

SHANGHAI COMMERCIAL BANK LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)
GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2002

I CONSOLIDATED PROFIT AND LOSS INFORMATION

	Note	Six months ended 30/6/2002 (audited) HK\$'000	As restated Six months ended 30/6/2001 (audited) HK\$'000
Interest income		1,128,900	2,058,314
Interest expense		<u>(430,539)</u>	<u>(1,267,184)</u>
Net interest income		698,361	791,130
Other operating income		<u>269,198</u>	<u>256,282</u>
Operating income		967,559	1,047,412
Operating expenses		<u>(423,741)</u>	<u>(427,222)</u>
Operating profit before provisions		543,818	620,190
Charge for bad and doubtful debts		<u>(61,016)</u>	<u>(55,579)</u>
Operating profit		482,802	564,611
Net losses on disposal of fixed assets		(148)	(3,839)
Profits less losses on disposal of held-to-maturity securities and non-trading securities	1	57,515	71,317
Share of net losses of jointly controlled entities	2	(11,758)	(3,971)
Share of (loss)/profit of an associated company		<u>(512)</u>	<u>79</u>
Profit before taxation		527,899	628,197
Taxation	3	<u>(47,192)</u>	<u>(85,446)</u>
Profit after taxation		480,707	542,751
Minority interests		<u>168</u>	<u>113</u>
Profit attributable to shareholders		<u>480,875</u>	<u>542,864</u>
Note:			
1		Six months ended 30/6/2002 (audited) HK\$'000	Six months ended 30/6/2001 (audited) HK\$'000
Profits less losses on disposal of: Held-to-maturity securities		56,567	53,541
Non-trading securities		<u>948</u>	<u>17,776</u>
		<u>57,515</u>	<u>71,317</u>

2 The Group's share of post acquisition results of its investments in jointly controlled entities are recorded in the profit and loss account effective from 1st January 2001. Prior to this date, post acquisition results were only dealt with to the extent of actual dividends received. This change in accounting policy has been applied retrospectively and the effects of this change have been to increase the Group's retained profits at 1st January 2001 by HK\$43,262,000 and to decrease the Group's profit for the six months ended 30th June 2001 by HK\$3,971,000.

3 Hong Kong profits tax has been provided at the rate of 16% (2001 : 16%) 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.

		Six months ended 30/6/2002 (audited) HK\$'000	Six months ended 30/6/2001 (audited) HK\$'000
Hong Kong profits tax		36,030	84,442
Overseas taxation		<u>11,162</u>	<u>1,004</u>
		<u>47,192</u>	<u>85,446</u>

There is no material potential liability for Hong Kong deferred taxation as at 30th June 2002 (31st December 2001: Nil). Included in "other accounts" are deferred tax assets of HK\$17,591,000 (31st December 2001: HK\$16,993,000) which have been set up for overseas operations in accordance with their local practices.

The bank has entered into aircraft leverage lease arrangement as well as coupon bond transaction. The related amount credited to Hong Kong profits tax is HK\$13,500,000 for the six months ended 30th June 2002 (2001: HK\$6,059,000). The unamortized carrying cost of these transactions were included in "other accounts". In addition, the current period taxation includes a reversal of overprovision for Hong Kong taxation of HK\$22,500,000 brought forward from prior year.

II CONSOLIDATED BALANCE SHEET INFORMATION

	Note	30/6/2002 (audited) HK\$'000	31/12/2001 (audited) HK\$'000
ASSETS			
Cash and short-term funds		17,697,274	20,800,468
Placements with banks and other financial institutions maturing between one and twelve months		8,860,965	6,415,195
Trade bills		743,400	506,802
Certificates of deposit held		3,098,433	2,121,531
Securities held for dealing purposes		215,378	463,883
Advances to customers and other accounts	a	28,525,938	29,242,966
Held-to-maturity securities and non-trading securities		11,864,122	9,931,813
Investment in an associated company		19,846	20,358
Investments in jointly controlled entities		111,066	120,604
Fixed assets		<u>2,050,659</u>	<u>2,029,644</u>
TOTAL ASSETS		<u><u>73,187,081</u></u>	<u><u>71,653,264</u></u>
LIABILITIES			
Deposits and balances of banks and other financial institutions		4,158,494	2,963,397
Current, fixed, savings and other deposits of customers		54,627,065	55,237,968
Certificates of deposit issued		3,600,000	2,870,000
Other accounts and provisions		<u>976,421</u>	<u>836,016</u>
TOTAL LIABILITIES		<u>63,361,980</u>	<u>61,907,381</u>
CAPITAL RESOURCES			
Minority interests		<u>4,656</u>	<u>5,024</u>
Share capital		2,000,000	2,000,000
Reserves			
General reserve		5,443,102	5,441,454
Property revaluation reserve		1,245,988	1,256,392
Other reserves		24,033	26,000
Proposed final dividend		-	400,000
Retained profits		<u>1,107,322</u>	<u>617,013</u>
Shareholders' funds		<u>9,820,445</u>	<u>9,740,859</u>
TOTAL CAPITAL RESOURCES		<u>9,825,101</u>	<u>9,745,883</u>
TOTAL LIABILITIES AND CAPITAL RESOURCES		<u><u>73,187,081</u></u>	<u><u>71,653,264</u></u>

