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The Bank actively develops its credit card business by launching various theme cards and co-branded cards to the market.

本銀行推出各類專題卡和聯營卡，積極拓展信用卡業務。



Five-Year Financial Summary

	2004	2003	2002	2001	2000
For The Year (In HK\$ Million)					
Net interest income	1,500	1,400	1,399	1,516	1,584
Other operating income	825	694	562	540	561
Operating expenses	798	736	847	849	813
Operating profit	1,512	1,192	940	1,064	1,204
Profit attributable to shareholders	1,316	1,013	867	988	1,073
Dividend	460	400	400	400	400

At Year End (In HK\$ Million)

Shareholders' funds	11,613	10,678	10,077	9,741	9,194
Total assets	76,190	74,804	73,272	71,653	65,465
Total deposits	60,373	59,948	60,150	58,108	54,411
Total loans and advances	30,205	28,149	27,757	29,169	28,247

Financial Ratios

Capital adequacy ratio-adjusted	23%	23%	22%	22%	23%
Liquidity ratio	64%	74%	66%	57%	57%
Loan to deposit ratio*	56.33%	53.25%	52.65%	56.34%	56.21%
Dividend payout ratio	34.95%	39.49%	46.14%	40.48%	37.27%
Return on average assets	1.74%	1.37%	1.20%	1.44%	1.74%

* Loan to deposit ratio is stated based on total loans and advances, trade bills and holdings of debt securities issued by corporations to total deposits.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-fourth Annual General Meeting of the Members of the Bank will be held at its Registered Office, 12 Queen's Road Central, Hong Kong on Tuesday, 19th April 2005 at 11:00 a.m. to transact the following business:

- (1) To receive and consider the audited accounts and the Reports of the Directors and of the Auditors for the year ended 31st December 2004;
- (2) To declare Dividend in respect of the year 2004;
- (3) To elect Directors;
- (4) To approve the payment of Directors' fees for the year ended 31st December 2004;
- (5) To re-appoint Auditors and to authorise the Directors to fix their remuneration.

A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a Member.

The Register of Members of the Bank will be closed from Tuesday, 12th April 2005 to Tuesday, 19th April 2005, both days inclusive.

By Order of the Board
Edward Kawah Chu
Assistant General Manager & Corporate Secretary

Hong Kong, 23rd February 2005

Board of Directors

John Kam-pak Yan, Chairman & Managing Director

* Jung-sen Lee, OBE, LLD

Hung-ching Yung, JP

Frank Kai-shu Lau

Lincoln Chu Kuen Yung, JP

Shen Ruolei

* Dr. Philip Kin Hang Wong, GBS, JP, LLD, DH

David Joseph Zuercher

(Michael Gallagher, Alternate)

* Dr. Richard Lee

* Johnson Mou Daid Cha

(Dr. Lam Chat Yu, Alternate)

David Sek-chi Kwok

Robert Law Joss

(Ignatius Wooi-kean Choong, Alternate)

Fu Jianhua

(Zhang Qi, Alternate)

Stephen Ching Yen Lee

(Chen Yih Pin, Alternate)

Edward Kawah Chu

* Independent Non-executive Directors

Management

Executives

Chairman & Managing Director

General Manager

Assistant General Manager

& Corporate Secretary

Assistant General Managers

Assistant General Manager

& Chief Financial Controller

Senior Managers

Chief Auditor

Managers

John Kam-pak Yan

David Sek-chi Kwok

Edward Kawah Chu

Chun-yiu Chan

Francis Wai-choi Cheung

Henry Koon-man To

Chun-sum Chan

Daniel Kwok-hung Chan

Burton Chi-shan Cheng

Pui-man Yeung

John Shing-sang Sia

Albert Tak-wo Leung

Henry Siu-chuen Lau

Stella Pik-san Lau

Elizabeth Po-san Ng

John Yu-kam Chow

Hon-ming Mak

Paul Kun-kow Wong

Alvin Kwok-kit Lau

Vincent Chi-wing Man

Raymond Pui-kam Tse

Sing-yui Fung

Tony Kwok-keung Wat

Overseas Branches

London Branch

Manager

Frederick Yan Chu

San Francisco Branch

Vice President & Manager

Philip She-hoi Lee

New York Branch

Vice President & Manager

Timothy Kam-tim Chan

Los Angeles Branch

Senior Vice President & Manager

Ching-hsing Kao

Mainland Branch

Shenzhen Branch

Manager

Vincent Chi-wing Man

Mainland Representative Office

Shanghai Representative Office

Chief Representative

Alvin Kwok-kit Lau

Biographical Details of Directors and Senior Management

Directors

Mr. John Kam-pak Yan

Aged 63. Chairman and Managing Director of the Bank. Joined the Bank in August 1959. Appointed a Director in February 1988 and as Managing Director in October 1997. Chief Executive since April 2000. Elected Chairman in September 2001.

Mr. Jung-sen Lee, OBE, LLD

Aged 89. Appointed a Director of the Bank in May 1952. A Director of Lee Gardens International Holdings Limited and Television Broadcasts Limited.

Mr. Hung-ching Yung, JP

Aged 82. Appointed a Director of the Bank in March 1973. Managing Director and General Manager of Nanyang Holdings Limited. Chairman of The Shanghai Commercial & Savings Bank, Ltd. and Shanghai Sung Nan Textile Co. Ltd.

Mr. Frank Kai-shu Lau

Aged 62. Appointed a Director of the Bank in March 1996. Former General Manager of the Bank.

Mr. Lincoln Chu Kuen Yung, JP

Aged 59. Appointed a Director of the Bank in September 1998. He has extensive experience in the textile industry, banking and investment. Currently he serves as a Director of Nanyang Holdings Limited, The Shanghai Commercial & Savings Bank, Ltd., Tai Ping Carpets International Limited and Galaxy Satellite Broadcasting Limited.

Mr. Shen Ruolei

Aged 59. Appointed a Director of the Bank in March 1999. Chairman of Shanghai United International Investment Ltd.

Dr. Philip Kin Hang Wong, GBS, JP, LLD, DH

Aged 72. Appointed a Director of the Bank in March 2001. A consultant of a Hong Kong firm of solicitors and also a Notary Public, Hong Kong SAR and a China Appointed Attesting Officer.

Biographical Details of Directors and Senior Management

Mr. David Joseph Zuercher

Aged 58. Appointed an Alternate Director to Professor Chang-Lin Tien in January 1999 and resigned in March 2001 when he was appointed a Director of the Bank. Executive Vice President of Wells Fargo Bank, N.A.

Dr. Richard Lee

Aged 67. Appointed a Director of the Bank in April 2001. Chairman of TAL Apparel Limited and a Director of Jardine Matheson Holdings Limited, Hongkong Land Holdings Limited and Mandarin Oriental International Limited.

Mr. Johnson Mou Daid Cha

Aged 53. Appointed a Director of the Bank in September 2001. Managing Director of The Mingly Corporation Limited, and also a Director of HKR International Limited, Hanison Construction Holdings Limited and China International Capital Corporation Limited.

Mr. David Sek-chi Kwok

Aged 51. General Manager of the Bank. Joined the Bank in October 1971. Appointed a Director in October 2001. Alternate Chief Executive since January 2004 and General Manager since July 2004.

Mr. Robert Law Joss

Aged 63. Served as a Director of the Bank from April 1979 to March 1984 and also from July 1985 to March 1993. Appointed an Alternate Director to Mr. David Joseph Zuercher in March 2001 and resigned in April 2002 when he was appointed a Director of the Bank. A Director of Wells Fargo & Company. Dean of the Graduate School of Business at Stanford University.

Mr. Fu Jianhua

Aged 53. Appointed a Director of the Bank in January 2004. Chairman of Bank of Shanghai. A Director of Shanghai United International Investment Ltd.

Mr. Stephen Ching Yen Lee

Aged 58. Appointed a Director of the Bank in June 2004. Managing Director of The Shanghai Commercial & Savings Bank, Ltd. and Great Malaysia Textile Manufacturing Company Private Limited. Chairman of PSA International Private Limited.

Mr. Edward Kawah Chu

Aged 49. Assistant General Manager and Corporate Secretary of the Bank. Joined the Bank in December 1979. Appointed a Director in February 2005.

Mr. Ignatius Wooi-kean Choong

Aged 43. Served as an Alternate Director to Mr. Paul Mandeville Hazen from January 1997 to March 2001 and also as an Alternate Director to Professor Chang-Lin Tien from March 2001 to March 2002. Appointed an Alternate Director to Mr. Robert Law Joss in April 2002. Managing Director, Asia Investment Management, Wells Fargo Bank, N.A.

Dr. Lam Chat Yu

Aged 53. Appointed an Alternate Director to Mr. Johnson Mou Daid Cha in May 2002. He has more than 20 years of investment experience, including 14 years in Silicon Valley, California and 10 years in Asia. He is an Executive Director of The Mingly Corporation Limited.

