

SHANGHAI COMMERCIAL BANK LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)
GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

I CONSOLIDATED PROFIT AND LOSS INFORMATION

	Note	Six months ended 30/6/2004 (audited) HK\$'000	Six months ended 30/6/2003 (audited) HK\$'000
Interest income		969,810	1,036,982
Interest expense		<u>(231,740)</u>	<u>(344,225)</u>
Net interest income		738,070	692,757
Other operating income	3	<u>410,749</u>	<u>322,505</u>
Operating income		1,148,819	1,015,262
Operating expenses	4	<u>(390,417)</u>	<u>(356,695)</u>
Operating profit before provisions		758,402	658,567
Charge for bad and doubtful debts		<u>(21,500)</u>	<u>(107,277)</u>
Operating profit		736,902	551,290
Net losses on disposal of fixed assets		(324)	(874)
Profits less losses on disposal of held-to-maturity securities and non-trading securities	1	26,139	12,608
Share of net losses of jointly controlled entities		<u>(1,241)</u>	<u>(1,326)</u>
Profit before taxation		761,476	561,698
Taxation	2	<u>(100,828)</u>	<u>(86,431)</u>
Profit after taxation		660,648	475,267
Minority interests		<u>(100)</u>	<u>1</u>
Profit attributable to shareholders		<u><u>660,548</u></u>	<u><u>475,268</u></u>

Note:

1 Profits less losses on disposal of held-to-maturity securities and non-trading securities

	Six months ended 30/6/2004 (audited) HK\$'000	Six months ended 30/6/2003 (audited) HK\$'000
Profits less losses on disposal of:		
Held-to-maturity securities	2,331	7,313
Non-trading securities	<u>23,808</u>	<u>5,295</u>
	<u><u>26,139</u></u>	<u><u>12,608</u></u>

SHANGHAI COMMERCIAL BANK LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)
GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

I CONSOLIDATED PROFIT AND LOSS INFORMATION (CONTINUED)

Note: (continued)

2 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003 : 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been provided on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged / (credited) to the consolidated profit and loss account represents:

	Six months ended 30/6/2004 (audited) HK\$'000	Six months ended 30/6/2003 (audited) HK\$'000
Current taxation :		
- Hong Kong profits tax	110,425	80,932
- Overseas taxation	14,864	16,584
- Over provisions in prior years	(19,204)	(520)
Deferred taxation :		
- Hong Kong deferred tax (Note o(1))	(6,646)	(9,000)
- Overseas deferred tax (Note o(2))	1,389	(1,565)
	<u>100,828</u>	<u>86,431</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rates of the countries in which the Group operates as follows:

	Six months ended 30/6/2004 (audited) HK\$'000	Six months ended 30/6/2003 (audited) HK\$'000
Profit before taxation	<u>761,476</u>	<u>561,698</u>
Calculated at applicable taxation rates	149,916	107,368
Income not subject to taxation	(38,940)	(27,433)
Expenses not deductible for taxation purposes	9,806	10,393
Net effect of investment in partnerships	(750)	(3,377)
Over provisions in prior years	(19,204)	(520)
Taxation charge	<u>100,828</u>	<u>86,431</u>

The Bank has entered into aircraft leverage lease arrangement as well as coupon bond transaction, involving special purpose partnerships in which the Bank is the majority general partner. The partnerships are held exclusively with a view to their subsequent disposal in the near future and consequently they are not consolidated in the Bank's accounts. As of 30th June 2004, the unamortised carrying cost of the investments in such partnerships, which was included in "other accounts", amounted to HK\$139,768,000 (31st December 2003: HK\$511,963,000). The Bank's investments in partnerships are amortised over the life of the partnerships.

SHANGHAI COMMERCIAL BANK LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)
GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

I CONSOLIDATED PROFIT AND LOSS INFORMATION (CONTINUED)

Note: (continued)

3 Other operating income

	Six months ended 30/6/2004 (audited) HK\$'000	Six months ended 30/6/2003 (audited) HK\$'000
Fees and commission income	310,027	221,523
Less : Fees and commission expense	<u>(10,562)</u>	<u>(9,952)</u>
Net fees and commission income	299,465	211,571
Net gain on foreign exchange trading	62,829	38,846
Net (loss) / profit on securities held for dealing purposes	(6,765)	13,245
Dividend income		
- listed investments	904	1,414
- unlisted investments	10,672	9,001
Others	<u>43,644</u>	<u>48,428</u>
	<u>410,749</u>	<u>322,505</u>

