

2009



集友銀行
Chiyu Banking Corporation Ltd.

中銀香港集團成員 A member of BOCHK Group

Interim Report



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Financial Highlights

	Half-year ended 30 June 2009	Half-year ended 30 June 2008	Year ended 31 December 2008
For the period/ year	HK\$'000	HK\$'000	HK\$'000
Net operating income before impairment allowances	466,714	643,269	1,145,044
Operating profit	325,928	494,254	712,176
Profit before taxation	334,028	502,700	714,267
Profit for the period/ year	275,411	416,253	591,183
At period/ year-end	HK\$'000	HK\$'000	HK\$'000
Capital and reserves	4,030,352	4,108,583	3,739,557
Issued and fully paid share capital	300,000	300,000	300,000
Total assets	39,182,614	38,055,977	39,211,049
Financial ratios	%	%	%
Return on average capital and reserves ¹	14.30	19.95	14.73
Return on average total assets ²	1.42	2.17	1.51
Cost to income ratio	33.04	23.37	36.66
Loan to deposit ratio ³	47.04	53.34	48.97
Average liquidity ratio ⁴	45.89	39.08	42.88
Capital adequacy ratio ⁵	16.35	17.07	15.37

1. Return on average capital and reserves =
$$\frac{\text{Profit for the period/ year}}{\text{Average of beginning and ending balance of capital and reserves}}$$

2. Return on average total assets =
$$\frac{\text{Profit for the period/ year}}{\text{Average of the beginning and ending balance of total assets}}$$

3. Loan to deposit ratio is calculated as at 30 June 2009, 30 June 2008, and 31 December 2008. Loan represents gross advances to customers. Deposit also includes structured deposits reported as "Financial liabilities designated at fair value through profit or loss".

4. Average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of local offices of Chi Yu Banking Corporation Limited (the "Bank") for the corresponding period.

5. Capital adequacy ratio is computed on the combined basis that comprises the positions of the Bank's local offices and overseas branches specified by the Hong Kong Monetary Authority ("HKMA") for its regulatory purposes and in accordance with the Banking (Capital) Rules.



Management's Discussion and Analysis

Business Review

During the first half of 2009, the global economy was continuously impacted by the financial tsunami. While local GDP showed a significant decrease, external trade and domestic consumption continued to drop. Against this backdrop of the contraction of the global economy, market interest rates remained low and demand for loans was also weak. In addition, investors have become more cautious as regards the uncertainty of the market which led to decrease in investment activities. All these factors resulted in a difficult and challenging operating environment for the banking industry. However, under the support of the potential recovery of the global economy and the fast economic growth of Mainland China from the second quarter, local stock market and property market have sharply improved and the customer investment sentiment has become more positive. These factors bring positive impact to the banking industry.

With a Commercial Business Centre and 24 branches in Hong Kong, the Group's core business continues to provide personal and corporate banking and related financial services. We also have 2 branches and 1 sub-branch located in Mainland China, providing efficient financial services to our customers across the border of Mainland China and Hong Kong. In addition, through upgrading the electronic banking service, the Group enhances its capability to provide a more convenient and cost-effective environment for the customers to use our services at anytime and anywhere, as well as to be in touch with the real-time market information.

Our Product Team strives to analyse the market, in order to develop suitable products and services to fit our customers' needs. In addition, the Group emphasises on improving our customer relationship team's image and professionalism, so that the Group can provide a total solution to satisfy our customers' needs efficiently.

Financial Review

For the first half of 2009, the Group recorded a profit attributable to shareholders of HK\$275,411,000, dropped by 33.84% from the same period last year. The return on average shareholders' funds and the return on average total assets were 14.30% and 1.42%, respectively decreased by 5.65% and 0.75% against the first half of 2008.

Net interest income was HK\$323,446,000, decreased by 27.41% as compared with the first half of 2008. Net interest margin was 1.75% or 70 basis points lower than the same period last year. Non-interest income was HK\$143,268,000, dropped by 27.54% than that of the first half of 2008 on a comparable basis. Operating expenses increased by 2.54% to HK\$154,184,000, mainly due to additional items of HK\$13,000,000 in relation to the Lehman-related investment products issue. Should the effect of Lehman-related investment products issue be excluded, the Group's operating expenses would have decreased by 6.11% while the cost-to-income ratio would have risen by 6.88 percentage points to 30.25%.

The Group has continued to enhance credit risk management, the classified loans ratio dropped from 0.35% to 0.25% as compared to the end of 2008. For the first half of 2009, net reversal of loan impairment allowances was HK\$12,696,000, increased by HK\$11,371,000 as compared to the same period last year.

At 30 June 2009, the Group's total consolidated assets slightly dropped by 0.07% to HK\$39,182,614,000. Loans and advances to customers decreased by 4.23% to HK\$15,109,772,000. Customer deposits reduced by 0.30% to HK\$32,121,308,000.



Management's Discussion and Analysis (continued)

Prospect

Looking ahead, the slump outlook in the US and Europe will continue to impede the recovery of the global economy in the short-run. However, the market generally expects that the worst scenario of the Financial Tsunami has bottomed out. Meanwhile, Mainland China has recorded a GDP growth of 7.9% for the second quarter of 2009, which will be a momentum to achieve the target of "pertaining 8% annual GDP growth" for 2009. Due to the close economic relationship with Mainland China, Hong Kong economy will be less susceptible to further deterioration. Nevertheless, the global economy is yet to recover and this poses uncertainties and challenges to the banking industry in Hong Kong.

With these challenges ahead, the Group will take a cautious yet positive approach to capitalise on its strengths and market opportunities. The Group will further develop its service platform in Mainland China for better capturing of business opportunities in the region. We will continue to expand our scopes of service to our target customers, improve operation efficiency and resources utilization, grasp every opportunity relating Renminbi businesses and provide all-rounded services for customers in both Mainland China and Hong Kong. At the same time, we will continue to maintain good corporate governance by allocating adequacy resources to the aspects of risks management and internal control.



Management's Discussion and Analysis (continued)

Risk Management

Overview

The Group believes that sound risk management is a key success factor for any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business growth and development. The principal types of risk inherent in the Group's businesses are reputation risk, legal and compliance risk, strategic risk, credit risk, market risk, interest rate risk, liquidity risk and operational risk. The Group's risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits.

Risk Management Governance Structure

The Group's risk management governance structure is designed to cover the whole process of all businesses and ensure various risks are properly managed and controlled in the course of conducting business. The Group has a sound risk management organisational structure as well as comprehensive policies and procedures to identify measure, monitor and control various risks that may arise for the organisation. These risk management policies and procedures are regularly reviewed and modified to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision making authority of the Bank and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the determination of risk management strategies and for ensuring that the Group has an effective risk management system to implement these risk management strategies. Risk Management Committee ("RC"), a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, reviewing and approving high level risk related policies and overseeing their implementation, reviewing significant or high risk exposures or transactions and exercising its power of veto if it believes that the transaction shall not proceed. Audit Committee ("AC") assists the Board in fulfilling its role on overseeing internal control system.

To achieve the Group's risk management goals, the Group has established a centralised risk management structure that involves the following elements:

- a corporate governance structure to provide active oversight and participation by the Board of Directors, committees and senior management;
- reporting lines that are independent of the Group's Business Units;
- uniform risk management policies, procedures and limits by which the Group identifies, measures, monitors and controls inherent risks;
- improved risk measurement, monitoring and management information systems to support business activities and risk management; and
- clearly defined risk management responsibilities and accountability.

The Group faces the same types of inherent business risks and adopts consistent risk management strategies and policies as its immediate holding company, Bank of China (Hong Kong) Limited ("BOCHK"). The Group executes its risk management strategy independently and functionally reports to BOCHK on a regular basis.



Management's Discussion and Analysis (continued)

Risk Management (continued)

Reputation Risk Management

Reputation risk is the risk that negative publicity regarding the Group's business practices, whether genuine or not, will cause a potential decline in the customer base or lead to costly litigation or revenue erosion. Reputation risk is inherent in every aspect of business operation and covers a wide spectrum of issues.

In order to mitigate reputation risk, the Group has formulated its Reputation Risk Management Policy that is diligently implemented. This policy establishes standards to prevent and to manage reputation risk proactively at an early stage. It requires constant monitoring of external reputation risk incidents and published failures of risk incidents within the financial industry.

Legal and compliance risk management

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operation or financial condition of the Group. Compliance risk is the risk of penalty arising from any failure to comply with relevant regulations governing the conduct of businesses in specific countries. By establishing and maintaining appropriate policies and guidelines, the Compliance Section is responsible for proactively identifying and managing these risks.

Strategic Risk Management

Strategic risk generally refers to the risks that may induce immediate or future negative impact on the financial and market positions of the Group because of poor strategic decisions, improper implementation of strategies and lack of response to the market. The Group has developed a Strategic Risk Management Policy that clearly defines the management and oversight of such risks.

Credit Risk Management

Credit risk is the risk that a customer or counterparty will be unable to or unwilling to meet a commitment it has entered into. Credit Risk Management Division ("CMD") provides centralised management of credit risk within the Group. Different credit approval and control procedures are adopted according to the level of risk associated with the customer or transaction. Corporate credit applications and retail credit transactions, including residential mortgage loans and personal loans are independently reviewed and objectively assessed by risk management units.

The Group's internal loan grading system divides loans into 5 categories with reference to HKMA's guidelines. CMD provides regular credit management information reports and ad hoc reports to members of Executive Committee ("EC"), RC, AC and Board of Directors.



Management's Discussion and Analysis (continued)

Risk Management (continued)

Market Risk Management

Market risk is the risk of loss that results from movements in the market rates and prices. The Group's market risk arises from customer-related business. Market risk is managed within the risk limits approved by the RC. The overall risk limits are divided into sub-limits by reference to different risk factors, including interest rate, foreign exchange rate, commodity price and equity price.

CMD, Finance Division and Settlement Section are responsible for the regular oversight of the Group's market risk to ensure that overall and individual market risks are within the Group's risk tolerance. Risk exposures are monitored on a regular basis to ensure that they are within established risk limits.

The Group has met the "de minimis" criteria set out in the Maintenance of Adequate Capital Against Market Risk guideline issued by the HKMA. As a result, the Group considers that the market risk arising from its trading book is not material and no further qualitative or quantitative disclosure is made of market risk in these accounts.

Interest Rate Risk Management

The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are:

- repricing risk – mismatches in the maturity or repricing periods of assets and liabilities
- basis risk – different pricing basis for different transactions so that yield on assets and cost of liabilities may change by different amounts within the same repricing period

The Group's Asset and Liability Management Committee ("ALCO") maintains oversight of interest rate risk and RC sanctions the interest rate risk management policies formulated by ALCO. The interest rate risk is identified and measured on a regular basis. The Treasury Division manages the interest rate risk according to the established policies. The Finance Division closely monitors the related risks and the results are reported to RC and ALCO regularly.

Gap analysis is one of the tools used to measure the Group's exposure to repricing risk. This provides the Group with a static view of the maturity and repricing characteristics of its balance sheet positions. The Group uses interest rate derivatives to hedge its interest rate exposures and in most cases, plain vanilla interest rate swaps are used.

Sensitivities of earnings and economic value to interest rate changes (Earnings at Risk and Economic Value at Risk) are assessed through hypothetical interest rate shock of 200 basis points across the yield curve on both sides. Earnings at Risk and Economic Value at Risk are controlled respectively within an approved percentage of the projected net interest income for the year and the latest capital base as sanctioned by RC. The results are reported to ALCO and RC on a regular basis.

The impact of basis risk is gauged by the projected change in net interest income under scenarios of imperfect correlation in the adjustment of the rates earned and paid on different instruments. Ratios of assets to liabilities with similar pricing basis are established to monitor such risk.



Management's Discussion and Analysis (continued)

Risk Management (continued)

Liquidity Risk Management

The aim of liquidity management is to enable the Group, even under adverse market conditions, to meet all its maturing repayment obligations on time and to fund all of its asset growth and strategic opportunities without forced liquidation of its assets at short notice.

The Group funds its operations principally by accepting deposits from retail and corporate depositors. In addition, the Group may issue certificates of deposit to secure long-term funds. Funding may also be secured through adjusting the asset mix in the Group's investment portfolio. The Group uses the majority of funds raised to extend loans, to purchase debt securities or to conduct interbank placements.

The Group monitors the liquidity risks using cash flow analysis and by examining deposit stability, concentration risk, mismatch ratios, loan-to-deposit ratio and liquidity profile of the investment portfolio. The primary objective of the Group's asset and liability management strategy is to achieve optimal return while ensuring adequate levels of liquidity and capital within an effective risk control framework and ALCO is responsible for establishing these policy directives (including the liquidity contingency plan), and RC sanctions the liquidity management policies. The Treasury Department manages the liquidity risk according to the established policies. The Finance Division monitors the Group's liquidity risks and reports to the management and ALCO regularly.

Operational Risk Management

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Strategic Planning and Control Department ("SCD") oversees the entire operational risk management framework of the Group.

The Group has put in place an effective internal control process which requires the establishment of detailed policies and control procedures for all the key activities. Proper segregation of duties and independent authorisation are the fundamental principles followed by the Group. Business line management is responsible for managing and reporting operational risks specific to their business units by identifying, assessing and controlling the risks inherent in their business processes, activities and products. These are followed by periodic monitoring and ongoing review of changes by SCD. SCD formulates corporate-level policies and procedures concerning operational risk management which are approved by RC. SCD evaluates the operational risk profile, records operational risk data and reports operational risk issues to RC and senior management.

Business continuity plans are in place to support business operations in the event of emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted. The Group also arranges insurance cover to reduce potential losses in respect of operational risk.