Mr. Michael Gallagher

Aged 43. Appointed an Alternate Director to Mr. David Joseph Zuercher in January 2003. Senior Vice President and Regional Manager of Asia Regional Office, Wells Fargo Bank, N.A.

Mr. Zhang Qi

Aged 31. Appointed an Alternate Director to Mr. Fu Jianhua in January 2004. Senior Supervisor of the General Administration Department of Bank of Shanghai. Secretary of the Board of Directors of Shanghai United International Investment Ltd.

Mr. Chen Yih Pin

Aged 65. Appointed an Alternate Director to Mr. Stephen Ching Yen Lee in June 2004. Managing Director and President of The Shanghai Commercial & Savings Bank, Ltd.

Biographical Details of Directors and Senior Management

Senior Management

Mr. John Kam-pak Yan

(Biographical details are set out on page 7)

Mr. David Sek-chi Kwok

(Biographical details are set out on page 8)

Mr. Edward Kawah Chu

(Biographical details are set out on page 9)

Mr. Chun-yiu Chan

Aged 56. An Assistant General Manager of the Bank. Joined the Bank in January 1968.

Mr. Francis Wai-choi Cheung

Aged 54. An Assistant General Manager of the Bank. Joined the Bank in July 1969.

Mr. Henry Koon-man To

Aged 52. Assistant General Manager and Chief Financial Controller of the Bank. Joined the Bank in December 1988.



By introducing new services, new products as well as organizing investment seminars, the Bank offers its customers a comprehensive package to suit their investment needs.

本銀行不斷推出新服務、新產品，以及舉辦投資講座，向客戶提供多元化的投資理財服務。

Message to Shareholders

As expected, the upturn of the Hong Kong economy which started in the second half of 2003 extended well into 2004, with the Gross Domestic Product estimated to have achieved an 8 per cent growth in real terms for the whole year of 2004, which surpassed the performance in the previous seven years. Reflecting the broad-based economic recovery, both local consumption and investment activities had picked up significantly, reversing the sluggish domestic demand that persisted over the past few years. In tandem with the economic upturn, labour market conditions improved, with the unemployment rate receding from 7.9 per cent in 2003 to 6.8 per cent in 2004. Meanwhile, the 68-month long deflation that started in November 1998 came to an end in July 2004.

Notwithstanding the improving economy, competition within the local banking sector remained intense. Interest margins continued to be under huge pressure amid low growth in advances to customers and substantial inflow of funds into the banking sector. On the other hand, with the revival of the local property market, the number of residential mortgage loans in negative equity continued to decline and the bankruptcy situation in Hong Kong eased correspondingly, which in turn helped to improve the overall asset quality of banks.

As for your Bank, the consolidated profit attributable to shareholders rose by 29.9 per cent to a record high of HK\$1,316 million in the year of 2004. The substantial improvement in the profit of the Bank in 2004 was principally attributable to an increase in the net interest income and non-interest income, and a significant reduction in the charge for bad and doubtful debts, reflecting a further improvement in the Bank's asset quality. In particular, the Bank achieved another year of significant growth in its stock brokerage and wealth management businesses. In the area of new services, apart from the provision of personal Renminbi services for Hong Kong residents since February 2004, the Bank was the second bank in Hong Kong to launch the Renminbi credit card, targeting frequent Hong Kong travellers to the Mainland. In line with the Bank's strategy to continue to look for suitable locations to expand its domestic branch network, the Bank's forty-first local branch, Tai Po Branch, commenced business in December 2004. Moreover, both the premises of Taikoo Shing Branch and Texaco Road Branch had been expanded to provide a more spacious area for their customers to conduct stock trading transactions as well as for the selling of wealth management and insurance products. As for the Bank's branch network outside Hong Kong, Shenzhen Branch had already registered encouraging business results following its commencement of business in September 2004. The Bank will consider upgrading its Shanghai Representative Office to branch status at an opportune time.

The Board appointed Mr. David Sek-chi Kwok as General Manager with effect from 23rd July 2004 to succeed Mr. Frank Kai-shu Lau who remains as a Director following his retirement from the management team. On the other hand, Mr. Ernesto Tang-fai Ng resigned as a Director on 15th December 2004. We wish to place on record the appreciation of the Board for the valuable contribution of Mr. Ng during his 37 years of service with the Bank. Meanwhile, we extend our warm welcome to the two new members of the Board, Mr. Stephen Ching Yen Lee, a Managing Director of The Shanghai Commercial & Savings Bank, Ltd., and Mr. Edward Kawah Chu, Assistant General Manager & Corporate Secretary of the Bank, who were appointed with effect from 1st June 2004 and 7th February 2005 respectively.

The outlook for the Hong Kong economy is generally positive, but the rate of economic growth is expected to moderate in 2005. While banks in Hong Kong may be able to benefit from the gradual increase in demand for loans as confidence in the domestic economy grows and the investment climate improves, the operating environment of the local banking industry will definitely become more challenging with the continued compression in the interest margins resulting from fierce competition and the growing pressure on banks to diversify their income source. Nevertheless, the Bank will continue to work hard on expanding the customer base in its core business in trade financing and in servicing the small and medium-sized enterprises, and will devote further efforts on increasing its non-interest income. Besides, efforts will continue to be spent on recruiting more quality staff so that the Bank can have appropriate manpower in place to support its growth strategy.

Regarding the satisfactory performance of the Bank in the past year, we are grateful for the support of the shareholders, the guidance of our fellow directors and the devotion of our entire staff, and we know that these will be even more indispensable to surmount the challenges in the coming year.

John Kam-pak Yan
Chairman & Managing Director

David Sek-chi Kwok
General Manager

Hong Kong, 23rd February 2005

Report of the Directors

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31st December 2004.

Principal activities

The Bank and its subsidiary companies are engaged in the provision of banking and related financial services.

Profit and appropriations

	HK\$'000	HK\$'000
The Group profit for the year after taxation and minority interests amounted to		1,316,339
Deduct: Profit retained by jointly controlled entities		(2,875)
Profit retained by subsidiary companies		<u>(7,069)</u>
Profit dealt with in the accounts of the Bank		1,306,395
Add: Retained profits of the Bank brought forward		738,687
Transfer from property revaluation reserve		12,313
Exchange translation differences		<u>602</u>
		2,057,997
which the Directors propose to appropriate as follows:		
Transfer to general reserve	(500,000)	
Proposed dividend of HK\$23 per share	<u>(460,000)</u>	<u>(960,000)</u>
Retained profits of the Bank carried forward		<u><u>1,097,997</u></u>

Reserves

Movements in the reserves of the Group and the Bank during the year are set out in Note 25 to the accounts.

Donations

During the year donations made by the Bank and its subsidiary companies for charitable and other purposes amounted to HK\$1,421,000.

Fixed assets

Details of the movements in fixed assets of the Group and the Bank are shown in Note 18 to the accounts.

Directors

The Directors of the Bank during the year and at the date of this report are:

Jung-sen Lee	
Hung-ching Yung	
John Kam-pak Yan	
Frank Kai-shu Lau	
Ernesto Tang-fai Ng	(resigned on 15th December 2004)
Lincoln Chu Kuen Yung	
Shen Ruolei	
Dr. Philip Kin Hang Wong	
David Joseph Zuercher	
(Michael Gallagher, Alternate)	
Dr. Richard Lee	
Johnson Mou Daid Cha	
(Dr. Lam Chat Yu, Alternate)	
David Sek-chi Kwok	
Robert Law Joss	
(Ignatius Wooi-kean Choong, Alternate)	
Fu Jianhua	(appointed on 13th January 2004)
(Zhang Qi, Alternate)	(appointed on 13th January 2004)
Stephen Ching Yen Lee	(appointed on 1st June 2004)
(Chen Yih Pin, Alternate)	(appointed on 1st June 2004)
Edward Kawah Chu	(appointed on 7th February 2005)

In accordance with Article 104(A) of the Bank's Articles of Association, Dr. Richard Lee, Mr. Johnson Mou Daid Cha, Mr. David Sek-chi Kwok and Mr. Robert Law Joss shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 95 of the Bank's Articles of Association, Mr. Stephen Ching Yen Lee and Mr. Edward Kawah Chu shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' interests

No contracts of significance in relation to the Group's business to which the Bank, its subsidiary companies, its fellow subsidiaries or its holding companies was a party and in which a Director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Bank, its subsidiary companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Management contracts

No substantial contracts concerning the management and administration of the whole or any substantial part of the business of the Bank were entered into or existed during the year.

Financial disclosures

The Bank has fully complied with the requirements set out in the guideline on "Financial Disclosure by Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority in November 2002.

