	—	21.45
GSAF	21-Jul-10	—	1,000	—	21.45
GSAF	21-Jul-10	—	1,000	—	21.45
GSAF	21-Jul-10	—	1,000	—	21.45
GSAF	21-Jul-10	—	1,000	—	21.05
GSAF	21-Jul-10	—	1,000	—	21.40
GSAF	21-Jul-10	—	1,000	—	21.35
GSAF	21-Jul-10	—	1,000	—	21.35
GSAF	21-Jul-10	—	1,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.70

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	3,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	2,000	—	21.75
GSAF	22-Jul-10	—	2,000	—	21.75
GSAF	22-Jul-10	—	2,000	—	21.75
GSAF	22-Jul-10	—	2,000	—	21.75
GSAF	22-Jul-10	—	2,000	—	21.75
GSAF	22-Jul-10	—	1,000	—	21.75
GSAF	22-Jul-10	—	1,000	—	21.75
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	2,000	—	21.70
GSAF	22-Jul-10	—	4,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.45
GSAF	22-Jul-10	—	3,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.45
GSAF	22-Jul-10	—	1,000	—	21.55
GSAF	22-Jul-10	—	1,000	—	21.55
GSAF	22-Jul-10	—	1,000	—	21.55
GSAF	22-Jul-10	—	1,000	—	21.55
GSAF	22-Jul-10	—	1,000	—	21.55
GSAF	22-Jul-10	—	1,000	—	21.55
GSAF	22-Jul-10	—	1,000	—	21.55
GSAF	22-Jul-10	—	1,000	—	21.60
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.75
GSAF	22-Jul-10	—	1,000	—	21.75

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	22-Jul-10	—	1,000	—	21.75
GSAF	22-Jul-10	—	1,000	—	21.75
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.70
GSAF	22-Jul-10	—	1,000	—	21.65
GSAF	22-Jul-10	—	2,000	—	21.65
GSAF	22-Jul-10	—	1,000	—	21.65
GSAF	22-Jul-10	—	1,000	—	21.65
GSAF	22-Jul-10	—	2,000	—	21.65
GSAF	22-Jul-10	—	1,000	—	21.65
GSAF	22-Jul-10	—	1,000	—	21.65
GSAF	22-Jul-10	—	1,000	—	21.65
GSI	23-Jul-10	2,000	—	22.15	—
GSI	23-Jul-10	3,000	—	22.15	—
GSI	23-Jul-10	2,000	—	22.15	—
GSI	23-Jul-10	3,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	10,000	—	22.25	—
GSI	23-Jul-10	5,000	—	22.25	—
GSI	23-Jul-10	3,000	—	22.20	—
GSI	23-Jul-10	3,000	—	22.20	—
GSI	23-Jul-10	3,000	—	22.15	—
GSI	23-Jul-10	1,000	—	22.15	—
GSI	23-Jul-10	10,000	—	22.15	—
GSI	23-Jul-10	1,000	—	22.15	—
GSI	23-Jul-10	1,000	—	22.15	—
GSI	23-Jul-10	1,000	—	22.15	—
GSI	23-Jul-10	1,000	—	22.15	—
GSI	23-Jul-10	2,000	—	22.20	—
GSI	23-Jul-10	1,000	—	22.15	—
GSI	23-Jul-10	2,000	—	22.20	—

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	23-Jul-10	1,000	—	22.15	—
GSI	23-Jul-10	3,000	—	22.20	—
GSI	23-Jul-10	2,000	—	22.20	—
GSI	23-Jul-10	2,000	—	22.20	—
GSI	23-Jul-10	2,000	—	22.20	—
GSI	23-Jul-10	1,000	—	22.20	—
GSI	23-Jul-10	1,000	—	22.20	—
GSI	23-Jul-10	2,000	—	22.20	—
GSI	23-Jul-10	2,000	—	22.20	—
GSI	23-Jul-10	6,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	2,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	3,000	—	22.25	—
GSI	23-Jul-10	3,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	2,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.20	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.25	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	3,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	3,000	—	22.30	—