Management's Discussion and Analysis (continued)

Risk Management (continued)

Capital Management

The major objective of capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The Group periodically reviews its capital structure and adjusts the capital mix where appropriate to achieve the lowest overall cost of capital. ALCO monitors the Group's capital adequacy. The Group has complied with all the statutory capital standards for all the periods presented in the report.

Stress Testing

The Group supplements the analysis of various types of risks with stress testing. Stress testing is a risk management tool for estimating the Group's risk exposures under stressed conditions arising from extreme but plausible market or macroeconomic movements. These tests are conducted on a regular basis and ALCO monitors the results against limits approved by RC. Stress test results are also reported to the Board and RC regularly.

Corporate Governance

The Group has complied with the HKMA's guidelines set out in the Supervisory Policy Manual CG-1 "Corporate Governance of Locally Incorporated Authorised Institutions".

In order to focus on the strategic and material issues that have significant impact on the Group's operation, financial performance, risk management and long-term development, three committees have been established under the Board of Directors to oversee the major areas of the Group. The details of the committees are given below.

Executive Committee ("EC")

The EC has been delegated with authorities from the Board to handle matters which require the Board's review, but arise between board meetings. Its responsibilities include:

- approving policies, implementation plans and management measures to effect the group-wide development strategies and business plans approved by the Board;
- reviewing the implementation progress of the strategies and business plans;
- recommending strategic proposals to the Board for its consideration and approval; and
- approving the Group's rules and regulations according to the policies imposed by the supervisory authorities and the holding companies.

The members of EC are Mr. Ng Man Kung (Chairman), Mr. Chan Yiu Fai and Mr. To Chi Wing. All are Directors of the Bank.

Audit Committee ("AC")

The AC assists the Board in overseeing the auditing activities of the Group and monitoring compliance with approved policies and procedures, so that the effectiveness of financial reporting process and internal control systems of the Group can be assured. Its responsibilities include:

- reviewing and monitoring the effectiveness of the internal control systems, the controls over financial risks and the procedures of financial reporting and auditing;
- assessing independently the effectiveness and efficiency of financial reporting system and its controlling mechanism, and the sufficiency of operating policies and system; and
- monitoring the operation of the Group to ensure the Group is running in compliance with the relevant rules and regulations.

The members of AC are Mr. Chiu Ming Wah (Chairman), Mr. Cheung Wai Hing, Ms. Liu Yanfen, Mr. Tan Wan Chye and Mr. Woo Chia Wei. All are non-executive Directors of the Bank.

Risk Management Committee ("RC")

The RC assists the Board in overseeing the risk management of the Group, formulating the Group's risk management strategies, policies and procedures, and monitoring the implementation of those strategies, policies and procedures. Its responsibilities include:

- assisting the Board to measure and monitor the risk exposures of the Group;
- recommending appropriate risk management strategies to the Board; and
- formulating risk management related policies such as risk management policies and authorities and duties delegation policies in accordance with the requirements set by the Board.

The members of the RC are Mr. Mao Xiaowei (Chairman), Mr. Ng Leung Sing, Mr. Ng Man Kung, Mr. To Chi Wing and Mr. Yu Kwok Chun. All are Directors of the Bank.

Condensed Consolidated Income Statement

	Notes	(Unaudited) Half-year ended 30 June 2009 HK\$'000	(Unaudited) Half-year ended 30 June 2008 HK\$'000
Interest income		410,001	702,461
Interest expense		(86,555)	(256,902)
Net interest income	4	323,446	445,559
Fees and commission income		137,606	175,747
Fees and commission expenses		(20,390)	(26,850)
Net fees and commission income	5	117,216	148,897
Net trading income	6	18,459	18,287
Net gain on financial instruments designated at fair value through profit or loss		2,987	26,280
Net gain on investment in securities	7	-	131
Other operating income	8	4,606	4,115
Net operating income before impairment allowances		466,714	643,269
Net reversal of impairment allowances	9	13,398	1,349
Net operating income		480,112	644,618
Operating expenses	10	(154,184)	(150,364)
Operating profit		325,928	494,254
Net gain on fair value adjustments on investment properties	11	8,100	8,450
Net loss from disposal of properties, plant and equipment	12	-	(4)
Profit before taxation		334,028	502,700
Taxation	13	(58,617)	(86,447)
Profit for the period		275,411	416,253
Dividends	14	-	678,000

The notes on pages 15 to 76 are an integral part of this interim financial information.



Condensed Consolidated Statement of Comprehensive Income

	Notes	(Unaudited) Half-year ended 30 June 2009 HK\$'000	(Unaudited) Half-year ended 30 June 2008 HK\$'000
Profit for the period		275,411	416,253
Net change in fair value of available-for-sale securities		3,199	11,376
Revaluation of premises		12,301	83,666
Currency translation difference		79	1,886
Net deferred tax on items taken directly to equity	28	(195)	(11,739)
Other comprehensive income for the period, net of tax		15,384	85,189
Total comprehensive income for the period		290,795	501,442
Total comprehensive income attributable to:			
Equity holders of the Bank		290,795	501,442

The notes on pages 15 to 76 are an integral part of this interim financial information.



Condensed Consolidated Balance Sheet

	Notes	(Unaudited) At 30 June 2009 HK\$'000	(Audited) At 31 December 2008 HK\$'000
ASSETS			
Cash and balances with banks and other financial institutions	17	5,853,004	8,585,754
Placements with banks and other financial institutions maturing between one and twelve months		9,591,073	8,721,608
Financial assets designated at fair value through profit or loss	18	143,475	369,757
Derivative financial instruments	19	264,725	385,945
Advances and other accounts	20	15,526,145	15,908,861
Investment in securities	21	6,121,130	3,933,003
Investment properties	22	88,150	80,050
Properties, plant and equipment	23	590,220	584,477
Other assets	24	1,004,692	641,594
Total assets		39,182,614	39,211,049
LIABILITIES			
Deposits and balances of banks and other financial institutions		1,499,163	1,072,082
Financial liabilities designated at fair value through profit or loss	25	44,813	768,509
Derivative financial instruments	19	122,812	208,845
Deposits from customers	26	32,076,495	31,449,797
Other accounts and provisions	27	1,320,990	1,896,809
Current tax liabilities		30,382	22,067
Deferred tax liabilities	28	57,607	53,383
Total liabilities		35,152,262	35,471,492
EQUITY			
Share capital	29	300,000	300,000
Reserves	30	3,730,352	3,439,557
Total equity		4,030,352	3,739,557
Total liabilities and equity		39,182,614	39,211,049

The notes on pages 15 to 76 are an integral part of this interim financial information.



Condensed Consolidated Statement of Changes in Equity

	(Unaudited) Attributable to equity holders of the Bank						Total HK\$'000
	Share capital HK\$'000	Premises revaluation reserve HK\$'000	Reserve for fair value changes of available-for- sale securities HK\$'000	Regulatory reserve* HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2008	300,000	317,579	8,157	172,274	-	3,487,131	4,285,141
Comprehensive income	-	73,893	9,410	-	1,886	416,253	501,442
2008 first interim dividend paid	-	-	-	-	-	(678,000)	(678,000)
Transfer from retained earnings	-	-	-	25,630	-	(25,630)	-
At 30 June 2008	<u>300,000</u>	<u>391,472</u>	<u>17,567</u>	<u>197,904</u>	<u>1,886</u>	<u>3,199,754</u>	<u>4,108,583</u>
At 1 July 2008	300,000	391,472	17,567	197,904	1,886	3,199,754	4,108,583
Comprehensive income	-	(47,013)	4,055	-	2	174,930	131,974
2008 second interim dividend paid	-	-	-	-	-	(501,000)	(501,000)
Transfer to retained earnings	-	-	-	(6,409)	-	6,409	-
At 31 December 2008	<u>300,000</u>	<u>344,459</u>	<u>21,622</u>	<u>191,495</u>	<u>1,888</u>	<u>2,880,093</u>	<u>3,739,557</u>

	(Unaudited) Attributable to equity holders of the Bank						Total HK\$'000
	Share capital HK\$'000	Premises revaluation reserve HK\$'000	Reserve for fair value changes of available-for- sale securities HK\$'000	Regulatory reserve* HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2009	300,000	344,459	21,622	191,495	1,888	2,880,093	3,739,557
Comprehensive income	-	12,036	3,269	-	79	275,411	290,795
Transfer to retained earnings	-	-	-	(2,766)	-	2,766	-
At 30 June 2009	<u>300,000</u>	<u>356,495</u>	<u>24,891</u>	<u>188,729</u>	<u>1,967</u>	<u>3,158,270</u>	<u>4,030,352</u>

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under Hong Kong Accounting Standards ("HKAS") 39.

The notes on pages 15 to 76 are an integral part of this interim financial information.



Condensed Consolidated Cash Flow Statement

	Notes	(Unaudited) Half-year ended 30 June 2009 HK\$'000	(Unaudited) Half-year ended 30 June 2008 HK\$'000
Cash flows from operating activities			
Operating cash (outflow)/inflow before taxation	31(a)	(5,621,926)	123,444
Hong Kong profits tax paid		(34,957)	(27,144)
Overseas profits tax paid		(11,316)	(12,425)
Net cash (outflow)/inflow from operating activities		(5,668,199)	83,875
Cash flows from investing activities			
Purchase of properties, plant and equipment		(512)	(5,707)
Net cash (outflow) from investing activities		(512)	(5,707)
Cash flows from financing activity			
Dividends paid to equity holders of the Bank		(501,000)	(270,000)
Net cash (outflow) from financing activity		(501,000)	(270,000)
Decrease in cash and cash equivalents		(6,169,711)	(191,832)
Cash and cash equivalents at 1 January		14,845,038	12,649,557
Cash and cash equivalents at 30 June	31(b)	8,675,327	12,457,725

The notes on pages 15 to 76 are an integral part of this interim financial information.



Notes to the Interim Financial Information

1. Basis of preparation and accounting policies

Basis of preparation

The unaudited interim report has been prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited interim report are consistent with those used in the Group’s financial statements for the year ended 31 December 2008 and should be read in conjunction with the Group’s Annual Report for 2008.

The following new standard, revised standard, amendment to standard, and interpretation are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (Revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement.

The Group has elected to present the performance in two separate statements: an income statement and a statement of comprehensive income. The interim financial information have been prepared under the revised disclosure requirements. The adoption of this revised standard affects the presentation of the Group’s financial statements.

- HKFRS 7 (Amendment), ‘Financial instruments: disclosures’. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires some specific quantitative disclosures for financial instruments on the lowest level in the hierarchy. It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009. It is not required to provide comparative disclosures in the first year of application.

Notes to the Interim Financial Information

1. Basis of preparation and accounting policies (continued)

Accounting policies (continued)

- HKFRS 8, 'Operating Segments'. HKFRS 8 replaces HKAS 14 'Segment Reporting'. It requires a 'management approach' under which segment information, that reflects the operating result of segments reviewed regularly by the management for operation decisions making and performance assessment, is presented on the same basis and in the same manner as that used for internal reporting to the management. The adoption of HKFRS 8 has no change in the number of reportable segments presented. However, there is a change in inter-segment funding, details of which are disclosed in notes 35. As the impact is not significant, no restatement has been made.
- HK(IFRIC)-Int 13, 'Customer Loyalty Programmes'. HK(IFRIC)-Int 13 clarifies that when an entity provides customers with incentives to buy goods or services under a customer loyalty programme (for example, customers accumulate loyalty points to redeem free or discounted products or service), the fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale or service. The interpretation does not have significant impact on the Group's results of operations and financial position.

2. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that are consistent with those used in the Group's financial statements for the year ended 31 December 2008.

3. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks.



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk

Gross loans and advances

(a) Impaired advances

A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred and that loss event(s) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans has been incurred, the amount of loss is measured as the difference between the carrying amount and the present value of estimated future cash flows generated by the financial asset. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the holder of the asset about the loss events.

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Gross impaired advances to customers	<u>25,046</u>	<u>46,295</u>
Individually assessed loan impairment allowances made in respect of such advances	<u>(17,532)</u>	<u>(20,059)</u>
Current market value of collateral held against the covered portion of advances to customers	<u>10,307</u>	<u>33,726</u>
Covered portion of advances to customers	<u>9,842</u>	<u>28,561</u>
Uncovered portion of advances to customers	<u>15,204</u>	<u>17,734</u>
Gross impaired advances to customers as a percentage of gross advances to customers	<u>0.17%</u>	<u>0.29%</u>

The loan impairment allowances were made after taking into account the value of collateral in respect of impaired advances.

Classified or impaired advances to customers are analysed as follows:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Gross classified or impaired advances to customers	<u>37,925</u>	<u>54,608</u>
Gross classified or impaired advances to customers as a percentage of gross advances to customers	<u>0.25%</u>	<u>0.35%</u>

Classified or impaired advances to customers follow the definitions set out in the Banking (Disclosure) Rules and represent advances which are either classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired.



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk (continued)

Gross loans and advances (continued)

(b) Advances overdue for more than 3 months

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously outside the approved limit that was advised to the borrower.