Compliance with the Code of Best Practice

According to Article 123 of the Bank's Articles of Association, the Bank adopts the guidelines set out in the Code of Best Practice contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Code of Best Practice"). The Bank has fully complied with the Code of Best Practice throughout the year except for paragraphs 6, 7 and 12 as the Bank, being a private company, cannot comply with these paragraphs in practice.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
John Kam-pak Yan
Chairman

Hong Kong, 23rd February 2005

Auditors' Report to the Shareholders of Shanghai Commercial Bank Limited

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 18 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Bank and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Bank and the Group as at 31st December 2004 and of the profit of the Bank and the Group and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd February 2005

Consolidated Profit and Loss Account

for the year ended 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Interest income	3(a)	2,051,087	2,011,656
Interest expense		<u>(551,214)</u>	<u>(611,511)</u>
Net interest income		1,499,873	1,400,145
Other operating income	3(b)	<u>825,409</u>	<u>694,110</u>
Operating income		2,325,282	2,094,255
Operating expenses	4	<u>(798,142)</u>	<u>(736,250)</u>
Operating profit before provisions		1,527,140	1,358,005
Charge for bad and doubtful debts	6	<u>(14,984)</u>	<u>(165,701)</u>
Operating profit		1,512,156	1,192,304
Net losses on disposal of fixed assets		(888)	(3,794)
Profits less losses on disposal of held-to-maturity securities and non-trading securities		25,910	17,568
Share of net profits of jointly controlled entities		<u>4,955</u>	<u>1,970</u>
Profit before taxation		1,542,133	1,208,048
Taxation	7	<u>(225,194)</u>	<u>(194,619)</u>
Profit after taxation		1,316,939	1,013,429
Minority interests		<u>(600)</u>	<u>(399)</u>
Profit attributable to shareholders	25	<u>1,316,339</u>	<u>1,013,030</u>
Dividend	8 and 25	<u>460,000</u>	<u>400,000</u>

Profit and Loss Account

for the year ended 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Interest income	3(a)	1,963,643	1,940,251
Interest expense		<u>(551,839)</u>	<u>(612,117)</u>
Net interest income		1,411,804	1,328,134
Other operating income	3(b)	<u>902,206</u>	<u>749,774</u>
Operating income		2,314,010	2,077,908
Operating expenses	4	<u>(792,987)</u>	<u>(726,989)</u>
Operating profit before provisions		1,521,023	1,350,919
Charge for bad and doubtful debts	6	<u>(14,984)</u>	<u>(164,006)</u>
Operating profit		1,506,039	1,186,913
Net losses on disposal of fixed assets		(815)	(3,794)
Profits less losses on disposal of held-to-maturity securities and non-trading securities		<u>25,910</u>	<u>17,568</u>
Profit before taxation		1,531,134	1,200,687
Taxation	7	<u>(224,739)</u>	<u>(193,865)</u>
Profit after taxation	25	<u>1,306,395</u>	<u>1,006,822</u>
Dividend	8 and 25	<u>460,000</u>	<u>400,000</u>

Consolidated Balance Sheet

as at 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Assets			
Cash and short-term funds	9	20,076,076	20,890,532
Placements with banks and other financial institutions maturing between one and twelve months	10	2,418,605	3,383,278
Trade bills	11	1,357,162	958,650
Certificates of deposit held	12	2,757,828	2,894,547
Securities held for dealing purposes	13	473,599	336,272
Advances to customers, a bank and other accounts	14	30,349,873	28,422,745
Held-to-maturity securities and non-trading securities	16	16,666,940	15,774,469
Investments in jointly controlled entities	17(a)	130,438	127,863
Fixed assets	18	1,959,050	2,015,145
Total assets		76,189,571	74,803,501
Liabilities			
Deposits and balances of banks and other financial institutions	19	3,060,379	3,028,043
Deposits from customers	20	57,672,909	57,010,293
Certificates of deposit issued	21	2,700,000	2,938,000
Other accounts and provisions	22	1,137,656	1,143,871
Total liabilities		64,570,944	64,120,207
Capital resources			
Minority interests		5,673	5,353
Share capital	24	2,000,000	2,000,000
Reserves	25	9,612,954	8,677,941
Shareholders' funds		11,612,954	10,677,941
Total capital resources		11,618,627	10,683,294
John Kam-pak Yan ----- Chairman	Hung-ching Yung ----- Director		
Shen Ruolei ----- Director	David Sek-chi Kwok ----- General Manager		
Total liabilities and capital resources		76,189,571	74,803,501

Balance Sheet

as at 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Assets			
Cash and short-term funds	9	20,076,068	20,887,211
Placements with banks and other financial institutions maturing between one and twelve months	10	2,418,605	3,383,278
Trade bills	11	1,357,162	958,650
Certificates of deposit held	12	2,757,828	2,894,547
Securities held for dealing purposes	13	473,599	336,272
Advances to customers, a bank and other accounts	14	30,176,945	28,211,844
Held-to-maturity securities and non-trading securities	16	14,732,230	14,130,837
Investments in jointly controlled entities	17(a)	95,062	95,362
Investments in subsidiary companies	17(b)	1,823,716	1,559,337
Fixed assets	18	1,929,438	1,986,527
Total assets		75,840,653	74,443,865
Liabilities			
Deposits and balances of banks and other financial institutions	19	3,060,379	3,028,043
Deposits from customers	20	57,671,594	56,976,126
Certificates of deposit issued	21	2,700,000	2,938,000
Other accounts and provisions	22	1,132,708	1,140,550
Total liabilities		64,564,681	64,082,719
Capital resources			
Share capital	24	2,000,000	2,000,000
Reserves	25	9,275,972	8,361,146
Shareholders' funds		11,275,972	10,361,146
John Kam-pak Yan ----- Chairman	Hung-ching Yung ----- Director		
Shen Ruolei ----- Director	David Sek-chi Kwok ----- General Manager		
Total liabilities and capital resources		75,840,653	74,443,865

Consolidated Statement of Changes in Equity

for the year ended 31st December 2004

	Note	2004		2003	
		Share capital HK\$'000	Reserves HK\$'000	Share capital HK\$'000	Reserves HK\$'000
Balances at 1st January	24, 25	<u>2,000,000</u>	<u>8,677,941</u>	2,000,000	8,077,259
Change in fair value of non-trading securities	25	-	31,980	-	28,912
Exchange translation differences	25	-	3,168	-	(11,135)
Net gains not recognised in the profit and loss account		-	35,148	-	17,777
Profit for the year	25	-	1,316,339	-	1,013,030
Reduction of valuation of investment property upon reclassification	25	-	-	-	(3,000)
Investment revaluation reserve realised on disposal of non-trading securities	25	-	(30,459)	-	(9,237)
Share of reserve of a jointly controlled entity	25	-	-	-	205
Effect of deferred taxation	23, 25	-	13,985	-	(18,093)
Dividend paid in the year	25	-	(400,000)	-	(400,000)
Balances at 31st December	24, 25	<u>2,000,000</u>	<u>9,612,954</u>	<u>2,000,000</u>	<u>8,677,941</u>

Consolidated Cash Flow Statement

for the year ended 31st December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Net cash (outflow)/inflow from operating activities	26(a)	<u>(2,297,626)</u>	<u>1,251,047</u>
Cash flows from investing activities			
Interest received on held-to-maturity securities and non-trading securities		694,440	652,990
Dividends received on non-trading securities		11,181	12,420
Dividend received from a jointly controlled entity		2,080	780
Purchase of held-to-maturity securities and non-trading securities		(6,437,326)	(7,066,189)
Sale/redemption of held-to-maturity securities and non-trading securities		5,624,735	5,334,215
Repayment of advance by a jointly controlled entity		300	-
Purchase of fixed assets		(41,660)	(48,890)
Sale of fixed assets		91	113
Net cash outflow from investing activities		<u>(146,159)</u>	<u>(1,114,561)</u>
Net cash (outflow)/inflow before financing activities		<u>(2,443,785)</u>	<u>136,486</u>
Cash flows from financing activities			
Interest paid on certificates of deposit issued		(20,355)	(54,635)
Dividend paid on ordinary shares		(400,000)	(400,000)
Dividend paid to a minority shareholder of a subsidiary company		(280)	(280)
Issue of certificates of deposit	26(b)	1,460,000	-
Redemption of certificates of deposit issued	26(b)	(1,698,000)	(1,150,000)
Net cash outflow from financing activities		<u>(658,635)</u>	<u>(1,604,915)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>317,653</u>	<u>683,947</u>
Decrease in cash and cash equivalents		<u>(2,784,767)</u>	<u>(784,482)</u>
Cash and cash equivalents at 1st January		<u>21,721,866</u>	<u>22,506,348</u>
Cash and cash equivalents at 31st December	26(c)	<u>18,937,099</u>	<u>21,721,866</u>

Notes to the Accounts

1 Principal activities

The Bank and its subsidiary companies (“the Group”) are engaged in the provision of banking and related financial services.

2 Principal accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain assets, and in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new and revised HKFRSs in the accounts for the year ended 31st December 2004.

The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Group made up to 31st December.

Intercompany transactions and balances within the Group are eliminated on consolidation. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Bank’s balance sheet investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Bank on the basis of dividends received.

(c) Translation of foreign currencies

Transactions in foreign currencies are translated into Hong Kong Dollars at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong Dollars at rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with in the profit and loss account.