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	23-Jul-10	3,000	—	22.30	—
GSI	23-Jul-10	3,000	—	22.30	—
GSI	23-Jul-10	1,000	—	22.30	—
GSI	23-Jul-10	8,000	—	22.30	—
GSI	23-Jul-10	3,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSI	23-Jul-10	2,000	—	22.30	—
GSAF	23-Jul-10	—	1,000	—	22.20
GSAF	23-Jul-10	—	1,000	—	22.25
GSAF	23-Jul-10	—	1,000	—	22.25
GSAF	23-Jul-10	—	1,000	—	22.25
GSAF	23-Jul-10	—	2,000	—	22.25
GSAF	23-Jul-10	—	2,000	—	22.25
GSAF	23-Jul-10	—	1,000	—	22.30
GSAF	23-Jul-10	—	1,000	—	22.05
GSAF	23-Jul-10	—	1,000	—	22.15
GSAF	23-Jul-10	—	1,000	—	22.15
GSAF	23-Jul-10	—	1,000	—	22.20
GSAF	23-Jul-10	—	1,000	—	22.20
GSAF	23-Jul-10	—	1,000	—	22.20
GSAF	23-Jul-10	—	1,000	—	22.20
GSAF	23-Jul-10	—	1,000	—	22.20
GSAF	23-Jul-10	—	1,000	—	22.30
GSAF	23-Jul-10	—	1,000	—	22.15
GSAF	23-Jul-10	—	1,000	—	22.15
GSAF	23-Jul-10	—	1,000	—	22.15
GSI	26-Jul-10	1,000	—	22.30	—
GSI	26-Jul-10	1,000	—	22.30	—
GSI	26-Jul-10	2,000	—	22.30	—
GSI	26-Jul-10	1,000	—	23.35	—
GSI	26-Jul-10	1,000	—	23.35	—
GSI	26-Jul-10	1,000	—	23.35	—
GSI	26-Jul-10	1,000	—	23.35	—
GSI	26-Jul-10	1,000	—	23.35	—
GSI	26-Jul-10	1,000	—	23.40	—
GSI	26-Jul-10	1,000	—	23.35	—

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	26-Jul-10	1,000	—	23.30	—
GSI	26-Jul-10	1,000	—	23.30	—
GSI	26-Jul-10	1,000	—	23.30	—
GSI	26-Jul-10	1,000	—	23.20	—
GSI	26-Jul-10	1,000	—	23.15	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	22.95	—

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	22.95	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	2,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—

APPENDIX II

GENERAL INFORMATION

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.00	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.15	—
GSI	26-Jul-10	1,000	—	23.15	—
GSI	26-Jul-10	1,000	—	23.15	—
GSI	26-Jul-10	1,000	—	23.15	—
GSI	26-Jul-10	1,000	—	23.15	—
GSI	26-Jul-10	1,000	—	23.15	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.15	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—
GSI	26-Jul-10	1,000	—	23.10	—

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSI	26-Jul-10	3,000	—	23.05	—
GSI	26-Jul-10	1,000	—	23.05	—
GSAF	26-Jul-10	—	1,000	—	23.10
GSAF	26-Jul-10	—	1,000	—	23.10
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	6,000	—	23.05
GSAF	26-Jul-10	—	2,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	5,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.20
GSAF	26-Jul-10	—	1,000	—	23.45
GSAF	26-Jul-10	—	1,000	—	23.10
GSAF	26-Jul-10	—	1,000	—	23.10
GSAF	26-Jul-10	—	1,000	—	23.10
GSAF	26-Jul-10	—	1,000	—	23.10
GSAF	26-Jul-10	—	1,000	—	23.10
GSAF	26-Jul-10	—	1,000	—	23.10