4 Operating expenses

	Six months ended 30/6/2004 (audited) HK\$'000	Six months ended 30/6/2003 (audited) HK\$'000
Staff costs		
Salaries and other costs	229,884	214,462
Pension costs	12,519	12,426
Premises and equipment		
Rental of premises	17,616	19,512
Building expenses	5,144	5,284
Building management fee	2,494	2,753
Depreciation	50,633	35,093
Auditors' remuneration	2,483	2,565
Other operating expenses		
Telegram and telephone	10,971	10,452
Credit card business promotion	4,655	2,425
Postage	6,362	6,033
Repair and maintenance	7,044	6,000
Legal and consultancy	1,607	2,737
Water, heat and light	5,452	5,210
Printing and stationery	3,335	3,494
Computer rental and licence	3,514	3,436
Others	<u>26,704</u>	<u>24,813</u>
	<u>390,417</u>	<u>356,695</u>

II CONSOLIDATED BALANCE SHEET INFORMATION

	Note	30/6/2004 (audited) HK\$'000	31/12/2003 (audited) HK\$'000
ASSETS			
Cash and short-term funds		17,839,230	20,890,532
Placements with banks and other financial institutions maturing between one and twelve months		2,405,054	3,383,278
Trade bills		1,537,044	958,650
Certificates of deposit held		2,686,235	2,894,547
Securities held for dealing purposes		246,424	336,272
Advances to customers and other accounts	a, o	30,597,876	28,422,745
Held-to-maturity securities and non-trading securities		14,884,206	15,774,469
Investments in jointly controlled entities		124,242	127,863
Fixed assets		<u>1,984,418</u>	<u>2,015,145</u>
TOTAL ASSETS		<u><u>72,304,729</u></u>	<u><u>74,803,501</u></u>
LIABILITIES			
Deposits and balances of banks and other financial institutions		3,210,115	3,028,043
Deposits from customers	b	54,285,603	57,010,293
Certificates of deposit issued		2,700,000	2,938,000
Other accounts and provisions	o	<u>1,242,823</u>	<u>1,143,871</u>
TOTAL LIABILITIES		<u>61,438,541</u>	<u>64,120,207</u>
CAPITAL RESOURCES			
Minority interests		<u>5,173</u>	<u>5,353</u>
Share capital		2,000,000	2,000,000
Reserves			
General reserve		6,513,310	6,505,388
Property revaluation reserve		1,006,842	1,009,940
Other reserves		(91,056)	(326)
Proposed final dividend		-	400,000
Retained profits		<u>1,431,919</u>	<u>762,939</u>
Shareholders' funds		<u>10,861,015</u>	<u>10,677,941</u>
TOTAL CAPITAL RESOURCES		<u>10,866,188</u>	<u>10,683,294</u>
TOTAL LIABILITIES AND CAPITAL RESOURCES		<u><u>72,304,729</u></u>	<u><u>74,803,501</u></u>

III SUPPLEMENTARY INFORMATION

a Advances to customers and other accounts

	30/6/2004 (audited) HK\$'000	31/12/2003 (audited) HK\$'000
Advances to customers	30,683,481	28,149,225
Provisions for bad and doubtful debts		
General	(417,263)	(401,572)
Specific	(180,548)	(180,069)
	<u>30,085,670</u>	<u>27,567,584</u>
Accrued interest	188,574	206,391
Other accounts	<u>323,632</u>	<u>648,770</u>
	<u>512,206</u>	<u>855,161</u>
	<u>30,597,876</u>	<u>28,422,745</u>

b Deposits from customers

	30/6/2004 (audited) HK\$'000	31/12/2003 (audited) HK\$'000
Demand deposits and current accounts	5,020,081	4,629,212
Savings deposits	17,188,479	16,946,024
Time, call and notice deposits	31,687,143	35,047,057
Deposits from Hong Kong Government Exchange Fund	<u>389,900</u>	<u>388,000</u>
	<u>54,285,603</u>	<u>57,010,293</u>