The gross amount of advances overdue for more than 3 months is analysed as follows:

	At 30 June 2009		At 31 December 2008	
	Amount	% of gross advances to customers	Amount	% of gross advances to customers
	HK\$'000		HK\$'000	
Gross advances to customers which have been overdue for:				
- six months or less but over three months	8,104	0.06%	743	0.00%
- one year or less but over six months	2,112	0.01%	2,402	0.02%
- over one year	13,578	0.09%	14,817	0.09%
Advances overdue for over three months	<u>23,794</u>	<u>0.16%</u>	<u>17,962</u>	<u>0.11%</u>
Individually assessed loan impairment allowances made in respect of such advances	<u>12,694</u>		<u>7,742</u>	

	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000
Current market value of collateral held against the covered portion of advances to customers	<u>33,659</u>	<u>27,472</u>
Covered portion of advances to customers	<u>12,382</u>	<u>9,791</u>
Uncovered portion of advances to customers	<u>11,412</u>	<u>8,171</u>

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial and residential premises for corporate loans and mortgages over residential properties for personal loans.

As at 30 June 2009 and 31 December 2008, there were no advances to banks and other financial institutions that were overdue for more than three months.



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk (continued)

Gross loans and advances (continued)

(c) Rescheduled advances

	At 30 June 2009		At 31 December 2008	
	Amount HK\$'000	% of gross advances to customers	Amount HK\$'000	% of gross advances to customers
Rescheduled advances to customers net of amounts included in advances overdue for more than 3 months	6,087	0.04%	4,280	0.03%

As at 30 June 2009 and 31 December 2008, there were no rescheduled advances to banks and other financial institutions.

Rescheduled advances are those advances that have been restructured or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms, either of interest or of repayment period, are non-commercial. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in overdue advances.



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk (continued)

Gross loans and advances (continued)

(d) Concentration of advances to customers

(i) Sectoral analysis of gross advances to customers

The information concerning gross advances to customers has been analysed into loans used inside or outside

Hong Kong by industry sectors of the borrowers as follows:

	At 30 June 2009					
	Gross advances	% Covered by collateral or other security	Classified or impaired	Overdue*	Individually assessed impairment allowances	Collectively assessed impairment allowances
	HK\$'000		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans for use in Hong Kong						
Industrial, commercial and financial						
- Property development	858,702	19.50%	-	-	-	2,570
- Property investment	3,130,548	99.69%	-	21,274	-	14,532
- Financial concerns	357,834	17.45%	-	-	-	631
- Wholesale and retail trade	695,018	77.46%	-	13,945	-	2,579
- Manufacturing	994,410	42.52%	9,614	5,249	5,364	3,367
- Transport and transport equipment	400,757	78.80%	-	-	-	1,940
- Recreational activities	519	100.00%	-	-	-	2
- Information technology	6,593	100.00%	-	-	-	20
- Others	549,822	57.20%	1,214	8,168	1,168	1,988
Individuals						
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	116,270	99.99%	736	2,723	75	52
- Loans for purchase of other residential properties	2,529,905	99.95%	6,140	18,843	30	903
- Others	1,232,958	96.08%	477	51,278	83	438
Total loans for use in Hong Kong	10,873,336	80.74%	18,181	121,480	6,720	29,022
Trade finance	840,182	56.93%	6,471	7,857	6,482	3,185
Loans for use outside Hong Kong	3,396,254	82.67%	13,273	22,436	4,330	12,836
Gross advances to customers	15,109,772	79.85%	37,925	151,773	17,532	45,043



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk (continued)

Gross loans and advances (continued)

(d) Concentration of advances to customers (continued)

(i) Sectoral analysis of gross advances to customers (continued)

	At 31 December 2008					
	Gross advances HK\$'000	% Covered by collateral or other security	Classified or impaired HK\$'000	Overdue* HK\$'000	Individually assessed impairment allowances HK\$'000	Collectively assessed impairment allowances HK\$'000
Loans for use in Hong Kong						
Industrial, commercial and financial						
- Property development	815,035	20.70%	-	-	-	2,268
- Property investment	3,162,324	97.69%	-	11,542	-	13,399
- Financial concerns	376,451	22.91%	-	-	-	710
- Wholesale and retail trade	640,119	74.82%	-	20,810	-	3,228
- Manufacturing	922,329	43.73%	10,674	8,147	6,173	3,848
- Transport and transport equipment	320,212	78.06%	-	2,007	-	2,077
- Recreational activities	793	100.00%	-	-	-	3
- Information technology	202,238	4.04%	-	1,300	-	356
- Others	587,963	58.95%	1,208	4,982	-	2,256
Individuals						
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	113,231	99.88%	710	2,130	169	85
- Loans for purchase of other residential properties	2,467,290	99.92%	3,584	27,607	24	1,552
- Others	1,282,300	92.94%	496	24,264	11	957
Total loans for use in Hong Kong	10,890,285	78.99%	16,672	102,789	6,377	30,739
Trade finance	823,292	58.33%	15,694	11,425	6,168	3,712
Loans for use outside Hong Kong	4,063,527	66.30%	22,242	34,825	7,514	16,971
Gross advances to customers	15,777,104	74.64%	54,608	149,039	20,059	51,422

*Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid.

Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk (continued)

Gross loans and advances (continued)

(d) Concentration of advances to customers (continued)

(ii) Geographical analysis of gross advances to customers and overdue advances

The following geographical analysis of gross advances to customers and overdue advances is based on the location of the counterparties, after taking into account the transfer of risk in respect of such advances where appropriate.

Gross advances to customers

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Hong Kong	12,546,040	13,098,916
Mainland China	2,563,732	2,678,188
	<u>15,109,772</u>	<u>15,777,104</u>

Collectively assessed loan impairment allowances in respect of the gross advances to customers

Hong Kong	(35,444)	(42,122)
Mainland China	(9,599)	(9,300)
	<u>(45,043)</u>	<u>(51,422)</u>

Overdue advances

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Hong Kong	140,825	140,424
Mainland China	10,948	8,615
	<u>151,773</u>	<u>149,039</u>

Individually assessed loan impairment allowances in respect of the overdue advances

Hong Kong	(12,525)	(8,892)
Mainland China	(618)	(2,837)
	<u>(13,143)</u>	<u>(11,729)</u>

Collectively assessed loan impairment allowances in respect of the overdue advances

Hong Kong	(828)	(796)
Mainland China	(42)	(6)
	<u>(870)</u>	<u>(802)</u>



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk (continued)

Gross loans and advances (continued)

(d) Concentration of advances to customers (continued)

(ii) Geographical analysis of gross advances to customers and overdue advances (continued)

Classified or impaired advances

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Hong Kong	32,704	46,651
Mainland China	5,221	7,957
	<u>37,925</u>	<u>54,608</u>
Individually assessed loan impairment allowances in respect of the classified or impaired advances		
Hong Kong	(16,663)	(17,222)
Mainland China	(869)	(2,837)
	<u>(17,532)</u>	<u>(20,059)</u>
Collectively assessed loan impairment allowances in respect of the classified or impaired advances		
Hong Kong	(45)	(58)
Mainland China	(11)	-
	<u>(56)</u>	<u>(58)</u>

Reposessed assets

The estimated market value of reposessed assets held by the Group as at 30 June 2009 amounted to HK\$12,130,000 (31 December 2008: HK\$8,000,000). They comprise properties in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the borrowers concerned) for release in full or in part of the obligations of the borrowers.



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk (continued)

Debt securities

The table below represents an analysis of the carrying value of investment in securities by credit rating and credit risk characteristic, based on Moody's ratings or their equivalent to the respective issues of the debt securities.

30 June 2009				
	Financial assets designated at fair value through profit or loss	Available-for- sale securities	Held-to- maturity securities	Loans and receivables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aaa	-	-	78,521	-
Aa1 to Aa3	101,061	-	3,424,272	-
A1 to A3	42,414	239,172	828,653	-
Lower than A3	-	27,754	-	-
Unrated	-	19,601	99,998	1,358,239
	143,475	286,527	4,431,444	1,358,239
				6,219,685
31 December 2008				
	Financial assets designated at fair value through profit or loss	Available-for- sale securities	Held-to- maturity securities	Loans and receivables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aaa	133,021	-	234,365	-
Aa1 to Aa3	194,452	-	2,421,248	-
A1 to A3	42,284	239,988	771,066	-
Lower than A3	-	27,785	-	-
Unrated	-	19,612	99,997	77,645
	369,757	287,385	3,526,676	77,645
				4,261,463

For the above debt securities with no issue credit rating, their issuer ratings are analysed as follows:

30 June 2009				
	Financial assets designated at fair value through profit or loss	Available-for- sale securities	Held-to- maturity securities	Loans and receivables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aaa	-	-	-	339,596
Aa1 to Aa3	-	-	99,998	1,018,643
A1 to A3	-	19,601	-	-
Unrated	-	-	-	-
	-	19,601	99,998	1,358,239
				1,477,838
31 December 2008				
	Financial assets designated at fair value through profit or loss	Available-for- sale securities	Held-to- maturity securities	Loans and receivables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aaa	-	-	-	-
Aa1 to Aa3	-	-	99,997	77,645
A1 to A3	-	19,612	-	-
Unrated	-	-	-	-
	-	19,612	99,997	77,645
				197,254

Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.1 Credit Risk (continued)

Debt securities (continued)

As at 30 June 2009, impaired and overdue loan and receivables amount to HK\$2,000 (31 December 2008: Nil). There were no mortgage-backed or asset-backed debt securities as at 30 June 2009 and 31 December 2008.

3.2 Market Risk

Currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2009 and 31 December 2008. Included in the tables are the Group's assets and liabilities at carrying amounts in HK\$ equivalent, categorised by the original currency.

	At 30 June 2009							Total
	Renminbi	US Dollars	HK Dollars	EURO	Japanese Yen	Pound Sterling	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Assets								
Cash and balances with banks and other financial institutions	643,398	1,556,852	2,856,392	176,305	34,228	251,671	334,158	5,853,004
Placements with banks and other financial institutions maturing between one and twelve months	68,253	2,264,020	5,564,310	164,723	-	-	1,529,767	9,591,073
Financial assets designated at fair value through profit or loss	-	42,414	101,061	-	-	-	-	143,475
Derivative financial instruments	-	65	264,660	-	-	-	-	264,725
Advances and other accounts	1,121,882	2,904,448	11,461,958	20,122	15,849	1,307	579	15,526,145
Investment in securities								
- Available-for-sale securities	286,526	-	44,700	221	-	-	-	331,447
- Held-to-maturity securities	-	1,104,302	2,840,224	-	486,918	-	-	4,431,444
- Loans and receivables	-	734,917	623,322	-	-	-	-	1,358,239
Investment properties	-	-	88,150	-	-	-	-	88,150
Properties, plant and equipment	9,316	-	580,904	-	-	-	-	590,220
Other assets (including deferred tax assets)	3,110	2,064	999,316	202	-	-	-	1,004,692
Total assets	2,132,485	8,609,082	25,424,997	361,573	536,995	252,978	1,864,504	39,182,614



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.2 Market Risk (continued)

Currency risk (continued)

At 30 June 2009								
	Renminbi	US Dollars	HK Dollars	EURO	Japanese Yen	Pound Sterling	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Liabilities								
Deposits and balances of banks and other financial institutions	(341,714)	(1,001,975)	(132,428)	(962)	-	(145)	(21,939)	(1,499,163)
Financial liabilities designated at fair value through profit or loss	-	(44,813)	-	-	-	-	-	(44,813)
Derivative financial instruments	-	(3,639)	(119,173)	-	-	-	-	(122,812)
Deposits from customers	(1,414,470)	(5,675,161)	(22,667,760)	(285,665)	(22,840)	(260,918)	(1,749,681)	(32,076,495)
Other accounts and provisions (including current and deferred tax liabilities)	(68,431)	(258,333)	(942,888)	(83,953)	(1,196)	(2,191)	(51,987)	(1,408,979)
Total liabilities	(1,824,615)	(6,983,921)	(23,862,249)	(370,580)	(24,036)	(263,254)	(1,823,607)	(35,152,262)
Net on-balance sheet position	307,870	1,625,161	1,562,748	(9,007)	512,959	(10,276)	40,897	4,030,352
Off-balance sheet net notional position*	2,919	(1,283,637)	1,964,396	10,538	(512,278)	2,687	(36,970)	147,655
Contingent liabilities and commitments	91,960	1,408,218	2,951,025	85,897	21,316	307	-	4,558,723

* Off-balance sheet net notional position represents the net notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements.

Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.2 Market Risk (continued)

Currency risk (continued)

	At 31 December 2008							
	Renminbi	US Dollars	HK Dollars	EURO	Japanese Yen	Pound Sterling	Others	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	724,397	771,847	6,093,011	177,712	26,771	114,867	677,149	8,585,754
Placements with banks and other financial institutions maturing between one and twelve months	68,916	1,549,436	6,002,192	120,351	-	112,191	868,522	8,721,608
Financial assets designated at fair value through profit or loss	-	267,248	102,509	-	-	-	-	369,757
Derivative financial instruments	-	779	385,166	-	-	-	-	385,945
Advances and other accounts	1,167,194	3,004,555	11,694,881	12,534	27,362	2,335	-	15,908,861
Investment in securities								
- Available-for-sale securities	287,385	-	41,077	220	-	-	-	328,682
- Held-to-maturity securities	-	749,094	2,777,582	-	-	-	-	3,526,676
- Loans and receivables	-	-	77,645	-	-	-	-	77,645
Investment properties	-	-	80,050	-	-	-	-	80,050
Properties, plant and equipment	-	-	584,477	-	-	-	-	584,477
Other assets (including deferred tax assets)	1,071	3,350	636,122	-	1,051	-	-	641,594
Total assets	2,248,963	6,346,309	28,474,712	310,817	55,184	229,393	1,545,671	39,211,049



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.2 Market Risk (continued)

Currency risk (continued)

	At 31 December 2008							Total HK\$'000
	Renminbi	US Dollars	HK Dollars	EURO	Japanese Yen	Pound Sterling	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Liabilities								
Deposits and balances of banks and other financial institutions	(91,067)	(123,475)	(315,421)	(1,076)	(442,458)	-	(98,585)	(1,072,082)
Financial liabilities designated at fair value through profit or loss	-	(377,788)	(390,721)	-	-	-	-	(768,509)
Derivative financial instruments	-	(7,865)	(200,980)	-	-	-	-	(208,845)
Deposits from customers	(1,631,627)	(5,515,191)	(22,314,131)	(305,163)	(23,130)	(205,201)	(1,455,354)	(31,449,797)
Other accounts and provisions (including current and deferred tax liabilities)	(234,269)	(209,683)	(1,471,077)	(6,841)	-	(2,921)	(47,468)	(1,972,259)
Total liabilities	(1,956,963)	(6,234,002)	(24,692,330)	(313,080)	(465,588)	(208,122)	(1,601,407)	(35,471,492)
Net on-balance sheet position	292,000	112,307	3,782,382	(2,263)	(410,404)	21,271	(55,736)	3,739,557
Off-balance sheet net notional position*	13,406	(134,623)	(124,567)	6,353	410,082	(28,999)	55,747	197,399
Contingent liabilities and commitments	89,962	1,023,825	3,506,167	36,856	31,159	1,220	-	4,689,189



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.2 Market Risk (continued)

Interest rate risk

The tables below summarise the Group's exposure to interest rate risk as at 30 June 2009 and 31 December 2008. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	At 30 June 2009						Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Assets							
Cash and balances with banks and other financial institutions	5,531,732	-	-	-	-	321,272	5,853,004
Placements with banks and other financial institutions maturing between one and twelve months	-	7,436,335	2,154,738	-	-	-	9,591,073
Financial assets designated at fair value through profit or loss	-	101,062	-	42,413	-	-	143,475
Derivative financial instruments	-	-	-	-	-	264,725	264,725
Advances and other accounts	13,084,127	2,188,200	214,266	24,835	14,717	-	15,526,145
Investment in securities	-	-	-	-	-	-	-
- Available-for-sale securities	46,054	22,957	-	217,516	-	44,920	331,447
- Held-to-maturity securities	813,493	2,304,088	283,905	1,029,958	-	-	4,431,444
- Loans and receivables	271,188	422,919	664,132	-	-	-	1,358,239
Investment properties	-	-	-	-	-	88,150	88,150
Properties, plant and equipment	-	-	-	-	-	590,220	590,220
Other assets (including deferred tax assets)	-	-	-	-	-	1,004,692	1,004,692
Total assets	19,746,594	12,475,561	3,317,041	1,314,722	14,717	2,313,979	39,182,614



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.2 Market Risk (continued)

Interest rate risk (continued)

At 30 June 2009						
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Liabilities						
Deposits and balances of banks and other financial institutions	(1,237,648)	(878)	-	-	-	(260,637)
Financial liabilities designated at fair value through profit or loss	-	(44,813)	-	-	-	-
Derivative financial instruments	-	-	-	-	-	(122,812)
Deposits from customers	(24,272,949)	(4,881,474)	(1,623,865)	(58,922)	-	(1,239,285)
Other accounts and provisions (including current and deferred tax liabilities)	(513,250)	-	-	-	-	(895,729)
Total liabilities	(26,023,847)	(4,927,165)	(1,623,865)	(58,922)	-	(2,518,463)
Interest sensitivity gap	(6,277,253)	7,548,396	1,693,176	1,255,800	14,717	(204,484)



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.2 Market Risk (continued)

Interest rate risk (continued)

At 31 December 2008							
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets							
Cash and balances with banks and other financial institutions	8,178,523	-	-	-	-	407,231	8,585,754
Placements with banks and other financial institutions maturing between one and twelve months	-	8,660,344	61,264	-	-	-	8,721,608
Financial assets designated at fair value through profit or loss	224,964	-	102,509	42,284	-	-	369,757
Derivative financial instruments	-	-	-	-	-	385,945	385,945
Advances and other accounts	13,715,466	1,904,819	257,250	16,286	15,040	-	15,908,861
Investment in securities							
- Available-for-sale securities	-	-	69,686	217,699	-	41,297	328,682
- Held-to-maturity securities	328,308	1,922,598	423,262	852,508	-	-	3,526,676
- Loans and receivables	-	77,645	-	-	-	-	77,645
Investment properties	-	-	-	-	-	80,050	80,050
Properties, plant and equipment	-	-	-	-	-	584,477	584,477
Other assets (including deferred tax assets)	-	-	-	-	-	641,594	641,594
Total assets	22,447,261	12,565,406	913,971	1,128,777	15,040	2,140,594	39,211,049
Liabilities							
Deposits and balances of banks and other financial institutions	(631,106)	(35,028)	-	-	-	(405,948)	(1,072,082)
Financial liabilities designated at fair value through profit or loss	(215,925)	(409,496)	(143,088)	-	-	-	(768,509)
Derivative financial instruments	-	-	-	-	-	(208,845)	(208,845)
Deposits from customers	(21,669,699)	(7,250,469)	(1,411,314)	(33,223)	-	(1,085,092)	(31,449,797)
Other accounts and provisions (including current and deferred tax liabilities)	(542,539)	-	-	-	-	(1,429,720)	(1,972,259)
Total liabilities	(23,059,269)	(7,694,993)	(1,554,402)	(33,223)		(3,129,605)	(35,471,492)
Interest sensitivity gap	(612,008)	4,870,413	(640,431)	1,095,554	15,040	(989,011)	(3,739,557)



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.3 Liquidity Risk

Tables below analyse assets and liabilities of the Group as at 30 June 2009 and 31 December 2008 into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	At 30 June 2009							Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Assets								
Cash and balances with banks and other financial institutions	976,855	4,876,149	-	-	-	-	-	5,853,004
Placements with banks and other financial institutions maturing between one and twelve months	-	-	7,436,335	2,154,738	-	-	-	9,591,073
Financial assets designated at fair value through profit or loss								
– debt securities								
– certificates of deposit held	-	-	-	-	-	-	-	-
– others	-	-	101,062	-	42,413	-	-	143,475
Derivative financial instruments	261,678	2,674	148	-	210	15	-	264,725
Advances and other accounts								
– advances to customers	1,078,270	893,914	1,002,551	1,865,370	5,473,306	4,687,929	45,857	15,047,197
– trade bills	-	251,415	226,250	1,283	-	-	-	478,948
Investment in securities								
– debt securities held for available-for-sales								
– others	-	46,053	22,957	-	217,516	-	-	286,526
– equity securities held for available-for-sale	-	-	-	-	-	-	44,920	44,920
– debt securities held for held-to-maturity								
– certificates of deposit held	-	-	193,569	150,097	156,029	-	-	499,695
– others	-	586,916	137,691	1,756,997	1,450,146	-	-	3,931,750
– debt securities held for loans and receivables	-	271,188	422,919	664,132	-	-	-	1,358,239
Investment properties	-	-	-	-	-	-	88,150	88,150
Properties, plant and equipment	-	-	-	-	-	-	590,220	590,220
Other assets (including deferred tax assets)	3,631	995,607	-	4,858	71	-	525	1,004,692
Total assets	2,320,434	7,923,916	9,543,482	6,597,475	7,339,691	4,687,944	769,672	39,182,614



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.3 Liquidity Risk (continued)

		At 30 June 2009						
	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
Liabilities								
Deposits and balances of banks and other financial institutions	(260,636)	(1,237,649)	(878)	-	-	-	-	(1,499,163)
Financial liabilities designated at fair value through profit or loss								
– certificates of deposit issued	-	-	-	-	-	-	-	-
– others	-	-	-	-	-	(44,813)	-	(44,813)
Derivative financial instruments	(108,766)	(8,236)	(1,726)	(186)	(3,637)	(261)	-	(122,812)
Deposits from customers	(18,126,882)	(7,345,352)	(4,819,473)	(1,725,866)	(58,922)	-	-	(32,076,495)
Other accounts and provisions (including current and deferred tax liabilities)	(585,065)	(602,649)	(15,195)	(127,106)	(78,964)	-	-	(1,408,979)
Total liabilities	(19,081,349)	(9,193,886)	(4,837,272)	(1,853,158)	(141,523)	(45,074)	-	(35,152,262)
Net liquidity gap	(16,760,915)	(1,269,970)	4,706,210	4,744,317	7,198,168	4,642,870	769,672	4,030,352



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.3 Liquidity Risk (continued)

31 December 2008								
	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	1,080,477	7,505,277	-	-	-	-	-	8,585,754
Placements with banks and other financial institutions maturing between one and twelve months	-	-	8,660,344	61,264	-	-	-	8,721,608
Financial assets designated at fair value through profit or loss								
– debt securities								
– certificates of deposit held	-	-	-	-	-	-	-	-
– others	-	-	-	102,508	42,284	224,965	-	369,757
Derivative financial instruments	358,443	463	3,034	22,061	1,944	-	-	385,945
Advances and other accounts								
– advances to customers	1,207,415	955,869	1,138,648	2,442,009	5,348,420	4,575,315	37,947	15,705,623
– trade bills	90	91,584	105,763	5,801	-	-	-	203,238
Investment in securities								
– debt securities held for available-for-sales								
– others	-	-	-	69,686	217,699	-	-	287,385
– debt securities held for held-to-maturity								
– certificates of deposit held	-	-	100,085	-	-	-	-	100,085
– others	-	99,997	153,542	423,262	2,749,790	-	-	3,426,591
– debt securities held for loans and receivables	-	-	77,645	-	-	-	-	77,645
– equity securities	-	-	-	-	-	-	41,297	41,297
Investment properties	-	-	-	-	-	-	80,050	80,050
Properties, plant and equipment	-	-	-	-	-	-	584,477	584,477
Other assets (including deferred tax assets)	4,084	634,724	-	2,270	-	-	516	641,594
Total assets	2,650,509	9,287,914	10,239,061	3,128,861	8,360,137	4,800,280	744,287	39,211,049



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.3 Liquidity Risk (continued)

	31 December 2008						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Liabilities							
Deposits and balances of banks and other financial institutions	(405,948)	(631,106)	(35,028)	-	-	-	-
Financial liabilities designated at fair value through profit or loss							
– certificates of deposit issued	-	-	-	-	-	-	-
– others	-	-	-	(340,325)	(158,289)	(269,895)	-
Derivative financial instruments	(174,452)	(314)	(3,083)	(23,131)	(6,829)	(1,036)	-
Deposits from customers	(14,834,911)	(7,879,881)	(7,188,468)	(1,411,314)	(135,223)	-	-
Other accounts and provisions (including current and deferred tax liabilities)	(624,669)	(659,761)	(513,822)	(98,324)	(75,683)	-	-
Total liabilities	(16,039,980)	(9,171,062)	(7,740,401)	(1,873,094)	(376,024)	(270,931)	-
Net liquidity gap	(13,389,471)	116,852	2,498,660	1,255,767	7,984,113	4,529,349	744,287

Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.3 Liquidity Risk (continued)

The above maturity classifications have been prepared in accordance with relevant provisions under the Banking (Disclosure) Rules. The Group has reported assets such as advances and debt securities which have been overdue for not more than one month as “Repayable on demand”. In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity unless the repayment of the asset is in doubt in which case the amount is reported as “Indefinite”. The above assets are stated after deduction of provisions, if any.

The analysis of debt securities by remaining period to maturity is disclosed in order to comply with relevant provisions under the Banking (Disclosure) Rules. The disclosure does not imply that the securities will be held to maturity.

3.4 Capital Management

(a) Capital adequacy ratio

	At 30 June 2009	At 31 December 2008
Capital adequacy ratio	16.35%	15.37%
Core capital ratio	15.32%	14.29%

The capital ratios are computed on the combined basis that comprises the positions of the Bank's local offices and overseas branches specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules.

The differences between the basis of consolidation for accounting and regulatory purposes are described in “Additional information – Subsidiaries of the Bank” on page 79.



Notes to the Interim Financial Information (continued)

3. Financial risk management (continued)

3.4 Capital Management (continued)

(b) Components of capital base after deductions

The combined capital base after deductions used in the calculation of the above capital adequacy ratio as at 30 June 2009 and 31 December 2008 and reported to the HKMA is analysed as follows:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Core capital:		
Paid up ordinary share capital	300,000	300,000
Reserves	2,789,984	3,374,891
Profit and loss account	262,219	(601,103)
	3,352,203	3,073,788
Deductions from core capital	(12,257)	(12,251)
Core capital	3,339,946	3,061,537
Supplementary capital:		
Reserves on revaluation of premises and investment properties	224	224
Fair value gains arising from holding of available-for-sale securities	953	1,317
Fair value gains arising from holdings of securities designated at fair value through profit or loss	1,968	-
Collective loan impairment allowances	45,043	51,422
Regulatory reserve	188,729	191,495
	236,917	244,458
Deductions from supplementary capital	(12,257)	(12,252)
Supplementary capital	224,660	232,206
Total capital base after deductions	3,564,606	3,293,743

Subsidiaries which are not included in the consolidation group for the calculation of capital adequacy ratios are denoted in "Additional information – Subsidiaries of the Bank" on page 79. Investment costs in such subsidiaries are deducted from the capital base.



Notes to the Interim Financial Information (continued)

4. Net interest income

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Interest income		
Cash and due from banks and other financial institutions	108,312	258,130
Advances to customers	240,340	317,766
Listed investments	4,959	1,010
Unlisted investments	50,253	114,607
Others	6,137	10,948
	<u>410,001</u>	<u>702,461</u>
Interest expense		
Due to banks, customers and other financial institutions	(83,874)	(249,291)
Debt securities in issue	-	(4,123)
Others	(2,681)	(3,488)
	<u>(86,555)</u>	<u>(256,902)</u>
Net interest income	<u><u>323,446</u></u>	<u><u>445,559</u></u>

Included within interest income is HK\$207,000 (first half of 2008: HK\$1,092,000) of interest recognised on advances classified as impaired for the first half of 2009.