Period of Transaction From 15 June 2010 to 6 August 2010 on a non aggregated basis		Number of ordinary shares involved		Price paid for each ordinary share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	22.95
GSAF	26-Jul-10	—	1,000	—	22.95
GSAF	26-Jul-10	—	1,000	—	22.95
GSAF	26-Jul-10	—	1,000	—	22.95
GSAF	26-Jul-10	—	1,000	—	22.95
GSAF	26-Jul-10	—	1,000	—	22.95
GSAF	26-Jul-10	—	1,000	—	22.85
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	3,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.00
GSAF	26-Jul-10	—	1,000	—	23.05

Period of Transaction		Number of		Price paid for	
From 15 June 2010 to 6 August 2010		ordinary shares		each ordinary	
on a non aggregated basis		involved		share (HK\$)	
Entity	Date	Buy	Sell	Buy	Sell
GSAF	26-Jul-10	—	1,000	—	23.05
GSAF	26-Jul-10	—	1,000	—	23.10

Note: The prices in relation to aggregated transactions represent prices calculated on a volume weighted average basis.

- (iv) No subsidiary of the Company, pension fund of the ICBC Asia Group or advisor of the Company as specified in class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares or had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing on 28 July 2010 and ending on the Latest Practicable Date.
- (v) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1) to (4) of the definition of “associate” in the Takeovers Code and no such person owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares or had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing on 28 July 2010 and ending on the Latest Practicable Date.
- (vi) Save as disclosed in this section 3 in this Appendix II, no Director was interested in, owned or controlled and no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing six months before 28 July 2010 and ending on the Latest Practicable Date.
- (vii) No Shares or convertible securities, warrants, options or derivatives in respect of the Shares in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no fund managers (other than exempt fund managers) connected with the Company had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing on 28 July 2010 and ending on the Latest Practicable Date.
- (viii) As at the Latest Practicable Date, none of the Company and the Directors had borrowed or lent any Shares.

(d) Interests and dealings in the shares in the Offeror

As at the Latest Practicable Date, save as disclosed in the table below, neither the Directors nor the Company had any interest in the shares or any convertible securities, warrants, options or derivatives in respect of the shares in the Offeror and neither the Directors nor the Company had dealt for value in any such shares, convertible securities, warrants, options or derivatives during the period commencing six months before 28 July 2010 and ending on the Latest Practicable Date.

Name of Director	Capacity/Nature of interest	Number of shares in the Offeror held	Approximately % of total issued share capital (by class) (<i>Note 1</i>)
Mr. Chen Aiping	Beneficial owner	H shares — 20,000	0.00002% (H shares)
		A shares — 32,000	0.00001% (A shares)
Mr. Yuen Kam Ho, George	Beneficial owner	H shares — 60,000	0.00007% (H shares)

Note 1: The percentage is calculated based on the total number of the H shares of 83,056,501,962 and A shares of 250,962,348,064 as at Latest Practicable Date.

(e) Arrangements with the Offeror and its concert parties in respect of the Proposal

As at the Latest Practicable Date:

- (i) none of the Offeror and its concert parties in respect of the Proposal had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (ii) there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Scheme of Arrangement;
- (iii) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be issued to the Offeror (or any of its wholly-owned subsidiaries) upon completion of the Proposal;
- (iv) the Offeror has no intention to transfer, charge or pledge any securities in the Company acquired pursuant to the Scheme of Arrangement to any other person, or has no agreement, arrangement or understanding with any third party to do so;
- (v) no person had irrevocably committed themselves to accept or reject the Proposal; and
- (vi) none of the Offeror and the concert parties in respect of the Proposal, the Company or the Directors had borrowed or lent any Shares, except that Goldman Sachs group (other than those members of the Goldman Sachs group that are conducting exempt principal trader activities and exempt fund manager activities) had borrowed from third parties 6,000 shares to cover its short position, representing approximately 0.0004% of the issued Shares.

(f) Other interests

As at the Latest Practicable Date:

- (i) no benefit (save for statutory compensation required under appropriate law) is or will be paid to any Directors as compensation for loss of office or otherwise in connection with the Scheme of Arrangement;
- (ii) there are no material contracts entered into by the Offeror in which any Director has a material personal interest;
- (iii) save for the Proposal, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of its concert parties in respect of the Proposal on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon or being conditional upon the outcome of the Scheme of Arrangement or otherwise connected with the Scheme of Arrangement;
- (iv) save for the Proposal, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme of Arrangement or otherwise connected with the Scheme of Arrangement; and
- (v) none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) has been entered into or amended within six months before the date of the Announcement; or (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period.