c Gross advances to customers by industry sector

	30/6/2004 (unaudited) HK\$'000	31/12/2003 (unaudited) HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	964,228	1,166,997
- Property investment	5,341,187	4,614,325
- Financial concerns	417,666	15,359
- Stockbrokers	5,315	5,565
- Wholesale and retail trade	536,064	479,857
- Manufacturing	1,256,095	910,452
- Transport and transport equipment	303,075	189,447
- Information Technology- Telecommunication	2,347	608
- Hotels, boarding houses and catering	1,061,880	1,062,662
- Others	3,481,235	3,264,354
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	637,666	709,580
- Loans for the purchase of other residential properties	5,033,285	5,086,666
- Credit card advances	306,904	337,038
- Others	1,272,926	1,068,873
Trade finance	5,193,379	4,423,032
Loans for use outside Hong Kong	<u>4,870,229</u>	<u>4,814,410</u>
	<u>30,683,481</u>	<u>28,149,225</u>

d The amount of advances to customers on which interest is being placed in suspense or on which interest accrual has ceased and the percentages of such advances to total advances to customers are analysed as follows:

	30/6/2004 (audited)		31/12/2003 (audited)	
	HK\$'000	%	HK\$'000	%
Gross advances	597,058	1.75	654,033	2.10
Less: suspended interest capitalised/received	<u>(59,799)</u>		<u>(61,755)</u>	
	537,259		592,278	
Specific provisions (Note)	<u>(111,006)</u>		<u>(108,154)</u>	
	<u>426,253</u>		<u>484,124</u>	
Suspended interest	<u>66,305</u>		<u>68,455</u>	

Note :

The specific provisions were made after taking into account the value of collateral in respect of such advances as at 30th June 2004 and 31st December 2003.

e The amount of overdue advances to customers (net of suspended interest capitalised) and the percentage of such advances to total advances to customers are as follows:

	30/6/2004 (unaudited)		31/12/2003 (unaudited)	
	HK\$'000	%	HK\$'000	%
Gross amount of advances which have been overdue for				
- six months or less but over three months	43,966	0.14	52,988	0.19
- one year or less but over six months	14,717	0.05	41,773	0.15
- over one year	<u>70,140</u>	<u>0.23</u>	<u>64,287</u>	<u>0.23</u>
	<u>128,823</u>	<u>0.42</u>	<u>159,048</u>	<u>0.57</u>
Secured overdue advances	95,798		137,177	
Unsecured overdue advances	<u>33,025</u>		<u>21,871</u>	
	<u>128,823</u>		<u>159,048</u>	
Market value of security held against the secured overdue advances	<u>130,525</u>		<u>161,635</u>	
Specific provisions made	<u>33,660</u>		<u>28,051</u>	

f The amount of rescheduled advances to customers (net of those which have been overdue for over three months and reported in item e above) and the percentages of such advances to total advances to customers are as follows:

	30/6/2004 (unaudited)		31/12/2003 (unaudited)	
	HK\$'000	%	HK\$'000	%
Rescheduled advances	<u>146,131</u>	0.48	<u>154,427</u>	0.55

g Reconciliation between overdue advances and non-performing advances to customers (net of suspended interest capitalised):

	30/6/2004 (unaudited) HK\$'000	31/12/2003 (unaudited) HK\$'000
Gross amount of overdue advances (item e)	128,823	159,048
Less: gross amount of advances which are overdue for more than three months and on which interest is still being accrued	23,538	30,347
Add: gross amount of advances which are overdue for three months or less or not yet overdue and on which interest is being placed in suspense or on which interest accrual has ceased	<u>431,974</u>	<u>463,577</u>
Gross amount of non-performing advances (item d)	<u>537,259</u>	<u>592,278</u>

h The amount of trade bills which have been overdue for:

	30/6/2004 (unaudited) HK\$'000	31/12/2003 (unaudited) HK\$'000
- six months or less but over three months	2,492	161
- one year or less but over six months	162	-
	<u>2,654</u>	<u>161</u>

i Off balance sheet exposures

(1) Contingent liabilities and commitments

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

	30/6/2004 (audited) HK\$'000	31/12/2003 (audited) HK\$'000
Direct credit substitutes	1,461,074	1,554,755
Trade-related contingencies	5,283,790	4,610,936
Other commitments with an original maturity of:		
- under 1 year or which are unconditionally cancellable	18,480,049	17,908,037
- 1 year and over	2,478,730	2,899,403
	<u>27,703,643</u>	<u>26,973,131</u>

(2) Derivatives

The following is a summary of the notional contract amounts of each significant type of derivatives:

	30/6/2004 (audited) HK\$'000	31/12/2003 (audited) HK\$'000
Exchange rate contracts		
Forward contracts	6,329,457	7,139,069
Interest rate contracts		
Interest rate swaps	2,461,228	2,618,677
	<u>8,790,685</u>	<u>9,757,746</u>

Exchange rate contracts mainly comprise transactions initiated in response to customer demand. No significant positions are maintained by the Group.