Included within interest income and interest expense are HK\$401,209,000 (first half of 2008: HK\$684,479,000) and HK\$76,489,000 (first half of 2008: HK\$244,612,000) for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.



Notes to the Interim Financial Information (continued)

5. Net fees and commission income

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Fees and commission income		
Securities brokerage		
- Stockbroking	79,526	69,631
- Bonds	122	27,397
Credit cards	97	124
Bills commissions	19,800	22,920
Loan commissions	6,545	12,919
Payment services	9,518	10,146
Insurance	8,203	10,130
Fund distribution	1,825	3,160
Guarantees	1,436	1,489
Others		
- safe deposit box	5,735	5,694
- information search	1,285	1,254
- correspondent banking	536	796
- low deposit balance accounts	419	543
- BOC cards	502	517
- dormant accounts	448	401
- currency exchange	107	152
- agency services	667	117
- sundries	835	8,357
	137,606	175,747
Fees and commission expenses	(20,390)	(26,850)
Net fees and commission income	117,216	148,897
Of which arise from		
- financial assets or financial liabilities not at fair value through profit or loss		
- Fees and commission income	18,087	13,971
- Fees and commission expenses	-	(80)
	18,087	13,891
- trust and other fiduciary activities		
- Fees and commission income	4,720	2,802
- Fees and commission expenses	(1,214)	(1,501)
	3,506	1,301



Notes to the Interim Financial Information (continued)

6. Net trading income

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Net gain from:		
- foreign exchange and foreign exchange products	18,418	43,404
- interest rate instruments	41	(25,119)
- commodities	-	2
	<u>18,459</u>	<u>18,287</u>

7. Net gain on investment in securities

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Net gain from redemption of held-to-maturity securities	-	131

8. Other operating income

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Dividend income from investment in securities		
- unlisted investments	2,854	2,593
Gross rental income from investment properties	1,698	1,412
Less: Outgoings in respect of investment properties	(3)	(40)
Others	57	150
	<u>4,606</u>	<u>4,115</u>

No direct operating expenses related to investment properties that were not let during the period is included in the "Outgoings in respect of investment properties" (first half of 2008: Nil).



Notes to the Interim Financial Information (continued)

9. Net reversal of impairment allowances

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Advances to customers		
Individually assessed		
- new allowances	(6,401)	(1,076)
- releases	6,180	2,633
- recoveries	6,562	3,090
Net reversal of individually assessed loan impairment allowances	6,341	4,647
Collectively assessed		
- new allowances	-	(3,593)
- releases	6,355	271
Net reversal/(charge) of collectively assessed loan impairment allowances	6,355	(3,322)
Net reversal of loan impairment allowances	12,696	1,325
Others	702	24
Net reversal of impairment allowances	13,398	1,349

Notes to the Interim Financial Information (continued)

10. Operating expenses

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Staff costs (including directors' emoluments)		
- salaries and other costs	77,686	90,611
- pension cost	7,768	7,038
	85,454	97,649
Premises and equipment expenses (excluding depreciation)		
- rental of premises	10,452	9,101
- information technology	13,686	14,681
- others	2,405	2,170
	26,543	25,952
Depreciation (Note 23)	7,035	6,609
Auditor's remuneration		
- audit services	400	500
- non-audit services	-	5
Other operating expenses	34,752	19,649
	154,184	150,364

11. Net gain on fair value adjustments on investment properties

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Net gain on fair value adjustments on investment properties	8,100	8,450

12. Net loss from disposal of properties, plant and equipment

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Net loss on disposal of other fixed assets	-	4

Notes to the Interim Financial Information (continued)

13. Taxation

Taxation in the condensed consolidated income statement represents:

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Hong Kong profits tax		
- current period taxation	45,000	72,000
Deferred tax charge	4,029	3,149
Hong Kong profits tax	49,029	75,149
Overseas taxation	9,588	11,298
	58,617	86,447

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 for the first half of 2009. Taxation on overseas profits has been calculated on the estimated assessable profits for the first half of 2009 at the rates of taxation prevailing in the countries in which the Group operates.

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Profit before taxation	334,028	502,700
Calculated at a taxation rate of 16.5% (2008: 16.5%)	55,115	82,946
Effect of different taxation rates in other countries	2,561	335
Income not subject to taxation	(724)	(2,100)
Expenses not deductible for taxation purposes	1,665	5,266
Taxation charge	58,617	86,447
Effective tax rate	17.55%	17.20%

Notes to the Interim Financial Information (continued)

14. Dividends

	Half-year ended 30 June 2009		Half-year ended 30 June 2008	
	Per share HK\$	Total HK\$'000	Per share HK\$	Total HK\$'000
Interim dividend	-	-	226	678,000

15. Retirement benefit costs

The principal defined contribution schemes for the Group's employees are ORSO schemes exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme. Under the ORSO schemes, employees make monthly contributions to the ORSO schemes equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon termination of employment after completing 20 years of service, or at a scale ranging from 20% to 95% for employees who have completed between 3 to 20 years of service, on conditions of retirement, early retirement, permanent incapacity and ill-health or termination of employment other than summary dismissal.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also participates in the BOC-Prudential Easy Choice MPF Scheme, of which the trustee is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager, which are related parties of the Bank.

The Group's total contributions made to the ORSO schemes for the first half of 2009 amounted to approximately HK\$6,070,000 (first half of 2008: approximately HK\$5,662,000), after a deduction of forfeited contributions of approximately HK\$181,000 (first half of 2008: approximately HK\$337,000). For the MPF Scheme, the Group contributed approximately HK\$791,000 (first half of 2008: approximately HK\$671,000) for the first half of 2009.



Notes to the Interim Financial Information (continued)

16. Share option schemes

(a) Share Option Scheme and Sharesave Plan

The principal terms of the Share Option Scheme and the Sharesave Plan were approved and adopted by written resolutions of all the shareholders of the Bank's intermediate holding company, BOC Hong Kong (Holdings) Limited ("BOCHKHL"), dated 10 July 2002.

The purpose of the Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in BOCHKHL. The Board of BOCHKHL (the "BOCHKHL Board") may, in its absolute discretion, offer to grant options under the Share Option Scheme to any person as the BOCHKHL Board may select. The subscription price for the shares shall be determined on the date of grant by the BOCHKHL Board as an amount per share calculated on the basis of established rules. An option may be exercised in whole or in part at any time after the date prescribed by the BOCHKHL Board and from time to time as specified in the offer and on or before the termination date prescribed by the BOCHKHL Board.

The purpose of the Sharesave Plan is to encourage broad-based employee ownership of the shares of BOCHKHL. The amount of the monthly contribution under the savings contract to be made in connection with an option shall be the amount which the relevant eligible employee is willing to contribute, which amount shall not be less than 1% and not more than 10% of the eligible employee's monthly salary as at the date of application or such other maximum or minimum amounts as permitted by the BOCHKHL Board. When an option is exercised during an exercise period, it may be exercised in whole or in part.

No options were granted pursuant to the Share Option Scheme or the Sharesave Plan during the first half of 2009 (first half of 2008: Nil).

(b) Pre-Listing Share Option Scheme

On 5 July 2002, several Directors of the Group were granted options by BOC Hong Kong (BVI) Limited ("BOC (BVI)"), the immediate holding company of BOCHKHL, pursuant to a Pre-Listing Share Option Scheme to purchase from BOC (BVI) an aggregate of 3,652,800 existing issued shares of BOCHKHL. The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to all options granted to employees on or before 7 November 2002.



Notes to the Interim Financial Information (continued)

16. Share option schemes (continued)

(b) Pre-Listing Share Option Scheme (continued)

Details of the share options outstanding as at 30 June 2009 and 31 December 2008 are disclosed as follows:

	Total number of share options to Directors of the Group	Average Exercise price (HK\$ per share)
At 1 January 2009	778,900	
Less: Share options exercised during the period	-	8.5
At 30 June 2009	<u>778,900</u>	
Exercisable at 30 June 2009	<u>778,900</u>	
	Total number of share options to Directors of the Group	Average Exercise price (HK\$ per share)
At 1 January 2008	934,300	
Less: Share options exercised during the year	(155,400)	8.5
At 31 December 2008	<u>778,900</u>	
Exercisable at 31 December 2008	<u>934,300</u>	

No share option was exercised during the period, the weighted average share price during the year of 2008 was HK\$15.81).

The options granted under this scheme can be exercised at HK\$8.50 per share in respect of the option price of HK\$1.00. These options have a vesting period of four years from the date on which dealings in the shares commenced on the Stock Exchange with a valid exercise period of ten years. No offer to grant any options under the Pre-Listing Share Option Scheme will be made on or after the date on which dealings in the shares commenced on the Stock Exchange.



Notes to the Interim Financial Information (continued)

17. Cash and balances with banks and other financial institutions

	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000
Cash	140,206	150,661
Balances with central banks	192,616	258,957
Balances with banks and other financial institutions	644,033	670,859
Placements with banks and other financial institutions maturing within one month	4,876,149	7,505,277
	5,853,004	8,585,754

18. Financial assets designated at fair value through profit or loss

	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000
At fair value		
Debt securities		
- Unlisted	143,475	369,757

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

	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000
Sovereigns	42,414	42,284
Banks and other financial institutions	101,061	327,473
	143,475	369,757

Financial assets designated at fair value through profit or loss are analysed as follows:

	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000
Certificates of deposit held	-	-
Other financial assets designated at fair value through profit or loss	143,475	369,757
	143,475	369,757

Notes to the Interim Financial Information (continued)

19. Derivative financial instruments

The Group enters into the following equity, foreign exchange, interest rate and bullion 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 or 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 right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter ("OTC") between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with fair value instruments recognised on the condensed consolidated balance sheet. 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 or equity and metal prices relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.



Notes to the Interim Financial Information (continued)

19. Derivative financial instruments (continued)

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

	At 30 June 2009	
	Trading	Not qualified for hedge accounting*
	HK\$'000	HK\$'000
		Total
		HK\$'000
Exchange rate contracts		
Spot, forwards and swap	5,814,647	-
Foreign currency option contracts		
- Options purchased	35,442	-
- Options written	35,442	-
	5,885,531	-
Interest rate contracts		
Swaps	-	183,702
Bullion contracts	26,379	-
Equity contracts		
Equity option contracts		
- Options purchased	5,480	-
- Options written	5,480	-
	10,960	-
Total	5,922,870	183,702

* Derivative transactions which do not qualify as hedged for accounting purposes but are managed in conjunction with the financial instruments designated at fair value through profit or loss are separately disclosed in compliance with the requirements set out in the Banking (Disclosure) Rules.



Notes to the Interim Financial Information (continued)

19. Derivative financial instruments (continued)

	At 31 December 2008		
	Trading	Not qualified for hedge accounting	Total
	HK\$'000	HK\$'000	HK\$'000
Exchange rate contracts			
Spot and forwards	3,327,746	-	3,327,746
Foreign currency option contracts			
- Options purchased	5,917	-	5,917
- Options written	5,917	-	5,917
	3,339,580	-	3,339,580
Interest rate contracts			
Swaps	-	677,815	677,815
Bullion contracts	144,325	-	144,325
Equity contracts			
Equity option contracts			
- Options purchased	2,829	-	2,829
- Options written	2,829	-	2,829
	5,658	-	5,658
Total	3,489,563	677,815	4,167,378

Notes to the Interim Financial Information (continued)

19. Derivative financial instruments (continued)

The following tables summarise the fair values of each class of derivative financial instrument as at 30 June 2009 and 31 December 2008:

	At 30 June 2009					
	Fair value assets			Fair value liabilities		
	Trading HK\$'000	Not qualified for hedge accounting HK\$'000	Total HK\$'000	Trading HK\$'000	Not qualified for hedge accounting HK\$'000	Total HK\$'000
Exchange rate contracts						
Spot, forwards and swap	262,882	-	262,882	116,458	-	116,458
Foreign currency option contracts						
- Options purchased	133	-	133	-	-	-
- Options written	-	-	-	133	-	133
	263,015	-	263,015	116,591	-	116,591
Interest rate contracts						
Swaps	-	236	236	-	4,948	4,948
Bullion contract	1,337	-	1,337	1,136	-	1,136
Equity contracts						
Equity option contracts						
- Options purchased	137	-	137	-	-	-
- Options written	-	-	-	137	-	137
	137	-	137	137	-	137
Total	264,489	236	264,725	117,864	4,948	122,812

	At 31 December 2008					
	Fair value assets			Fair value liabilities		
	Trading HK\$'000	Not qualified for hedge accounting HK\$'000	Total HK\$'000	Trading HK\$'000	Not qualified for hedge accounting HK\$'000	Total HK\$'000
Exchange rate contracts						
Spot and forwards	368,496	-	368,496	190,367	-	190,367
Foreign currency option contracts						
- Options purchased	78	-	78	-	-	-
- Options written	-	-	-	78	-	78
	368,574	-	368,574	190,445	-	190,445
Interest rate contracts						
Swaps	-	5,396	5,396	-	12,164	12,164
Bullion contract	11,770	-	11,770	6,031	-	6,031
Equity contracts						
Equity option contracts						
- Options purchased	205	-	205	-	-	-
- Options written	-	-	-	205	-	205
	205	-	205	205	-	205
Total	380,549	5,396	385,945	196,681	12,164	208,845



Notes to the Interim Financial Information (continued)

19. Derivative financial instruments (continued)

The credit risk weighted amounts of the above derivative financial instruments are as follows:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Exchange rate contracts		
Forwards	1,542	16,605
Swaps	15,987	-
Interest rate contracts		
Swaps	434	1,093
	<u>17,963</u>	<u>17,698</u>

The credit risk weighted amounts are calculated in accordance with the Banking (Capital) Rules. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

There is no effect of bilateral netting agreement on the fair values or the credit risk-weighted amounts of the derivative financial instruments.