The balance sheets of the overseas branches and subsidiary companies are translated into Hong Kong Dollars at rates of exchange ruling at the balance sheet date whilst their results are translated into Hong Kong Dollars at average exchange rates for the year. Exchange differences arising therefrom are dealt with as a movement in reserves.

(d) Income recognition

Interest income is recognised in the profit and loss account as it accrues. Interest accrual on non-performing loans is credited to a suspense account. Suspended interest will be recognised in the profit and loss account upon receipt of cash and the account has been upgraded to the performing loan category. Otherwise the suspended interest when deemed uncollectible is reversed in the balance sheet. Fees and commission income is accounted for in the period when earned. Dividend income is recognised in the accounts upon approval obtained in the subsidiary companies for appropriation.

(e) Provision for bad and doubtful debts

Provision is made for bad and doubtful debts as and when it is considered necessary by the Directors. In addition, an amount is set aside as general provision for doubtful debts to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such. These provisions are deducted from “Advances to customers, a bank and other accounts” and “Trade bills” in the balance sheet.

2 Principal accounting policies (Continued)

(e) Provision for bad and doubtful debts (Continued)

The Group internally classifies loans and advances into five categories: pass, special mention, substandard, doubtful and loss in accordance with the recommendation of the Hong Kong Monetary Authority. The classification of loans and advances is largely based on an assessment of the borrower's capacity to repay and on the degree of doubt about the collectibility of interest and/or principal. One important indicator of collectibility is the period that payments of interest and/or principal have been overdue. A specific provision ranging from 5% to 100% on the outstanding balances net of suspended interest, is made against loans and advances depending on the nature and value of the underlying securities pledged, and where there is doubt about the collectibility of interest and/or principal. When there is no realistic prospect of recovery, the outstanding debt is written off.

(f) Advances to customers

Advances to customers are stated on the balance sheet at the principal amount outstanding net of provision for bad and doubtful debts and suspended interest.

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.

(g) Fixed assets

(i) Bank premises

Land is stated at cost or valuation less accumulated depreciation and impairment losses. Land acquired in or before 1993 is stated at Directors' valuation after having due regard to independent professional valuations carried out in 1993. Additions made subsequent to the revaluation are stated at cost.

Upon disposal or depreciation of the land, the relevant portion of the revaluation reserve realised is released and transferred from the property revaluation reserve to retained profits.

In preparing these accounts, reliance has been made on the transitional provisions set out in paragraph 80 of Statement of Standard Accounting Practice ("SSAP") 17 "Property, plant and equipment" issued by the HKICPA, which provide exemption from the need to make regular revaluations of bank premises, with the effect that land has not been revalued to fair value at the balance sheet date.

Freehold land is not depreciated. Leasehold land is depreciated on a straight line basis over the unexpired terms of the leases.

Buildings are stated at cost less accumulated depreciation and impairment losses. Depreciation of buildings is provided annually by charging a sum sufficient to write down the cost of the buildings systematically, based on management's appraisal of the conditions of the buildings, which includes estimations of the remaining useful lives of the buildings, which are not expected to exceed 40 years.

The gain or loss on disposal of bank premises is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their estimated open market value as determined by the management in November 2002 based on valuation obtained from an independent professional valuer. The Group has taken advantage of paragraphs 12 and 13 of SSAP 13 issued by the HKICPA which allow unlisted companies with investment properties the estimated open market value of which in aggregate is less than HK\$50 million or less than 15 per cent of the carrying amount of total assets of the company to be exempted from valuation at their open market value in the balance sheet. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less in which case depreciation is provided on the carrying amount over the remaining term of the lease.

2 Principal accounting policies (Continued)

(g) Fixed assets (Continued)

(i) Bank premises (Continued)

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) Furniture, fittings and equipment

Furniture, fittings and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of furniture, fittings and equipment other than computer equipment is calculated to write off the cost of the assets over their estimated useful lives on a reducing balance basis at a rate of 25% in the year of addition and at 20% per annum thereafter. Computer equipment is depreciated on a straight line basis over four years.

On disposal of furniture, fittings and equipment, the profit or loss is determined as the difference between the net sales proceeds and the carrying amount and is recognised in the profit and loss account.

(h) Securities held for dealing purposes

Securities held for dealing purposes are securities which are acquired for the purpose of generating a profit from short-term fluctuations in price, and are stated at market value at the balance sheet date with the gains and losses arising on revaluation being dealt with in the profit and loss account. Market value represents the quoted market price for securities that are actively traded in a liquid market.

(i) Held-to-maturity securities and non-trading securities

In preparing the accounts, the Group has adopted the alternative treatment set out in SSAP 24 "Accounting for investments in securities" issued by the HKICPA.

Held-to-maturity securities are dated debt securities which the Group has the expressed intention and ability to hold to maturity. These securities are included in the balance sheet at cost, adjusted for the amortisation of premiums and accretion of discounts arising on acquisition over the periods to redemption, less provision for impairment in carrying value. Provisions are made for the amount of the carrying value which the Group does not expect to recover and are recognised as expense in the profit and loss account as they arise. The amortisation of premiums and accretion of discounts arising on acquisition of these securities is included as part of net interest income. Profits or losses on realisation of these securities are accounted for in the profit and loss account as they arise.

Non-trading securities are securities other than held-to-maturity securities or securities held for dealing purposes, which are intended to be held for long term and are included in the balance sheet at fair value. Net gains or losses arising from the change in fair values of these securities are accounted for as movements in the investment revaluation reserve until the security is disposed of or is determined to be impaired at which time its cumulative gain or loss is transferred from reserve to the profit and loss account. Market value represents the quoted market price for securities that are actively traded in a liquid market.

(j) Investments in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over economic activity.

The consolidated profit and loss account included the Group's share of the results of jointly controlled entities, and the consolidated balance sheet included the Group's share of the net assets of the jointly controlled entities.

In the Bank's balance sheet, the investments in jointly controlled entities are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of jointly controlled entities are accounted for by the Bank on the basis of dividends received.

2 Principal accounting policies (Continued)

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets, revaluations of certain non-current assets and of investments, provisions for bad and doubtful debts and tax efficient schemes. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in foreseeable future.

(l) Employee benefits

(i) Retirement benefit costs

The Group operates a defined benefit scheme and contributes to two defined contribution schemes and a Mandatory Provident Fund Scheme.

The defined benefit scheme is funded by payments from the Group by taking account recommendations of independent qualified actuaries.

The defined benefit costs are assessed using the Attained Age Method and the cost of providing the benefit is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who value the scheme once every three years.

The Group's contributions to the defined contribution schemes and the Mandatory Provident Fund are charged to the profit and loss account. The assets of the Group's Mandatory Provident Fund Scheme, the defined contribution schemes and the defined benefit scheme are held separately from those of the Group in independently administered funds.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

(m) Operating leases

Leases where substantially all of the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. Rentals applicable to operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(n) Off-balance sheet financial instruments

Off-balance sheet financial instruments arise from forwards and swaps transactions undertaken by the Group in the foreign exchange and interest rate markets.

The accounting for these instruments is dependent upon whether the transactions are undertaken for trading purposes or to hedge risk.

Derivative financial instruments other than those transacted to hedge risk are deemed to be held for trading purposes.

Transactions undertaken for trading purposes are marked to market and the gains or losses arising are recognised in the profit and loss account.

Unrealised gains on transactions which are marked to market are included in "Other accounts" in the balance sheet. Unrealised losses on transactions which are marked to market are included in "Other payables and accruals".

2 Principal accounting policies (Continued)

(n) Off-balance sheet financial instruments (Continued)

On the date a derivative contract is entered into, the Group may designate certain derivative transactions as hedges. Derivatives are classified as a hedge when the following criteria are met:

- (i) formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared;
- (ii) the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- (iii) the hedge is expected to be effective on an on-going basis.

Transactions designated as hedges are valued on equivalent basis to the assets, liabilities or net positions that they are hedging. Any profit or loss is recognised in the profit and loss account on the same basis as that arising from the related assets, liabilities or net positions.

If the derivative transaction no longer meets the criteria for a hedge set out above, the derivative is deemed to be held for trading purposes and is accounted for as set out above.

(o) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence.

(p) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company and jointly controlled entity at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1st January 2001 were credited to or written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 issued by HKICPA and goodwill previously credited to or written off against reserves have not been restated.

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

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

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

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(r) Cash and cash equivalents

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

The cash and cash equivalents exclude certain amount of deposits with the local banks in the countries the Group is operating the business for the purpose of complying with the local statutory requirements of the countries.