III SUPPLEMENTARY INFORMATION

a Advances to customers and other accounts

	30/6/2002 (audited) HK\$'000	31/12/2001 (audited) HK\$'000
Advances to customers	28,389,762	29,168,638
Provisions for bad and doubtful debts		
General	(341,973)	(344,516)
Specific	(216,951)	(185,665)
	<u>27,830,838</u>	<u>28,638,457</u>
Accrued interest	177,724	180,752
Other accounts	517,376	423,757
	<u>695,100</u>	<u>604,509</u>
	<u>28,525,938</u>	<u>29,242,966</u>

b Gross advances to customers by industry sector

	30/6/2002 (unaudited) HK\$'000	31/12/2001 (unaudited) HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	1,531,002	1,938,005
- Property investment	4,859,024	4,955,298
- Financial concerns	29,249	54,004
- Stockbrokers	4,056	2,472
- Wholesale and retail trade	580,867	617,383
- Manufacturing	981,942	910,270
- Transport and transport equipment	158,457	143,958
- Telecommunication	594	1,226
- Others	3,876,624	4,352,264
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	967,169	1,048,390
- Loans for the purchase of other residential properties	6,094,711	6,547,441
- Credit card advances	381,010	404,775
- Others	1,051,684	974,703
Trade finance	3,674,335	3,345,173
Loans for use outside Hong Kong	4,199,038	3,873,276
	<u>28,389,762</u>	<u>29,168,638</u>

c 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:

	30/6/2002 (audited) HK\$'000		31/12/2001 (audited) HK\$'000	
Gross advances	669,147	2.36	619,288	2.12
Less: suspended interest capitalised	(65,231)		(66,448)	
	<u>603,916</u>		<u>552,840</u>	
Specific provisions (Note)	(166,955)		(126,335)	
	<u>436,961</u>		<u>426,505</u>	
Suspended interest	<u>86,736</u>		<u>89,096</u>	

Note

The specific provisions were made after taking into account the value of collateral in respect of such advances as at 30th June 2002 and 31st December 2001 respectively.

d 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:

	30/6/2002 (unaudited)		31/12/2001 (unaudited)	
	HK\$'000	%	HK\$'000	%
Gross amount of advances which have been overdue for				
- six months or less but over three months	107,784	0.38	130,411	0.45
- one year or less but over six months	53,992	0.19	91,806	0.31
- over one year	92,812	0.33	54,459	0.19
	<u>254,588</u>	<u>0.90</u>	<u>276,676</u>	<u>0.95</u>
Secured overdue advances	169,297		225,699	
Unsecured overdue advances	<u>85,291</u>		<u>50,977</u>	
	<u>254,588</u>		<u>276,676</u>	
Market value of security held against the secured overdue advances	<u>221,261</u>		<u>268,615</u>	
Specific provisions made	<u>93,310</u>		<u>64,251</u>	

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

	30/6/2002 (unaudited)		31/12/2001 (unaudited)	
	HK\$'000	%	HK\$'000	%
Rescheduled advances	<u>229,428</u>	0.81	<u>213,620</u>	0.73

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

	30/6/2002 (unaudited) HK\$'000	31/12/2001 (unaudited) HK\$'000
Gross amount of overdue advances (item d)	254,588	276,676
Less: gross amount of advances which are overdue for more than three months and on which interest is still being accrued	32,473	34,302
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>381,801</u>	<u>310,466</u>
Gross amount of non-performing advances (item c)	<u>603,916</u>	<u>552,840</u>

g The amount of other assets which have been overdue for:

	Trade Bills	
	30/6/2002 (unaudited) HK\$'000	31/12/2001 (unaudited) HK\$'000
- six months or less but over three months	292	39
- one year or less but over six months	<u>162</u>	<u>1,230</u>
	<u>454</u>	<u>1,269</u>

h 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:

	30/6/2002 (audited) HK\$'000	31/12/2001 (audited) HK\$'000
Direct credit substitutes	1,374,307	1,344,343
Trade-related contingencies	4,515,028	3,391,092
Other commitments with an original maturity of:		
- under 1 year or which are unconditionally cancellable	17,154,644	13,780,184
- 1 year and over	2,955,092	2,872,756
	<u>25,999,071</u>	<u>21,388,375</u>

(2) Derivatives

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

	30/6/2002 (audited) HK\$'000	31/12/2001 (audited) HK\$'000
Exchange rate contracts		
Forward contracts	8,931,101	5,740,243
Interest rate contracts		
Interest rate swaps	3,425,745	2,364,723
	<u>12,356,846</u>	<u>8,104,966</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 financial period and accordingly the following amounts are shown on a gross basis.

As at 30th June 2002 and 31st December 2001 the contract amounts, credit risk weighted amounts and replacement costs of the above off balance sheet exposures are as follows:

	Contract amount 30/6/2002 (audited) HK\$'000	Credit risk weighted amount 30/6/2002 (audited) HK\$'000	Replacement cost 30/6/2002 (audited) HK\$'000	Contract amount 31/12/2001 (audited) HK\$'000	Credit risk weighted amount 31/12/2001 (audited) HK\$'000	Replacement cost 31/12/2001 (audited) HK\$'000
Contingent liabilities and commitments	25,999,071	3,683,772		21,388,375	3,421,776	
Derivatives						
- Exchange rate contracts	8,931,101	75,158	70,453	5,740,243	47,309	25,002
- Interest rate contracts	3,425,745	49,218	90,231	2,364,723	9,647	7,978
	<u>38,355,917</u>	<u>3,808,148</u>	<u>160,684</u>	<u>29,493,341</u>	<u>3,478,732</u>	<u>32,980</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 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.

i Capital adequacy and liquidity ratios

	30/6/2002 (unaudited)	31/12/2001 (unaudited)
Capital adequacy ratio	<u>23%</u>	<u>22%</u>
Adjusted capital adequacy ratio	<u>23%</u>	<u>22%</u>

The capital adequacy ratio 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 at the end of the financial period 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 are as follows:

	30/6/2002 (unaudited) HK\$'000	31/12/2001 (unaudited) HK\$'000
Core capital		
Paid up ordinary share capital	2,000,000	2,000,000
Reserves	6,103,815	5,513,620
Profit and loss account	<u>494,953</u>	<u>582,499</u>
	8,598,768	8,096,119
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Supplementary capital		
Reserves on revaluation of land and interests in land	872,191	879,474
Reserves on revaluation of holding of securities not held for trading purposes	(62,253)	(60,286)
General provisions for doubtful debts	<u>350,799</u>	<u>350,532</u>
	1,160,737	1,169,720
	-----	-----
Total gross and eligible value of supplementary capital	1,160,737	1,169,720
	-----	-----
Total capital base before deductions	9,759,505	9,265,839
	-----	-----
Deductions from total capital base		
Shareholdings in subsidiaries or holding company	(51,670)	(51,726)
Exposures to connected companies	(82,435)	(82,455)
Equity investments of 20% or more in non-subsidiary companies	(24,000)	(21,000)
Investments in the capital of other banks and financial institutions	<u>(183,032)</u>	<u>(182,961)</u>
	(341,137)	(338,142)
	-----	-----
Total capital base after deductions	<u>9,418,368</u>	<u>8,927,697</u>
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	Six months ended 30/6/2002 (unaudited)	Six months ended 30/6/2001 (unaudited)
Liquidity ratio	<u>61%</u>	<u>56%</u>

The liquidity ratio is calculated as the average 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.

j 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	
	30/6/2002	31/12/2001	30/6/2002	31/12/2001	30/6/2002	31/12/2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	23,970,000	24,624,000	604,000	553,000	255,000	275,000
Asia & Pacific excluding Hong Kong	373,000	399,000	-	-	-	2,000
of which China	227,000	249,000	-	-	-	2,000
of which Taiwan	136,000	144,000	-	-	-	-
North America	3,024,000	3,015,000	-	-	-	-
of which United States	3,024,000	3,015,000	-	-	-	-
Caribbean	613,000	950,000	-	-	-	-
of which Bermuda	104,000	417,000	-	-	-	-
of which other countries	509,000	533,000	-	-	-	-
Western Europe	410,000	181,000	-	-	-	-
of which United Kingdom	333,000	145,000	-	-	-	-
of which France	3,000	1,000	-	-	-	-

k 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.