4 INFORMATION REGARDING THE SHARE CAPITAL OF THE COMPANY

- (i) As at the Latest Practicable Date, the authorised share capital and issued share capital of the Company were as follows:

Authorised share capital

Number of shares	Value of Shares
2,000,000,000 Shares	HK\$4,000,000,000
232,000,000 Preference Shares	HK\$1,160,000,000

Issued and fully paid-up share capital

Number of shares	Value of Shares
1,352,061,533 Shares	HK\$2,704,123,066

- (ii) Each of the Shares ranks pari passu in all respects, including as to dividends, voting rights and capital.
- (iii) Since 31 December 2009, 33,720,890 Shares were issued on 29 June 2010. The Company has issued no new Shares after 29 June 2010, up to the Latest Practicable Date.
- (iv) Other than the Shares, there are no other options, derivatives, warrants or other securities convertible or exchangeable into Shares which are issued by the Company as at the Latest Practicable Date. As at the Latest Practicable Date, no Preference Shares was in issue.

5 LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the directors to be pending or threatened by or against the Company or any of its subsidiaries.

6 MATERIAL CONTRACTS

Save for the following contracts, no material contracts other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the ICBC Asia Group had been entered into by any member of the ICBC Asia Group within two years preceding 28 July 2010 and up to the Latest Practicable Date:

- (a) the agreement dated 22 July 2009 entered into between the Company, the SFC, Hong Kong Monetary Authority, ABN AMRO Bank N.V., Bank of China (Hong Kong) Ltd, Bank of Communications Co Ltd, Chiyu Banking Corporation Ltd, Chong Hing Bank Ltd, CITIC Ka Wah Bank Ltd, Dah Sing Bank Ltd, Fubon Bank (Hong Kong) Ltd, Mevas Bank Ltd, Nanyang Commercial Bank, Ltd, Public Bank (Hong Kong) Ltd, Shanghai Commercial Bank Ltd, The Bank of East Asia, Limited, Wing Hang Bank Ltd and Wing Lung Bank Ltd to make an offer to certain eligible customers of the Company to repurchase their holdings of certain retail structured notes issued under the “Secured Continuously Offered Note Programme” of Pacific International Finance Limited, commonly known as Lehman Brothers Minibonds, subscribed through the Company; and
- (b) the sale and purchase agreement dated 4 August 2008 entered into between the Company and ICBC International Holdings Limited (formerly known as Industrial and Commercial International Capital Ltd.) (“**ICBC International Holdings**”) relating to the acquisition by the Company of certain loans and the related securities from ICBC International Holdings for approximately HK\$1,592.2 million.

7 EXPERTS

The following are the qualifications of each of the experts who have been named in this document or provided their report or advice which are contained in this document:

Name	Qualification
ICBCI	licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Goldman Sachs	licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
Ernst & Young	certified public accountants
CLSA Equity Capital Markets Limited	licensed to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

8 CONSENT

ICBCI, Goldman Sachs, Ernst & Young and the Independent Financial Adviser have given and have not withdrawn their respective written consents to the issue of this document with the inclusion in this document of the text of their respective letters, reports or opinions, as the case may be, and references to their names in the form and context in which they respectively appear.