3 Interest and other operating income

(a) Interest income

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Interest income on listed investments	359,323	326,851	292,635	269,440
Interest income on unlisted investments	220,156	283,557	206,435	277,089
Other interest income	1,471,608	1,401,248	1,464,573	1,393,722
	<u>2,051,087</u>	<u>2,011,656</u>	<u>1,963,643</u>	<u>1,940,251</u>

(b) Other operating income

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Fees and commission income	622,048	488,108	617,657	486,194
Less : Fees and commission expense	(24,004)	(21,443)	(24,015)	(21,242)
Net fees and commission income	598,044	466,665	593,642	464,952
Net gain on foreign exchange trading	117,115	85,891	115,886	83,922
Net profit on securities held for dealing purposes	5,928	19,285	5,928	19,285
Dividend income				
– listed investments	2,048	2,702	2,048	2,702
– unlisted investments	11,171	10,203	13,251	10,983
– subsidiary companies	–	–	81,820	63,920
Others	91,103	109,364	89,631	104,010
	<u>825,409</u>	<u>694,110</u>	<u>902,206</u>	<u>749,774</u>

4 Operating expenses

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Staff costs				
Salaries and other costs (Note)	466,888	443,629	456,783	433,993
Pension costs	24,504	24,360	24,040	23,922
Premises and equipment				
Rental of premises	35,958	36,853	37,831	38,501
Building expenses	11,136	10,522	11,136	10,519
Building management fee	5,072	5,395	4,966	5,297
Depreciation	100,054	76,395	104,433	79,241
Auditors' remuneration	3,393	4,932	3,111	4,677
Other operating expenses				
Telegram and telephone	21,598	21,090	21,550	21,009
Credit card business promotion	18,484	9,856	18,484	9,856
Postage	13,053	12,227	13,038	12,218
Repair and maintenance	13,661	12,766	13,649	12,593
Legal and consultancy	4,475	4,885	4,904	3,837
Water, heat and light	11,529	11,061	11,457	10,990
Printing and stationery	6,912	7,354	6,863	7,301
Computer rental and licence	6,425	6,950	7,009	7,358
Travelling and transportation	4,609	3,504	4,368	3,416
Advertising and business promotion	6,742	4,230	6,614	4,268
Others	43,649	40,241	42,751	37,993
	<u>798,142</u>	<u>736,250</u>	<u>792,987</u>	<u>726,989</u>

Note:

The amounts of the Group and the Bank for the year ended 31st December 2004 include Directors' fee of HK\$1,490,000 (2003: HK\$1,130,000).

5 Directors' emoluments

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
Fees	1,490	1,130
Basic salaries, allowances and bonus	24,385	21,243
Contributions to pension schemes	762	824
	<u>26,637</u>	<u>23,197</u>

6 Charge for bad and doubtful debts

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Specific provision charged/(credited) to profit and loss account				
New provisions (Note 15)	49,290	129,713	53,950	128,724
Releases (Note 15)	-	(1,246)	-	(1,246)
	49,290	128,467	53,950	127,478
General provision charged/(credited) to profit and loss account				
New provisions	934	37,234	934	36,528
Releases	(35,240)	-	(39,900)	-
	(34,306)	37,234	(38,966)	36,528
	14,984	165,701	14,984	164,006

7 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been provided on the estimated assessable profit for the year 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:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Current taxation:				
- Hong Kong profits tax	196,352	170,231	194,511	168,835
- Overseas taxation	39,246	38,474	39,493	37,930
- Over provisions in prior years	(19,204)	(4,556)	(19,204)	(3,313)
Deferred taxation:				
- Hong Kong deferred tax	10,181	(5,721)	11,320	(5,778)
- Overseas deferred tax	(1,381)	(3,809)	(1,381)	(3,809)
	225,194	194,619	224,739	193,865

Notes to the Accounts

7 Taxation (Continued)

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:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<u>1,542,133</u>	<u>1,208,048</u>	<u>1,531,134</u>	<u>1,200,687</u>
Calculated at a taxation rate of 17.5% (2003: 17.5%)	269,873	211,408	267,948	210,120
Effect of different taxation rates in other countries	35,426	32,773	35,426	32,773
Income not subject to taxation	(54,721)	(53,579)	(54,394)	(54,063)
Expenses not deductible for taxation purposes	19,264	38,753	20,407	38,528
Net effect of investments in partnerships (Note)	(25,444)	(30,180)	(25,444)	(30,180)
Over provisions in prior years	(19,204)	(4,556)	(19,204)	(3,313)
Taxation charge	<u>225,194</u>	<u>194,619</u>	<u>224,739</u>	<u>193,865</u>

Note:

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 31st December 2004, the unamortised carrying cost of the investments in such partnerships, which was included in "other accounts", amounted to HK\$272,234,000 (2003: HK\$511,963,000). The Bank's investments in partnerships are amortised over the life of the partnerships.

8 Dividend

	2004 HK\$'000	2003 HK\$'000
Proposed dividend of HK\$23 (2003: HK\$20) per share	<u>460,000</u>	<u>400,000</u>

9 Cash and short-term funds

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Cash and balances with banks and other financial institutions	642,251	478,220	642,243	474,899
Money at call and short notice	19,433,825	20,412,312	19,433,825	20,412,312
	<u>20,076,076</u>	<u>20,890,532</u>	<u>20,076,068</u>	<u>20,887,211</u>

As of 31st December 2004, HK\$7,871,000 (2003: HK\$7,868,000) was deposited with Federal Reserve Bank in United States to comply with the local reserve requirement.

In addition, as at 31st December 2004, there was HK\$1,500,000 (2003: HK\$1,500,000) deposited in the name of the Director of Accounting Services Treasury Hong Kong placed by a subsidiary company in the Bank (2003: placed in a wholly owned subsidiary company) to comply with statutory requirement.

10 Placements with banks and other financial institutions maturing between one and twelve months

The maturity profile of placements with banks and other financial institutions maturing between one and twelve months analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
Three months or less	2,193,275	3,377,913
One year or less but over three months	225,330	5,365
	<u>2,418,605</u>	<u>3,383,278</u>

As of 31st December 2004, HK\$56,441,000 (2003: Nil) was deposited with a state bank in People's Republic of China to comply with the local reserve requirement.

11 Trade bills

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
Trade bills	1,378,130	971,799
Provision for bad and doubtful debts		
General (Note 15)	(14,278)	(10,124)
Specific (Note 15)	(6,690)	(3,025)
	<u>1,357,162</u>	<u>958,650</u>

12 Certificates of deposit held

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Held-to-maturity securities, at amortised cost, unlisted and issued by: Banks and other financial institutions	2,423,080	2,894,547
Non-trading securities, at fair value, unlisted and issued by: Banks and other financial institutions	<u>334,748</u>	<u>–</u>
	<u>2,757,828</u>	<u>2,894,547</u>

The maturity profile of certificates of deposit held analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Held-to-maturity securities:		
Three months or less	–	149,972
One year or less but over three months	1,298,872	921,795
Five years or less but over one year	<u>1,124,208</u>	<u>1,822,780</u>
	<u>2,423,080</u>	<u>2,894,547</u>
Non-trading securities:		
Three months or less	179,006	–
Five years or less but over one year	<u>155,742</u>	<u>–</u>
	<u>334,748</u>	<u>–</u>
	<u>2,757,828</u>	<u>2,894,547</u>

13 Securities held for dealing purposes

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Debt securities, at market value:		
Listed outside Hong Kong	239,656	129,843
Unlisted	<u>89,128</u>	<u>112,858</u>
	<u>328,784</u>	<u>242,701</u>
Equity securities, at market value:		
Listed in Hong Kong	48,635	5,435
Listed outside Hong Kong	<u>96,180</u>	<u>88,136</u>
	<u>144,815</u>	<u>93,571</u>
	<u>473,599</u>	<u>336,272</u>

13 Securities held for dealing purposes (Continued)

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Debt securities issued by:		
Central governments and central banks	212,372	105,002
Public sector entities	40,178	67,326
Banks and other financial institutions	26,292	29,949
Corporate entities	49,942	40,424
	<u>328,784</u>	<u>242,701</u>
Equity securities issued by:		
Public sector entities	-	92
Banks and other financial institutions	48,789	5,291
Corporate entities	96,026	88,188
	<u>144,815</u>	<u>93,571</u>
	<u>473,599</u>	<u>336,272</u>

The maturity profile of debt securities included above and analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
One year or less but over three months	5,361	567
Five years or less but over one year	274,021	158,528
Over five years	49,402	83,606
	<u>328,784</u>	<u>242,701</u>

14 Advances to customers, a bank and other accounts

	The Group		The Bank	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advances to customers	30,197,431	28,149,225	30,030,737	27,943,717
Provisions for bad and doubtful debts				
General (Note 15)	(363,788)	(401,572)	(355,863)	(398,307)
Specific (Note 15)	(162,784)	(180,069)	(162,077)	(174,688)
	<u>29,670,859</u>	<u>27,567,584</u>	<u>29,512,797</u>	<u>27,370,722</u>
Advance to a bank	<u>7,770</u>	-	<u>7,770</u>	-
Accrued interest	207,713	206,391	196,878	195,924
Other accounts	463,531	648,770	459,500	645,198
	<u>671,244</u>	<u>855,161</u>	<u>656,378</u>	<u>841,122</u>
	<u>30,349,873</u>	<u>28,422,745</u>	<u>30,176,945</u>	<u>28,211,844</u>

Notes to the Accounts

14 Advances to customers, a bank and other accounts (Continued)

The amount of advances to customers on which interest is being placed in suspense or on which interest accrual has ceased are analysed as follows:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Gross advances	412,592	654,033	407,576	639,031
Less: suspended interest capitalised/received	(42,299)	(61,755)	(41,596)	(59,657)
	<u>370,293</u>	<u>592,278</u>	<u>365,980</u>	<u>579,374</u>
Specific provisions (Note)	(97,860)	(108,154)	(97,528)	(103,053)
	<u>272,433</u>	<u>484,124</u>	<u>268,452</u>	<u>476,321</u>
Suspended interest (Note 15)	<u>48,340</u>	<u>68,455</u>	<u>47,626</u>	<u>66,340</u>
Percentage of such advances to total advances to customers	<u>1.23%</u>	<u>2.10%</u>	<u>1.22%</u>	<u>2.07%</u>

Note:

The specific provisions were made after taking into account the value of collateral in respect of such advances as at 31st December.