30/6/2002

	Banks and	Public	Others	Total
	other financial	sector entities	(unaudited)	(unaudited)
	institutions	(unaudited)	(unaudited)	(unaudited)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia & Pacific excluding Hong Kong	7,378,000	325,000	364,000	8,067,000
of which Australia	3,141,000	-	4,000	3,145,000
of which Japan	1,632,000	4,000	-	1,636,000
North America	2,889,000	954,000	439,000	4,282,000
of which United States	1,961,000	899,000	431,000	3,291,000
Western Europe	20,450,000	15,000	1,017,000	21,482,000
of which Germany	5,636,000	3,000	52,000	5,691,000
of which United Kingdom	4,652,000	1,000	896,000	5,549,000
Other countries	35,000	39,000	721,000	795,000

31/12/2001

	Banks and	Public	Others	Total
	other financial	sector entities	(unaudited)	(unaudited)
	institutions	(unaudited)	(unaudited)	(unaudited)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia & Pacific excluding Hong Kong	7,414,000	227,000	547,000	8,188,000
of which Australia	2,886,000	1,000	4,000	2,891,000
of which Japan	2,509,000	3,000	1,000	2,513,000
North America	3,170,000	688,000	1,004,000	4,862,000
of which United States	2,037,000	490,000	991,000	3,518,000
Western Europe	17,557,000	13,000	842,000	18,412,000
of which Germany	5,887,000	4,000	9,000	5,900,000
Other countries	38,000	-	1,033,000	1,071,000

1 Foreign currency position

30/6/2002

	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	31,731,000	(29,192,000)	4,061,000	(4,207,000)	2,393,000
Pound Sterling	1,835,000	(1,834,000)	126,000	(98,000)	29,000
Japanese Yen	338,000	(366,000)	119,000	(90,000)	1,000
Other currencies and gold	<u>5,136,000</u>	<u>(5,201,000)</u>	<u>1,075,000</u>	<u>(1,006,000)</u>	<u>4,000</u>
	<u>39,040,000</u>	<u>(36,593,000)</u>	<u>5,381,000</u>	<u>(5,401,000)</u>	<u>2,427,000</u>

31/12/2001

	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	32,658,000	(30,163,000)	2,520,000	(2,550,000)	2,465,000
Pound Sterling	1,773,000	(1,731,000)	68,000	(73,000)	37,000
Japanese Yen	512,000	(528,000)	89,000	(72,000)	1,000
Other currencies and gold	<u>4,639,000</u>	<u>(4,591,000)</u>	<u>668,000</u>	<u>(712,000)</u>	<u>4,000</u>
	<u>39,582,000</u>	<u>(37,013,000)</u>	<u>3,345,000</u>	<u>(3,407,000)</u>	<u>2,507,000</u>

REVIEW OF OPERATIONS

Shanghai Commercial Bank Limited ("the Group") registered a decrease of 11.4% in its consolidated profit attributable to shareholders for the first half of 2002. Owing to further significant narrowing of the net interest margin, the net interest income decreased by 11.7% as compared with the first half of 2001. The Group's other operating income increased by 5.0% owing to an increase in fee and commission income, whereas the operating expenses of the Group decreased slightly by 0.8%.

During the first half of 2002, the Group has continued to work hard on soliciting new business and enlarging its customer base. To broaden its range of services to small and medium-sized enterprises, the Group has launched a new loan product in the form of corporate tax loan and has participated in the SME Business Installations and Equipment Loan Guarantee Scheme which was launched by the Government in December 2001. In addition, the Group has also continued to focus on increasing its fee income by actively marketing a series of wealth management products. Apart from distributing a multitude of unit trusts and mutual funds offered by ten fund houses and a variety of insurance products offered by Hong Kong Life Insurance Ltd., a joint venture formed by the Group together with five other founding members of Bank Consortium Trust Co. Ltd. in May 2001, the Group has started marketing general insurance products using its own brand name, with the first one being offered in May 2002.

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 2nd November 2001.