9 GENERAL

- (a) The registered office of the Company is situate at 33rd Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong.
- (b) The registered office of the Offeror is situate at No.55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC and its correspondence address in Hong Kong is 33rd Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong. The directors of the Offeror are Mr. Jiang Jianqing, Mr. Yang Kaisheng, Ms. Wang Lili, Mr. Huan Huiwu, Mr. Gao Jianhong, Ms. Li Chunxiang, Mr. Li Jun, Mr. Li Xiwen, Mr. Wei Fusheng, Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi, Mr. Xu Shanda, Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy and Mr. Kenneth Patrick Chung.
- (c) The registered office of ICBCI is situate at Levels 17 & 18, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (d) The registered office of Goldman Sachs is situate at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

- (e) The registered office of the Independent Financial Adviser is situate at 18/F, One Pacific Place, 88 Queensway, Hong Kong.
- (f) The share registrar and transfer office of the Company is Tricor Tengis Limited which is situate at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (g) In case of inconsistency, the English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text.
- (h) All time and dates references contained in this document refer to Hong Kong time and dates.

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:30 a.m. to 5:30 p.m., Monday to Friday at (i) the registered office of the Company at 33rd Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong; (ii) the website of the Company at www.icbcasia.com; and (iii) the website of SFC at www.sfc.hk from the date when this document is published until the Effective Date or the date on which the Scheme of Arrangement is withdrawn or lapses, whichever is the earliest:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual report containing the audited consolidated financial statements of the Company for each of the two years ended 31 December 2008 and 2009;
- (d) the interim report containing the unaudited condensed consolidated financial information of the ICBC Asia Group for the six months ended 30 June 2010;
- (e) the annual report containing the audited consolidated financial statements of ICBC for each of the two years ended 31 December 2008 and 2009;
- (f) the letter from the board of directors of the Company, the text of which is set out on pages 7 to 14 of this document;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this document;
- (h) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 17 to 34 of this document;
- (i) the material contracts referred to in section 6 above entitled "Material Contracts" in this Appendix II; and
- (j) the written consents referred to in section 8 above entitled "Consent" in this Appendix II.

SCHEME OF ARRANGEMENT

HCMP No. 1792 of 2010

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1792 OF 2010**

**IN THE MATTER OF
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
中國工商銀行(亞洲)有限公司**

AND

**IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 32 OF THE LAWS OF THE HONG KONG SPECIAL ADMINISTRATIVE
REGION**

**SCHEME OF ARRANGEMENT
Under Section 166 of the Companies Ordinance
Chapter 32 of the Laws of Hong Kong Special Administrative Region**

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

acting in concert	has the meaning ascribed to it under the Takeovers Code
Companies Ordinance	means the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
Company	means Industrial and Commercial Bank of China (Asia) Limited, a limited company incorporated in Hong Kong whose Shares are listed on the Stock Exchange
Composite Document	means the document dated 8 October 2010 issued jointly by the Company and the Offeror, which includes this Scheme of Arrangement
Effective Date	means the date on which this Scheme of Arrangement becomes effective in accordance with paragraph 5 of this Scheme of Arrangement
High Court	means the High Court of Hong Kong

SCHEME OF ARRANGEMENT

HK\$	means Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	means the Hong Kong Special Administrative Region of the People's Republic of China
Latest Practicable Date	means 5 October 2010, being the latest practicable date prior to the printing of the Composite Document for ascertaining certain information contained therein
Minority Shareholders	means the Shareholders other than those holding the Shares beneficially owned by the Offeror and parties acting in concert with it
New Shares	means the new Shares to be issued to the Offeror pursuant to this Scheme of Arrangement, the number of which is equal to the number of the Scheme Shares cancelled
Offeror	means Industrial and Commercial Bank of China Limited, a joint stock limited company incorporated in the People's Republic of China with limited liability
Preference Shares	preference shares of HK\$5.00 each in the capital of the Company
Record Time	means 4:00 p.m. (Hong Kong time) on the trading day immediately preceding the Effective Date, being the record time for determining entitlements of the Scheme Shareholders under this Scheme of Arrangement
Register	means the register of members of the Company
Scheme of Arrangement	means this scheme of arrangement under Section 166 of the Companies Ordinance (with or subject to any modification thereto or condition approved or imposed by the High Court) between the Company and the Scheme Shareholders involving, inter alia, the cancellation of all the Scheme Shares and the issue of the New Shares to the Offeror
Scheme Share(s)	means the Share(s) in issue at the Record Time, other than those beneficially owned by the Offeror
Scheme Shareholders	means the registered holders of the Scheme Shares
Share(s)	means ordinary share(s) of HK\$2.00 each in the capital of the Company
Shareholder(s)	means the registered holder(s) of the Shares