The maturity profile of advances to customers included above and analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Repayable on demand	2,789,705	2,289,394	2,789,585	2,289,253
Three months or less	4,998,445	4,482,908	4,972,547	4,455,045
One year or less but over three months	3,244,088	2,591,497	3,222,122	2,561,987
Five years or less but over one year	10,670,946	11,448,424	10,614,903	11,384,106
Over five years	8,250,668	7,109,120	8,187,527	7,033,386
Undated	243,579	227,882	244,053	219,940
	<u>30,197,431</u>	<u>28,149,225</u>	<u>30,030,737</u>	<u>27,943,717</u>

In the United States of America, asset pledges are required according to the requirements of the California and New York Financial Codes and regulatory reserve requirements.

As of 31st December 2004, certain of the United States branches have pledged held-to-maturity securities (Note 16) totalling HK\$311,147,000 (2003: HK\$295,743,000) and real estate loans of HK\$6,441,000 (2003: Nil) to the state of California and with the comptroller of the currency in compliance with the above regulatory requirements.

15 Provisions for bad and doubtful debts (against trade bills and advances to customers)**The Group**

	Specific HK\$'000	General HK\$'000	Total HK\$'000	Suspended interest HK\$'000
At 1st January 2004	183,094	411,696	594,790	68,455
Amounts written off	(76,394)	-	(76,394)	(19,638)
Recoveries of advances written off in previous years	13,484	-	13,484	-
Charged/(credited) to profit and loss account (Note 6)	49,290	(34,306)	14,984	-
Interest suspended	-	-	-	36,691
Suspended interest recovered	-	-	-	(37,168)
Exchange adjustment	-	676	676	-
	<u>169,474</u>	<u>378,066</u>	<u>547,540</u>	<u>48,340</u>
At 31st December 2004	<u>169,474</u>	<u>378,066</u>	<u>547,540</u>	<u>48,340</u>
Included in:				
Trade bills (Note 11)	6,690	14,278	20,968	
Advances to customers (Note 14)	162,784	363,788	526,572	
	<u>169,474</u>	<u>378,066</u>	<u>547,540</u>	

The Bank

	Specific HK\$'000	General HK\$'000	Total HK\$'000	Suspended interest HK\$'000
At 1st January 2004	177,713	408,431	586,144	66,340
Amounts written off	(76,356)	-	(76,356)	(19,638)
Recoveries of advances written off in previous years	13,460	-	13,460	-
Charged/(credited) to profit and loss account (Note 6)	53,950	(38,966)	14,984	-
Interest suspended	-	-	-	36,003
Suspended interest recovered	-	-	-	(35,079)
Exchange adjustment	-	676	676	-
	<u>168,767</u>	<u>370,141</u>	<u>538,908</u>	<u>47,626</u>
At 31st December 2004	<u>168,767</u>	<u>370,141</u>	<u>538,908</u>	<u>47,626</u>
Included in:				
Trade bills (Note 11)	6,690	14,278	20,968	
Advances to customers (Note 14)	162,077	355,863	517,940	
	<u>168,767</u>	<u>370,141</u>	<u>538,908</u>	

15 Provisions for bad and doubtful debts (against trade bills and advances to customers)

(Continued)

The Group

	Specific HK\$'000	General HK\$'000	Total HK\$'000	Suspended interest HK\$'000
At 1st January 2003	195,343	373,889	569,232	85,876
Amounts written off	(149,215)	–	(149,215)	(37,274)
Recoveries of advances written off in previous years	8,499	–	8,499	–
New provisions charged to profit and loss account (Note 6)	129,713	37,234	166,947	–
Provisions released back to profit and loss account (Note 6)	(1,246)	–	(1,246)	–
Interest suspended	–	–	–	35,064
Suspended interest recovered	–	–	–	(15,211)
Exchange adjustment	–	573	573	–
	<u>183,094</u>	<u>411,696</u>	<u>594,790</u>	<u>68,455</u>
At 31st December 2003	<u>183,094</u>	<u>411,696</u>	<u>594,790</u>	<u>68,455</u>
Included in:				
Trade bills (Note 11)	3,025	10,124	13,149	
Advances to customers (Note 14)	180,069	401,572	581,641	
	<u>183,094</u>	<u>411,696</u>	<u>594,790</u>	

The Bank

	Specific HK\$'000	General HK\$'000	Total HK\$'000	Suspended interest HK\$'000
At 1st January 2003	188,032	371,330	559,362	84,384
Amounts written off	(146,278)	–	(146,278)	(37,262)
Recoveries of advances written off in previous years	8,481	–	8,481	–
New provisions charged to profit and loss account (Note 6)	128,724	36,528	165,252	–
Provisions released back to profit and loss account (Note 6)	(1,246)	–	(1,246)	–
Interest suspended	–	–	–	34,322
Suspended interest recovered	–	–	–	(15,104)
Exchange adjustment	–	573	573	–
	<u>177,713</u>	<u>408,431</u>	<u>586,144</u>	<u>66,340</u>
At 31st December 2003	<u>177,713</u>	<u>408,431</u>	<u>586,144</u>	<u>66,340</u>
Included in:				
Trade bills (Note 11)	3,025	10,124	13,149	
Advances to customers (Note 14)	174,688	398,307	572,995	
	<u>177,713</u>	<u>408,431</u>	<u>586,144</u>	

The above suspended interest has been netted against “advances to customers”(capitalised interest) and “accrued interest” (non-capitalised interest) respectively in Note 14.

16 Held-to-maturity securities and non-trading securities

The Group

	2004 HK\$'000	2003 HK\$'000
Balance as at 1st January	15,774,469	13,753,284
Amortisation of premium/discount	(60,157)	(15,296)
Additions	6,437,326	7,066,189
Amortised cost of securities redeemed and sold during the year	(5,598,825)	(5,316,647)
Investment revaluation reserve realised on disposal of non-trading securities	(30,459)	(9,237)
Change in fair value of non-trading securities	31,980	28,912
Exchange difference	112,606	267,264
Balance as at 31st December	<u>16,666,940</u>	<u>15,774,469</u>

The Bank

	2004 HK\$'000	2003 HK\$'000
Balance as at 1st January	14,130,837	12,737,289
Amortisation of premium/discount	(42,107)	(10,568)
Additions	5,958,973	6,437,917
Amortised cost of securities redeemed and sold during the year	(5,418,825)	(5,316,654)
Investment revaluation reserve realised on disposal of non-trading securities	(30,459)	(9,237)
Change in fair value of non-trading securities	21,211	24,800
Exchange difference	112,600	267,290
Balance as at 31st December	<u>14,732,230</u>	<u>14,130,837</u>

There were disposals of held-to-maturity securities by the Group and the Bank during the year. The amortised cost of these securities was HK\$77,573,000 (2003: HK\$156,675,000). The related realised net gains on disposal were HK\$916,000 (2003: HK\$7,570,000). The disposals of these securities are to restructure the investment portfolio.

For non-trading debt securities, the amortised cost of the securities disposed by the Group and the Bank during the year was HK\$540,388,000 (2003: HK\$186,299,000) and the related realised net losses on disposal were HK\$5,975,000 (2003: net gains of HK\$8,504,000).

There were also disposals of non-trading equity securities by the Group and the Bank during the year. The related realised net gains on disposal were HK\$29,782,000 (2003: HK\$520,000). The revaluation reserve or deficit on the remaining securities was included in Note 25.