Approximately 57% (31 December 2008: 28%) of the Group's transactions in derivative contracts are conducted with other financial institutions.

20. Advances and other accounts

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Personal loans and advances	4,235,642	4,250,849
Corporate loans and advances	10,874,130	11,526,255
Advances to customers	<u>15,109,772</u>	<u>15,777,104</u>
Loan impairment allowances		
- Individually assessed	(17,532)	(20,059)
- Collectively assessed	(45,043)	(51,422)
	<u>(62,575)</u>	<u>(71,481)</u>
Trade bills	478,948	203,238
Total	<u>15,526,145</u>	<u>15,908,861</u>

As at 30 June 2009, advances to customers include accrued interest on gross advances of HK\$20,663,000 (31 December 2008: HK\$40,881,000).

As at 30 June 2009 and 31 December 2008, no impairment allowance was made in respect of trade bills and advances to banks and other financial institutions.

Notes to the Interim Financial Information (continued)

21. Investment in securities

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
(a) Available-for-sale securities		
Debt securities, at fair value		
- Unlisted	286,527	287,385
Equity securities, at fair value		
- Unlisted	44,920	41,297
	331,447	328,682
(b) Held-to-maturity securities		
Listed, at amortised cost		
- outside Hong Kong	319,258	157,190
Unlisted, at amortised cost	4,112,186	3,369,486
	4,431,444	3,526,676
(c) Loans and receivables		
Unlisted, at amortised cost	1,358,239	77,645
Total	6,121,130	3,933,003
Market value of listed held-to-maturity securities	321,653	155,823

Investment in securities is analysed by type of issuer as follows:

	At 30 June 2009			
	Available-for-sale securities HK\$'000	Held-to-maturity securities HK\$'000	Loans and receivables HK\$'000	Total HK\$'000
Sovereigns	-	586,916	-	586,916
Public sector entities	-	-	-	-
Banks and other financial institutions	286,527	3,681,824	1,358,239	5,326,590
Corporate entities	44,920	162,704	-	207,624
	331,447	4,431,444	1,358,239	6,121,130

	At 31 December 2008			
	Available-for-sale securities HK\$'000	Held-to-maturity securities HK\$'000	Loans and receivables HK\$'000	Total HK\$'000
Sovereigns	-	99,997	-	99,997
Public sector entities	-	-	-	-
Banks and other financial institutions	287,385	3,426,679	77,645	3,791,709
Corporate entities	41,297	-	-	41,297
	328,682	3,526,676	77,645	3,933,003



Notes to the Interim Financial Information (continued)

21. Investment in securities (continued)

Available-for-sale and held-to-maturity securities are analysed as follows:

	Available-for-sale securities		Held-to-maturity securities	
	At 30 June 2009	At 31 December 2008	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Treasury bills	-	-	586,916	99,997
Certificates of deposit held	-	-	499,695	100,085
Others	331,447	328,682	3,344,833	3,326,594
	331,447	328,682	4,431,444	3,526,676

22. Investment properties

	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000
At 1 January	80,050	64,450
Fair value gains (Note 11)	8,100	2,100
Reclassification from properties, plant and equipment (Note 23)	-	13,500
At period/year end	88,150	80,050



Notes to the Interim Financial Information (continued)

23. Properties, plant and equipment

	Premises	Equipment, fixtures and fittings	Total
	HK\$'000	HK\$'000	HK\$'000
Net book value at 1 January 2009	551,790	32,687	584,477
Additions	-	512	512
Revaluation	12,301	-	12,301
Depreciation for the period (Note 10)	(3,261)	(3,774)	(7,035)
Exchange adjustments	-	(35)	(35)
Net book value at 30 June 2009	560,830	29,390	590,220
At 30 June 2009			
Cost or valuation	560,830	106,132	666,962
Accumulated depreciation and impairment	-	(76,742)	(76,742)
Net book value at 30 June 2009	560,830	29,390	590,220
Net book value at 1 January 2008	541,130	30,198	571,328
Additions	-	9,600	9,600
Disposals	-	(9)	(9)
Revaluation	30,741	-	30,741
Depreciation for the year	(6,581)	(7,125)	(13,706)
Reclassification to investment properties (Note 22)	(13,500)	-	(13,500)
Exchange adjustments	-	23	23
Net book value at 31 December 2008	551,790	32,687	584,477
At 31 December 2008			
Cost or valuation	551,790	107,706	659,496
Accumulated depreciation and impairment	-	(75,019)	(75,019)
Net book value at 31 December 2008	551,790	32,687	584,477
The analysis of cost or valuation of the above assets is as follows:			
At 30 June 2009			
At cost	-	106,132	106,132
At valuation	560,830	-	560,830
	560,830	106,132	666,962
At 31 December 2008			
At cost	-	107,706	107,706
At valuation	551,790	-	551,790
	551,790	107,706	659,496

Notes to the Interim Financial Information (continued)

24. Other assets

	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000
Reposessed assets	10,518	7,190
Accounts receivable and prepayments	994,174	634,404
	1,004,692	641,594

25. Financial liabilities designated at fair value through profit or loss

	At 30 June 2009	At 31 December 2008
	HK\$'000	HK\$'000
Structured deposits (Note 26)	44,813	768,509

The carrying amount of financial liabilities designated at fair value through profit or loss as at 30 June 2009 is less than the amount that the Group would be contractually required to pay at maturity to the holders by HK\$243,000 (31 December 2008: HK\$14,979,000). The amount of change in the fair values of financial liabilities designated at fair value through profit or loss, during the period and cumulatively, attributable to changes in credit risk is insignificant.



Notes to the Interim Financial Information (continued)

26. Deposits from customers

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Current, savings and other deposit accounts (per condensed consolidated balance sheet)	32,076,495	31,449,797
Structured deposits reported as financial liabilities designated at fair value through profit or loss (Note 25)	44,813	768,509
	32,121,308	32,218,306
Analysed by :		
Demand deposits and current accounts		
- corporate customers	1,663,470	1,602,658
- individual customers	406,430	332,705
	2,069,900	1,935,363
Savings deposits		
- corporate customers	2,826,251	2,521,612
- individual customers	12,860,928	10,116,034
	15,687,179	12,637,646
Time, call and notice deposits		
- corporate customers	4,865,102	4,733,983
- individual customers	9,454,314	12,142,805
	14,319,416	16,876,788
	32,076,495	31,449,797

27. Other accounts and provisions

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Dividend Payable	404	501,404
Other accounts payable	1,216,230	1,276,838
Provisions	104,356	118,567
	1,320,990	1,896,809



Notes to the Interim Financial Information (continued)

28. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the interim financial information in accordance with HKAS 12 "Income Taxes".

The major components of deferred tax assets and liabilities recorded in the condensed consolidated balance sheet, and the movements during the first half of 2009 and the year ended 31 December 2008 are as follows:

	At 30 June 2009					
	Accelerated tax depreciation	Asset revaluation	Losses	Impairment allowance	Other temporary difference	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	6,235	73,432	(366)	(7,189)	(18,729)	53,383
Charged/(credited) to income statement (Note 13)	(143)	1,337	-	976	1,859	4,029
Charged to equity	-	195	-	-	-	195
At 30 June 2009	<u>6,092</u>	<u>74,964</u>	<u>(366)</u>	<u>(6,213)</u>	<u>(16,870)</u>	<u>57,607</u>

	At 31 December 2008					
	Accelerated tax depreciation	Asset revaluation	Losses	Impairment allowance	Other temporary difference	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	6,211	69,615	(375)	(8,115)	-	67,336
Charged/(credited) to income statement (Note 13)	24	1,234	9	926	(18,729)	(16,536)
Charged to equity	-	2,583	-	-	-	2,583
At 31 December 2008	<u>6,235</u>	<u>73,432</u>	<u>(366)</u>	<u>(7,189)</u>	<u>(18,729)</u>	<u>53,383</u>



Notes to the Interim Financial Information (continued)

28. Deferred taxation (continued)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the condensed consolidated balance sheet:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Deferred tax liabilities	57,607	53,383

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Deferred tax liabilities to be settled after more than twelve months	74,320	71,885

The deferred tax charged for each component of other comprehensive income during the period is as follows:

	Half year ended 30 June 2009 HK\$'000	Half year ended 30 June 2008 HK\$'000
Fair value changes of available-for-sale securities	(70)	1,966
Revaluation of premises	265	9,773
	195	11,739

29. Share capital

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Authorised: 3,000,000 ordinary shares of HK\$100 each	300,000	300,000
Issued and fully paid: 3,000,000 ordinary shares of HK\$100 each	300,000	300,000

30. Reserves

The Group's reserves and the movements therein for the current and prior periods are presented in the condensed consolidated statement of changes in equity on page 13.



Notes to the Interim Financial Information (continued)

31. Notes to condensed consolidated cash flow statement

(a) Reconciliation of operating profit to operating cash (outflow)/inflow before taxation

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Operating profit	325,928	494,254
Depreciation	7,035	6,609
Reversal of impairment allowances	(13,398)	(1,325)
Unwind of discount on impairment	(207)	(1,092)
Advances written off net of recoveries	4,038	1,154
Change in cash and balances with banks and other financial institutions with original maturity over three months	(425,331)	(358,780)
Change in placements with banks and other financial institutions with original maturity over three months	(4,368,013)	2,291,763
Change in financial assets designated at fair value through profit or loss	226,282	594,271
Change in derivative financial instruments	35,187	(3,967)
Change in advances and other accounts	391,621	(3,417,608)
Change in investment in securities	(1,698,009)	1,480,903
Change in other assets	(362,396)	352,520
Change in deposits and balances of banks and other financial institutions	427,081	238,341
Change in financial liabilities designated at fair value through profit or loss	(723,696)	(1,465,210)
Change in deposits from customers	626,698	54,513
Change in other accounts and provisions	(74,819)	(144,788)
Exchange difference	73	1,886
Operating cash (outflow)/inflow before taxation	(5,621,926)	123,444
Cash flows from operating activities included:		
- Interest received	455,263	824,881
- Interest paid	(140,223)	(306,677)
- Dividend received	2,854	2,593

(b) Analysis of the balances of cash and cash equivalents

	At 30 June 2009 HK\$'000	At 30 June 2008 HK\$'000
Cash and balances with banks and other financial institutions with original maturity within three months	5,286,211	8,929,913
Placements with banks and other financial institutions with original maturity within three months	2,802,200	3,427,875
Treasury bills with original maturity within three months	586,916	99,937
	8,675,327	12,457,725

Notes to the Interim Financial Information (continued)

32. Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the corresponding aggregate credit risk weighted amount:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Direct credit substitutes	14,206	17,829
Transaction-related contingencies	113,170	155,096
Trade-related contingencies	1,169,315	752,804
Commitments that are unconditionally cancellable without prior notice	588,278	267,529
Other commitments with an original maturity of		
- up to one year	2,281,683	3,147,320
- over one year	392,071	348,611
	4,558,723	4,689,189
Credit risk weighted amount	862,072	914,754

The calculation basis of the credit risk weighted amount has been set out in Note 19 to the interim financial information.

33. Capital commitments

The Group has the following outstanding capital commitments not provided for in the interim financial information:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Authorised and contracted for but not provided for	-	1,665
Authorised but not contracted for	-	960
	-	2,625

The above capital commitments mainly relate to commitments to purchase computer equipment and to renovate the Group's premises.

Notes to the Interim Financial Information (continued)

34. Operating lease commitments

(a) The Group as lessee

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Land and buildings		
- not later than one year	18,504	19,428
- later than one year but not later than five years	21,719	30,900
- later than five years	5,645	405
	45,868	50,733

Certain non-cancellable operating leases included in the tables above were subject to renegotiation and rent adjustment with reference to market rates prevailing at specified agreed dates.

(b) The Group as lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	At 30 June 2009 HK\$'000	At 31 December 2008 HK\$'000
Land and buildings		
- not later than one year	3,091	3,375
- later than one year but not later than five years	1,412	2,826
	4,503	6,201

The Group leases its investment properties (Note 22) under operating lease arrangements, with leases typically for a period from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. None of the leases includes contingent rentals.

Notes to the Interim Financial Information (continued)

35. Segmental reporting

The Group has adopted the new HKFRS 8 “Operating Segments” effective this year. After assessing the internal financial reporting process, it was concluded that the original segments classification has already complied with the new standard. However, consistent with internal management reporting, the charge on inter-segment funding has changed from the corresponding money market rates to money market rates adjusted with pre-determined margins. These margins reflect differentiation based on product features. Since the impact of this change on prior year figures is immaterial, no restatement has been made.

The Group engages in many businesses in several regions. For segmental reporting purposes, information is solely provided in respect of business segments. Geographical segment information is not presented because over 90% of the Group’s revenues and profits before tax are derived from the assets located in Hong Kong.

Information about the four business segments is provided in segmental reporting. They are Personal Banking, Corporate Banking, Treasury and Investment Activities. The classification of the Group’s operating segments is based on customer segment and product type.