SCHEME OF ARRANGEMENT

Stock Exchange means The Stock Exchange of Hong Kong Limited

Takeovers Code means the Hong Kong Code on Takeovers and Mergers

- (B) As at the Latest Practicable Date, the Company had an authorised share capital of HK\$5,160,000,000 comprising HK\$4,000,000,000 divided into 2,000,000,000 Shares of par value HK\$2.00 each and HK\$1,160,000,000 divided into 232,000,000 Preference Shares of par value HK\$5.00 each and the issued share capital of the Company is HK\$2,704,123,066 divided into 1,352,061,533 Shares of par value of HK\$2.00 each. No Preference Shares are in issue.
- (C) On the Latest Practicable Date, the Offeror directly held 984,364,740 Shares, representing approximately 72.81% of the issued Shares.
- (D) Parties acting in concert with the Offeror held an aggregate of 315,453 Shares as at the Latest Practicable Date. In accordance with the Takeovers Code, each of these parties is precluded from voting at the Court Meeting notwithstanding that the Shares in which any of them is legally or beneficially interested will form part of the Scheme Shares. Each of these parties have undertaken to the Company that in relation to all of the Shares either legally or beneficially owned by them at the time of the Court Meeting, such Shares would neither be represented nor voted at the Court Meeting unless otherwise permitted under the Takeovers Code or by the Securities and Futures Commission of Hong Kong.
- (E) In consideration of the cancellation and extinguishment of the Scheme Shares on the Effective Date, all Scheme Shareholders as appearing in the Register at the Record Time shall be entitled to receive HK\$29.45 in cash for every Scheme Share cancelled.
- (F) The Offeror has agreed to appear by Counsel at the hearing of the petition for the High Court's sanction of this Scheme of Arrangement and to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme of Arrangement.
- (G) The primary purpose of this Scheme of Arrangement is that on the Effective Date, all the Scheme Shares should be cancelled and extinguished, the New Shares be created and issued to the Offeror, and that the Company will become wholly-owned by the Offeror.

SCHEME OF ARRANGEMENT

THE SCHEME OF ARRANGEMENT

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:
 - (a) the authorised and issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon the reduction of capital referred to in paragraph (a) above taking effect, the authorised share capital of the Company shall be increased to its former amount by the creation of such number of New Shares as is equal to the number of the Scheme Shares cancelled; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the reduction of capital referred to in paragraph (a) above in paying up in full at par all the New Shares as created under paragraph (b) above which shall be allotted and issued to the Offeror, credited as fully paid.

PART II

CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to paragraph 1(a) of this Scheme of Arrangement, the Offeror will pay or cause to be paid to each Scheme Shareholder as appearing in the Register at the Record Time, HK\$29.45 for every Scheme Share cancelled.

PART III

GENERAL

3.
 - (a) Not later than ten days after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders (as appearing in the Register at the Record Time) cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme of Arrangement.
 - (b) Unless indicated otherwise in writing before the Effective Date to the share registrar of the Company in Hong Kong (being Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong), all such cheques shall be sent through the post (by

SCHEME OF ARRANGEMENT

airmail where appropriate) in pre-paid envelopes addressed to the persons entitled thereto:

- (i) in the case of sole holders, to the respective registered address of such holders as appearing in the Register as at the Record Time; and
 - (ii) in the case of joint holders, to the registered address of that one of the joint holders whose name then stands first in the Register in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme of Arrangement, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All cheques shall be posted at the risk of the addressees and once posted, none of the Company, the Offeror nor any of their respective officers or agents shall be liable for any loss or delay in transmission.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme of Arrangement, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Company. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme of Arrangement, together with interest thereon, to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(b) of this Scheme of Arrangement of which they are payees have not been cashed. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiry of six years from the Effective Date, the Offeror (or any successor company thereto) shall be released from any further obligations to make any payments under this Scheme of Arrangement and the Offeror shall thereafter retain the balance (if any) of the sums standing to the credit of the account referred to in paragraph 3(e) of this Scheme of Arrangement, including accrued interest (if any) subject, if applicable, to the deduction of interest or any withholding or other tax or any other deductions required by law and subject also to the deduction of any expenses.
- (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.