16 Held-to-maturity securities and non-trading securities (Continued)**The Group**

	Book value		Market value	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Held-to-maturity securities, at amortised cost:				
Debt securities				
Listed in Hong Kong	1,765,351	1,563,365	1,871,901	1,661,459
Listed outside Hong Kong	3,813,525	3,748,860	3,856,168	3,793,561
	5,578,876	5,312,225	5,728,069	5,455,020
Unlisted	3,073,268	5,573,766		
	8,652,144	10,885,991		
Non-trading securities, at fair value:				
Debt securities				
Listed outside Hong Kong	2,907,626	2,474,617		
Unlisted	4,821,951	2,098,236		
	7,729,577	4,572,853		
Equity securities				
Listed in Hong Kong	–	78,242		
Unlisted	285,219	237,383		
	285,219	315,625		
	16,666,940	15,774,469		

16 Held-to-maturity securities and non-trading securities (Continued)**The Bank**

	Book value		Market value	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Held-to-maturity securities, at amortised cost:				
Debt securities				
Listed in Hong Kong	248,632	248,297	251,526	251,326
Listed outside Hong Kong	3,809,433	3,744,693	3,851,989	3,789,256
	<u>4,058,065</u>	<u>3,992,990</u>	<u>4,103,515</u>	<u>4,040,582</u>
Unlisted	3,073,268	5,573,766		
	<u>7,131,333</u>	<u>9,566,756</u>		
Non-trading securities, at fair value:				
Debt securities				
Listed outside Hong Kong	2,907,626	2,474,617		
Unlisted	4,408,052	1,773,839		
	<u>7,315,678</u>	<u>4,248,456</u>		
Equity securities				
Listed in Hong Kong	–	78,242		
Unlisted	285,219	237,383		
	<u>285,219</u>	<u>315,625</u>		
	<u>14,732,230</u>	<u>14,130,837</u>		

16 Held-to-maturity securities and non-trading securities (Continued)

	The Group		The Bank	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held-to-maturity securities, at amortised cost:				
Debt securities issued by:				
Central governments and central banks	1,874,302	1,902,559	357,583	587,490
Public sector entities	1,243,835	1,195,362	1,243,835	1,195,362
Banks and other financial institutions	3,623,874	5,589,729	3,623,874	5,589,729
Corporate entities	1,910,133	2,198,341	1,906,041	2,194,175
	8,652,144	10,885,991	7,131,333	9,566,756
Non-trading securities, at fair value:				
Debt securities issued by:				
Central governments and central banks	705,372	542,567	705,372	542,567
Public sector entities	2,121,298	951,341	2,121,298	951,341
Banks and other financial institutions	4,385,739	2,475,812	3,971,840	2,151,415
Corporate entities	517,168	603,133	517,168	603,133
	7,729,577	4,572,853	7,315,678	4,248,456
Equity securities issued by:				
Banks and other financial institutions	267,667	296,155	267,667	296,155
Corporate entities	17,552	19,470	17,552	19,470
	285,219	315,625	285,219	315,625
	16,666,940	15,774,469	14,732,230	14,130,837

16 Held-to-maturity securities and non-trading securities (Continued)

The maturity profile of debt securities included above and analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held-to-maturity securities, at amortised cost:				
Three months or less	1,119,391	295,065	1,119,391	295,065
One year or less but over three months	763,411	933,183	763,411	753,314
Five years or less but over one year	4,875,066	7,229,491	3,958,439	6,699,553
Over five years	1,894,276	2,428,252	1,290,092	1,818,824
	<u>8,652,144</u>	<u>10,885,991</u>	<u>7,131,333</u>	<u>9,566,756</u>
Non-trading securities, at fair value:				
One year or less but over three months	448,524	–	448,524	–
Five years or less but over one year	6,700,157	3,586,522	6,537,045	3,586,522
Over five years	579,262	984,727	328,475	660,330
Undated	1,634	1,604	1,634	1,604
	<u>7,729,577</u>	<u>4,572,853</u>	<u>7,315,678</u>	<u>4,248,456</u>

As detailed in Note 14, as of 31st December 2004, certain of the United States branches have pledged held-to-maturity securities amounting to HK\$311,147,000 (2003: HK\$295,743,000) to the state of California and with the comptroller of the currency in compliance with local regulatory requirements.

Included in debt securities listed in Hong Kong were HK\$1,516,327,000 of Exchange Fund Notes pledged to the Hong Kong Monetary Authority as at 31st December 2004 (2003: HK\$1,315,068,000).

17 Investments in jointly controlled entities and subsidiary companies

(a) Investments in jointly controlled entities

	The Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	<u>130,438</u>	<u>127,863</u>
	The Bank	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	81,000	81,000
Provision for impairment in carrying value	(17,238)	(17,238)
Amounts due from jointly controlled entities	<u>31,300</u>	<u>31,600</u>
	<u>95,062</u>	<u>95,362</u>

Details of the jointly controlled entities are as follows:

Name	Principal activities	Place of incorporation	Particulars of issued share capital	Percentage of ordinary share capital held
Joint Electronic Teller Services Limited	Automatic teller machine data processing services	Hong Kong	100,000 ordinary 'A' shares of HK\$100 each and 238 ordinary 'B' shares of HK\$100 each	20% of 'A' shares ⁽¹⁾
Bank Consortium Holding Limited	Provision of trustee, administration and custodian services for retirement schemes	Hong Kong	140,000,000 ordinary 'A' shares of HK\$1 each and 10,000,000 ordinary 'B' shares of HK\$1 each	14.29% of 'A' shares
BC Reinsurance Limited	Reinsurance	Hong Kong	100,000,000 ordinary shares of HK\$1 each	21%
Hong Kong Life Insurance Limited	Life insurance and reinsurance	Hong Kong	210,000,000 ordinary shares of HK\$1 each	16.67%
i-Tech Solutions Limited	Document processing services	Hong Kong	6,000,000 ordinary shares of HK\$1 each	50%

⁽¹⁾ During the year, the Bank has received 2.88% of the dividends paid by the company.

(b) Investments in subsidiary companies

	The Bank	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	30,957	30,942
Amounts due from subsidiary companies	2,070,386	1,985,085
Amounts due to subsidiary companies	<u>(277,627)</u>	<u>(456,690)</u>
	<u>1,823,716</u>	<u>1,559,337</u>

17 Investments in jointly controlled entities and subsidiary companies (Continued)

- (b) Investments in subsidiary companies (Continued)
Details of the subsidiary companies are as follows:

Name	Principal activities	Place of incorporation	Particulars of issued share capital	Percentage of ordinary share capital held
Shacom Finance Limited	Deposit-taking and lending	Hong Kong	300,000 ordinary shares of HK\$100 each	100%
Shanghai Commercial Bank (Nominees) Limited	Nominee services	Hong Kong	100 ordinary shares of HK\$100 each	100%
Shanghai Commercial Bank Trustee Limited	Trustee services	Hong Kong	1,000 ordinary shares of HK\$10,000 each	60%
Shacom Futures Limited	Commodities trading	Hong Kong	100,000 ordinary shares of HK\$100 each	100%
Shacom Investment Limited	Investment in Exchange Fund Bills and Notes	Hong Kong	10,000 ordinary shares of HK\$100 each	100%
Shacom Investment Management Limited	Investment holding	Hong Kong	10,000 ordinary shares of HK\$1 each	100%
Shacom Property Holdings (BVI) Limited	Property holding	British Virgin Islands	2 ordinary shares of US\$1 each	100%
Shacom Property (NY) Inc.	Property holding	United States of America	10 ordinary shares of US\$1 each	100%
Shacom Property (CA) Inc.	Property holding	United States of America	10 ordinary shares of US\$1 each	100%
Shacom Assets Investments Limited	Investment in notes and bonds	Hong Kong	10,000 ordinary shares of HK\$1 each	100%
Infinite Financial Solutions Limited	I.T. application services provider	Hong Kong	500,000 ordinary shares of US\$1 each	80%
Shacom Insurance Brokers Limited	Insurance broker	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100%

All subsidiary companies are held directly by the Bank.