The interest rate swaps were undertaken to hedge held-to-maturity securities. Interest income and expense are recognised on an accrual basis equivalent to the basis of the underlying asset being hedged.

The Group did not enter into any bilateral netting arrangements during the period and accordingly the following amounts are shown on a gross basis.

As at 30th June 2004 and 31st December 2003 the contract amounts, credit risk weighted amounts and replacement costs of the above off balance sheet exposures are as follows:

	Contract amount 30/6/2004 (audited) HK\$'000	Credit risk weighted amount 30/6/2004 (audited) HK\$'000	Replacement cost 30/6/2004 (audited) HK\$'000	Contract amount 31/12/2003 (audited) HK\$'000	Credit risk weighted amount 31/12/2003 (audited) HK\$'000	Replacement cost 31/12/2003 (audited) HK\$'000
Contingent liabilities and commitments	27,703,643	3,706,399		26,973,131	3,865,839	
Derivatives						
- Exchange rate contracts	6,329,457	41,084	47,696	7,139,069	82,778	125,874
- Interest rate contracts	2,461,228	6,264	2,586	2,618,677	7,813	3,954
	<u>36,494,328</u>	<u>3,753,747</u>	<u>50,282</u>	<u>36,730,877</u>	<u>3,956,430</u>	<u>129,828</u>

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are therefore subject to the same credit origination, portfolio maintenance and collateral requirements as for customers applying for loans.

Off-balance sheet financial instruments arise from forward and swap transactions undertaken in the foreign exchange and interest rate markets.

The contract amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date; they do not represent the amounts at risk.

The credit risk weighted amounts are the amounts which have been calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

Replacement cost is the cost of replacing all contracts which have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking to market contracts with a positive value. Replacement cost is a close approximation of the credit risk for these contracts at the balance sheet date.

j Capital adequacy and liquidity ratios

	30/6/2004 (unaudited)	31/12/2003 (unaudited)
Capital adequacy ratio	<u>24%</u>	<u>23%</u>
Adjusted capital adequacy ratio	<u>24%</u>	<u>23%</u>

The capital adequacy ratio at the end of the financial period represents the consolidated ratio of the Bank, Shacom Finance Limited, Shacom Investment Limited, Shacom Investment Management Limited, Shacom Property Holdings (BVI) Limited, Shacom Property (NY) Inc., Shacom Property (CA) Inc. and Shacom Assets Investments Limited, computed in accordance with the Third Schedule of the Banking Ordinance.

The adjusted capital adequacy ratio represents the capital adequacy ratio adjusted to take into account market risk at the end of the financial period computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority.

The components of the total capital base after deductions as reported in the calculation of the capital adequacy ratio at the end of financial period and reported to the Hong Kong Monetary Authority are as follows:

	30/6/2004 (unaudited) HK\$'000	31/12/2003 (unaudited) HK\$'000
Core capital		
Paid up ordinary share capital	2,000,000	2,000,000
Reserves	7,277,900	6,669,396
Profit and loss account	<u>663,101</u>	<u>613,483</u>
	9,941,001	9,282,879
Supplementary capital		
Reserves on revaluation of land and interests in land	704,789	706,958
Reserves on revaluation of holding of securities not held for trading purposes	(119,481)	(28,751)
General provisions for doubtful debts	<u>433,725</u>	<u>411,696</u>
Total gross and eligible value of supplementary capital	<u>1,019,033</u>	<u>1,089,903</u>
Total capital base before deductions	10,960,034	10,372,782
Deductions from total capital base		
Shareholdings in subsidiaries or holding company	(64,215)	(57,375)
Exposures to connected companies	(87,459)	(87,493)
Equity investments of 20% or more in jointly controlled entities	(24,300)	(24,600)
Investments in the capital of other banks and financial institutions	<u>(206,485)</u>	<u>(259,670)</u>
	(382,459)	(429,138)
Total capital base after deductions	<u>10,577,575</u>	<u>9,943,644</u>
	Six months ended 30/6/2004 (unaudited)	Six months ended 30/06/2003 (unaudited)
Liquidity ratio	<u>67%</u>	<u>75%</u>