SCHEME OF ARRANGEMENT

4. As from and including the Effective Date:
 - (a) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting at the Record Time in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force at the Record Time in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. This Scheme of Arrangement shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme of Arrangement and confirming, under Section 60 of the Companies Ordinance, the reduction of capital provided for by this Scheme of Arrangement, together with a minute relating to the reduction of capital of the Company containing the particulars required by Section 61 of the Companies Ordinance, shall have been registered by the Registrar of Companies.
6. Unless this Scheme of Arrangement shall have become effective on or before 1 March 2011 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the High Court may direct), this Scheme of Arrangement shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification(s) of or addition(s) to this Scheme of Arrangement or to any condition(s) which the High Court may see fit to approve or impose without any further court meeting to be held therefor.
8. Irrespective of whether this Scheme of Arrangement will become effective, the Company will bear its own expenses incurred in connection with this Scheme of Arrangement.

Dated 8 October 2010

NOTICE OF COURT MEETING

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 1792 OF 2010**

**IN THE MATTER
OF
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
中國工商銀行(亞洲)有限公司**

AND

**IN THE MATTER
OF
THE COMPANIES ORDINANCE,
CHAPTER 32 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

**SCHEME OF ARRANGEMENT
Under Section 166 of the Companies Ordinance
Chapter 32 of the Laws of Hong Kong Special Administrative Region**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 5 October 2010 (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed a meeting (the “**Meeting**”) to be convened of the Scheme Shareholders (as defined in the scheme of arrangement hereinafter mentioned) for the purposes of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) proposed to be made between Industrial and Commercial Bank of China (Asia) Limited (the “**Company**”) and the registered holders of the Scheme Shares (as defined in the Scheme), and that the Meeting will be held at The Connaught Room, 1/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Tuesday, 9 November 2010 at 10 a.m. at which place and time all Scheme Shareholders (as defined in the Scheme) are requested to attend.

A copy of the Scheme and a copy of an explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to Section 166A of the above mentioned Ordinance, are incorporated in the composite document of which this Notice forms part.

In compliance with the Takeovers Code (as defined in the Scheme), Shares held by parties acting in concert (as defined in the Scheme) to the Offeror (as defined in the Scheme) may not be voted at the Meeting and, hence, only Shares held by Minority Shareholders (as defined in the Scheme) are eligible for voting thereat.

The above-mentioned Minority Shareholders may vote in person at the Meeting or they may appoint not more than two persons, whether a member of the Company or not, as their proxy or proxies to attend and, on a poll, vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the composite document of which this Notice forms part.

NOTICE OF COURT MEETING

In the case of joint holders of a share of the Company, the vote of the most senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the share.

It is requested that forms appointing proxies, together with the letter or power of attorney under which it is signed or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company) if any, be lodged with the Company's share registrar, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the appointed time for the holding of the Meeting or the adjourned meetings. Forms of proxy may also be handed to the chairman of the Meeting at the Meeting if not so lodged. A vote cast by proxy shall not be invalidated by the revocation of the appointment of the proxy or of the authority under which the appointment was made unless notice in writing of such revocation shall have been received by the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 24 hours before, or by the company secretary of the Company or the chairman of the Meeting on the day and at the place, but before the commencement, of the Meeting or the adjourned meetings. Completion and return of the form of proxy will not preclude a Scheme Shareholder from attending the Meeting or the adjourned meetings and voting in person if he/she so wishes. In the event that a Scheme Shareholder attends and votes at the Meeting or the adjourned meetings after having lodged his/her form of proxy, his/her form of proxy will be revoked by operation of law.

For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from 2 November 2010 to 9 November 2010 (both dates inclusive) and during such period, no transfer of Shares will be effected.