Both Personal Banking and Corporate Banking segments provide general banking services. Personal Banking serves individual customers while Corporate Banking deals with non individual customers. The Treasury segment is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. Investment Activities include the Group’s holdings of premises, investment properties and equity investments. “Others” refers to those items related to the Group as a whole but independent of the other four business segments.

Revenues, expenses, assets and liabilities of any business segment mainly include items directly attributable to the segment. In relation to occupation of the Group’s premises, rentals are internally charged based on market rates according to the areas occupied. For management overheads, allocations are made on reasonable bases. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group.



Notes to the Interim Financial Information (continued)

35. Segmental reporting (continued)

	Half-year ended 30 June 2009							
	Retail HK\$'000	Corporate HK\$'000	Treasury HK\$'000	Investment HK\$'000	Others HK\$'000	Subtotal HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Net interest income/(expenses)								
- external	(1,533)	166,320	158,659	-	-	323,446	-	323,446
- inter-segment	59,053	(13,052)	(45,413)	(588)	-	-	-	-
	57,520	153,268	113,246	(588)	-	323,446	-	323,446
Net fees and commission income/(expenses)	84,159	34,052	(995)	-	-	117,216	-	117,216
Net trading income/(expenses)	13,208	4,430	848	(27)	-	18,459	-	18,459
Net gain on financial instruments designated at fair value through profit or loss	-	-	2,987	-	-	2,987	-	2,987
Other operating income	56	251	-	15,700	-	16,007	(11,401)	4,606
Net operating income before impairment allowances	154,943	192,001	116,086	15,085	-	478,115	(11,401)	466,714
Net (charge)/reversal of impairment allowances	3,081	10,317	-	-	-	13,398	-	13,398
Net operating income	158,024	202,318	116,086	15,085	-	491,513	(11,401)	480,112
Operating expenses	(114,364)	(30,673)	(3,077)	(4,204)	(13,267)	(165,585)	11,401	(154,184)
Operating profit/(loss)	43,660	171,645	113,009	10,881	(13,267)	325,928	-	325,928
Net gain from fair value adjustments on investment properties	-	-	-	8,100	-	8,100	-	8,100
Profit/(loss) before taxation	43,660	171,645	113,009	18,981	(13,267)	334,028	-	334,028
At 30 June 2009								
Assets								
Segment assets	6,270,348	11,103,522	21,135,048	664,109	9,587	39,182,614	-	39,182,614
Liabilities								
Segment liabilities	28,087,003	5,572,824	1,280,262	1,747	210,426	35,152,262	-	35,152,262
Half-year ended 30 June 2009								
Other information								
Additions of properties, plant and equipment	-	-	-	512	-	512	-	512
Depreciation	3,018	588	75	3,031	323	7,035	-	7,035
Amortisation of securities	-	-	27,159	-	-	27,159	-	27,159

Notes to the Interim Financial Information (continued)

35. Segmental reporting (continued)

	Half-year ended 30 June 2008							
	Retail HK\$'000	Corporate HK\$'000	Treasury HK\$'000	Investment HK\$'000	Others HK\$'000	Subtotal HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Net interest income/(expenses)								
- external	(98,276)	205,256	338,579	-	-	445,559	-	445,559
- inter-segment	258,217	(52,348)	(199,072)	(6,797)	-	-	-	-
	159,941	152,908	139,507	(6,797)	-	445,559	-	445,559
Net fees and commission income/(expenses)	104,154	44,961	(335)	-	117	148,897	-	148,897
Net trading income/(expenses)	17,490	20,500	(20,794)	1,091	-	18,287	-	18,287
Net gain on financial instruments designated at fair value through profit or loss	-	-	26,280	-	-	26,280	-	26,280
Net gain on investment in securities	-	-	131	-	-	131	-	131
Other operating income	153	192	-	15,411	-	15,756	(11,641)	4,115
Net operating income before impairment allowances	281,738	218,561	144,789	9,705	117	654,910	(11,641)	643,269
Net (charge)/reversal of impairment allowances	(384)	1,733	-	-	-	1,349	-	1,349
Net operating income	281,354	220,294	144,789	9,705	117	656,259	(11,641)	644,618
Operating expenses	(102,644)	(33,783)	(3,398)	(4,122)	(18,058)	(162,005)	11,641	(150,364)
Operating profit/(loss)	178,710	186,511	141,391	5,583	(17,941)	494,254	-	494,254
Net loss from disposal of properties, plant and equipment	-	-	-	(4)	-	(4)	-	(4)
Net gain from fair value adjustments on investment properties	-	-	-	8,450	-	8,450	-	8,450
Profit/(loss) before taxation	178,710	186,511	141,391	14,029	(17,941)	502,700	-	502,700
At 31 December 2008								
Assets								
Segment assets	5,940,481	11,530,931	21,088,656	644,436	6,545	39,211,049	-	39,211,049
Liabilities								
Segment liabilities	28,030,177	5,918,266	810,860	502,985	209,204	35,471,492	-	35,471,492
Half-year ended 30 June 2008								
Other information								
Additions of properties, plant and equipment	-	-	-	5,707	-	5,707	-	5,707
Depreciation	2,742	701	81	2,986	99	6,609	-	6,609
Amortisation of securities	-	-	34,951	-	-	34,951	-	34,951

36. Significant related party transactions

Related parties are those parties that have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or other entities. The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests.

The Group provides loans and credit facilities to related parties in the normal course of business. Such transactions are conducted with terms that are no more favourable than those contracted with third party customers of the Group.



Notes to the Interim Financial Information (continued)

36. Significant related party transactions (continued)

Transactions with related parties, which the Group entered into during the period are summarised as follows:

(a) Summary of transactions entered into during the ordinary course of business with Bank of China Limited ("BOC") group companies

The aggregate income and expenses arising from related party transactions with the immediate holding company, the intermediate holding companies of the Bank as well as subsidiaries and associates of BOC are summarised as follows:

		Half-year ended 30 June 2009	
		Immediate and intermediate holding companies	Other related parties ¹
		Notes	
		HK\$'000	HK\$'000
Income statement items:			
Interest income	(i)	20,911	1,306
Interest expense	(ii)	(1,839)	(4,847)
Insurance commission received (net)	(iii)	-	4,612
Administrative services fees paid/payable	(iv)	(17,078)	(4,489)
Credit card commission received/receivable (net)	(v)	-	97
Securities brokerage commission paid/payable (net)	(v)	-	(10,007)
Rental, property management and letting agency fees paid/payable	(v)	(718)	-
Funds selling commission received	(vi)	-	757
Net trading gains		4,198	-
Dividend Income		-	2,131
		Half-year ended 30 June 2008	
		Immediate and intermediate holding companies	Other related parties ¹
		Notes	
		HK\$'000	HK\$'000
Income statement items:			
Interest income	(i)	57,558	2,630
Interest expense	(ii)	(8,631)	(4,517)
Insurance commission received (net)	(iii)	-	6,897
Administrative services fees paid/payable	(iv)	(20,244)	(2,035)
Credit card commission received/receivable (net)	(v)	-	124
Securities brokerage commission paid/payable (net)	(v)	-	(7,932)
Rental, property management and letting agency fees paid/payable	(v)	(707)	-
Funds selling commission received	(vi)	-	1,155
Net trading gains		1,500	-



Notes to the Interim Financial Information (continued)

36. Significant related party transactions (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC group companies (continued)

	Notes	At 30 June 2009	
		Immediate and intermediate holding companies	Other related parties ¹
		HK\$'000	HK\$'000
Balance sheet items:			
Cash and balances with banks and other financial institutions	(i)	1,781,706	2,094
Placements with banks and other financial institutions maturing between one and twelve months	(i)	1,882,831	-
Derivative financial instruments assets	(vii)	2,234	-
Advances and other accounts	(viii)	-	250,040
Investment in securities		65,644	33,869
Other assets	(viii)	215,647	201,728
Deposits and balances of banks and other financial institutions	(ii)	(608,769)	(730,287)
Deposits from customers	(ii)	-	(2,199,765)
Derivative financial instruments liabilities	(vii)	(11,648)	-
Other accounts and provisions	(viii)	(84,762)	(144,979)
Off-balance sheet items:			
Contingent liabilities and commitments	(ix)	-	2,360
	Notes	At 31 December 2008	
		Immediate and intermediate holding companies	Other related parties ¹
		HK\$'000	HK\$'000
Balance sheet items:			
Cash and balances with banks and other financial institutions	(i)	2,324,410	213,652
Placements with banks and other financial institutions maturing between one and twelve months	(i)	2,700,099	341,959
Derivative financial instruments assets	(vii)	25,135	-
Advances and other accounts	(viii)	-	250,113
Investment in securities		66,105	-
Other assets	(viii)	243,607	90,134
Deposits and balances of banks and other financial institutions	(ii)	(906,210)	(127,767)
Deposits from customers	(ii)	-	(1,733,168)
Derivative financial instruments liabilities	(vii)	(8,269)	-
Other accounts and provisions	(viii)	(672,768)	(105,081)
Off-balance sheet items:			
Contingent liabilities and commitments	(ix)	-	2,360

¹ Subsidiaries and associates of BOC and post-employment benefit plans for the benefit of employees of the Bank are collectively disclosed as other related parties and certain of which are state-controlled entities.

Notes to the Interim Financial Information (continued)

36. Significant related party transactions (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC group companies (continued)

Notes:

(i) Interest income

In the ordinary course of business, the Group enters into various transactions with BOC and its subsidiaries and associates including deposit of cash and balances with banks and other financial institutions, placement of interbank deposits and provision of loans and credit facilities. The transactions were conducted at prices and terms that are no more favourable than those charged to and contracted with other third party customers of the Group.

(ii) Interest expense

In the ordinary course of business, the Group accepts interbank deposits and current, fixed, savings and other deposits from the immediate holding company, intermediate holding companies and subsidiaries and associates of BOC at the relevant market rates at the time of the transactions.

(iii) Insurance commission received (net)

In the ordinary course of business, the Group renders insurance policies and agency services to and purchases general and life insurance policies from subsidiaries of BOC at the relevant market rates at the time of the transactions.

(iv) Administrative services fees and rental fees paid/payable

In the ordinary course of business, the Group pays administrative services fees for the provision of various administrative services including internal audit, technology, human resources support and training to BOC group companies mainly on the basis of cost plus a margin of 5%, and receives office premises rental fees from BOC group companies at the relevant market rates at the time of the transactions.

Notes to the Interim Financial Information (continued)

36. Significant related party transactions (continued)

(a) Summary of transactions entered into during the ordinary course of business with BOC group companies (continued)

Notes: (continued)

(v) Commission, property management, letting agency fees and rental fees paid/payable

In the ordinary course of business, the Group pays commission fees for credit card administrative and promotional services, securities brokerage services, property management and letting agency fees to BOC group companies. The Group also pays rental fees to BOC group companies. These transactions were priced at the relevant market rates at the time of the transactions.

(vi) Funds selling commission received

In the ordinary course of business, the Group receives commission for engaging in promotion and sale of fund products of a subsidiary of BOC to customers of the Group at the relevant market rates at the time of the transactions.

(vii) Derivative financial instruments assets/liabilities

In the ordinary course of business, the Group enters into foreign exchange contracts, interest rate contracts and equity contracts with BOC group companies. As at 30 June 2009 the aggregate notional amount of such derivative transactions amounted to HK\$3,357,481,000 (31 December 2008: HK\$538,510,000) whilst the corresponding derivative financial instruments assets and liabilities amounted to HK\$2,234,000 (31 December 2008: HK\$25,135,000) and HK\$11,648,000 (31 December 2008: HK\$8,269,000) respectively. These transactions are executed at the relevant market rates at the time of the transactions.

(viii) Other assets and other accounts and provisions

Included within "Other assets" and "Other accounts and provisions" are receivables from and payables to intermediate holding companies and subsidiaries of BOC. The amounts mainly represent the accounts receivables from and payables to a subsidiary of BOC in relation to dealing securities trading transactions on behalf of the Group's customers. The receivables and payables arose from transactions carried out in the normal course of business.

(ix) Contingent liabilities and commitments

In the ordinary course of business, the Group provides loan facilities and trade finance services to, and guarantees for the obligations of BOC and its subsidiaries and associates on normal commercial terms.



Notes to the Interim Financial Information (continued)

36. Significant related party transactions (continued)

(b) Key management personnel

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior periods, no material transaction was conducted with key management personnel of the Bank, its holding companies and parties related to them.

The key management compensation for the six months ended 30 June 2009 and 2008 is detailed as follows:

	Half-year ended 30 June 2009 HK\$'000	Half-year ended 30 June 2008 HK\$'000
Salaries and other short-term employee benefits	<u>2,835</u>	<u>3,601</u>



Notes to the Interim Financial Information (continued)

36. Significant related party transactions (continued)

(c) Transactions with the parent companies other than BOC ("other parent companies) and other companies controlled by Central Huijin

Central Huijin is the controlling entity of BOC. It is a wholly-owned subsidiary of CIC which is a wholly state-owned company engaging in foreign currency investment and management. Central Huijin is approved by the State Council of the PRC Government to assume the rights and obligations of the equity owner on behalf of the State.

Central Huijin has controlling equity interests in certain other entities in the PRC.

The Group enters into banking transactions with these companies in the normal course of business. These include loans, investment securities and money market transactions. The outstanding balances at the period/year end, and the related income and expense for the period are as follows:

	2009		2008	
	Interest income/ (expense) for the six months ended 30 June HK\$'000	Outstanding balance at 30 June HK\$'000	Interest income/ (expense) for the six months ended 30 June HK\$'000	Outstanding Balance at 31 December HK\$'000
Investment in securities	1,787	406,166	985	100,290
Due from banks and other financial institutions	1,235	236,309	6,477	84,897



Notes to the Interim Financial Information (continued)

36. Significant related party transactions (continued)

(d) Transactions with the Ministry of Finance and the People's Bank of China and other state-controlled entities

The Group enters into banking transactions with the Ministry of Finance and the People's Bank of China in the normal course of business. These include purchases and redemption of treasury bonds and money market transactions.