The liquidity ratio is calculated as the simple average of each calendar month's liquidity ratio for the six months of the financial period for the Bank and Shacom Finance Limited computed in accordance with the Fourth Schedule of the Banking Ordinance.

k Gross advances to customers by location of counterparty or guarantor if the advances are guaranteed by a party in a location which is different from that of the counterparty are as follows:

	Total advances		Non-performing advances		Overdue advances	
	30/6/2004 (unaudited) HK\$'000	31/12/2003 (unaudited) HK\$'000	30/6/2004 (unaudited) HK\$'000	31/12/2003 (unaudited) HK\$'000	30/6/2004 (unaudited) HK\$'000	31/12/2003 (unaudited) HK\$'000
Hong Kong	25,974,000	23,356,000	537,000	592,000	129,000	159,000
North America	3,730,000	3,805,000	-	-	-	-

l Cross-border claims

Cross-border claims which include financial claims on balances due from banks and other financial institutions, treasury bills, loans and advances, trade bills, certificates of deposit held and investments in securities by location and type of counterparties are as follows (in general, risk transfer should only be made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country):

30/6/2004

	Banks and other financial institutions (unaudited) HK\$'000	Public sector entities (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
Asia & Pacific excluding Hong Kong	4,901,000	-	491,000	5,392,000
North America	5,086,000	3,376,000	432,000	8,894,000
Western Europe	16,873,000	-	420,000	17,293,000

31/12/2003

	Banks and other financial institutions (unaudited) HK\$'000	Public sector entities (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
Asia & Pacific excluding Hong Kong	6,010,000	-	546,000	6,556,000
North America	6,288,000	2,350,000	710,000	9,348,000
Western Europe	19,849,000	97,000	828,000	20,774,000

m The amount of repossessed assets held

	30/6/2004 (unaudited) HK\$'000	31/12/2003 (unaudited) HK\$'000
Reposessed assets	<u>10,630</u>	<u>13,270</u>

Assets acquired by repossession of collateral for realisation continue to be reported as advances. Provision is made on the shortfall between the expected sales proceeds from realisation of the repossessed assets and the outstanding advances.

n Foreign currency position

30/6/2004

	Spot assets (unaudited) HK\$'000	Spot liabilities (unaudited) HK\$'000	Forward purchases (unaudited) HK\$'000	Forward sales (unaudited) HK\$'000	Net long/ (short) positions (unaudited) HK\$'000
US Dollars	33,061,000	(28,487,000)	2,815,000	(2,294,000)	5,095,000
Pound Sterling	1,842,000	(1,851,000)	80,000	(41,000)	30,000
Canadian Dollars	1,768,000	(1,774,000)	31,000	(25,000)	-
Other currencies and gold	<u>5,584,000</u>	<u>(5,547,000)</u>	<u>1,631,000</u>	<u>(1,657,000)</u>	<u>11,000</u>
	<u>42,255,000</u>	<u>(37,659,000)</u>	<u>4,557,000</u>	<u>(4,017,000)</u>	<u>5,136,000</u>

31/12/2003

	Spot assets (unaudited) HK\$'000	Spot liabilities (unaudited) HK\$'000	Forward purchases (unaudited) HK\$'000	Forward sales (unaudited) HK\$'000	Net long positions (unaudited) HK\$'000
US Dollars	34,048,000	(29,567,000)	2,976,000	(2,795,000)	4,662,000
Pound Sterling	1,805,000	(1,794,000)	80,000	(48,000)	43,000
Japanese Yen	324,000	(128,000)	203,000	(386,000)	13,000
Other currencies and gold	<u>7,563,000</u>	<u>(7,541,000)</u>	<u>1,629,000</u>	<u>(1,632,000)</u>	<u>19,000</u>
	<u>43,740,000</u>	<u>(39,030,000)</u>	<u>4,888,000</u>	<u>(4,861,000)</u>	<u>4,737,000</u>

o Deferred taxation

Deferred taxation for Hong Kong operations is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%) whereas overseas deferred taxation is calculated at the prevailing tax rate in the countries in which the Group operates. The movement on the deferred tax (liabilities)/assets is as follows:

(1) Deferred tax liabilities

The following deferred tax liabilities have been included in "Other accounts and provisions".