By the Order, the High Court has appointed Professor Wong Yue Chim, Richard, S.B.S., J.P., or, failing him, Mr. Tsui Yiu Wa, Alec, or, failing him, Mr. Yuen Kam Ho, George to act as chairman of the Meeting and has directed the chairman of the Meeting to report the outcome thereof to the High Court.

The Scheme will be subject to the subsequent approval of the High Court as set out in the Explanatory Statement contained in the scheme document of which this Notice forms part.

Dated the 8th day of October 2010.

Herbert Smith
23rd Floor
Gloucester Tower
15 Queen's Road Central
Hong Kong

Solicitors for Industrial and Commercial Bank of China (Asia) Limited

As at the date of this notice, the Board of Directors comprises Mr. Chen Aiping, Mr. Wong Yuen Fai, Mr. Zhang Yi and Mr. Zong Jianxin as executive directors, Mr. 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Industrial and Commercial Bank of China (Asia) Limited (the “**Company**”) will be held at The Connaught Room, 1/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Tuesday, 9 November 2010 at 10:30 a.m. (or so soon thereafter as the Court Meeting (as defined in the scheme of arrangement hereinafter mentioned) convened for the same day and place shall have concluded or adjourned), for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

“**THAT:**

- (A) the proposed scheme of arrangement (the “**Scheme**”) between the Company and registered holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved by the High Court of the Hong Kong Special Administrative Region (the “**High Court**”), be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the authorised and issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon the said reduction of capital taking effect, the authorised share capital of the Company shall be increased to its former amount by the creation of such number of New Shares (as defined in the Scheme) as is equal to the number of Scheme Shares cancelled; and
 - (iii) the Company shall apply the credit arising in its books of account as a result of the said reduction of capital in paying up the New Shares referred to in paragraph (ii) above in full at par and those New Shares shall be allotted and issued, credited as fully paid, to Industrial and Commercial Bank of China Limited (“**ICBC**”);
- (C) the directors of the Company be and are hereby authorised to make application to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the withdrawal of the listing of the Company’s shares on the Stock Exchange, subject to the Scheme taking effect; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

(D) the directors of the Company be and are hereby authorised to do all other acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and the reduction of capital, including (without limitation) the giving, on behalf of the Company, of consent to any modifications of, or additions to, the Scheme, which the High Court may see fit to impose and to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme and in relation to the Proposal (as defined in the document of which the notice of this resolution forms part) as a whole.”

By Order of the Board
Tsang Mei Kuen
Company Secretary

Dated the 8th day of October 2010

Notes:

- (i) A white form of proxy for use at the Meeting is enclosed to the composite document.
- (ii) A member entitled to attend and vote at the Meeting is entitled to appoint not more than two persons as proxy or proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (iii) In order to be valid, the white form of proxy, together with the letter or power of attorney under which it is signed or a notarially certified copy thereof (in the case of a corporation, either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company) if any, must be lodged with the Company’s share registrar, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 48 hours before the appointed time for the holding of the Meeting or the adjourned meetings or be handed to the chairman of the Meeting at the Meeting if not so lodged. A vote cast by proxy shall not be invalidated by the revocation of the appointment of the proxy or of the authority under which the appointment was made unless notice in writing of such revocation shall have been received by the Company’s share registrar, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 24 hours before, or by the company secretary of the Company or the chairman of the Meeting on the day and at the place, but before the commencement, of the Meeting or the adjourned meetings. Completion and return of the white form of proxy will not preclude a member from attending the Meeting or the adjourned meetings and voting in person if he/she so wishes. In the event that a member attends and votes at the Meeting or the adjourned meetings after having lodged his/her form of proxy, his/her form of proxy will be revoked by operation of law.
- (iv) In the case of joint holders of a share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the share.

As at the date of this notice, the Board of Directors comprises Mr. Chen Aiping, Mr. Wong Yuen Fai, Mr. Zhang Yi and Mr. Zong Jianxin as executive directors, Mr. 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.