The state-controlled entities are those, other than BOC (the intermediate holding company and its subsidiaries), CIC, Central Huijin and its controlled companies, over which the PRC government directly or indirectly holds over 50% of the outstanding shares or voting rights and has the ability to control or the power to govern their financial or operational policies through its government authorities, agencies and affiliates. The Group has extensive transactions with other state controlled entities. These transactions, conducted in the ordinary course of business, may include, but are not limited to, the followings:

- lending, provision of credits and guarantees and deposit taking;
- inter-bank balance taking and placing;
- sale, purchase, underwriting and redemption of bonds issued by other state-controlled entities;
- rendering of foreign exchange, remittance and investment related services;
- provision of fiduciary activities; and
- purchase of utilities, transport, telecommunication and postal services.

Notes to the Interim Financial Information (continued)

37. Liquidity ratio

	Half-year ended 30 June 2009	Half-year ended 30 June 2008
Average liquidity ratio	45.89%	39.08%

The average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of the Bank for the period.

The liquidity ratio is computed on the solo basis (the Hong Kong offices only) and is in accordance with the Fourth Schedule of the Banking Ordinance.

38. Currency concentrations

The following is a summary of the major foreign currency exposures arising from trading, non-trading and structural positions.

At 30 June 2009								
Equivalent in thousand of HK\$								
	US Dollars	Euro	Pound Sterling	Australian Dollars	New Zealand Dollars	Renminbi	Others	Total
Spot assets	8,874,971	361,550	252,975	991,282	688,833	2,005,820	721,584	13,897,015
Spot liabilities	(7,247,146)	(370,490)	(263,244)	(960,034)	(689,269)	(1,912,580)	(198,448)	(11,641,211)
Forward purchases	1,202,337	13,544	21,599	30,354	3,792	40,734	529,414	1,841,774
Forward sales	(2,490,011)	(3,006)	(18,912)	(58,562)	(2,528)	(37,815)	(1,051,719)	(3,662,553)
Net long/(short) position	340,151	1,598	(7,582)	3,040	828	96,159	831	435,025
Net structural position	-	-	-	-	-	68,081	-	68,081

At 31 December 2008								
Equivalent in thousand of HK\$								
	US Dollars	Euro	Pound Sterling	Australian Dollars	New Zealand Dollars	Renminbi	Others	Total
Spot assets	6,715,039	310,763	229,389	802,527	588,802	2,185,128	208,593	11,040,241
Spot liabilities	(6,581,930)	(312,986)	(208,112)	(771,893)	(585,682)	(2,034,826)	(708,380)	(11,203,809)
Forward purchases	506,026	15,586	8,393	6,446	1,348	382,375	519,694	1,439,868
Forward sales	(652,399)	(9,235)	(37,391)	(38,487)	(3,775)	(368,969)	(19,396)	(1,129,652)
Net long/(short) position	(13,264)	4,128	(7,721)	(1,407)	693	163,708	511	146,648
Net structural position	-	-	-	-	-	68,182	-	68,182

Notes to the Interim Financial Information (continued)

39. Cross-border claims

The information on cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country, which is different from that of the counterparty, or if the claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate cross-border claims are analysed by geographical areas and disclosed as follows:

	Banks	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2009				
Asia, other than Hong Kong				
- Mainland China	3,354,000	222,000	675,000	4,251,000
- Japan	2,058,000	487,000	16,000	2,561,000
- Others	3,088,000	-	389,000	3,477,000
	8,500,000	709,000	1,080,000	10,289,000
Western Europe	8,585,000	-	7,000	8,592,000
Total	17,085,000	709,000	1,087,000	18,881,000
	Banks	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2008				
Asia, other than Hong Kong				
- Mainland China	5,735,000	297,000	752,000	6,784,000
- Others	4,540,000	-	426,000	4,966,000
	10,275,000	297,000	1,178,000	11,750,000
Western Europe	8,418,000	-	7,000	8,425,000
Total	18,693,000	297,000	1,185,000	20,175,000

Notes to the Interim Financial Information (continued)

40. Non-bank Mainland China exposures

Non-bank counterparties are identified in accordance with the definitions set out in the prudential return "Quarterly Analysis of Loans and Advances and Provisions" issued by the HKMA. Exposures to Mainland China arising from non-bank counterparties are summarised as follows:

	At 30 June 2009			
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposure HK\$'000	Individually assessed impairment allowances HK\$'000
Mainland China entities	2,433,068	604,509	3,037,577	-
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	1,827,393	861,382	2,688,775	7,002
Other non-bank Mainland China exposures	321,685	1,167	322,852	-
	<u>4,582,146</u>	<u>1,467,058</u>	<u>6,049,204</u>	<u>7,002</u>
	At 31 December 2008			
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total exposure HK\$'000	Individually assessed impairment allowances HK\$'000
Mainland China entities	2,788,073	602,618	3,390,691	-
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	2,018,862	361,605	2,380,467	6,520
Other non-bank Mainland China exposures	262,572	553	263,125	-
	<u>5,069,507</u>	<u>964,776</u>	<u>6,034,283</u>	<u>6,520</u>



Notes to the Interim Financial Information (continued)

41. Events after the balance sheet date

On 22 July 2009, the Group agreed with the Securities and Futures Commission, the Hong Kong Monetary Authority and fifteen other distributing banks to make an offer to eligible customers to repurchase their holdings in all outstanding Lehman Brothers Minibonds subscribed through the Group ("the Repurchase Scheme"). Details of the Repurchase Scheme, including the definition of eligible customers and outstanding Lehman Brothers Minibonds, have been set out in the Group's announcement dated 22 July 2009 (the "Announcement").

As set out in the Announcement, under the Repurchase Scheme, the Group has, without admission of liability, made an offer to repurchase at a price equivalent to 60% of the nominal value of the principal invested for eligible customers below the age of 65 as at 1 July 2009 or at 70% of the nominal value of the principal invested for eligible customers aged 65 or above as at 1 July 2009. If any recovery is made from the enforcement of the collateral held in respect of a series, the Group will make further payments to eligible customers who have accepted the Repurchase Scheme. The Group will also make a voluntary offer to pay an ex gratia amount to customers who would have qualified as eligible customers but for their previous settlements with the Group, to bring them in line with the Repurchase Scheme offer. The Group will further make available an amount equivalent to the total commission income received as a Lehman Brothers Minibonds distributor of approximately HK\$12,200,000 to the trustee of the Lehman Brothers Minibonds to fund the trustee's expenses in realising the value of the underlying collateral in respect of the outstanding Lehman Brothers Minibonds. The aforesaid amount to the trustee is expected to be provided for in the second half of the year.

The Group will need to make provisions in the second half of the year for the above Repurchase Scheme and voluntary offer in accordance with its accounting policies taking into account the estimated aggregate amount paid and payable of HK\$259,500,000, the provision already made of HK\$135,500,000 as at 30 June 2009 and the net amount which is recoverable from the Lehman Brothers Minibonds. At present, the additional provision cannot be estimated reliably as the net amount which is recoverable from the Lehman Brothers Minibonds is uncertain.

42. Compliance with HKAS 34

The interim report for the first half of 2009 complies with HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

43. Statutory accounts

The information in the interim report is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies and the HKMA. The auditors expressed an unqualified opinion on those statutory accounts in their report dated 11 March 2009.

Independent Review Report

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHIYU BANKING CORPORATION LIMITED (incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 10 to 76, which comprises the condensed consolidated balance sheet of Chiyu Banking Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 August 2009



Additional Information

1. Corporate Information

BOARD OF DIRECTORS

Chairman	He Guangbei #
Vice Chairman	Ng Leung Sing # Ng Man Kung
Directors	Chan Yiu Fai Chen Zhong Xin # Cheung Wai Hing * Chiu Ming Wah # Liu Yanfen # Mao Xiaowei # Ouyang Jian # Tan Wan Chye # To Chi Wing # Woo Chia Wei * Yu Kwok Chun *

Non-executive Directors

* Independent non-executive Directors

BOARD OF MANAGEMENT

Chief Executive	Ng Man Kung
Deputy Chief Executive	Chan Yiu Fai
Assistant General Managers	Cheng Pik Chuen Fung Tak Hee Chan Kin Hing

Additional Information (continued)

2. Subsidiaries of the Bank

The particulars of our subsidiaries are as follows:

Name	Place of incorporation	Particulars of issued share capital	Interest held	Principal activities
Chiyu Banking Corporation (Nominees) Limited	Hong Kong	1,000 shares of HK\$100 each	100%	Nominee service and investment holding
Seng Sun Development Company Limited	Hong Kong	2,800 shares of HK\$1,000 each	100%	Investment holding and leasing of properties to group companies
Pacific Trend Profits Corporation	The British Virgin Islands	1 share of US\$1 each	100%	Investment holding
Glory Cardinal Limited	Hong Kong	2 shares of HK\$1 each	*100%	Investment holding
Glister Company Limited	Hong Kong	2 shares of HK\$1 each	*100%	Investment holding
Grace Charter Limited	Hong Kong	2 shares of HK\$1 each	*100%	Investment holding

* Shares held indirectly by the Bank

Remarks:

All the subsidiaries listed in the above table are not included in the combined basis for regulatory purposes in respect of capital adequacy. The Bank's Hong Kong Offices and overseas branches specified by the HKMA form the combined basis for its regulatory purposes in accordance with the Banking (Capital) Rules. For accounting purposes, subsidiaries are consolidated in accordance with the accounting standards issued by the HKICPA pursuant to section 18A of the Professional Accountant Ordinance.

3. Compliance with the Banking (Disclosure) Rules

The unaudited interim report complies with the requirements set out in the Banking (Disclosure) Rules.



Branch Network

BRANCH (Br.)	ADDRESS	TELEPHONE
<u>HONG KONG ISLAND</u>		
Central Br.	78, Des Voeux Road Central, Hong Kong	2843 0187
North Point Br.	390-394, King's Road, North Point, Hong Kong	2570 6381
Wanchai Br.	325, Hennessy Road, Wanchai, Hong Kong	2572 2823
Sheung Wan Br.	Shop 3, G/F, Lee Fung Building, 315-349 Queen's Road Central, Hong Kong	2544 1678
Western Br.	443, Queen's Road West, Hong Kong	2548 2298
Quarry Bay Br.	967-967A, King's Road, Quarry Bay, Hong Kong	2811 3131
Aberdeen Br.	G/F, 138-140, Aberdeen Main Road, Aberdeen, Hong Kong	2553 0603
<u>KOWLOON</u>		
Hung Hom Br.	23-25, Gillies Avenue, Hung Hom, Kowloon	2362 0051
Kwun Tong Br.	42-44, Mut Wah Street, Kwun Tong, Kowloon	2343 4174
Sham Shui Po Br.	235-237, Laichikok Road, Kowloon	2789 8668
San Po Kong Br.	61-63, Hong Keung Street, San Po Kong, Kowloon	2328 5691
Yau Ma Tei Br.	117-119, Shanghai Street, Yau Ma Tei, Kowloon	2332 2533
Castle Peak Road Br.	G/F, 226-228 Castle Peak Road, Kowloon	2720 5187
Kowloon Bay Br.	G/F, Shop 10, Kai Lok House, Kai Yip Estate, Kowloon Bay, Kowloon	2796 8968
Tokwawan Br.	G/F, Shop 11-13, 78 Tokwawan Road, Kowloon	2765 6118
Tsz Wan Shan Br.	Shop 703A, 7/F., Tsz Wan Shan Shopping Centre, 23 Yuk Wah ST., Tsz Wan Shan, Kowloon	2322 3313
<u>NEW TERRITORIES</u>		
Tuen Mun Yau Oi Estate Br.	Shop 103-104, G/F Restaurant Block Yau Oi Estate Tuen Mun N. T.	2452 3666
Kwai Hing Estate Br.	Shop 1, G/F, Hing Yat House, Kwai Hing Estate, Kwai Chung, N. T.	2487 3332
Tai Po Tai Wo Estate Br.	Shop 112-114, G/F., On Wo House, Tai Wo Estate, Tai Po, N. T.	2656 3386
Belvedere Garden Br.	Shop 5A, G/F., Belvedere Square, Tsuen Wan, N.T	2411 6789
Tsuen Wan Br.	Shop 1 and 1D, Level 2, Discovery Park Commercial Centre, Tsuen Wan, N.T.	2413 8111
Shatin Sui Wo Court Br.	Shop F7, Commercial Centre, Sui Wo Court, Shatin, N.T.	2601 5888
Ma On Shan Br.	Shop 313, Level 3, Ma On Shan Plaza Bayshore Tower, Ma On Shan, N.T.	2640 0733
Sheung Tak Estate Br.	Shop 238, Sheung Tak Shopping Centre, Sheung Tak Est., Tseung Kwan O, N.T.	2178 2278
<u>THE MAINLAND OF CHINA</u>		
Xiamen Br.	1/F, 859 Xiahe Road, Xiamen, Fujian Province, China	(86-592) 585 1691
Xiamen Jimei Sub-Br.	No.88 Jiyuan Road Jimei Xiamen, China	(86-592) 619 3300
Fuzhou Br.	1/F, International Bldg., 210 Wusi Road, Fuzhou, Fujian Province, China	(86-591) 8781 0078