	General provisions for bad and doubtful debts (audited) HK\$'000	Accelerated tax depreciation (audited) HK\$'000	Reserves (audited) HK\$'000	Others (audited) HK\$'000	Total (audited) HK\$'000
At 1st January 2004	78,860	(12,127)	(219,037)	(9,115)	(161,419)
Credited /(charged) to profit and loss account (Note 2)	5,251	1,474	-	(79)	6,646
Reclassification to provision for corporation profit tax	-	-	-	9,000	9,000
Credited to reserves	-	-	22,981	-	22,981
At 30th June 2004	<u>84,111</u>	<u>(10,653)</u>	<u>(196,056)</u>	<u>(194)</u>	<u>(122,792)</u>
	General provisions for bad and doubtful debts (audited) HK\$'000	Accelerated tax depreciation (audited) HK\$'000	Reserves (audited) HK\$'000	Others (audited) HK\$'000	Total (audited) HK\$'000
At 1st January 2003	64,484	(7,673)	(200,944)	(4,914)	(149,047)
Credited /(charged) to profit and loss account	14,376	(4,454)	-	(4,201)	5,721
Charged to reserves	-	-	(18,093)	-	(18,093)
At 31st December 2003	<u>78,860</u>	<u>(12,127)</u>	<u>(219,037)</u>	<u>(9,115)</u>	<u>(161,419)</u>

o Deferred taxation (continued)

(2) Deferred tax assets

The following deferred tax assets have been included in "Other accounts".

	General provisions for bad and doubtful debts (audited) HK\$'000	Accelerated tax depreciation (audited) HK\$'000	Others (audited) HK\$'000	Total (audited) HK\$'000
At 1st January 2004	29,380	(2,252)	2,809	29,937
(Charged)/credited to profit and loss account (Note 2)	(712)	351	(1,028)	(1,389)
Exchange differences	200	(32)	7	175
At 30th June 2004	<u>28,868</u>	<u>(1,933)</u>	<u>1,788</u>	<u>28,723</u>

	General provisions for bad and doubtful debts (audited) HK\$'000	Accelerated tax depreciation (audited) HK\$'000	Others (audited) HK\$'000	Total (audited) HK\$'000
At 1st January 2003	27,831	(1,894)	160	26,097
Credited /(charged) to profit and loss account	1,417	(267)	2,659	3,809
Exchange differences	132	(91)	(10)	31
At 31st December 2003	<u>29,380</u>	<u>(2,252)</u>	<u>2,809</u>	<u>29,937</u>

The deferred taxation (credited) / charged to reserves during the period is as follows:

	Six months ended 30/6/2004 (audited) HK\$'000	Six months ended 30/6/2003 (audited) HK\$'000
Reserves in shareholders' equity		
- property revaluation reserve	(3,058)	17,488
- investment revaluation deficit	<u>(19,923)</u>	<u>2,907</u>
	<u>(22,981)</u>	<u>20,395</u>

Deferred taxation of HK\$1,077,000 (2003: HK\$1,106,000) was transferred within shareholders' equity from property revaluation reserve to retained profits. This represents deferred taxation on the difference between the actual depreciation on premises and the equivalent depreciation based on historical cost of premises.

REVIEW OF OPERATIONS

Shanghai Commercial Bank Limited (“the Group”) registered a highly satisfactory performance in the first half of 2004, with an increase of 39% in its consolidated profit attributable to shareholders over the same period in 2003. The net interest income of the Group increased by 6.5% as compared with the first half of 2003, while the Group’s other operating income also increased by 27.4%, which was mainly contributed by the substantial increase in the fees and commission income from its stock trading brokerage business and the selling of wealth management products. Meanwhile, the operating expenses of the Group increased by 9.5%, whereas the charge for bad and doubtful debts of the Group for the first half of 2004 decreased by 80% from that of the same period in 2003.

The economic and business prospects in the second half of 2004 are clouded by the economic tightening measures in the Mainland. Nevertheless, apart from devoting further efforts on increasing its fees and commission income, the Group will continue to work hard on increasing its net interest income. Same as before, the Group will exercise great care in the extension of new banking facilities and maintain a good control over the existing loan accounts. Meanwhile, the Group will continue to recruit more suitable staff and upgrade its staff quality.

STATEMENT OF COMPLIANCE

The above information is prepared in accordance with and fully complies with the recommended disclosures set out in the "Interim Financial Disclosure by Locally Incorporated Authorized Institutions " issued by the Hong Kong Monetary Authority on 8th November 2002.