18 Fixed assets

The Group

	Bank premises ⁽¹⁾ HK\$'000	Furniture, fittings and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1st January 2004	2,103,443	505,255	2,608,698
Additions	102	41,558	41,660
Exchange adjustment	3,533	1,688	5,221
Disposals	–	(11,866)	(11,866)
	<u>2,107,078</u>	<u>536,635</u>	<u>2,643,713</u>
At 31st December 2004			
Accumulated depreciation			
At 1st January 2004	272,601	320,952	593,553
Charge for the year	26,738	73,316	100,054
Exchange adjustment	481	1,462	1,943
Disposals	–	(10,887)	(10,887)
	<u>299,820</u>	<u>384,843</u>	<u>684,663</u>
At 31st December 2004			
Net book value			
At 31st December 2004	<u>1,807,258</u>	<u>151,792</u>	<u>1,959,050</u>
At 31st December 2003	<u>1,830,842</u>	<u>184,303</u>	<u>2,015,145</u>
The analysis of cost or valuation of the above assets is as follows:			
At 31st December 2004			
At cost	711,644	536,635	1,248,279
At valuation – 1993	<u>1,395,434</u>	–	<u>1,395,434</u>
	<u>2,107,078</u>	<u>536,635</u>	<u>2,643,713</u>
At 31st December 2003			
At cost	708,009	505,255	1,213,264
At valuation – 1993	<u>1,395,434</u>	–	<u>1,395,434</u>
	<u>2,103,443</u>	<u>505,255</u>	<u>2,608,698</u>

18 Fixed assets (Continued)

The Bank

	Bank premises ⁽¹⁾ HK\$'000	Furniture, fittings and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1st January 2004	2,062,850	516,818	2,579,668
Additions	102	47,809	47,911
Exchange adjustment	161	1,591	1,752
Disposals	–	(11,605)	(11,605)
At 31st December 2004	<u>2,063,113</u>	<u>554,613</u>	<u>2,617,726</u>
Accumulated depreciation			
At 1st January 2004	267,527	325,614	593,141
Charge for the year	26,213	78,220	104,433
Exchange adjustment	35	1,378	1,413
Disposals	–	(10,699)	(10,699)
At 31st December 2004	<u>293,775</u>	<u>394,513</u>	<u>688,288</u>
Net book value			
At 31st December 2004	<u>1,769,338</u>	<u>160,100</u>	<u>1,929,438</u>
At 31st December 2003	<u>1,795,323</u>	<u>191,204</u>	<u>1,986,527</u>
The analysis of cost or valuation of the above assets is as follows:			
At 31st December 2004			
At cost	667,679	554,613	1,222,292
At valuation – 1993	1,395,434	–	1,395,434
	<u>2,063,113</u>	<u>554,613</u>	<u>2,617,726</u>
At 31st December 2003			
At cost	667,416	516,818	1,184,234
At valuation – 1993	1,395,434	–	1,395,434
	<u>2,062,850</u>	<u>516,818</u>	<u>2,579,668</u>

Note: There were net losses on disposal of furniture, fittings and equipment.

⁽¹⁾ The land portion of the Bank's premises (other than an investment property included therein) stated at valuation were revalued in October 1993 by the Directors based on an independent professional valuation carried out by Jones Lang LaSalle Ltd. on an open market value basis. The relevant revaluation surplus had been transferred to property revaluation reserve.

A bank premise was revalued by an independent professional valuer DTZ Debenham Tie Leung Limited on an open market value basis in November 2002 before being reclassified to investment property. As of 31st December 2004, the Bank's premises included this investment property valued at HK\$33,286,000 by the same valuer (2003: HK\$33,286,000).

18 Fixed assets (Continued)

The carrying amount of land stated at valuation would have been HK\$63,336,000 (2003: HK\$64,420,000) had it been stated at cost less accumulated depreciation.

The net book value of bank premises comprises:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Freeholds	111,060	110,570	73,140	75,051
Leaseholds				
On long-term lease (over 50 years)				
– Held in Hong Kong	1,298,126	1,322,929	1,298,126	1,322,929
– Held outside Hong Kong	313	304	313	304
On medium-term lease (10-50 years)				
– Held in Hong Kong	<u>397,759</u>	<u>397,039</u>	<u>397,759</u>	<u>397,039</u>
	<u>1,807,258</u>	<u>1,830,842</u>	<u>1,769,338</u>	<u>1,795,323</u>

19 Deposits and balances of banks and other financial institutions

The maturity profile of deposits and balances of banks and other financial institutions analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
Repayable on demand	513,486	547,532
Three months or less	1,446,893	1,380,511
One year or less but over three months	1,100,000	–
Five years or less but over one year	–	1,100,000
	<u>3,060,379</u>	<u>3,028,043</u>

20 Deposits from customers

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Demand deposits and current accounts	5,907,603	4,629,212	5,907,603	4,629,212
Savings deposits	18,644,144	16,946,024	18,644,144	16,946,024
Time, call and notice deposits	32,732,662	35,047,057	32,731,347	35,012,890
Deposits from Hong Kong Government Exchange Fund	388,500	388,000	388,500	388,000
	<u>57,672,909</u>	<u>57,010,293</u>	<u>57,671,594</u>	<u>56,976,126</u>

The maturity profile of deposits from customers analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Repayable on demand	25,206,432	22,364,748	25,206,250	22,363,466
Three months or less	31,017,952	32,064,350	31,016,819	32,032,726
One year or less but over three months	1,423,119	2,549,198	1,423,119	2,547,937
Five years or less but over one year	25,406	31,997	25,406	31,997
	<u>57,672,909</u>	<u>57,010,293</u>	<u>57,671,594</u>	<u>56,976,126</u>

21 Certificates of deposit issued

The maturity profile of certificates of deposit issued analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
One year or less but over three months	1,240,000	1,698,000
Five years or less but over one year	1,460,000	1,240,000
	<u>2,700,000</u>	<u>2,938,000</u>

22 Other accounts and provisions

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Interest payable	72,061	71,336	72,049	71,309
Margin deposits	302,194	347,176	302,194	347,176
Provision for staff gratuity (Note)	109,901	98,247	109,000	97,500
Deferred tax liabilities (Note 23(b))	149,762	161,419	149,697	161,362
Other payables and accruals	503,738	465,693	499,768	463,203
	<u>1,137,656</u>	<u>1,143,871</u>	<u>1,132,708</u>	<u>1,140,550</u>

Note: Movement of provision for staff gratuity:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1st January	98,247	100,315	97,500	100,059
Add: Additional accruals	111,242	99,463	109,853	98,200
Less: Written back	(5,381)	(13,129)	(5,381)	(13,129)
Less: Payments for past year's services	(94,207)	(88,402)	(92,972)	(87,630)
At 31st December	<u>109,901</u>	<u>98,247</u>	<u>109,000</u>	<u>97,500</u>

The maturity profile of other accounts and provisions analysed by the remaining period as at 31st December to the contractual maturity dates is as follows:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Repayable on demand	452,283	437,283	449,086	436,100
Three months or less	418,422	444,396	418,422	444,257
One year or less but over three months	38,108	17,011	36,607	15,315
Five years or less but over one year	—	4,708	—	4,708
Undated	228,843	240,473	228,593	240,170
	<u>1,137,656</u>	<u>1,143,871</u>	<u>1,132,708</u>	<u>1,140,550</u>

23 Current and deferred tax liabilities

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Current tax (Note a)	13,111	35,966	12,371	34,897
Deferred tax (Note b)	149,762	161,419	149,697	161,362
	<u>162,873</u>	<u>197,385</u>	<u>162,068</u>	<u>196,259</u>

(a) Current tax

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	734	23,507	–	22,930
Overseas tax	12,377	12,459	12,371	11,967
	<u>13,111</u>	<u>35,966</u>	<u>12,371</u>	<u>34,897</u>

(b) Deferred tax

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:

Deferred tax liabilities

The following deferred tax liabilities have been included in "Other payables and accruals" in Note 22.

	General provisions for bad and doubtful debts HK\$'000	Accelerated tax depreciation HK\$'000	Reserves HK\$'000	Others HK\$'000	Total HK\$'000
The Group					
At 1st January 2004	78,860	(12,127)	(219,037)	(9,115)	(161,419)
(Charged)/credited to profit and loss account	(10,441)	3,516	–	(4,403)	(11,328)
Reclassification to provision for corporation profit tax	–	–	–	9,000	9,000
Credited to reserves (Note 25)	–	–	13,985	–	13,985
At 31st December 2004	<u>68,419</u>	<u>(8,611)</u>	<u>(205,052)</u>	<u>(4,518)</u>	<u>(149,762)</u>
The Bank					
At 1st January 2004	78,860	(12,070)	(219,037)	(9,115)	(161,362)
(Charged)/credited to profit and loss account	(10,441)	3,524	–	(4,403)	(11,320)
Reclassification to provision for corporation profit tax	–	–	–	9,000	9,000
Credited to reserves (Note 25)	–	–	13,985	–	13,985
At 31st December 2004	<u>68,419</u>	<u>(8,546)</u>	<u>(205,052)</u>	<u>(4,518)</u>	<u>(149,697)</u>

23 Current and deferred tax liabilities (Continued)

(b) Deferred tax (Continued)

Deferred tax liabilities (Continued)

	General provisions for bad and doubtful debts HK\$'000	Accelerated tax depreciation HK\$'000	Reserves HK\$'000	Others HK\$'000	Total HK\$'000
The Group					
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 (Note 25)	–	–	(18,093)	–	(18,093)
	<u>78,860</u>	<u>(12,127)</u>	<u>(219,037)</u>	<u>(9,115)</u>	<u>(161,419)</u>
At 31st December 2003	<u>78,860</u>	<u>(12,127)</u>	<u>(219,037)</u>	<u>(9,115)</u>	<u>(161,419)</u>
The Bank					
At 1st January 2003	64,484	(7,673)	(200,944)	(4,914)	(149,047)
Credited/(charged) to profit and loss account	14,376	(4,397)	–	(4,201)	5,778
Charged to reserves (Note 25)	–	–	(18,093)	–	(18,093)
	<u>78,860</u>	<u>(12,070)</u>	<u>(219,037)</u>	<u>(9,115)</u>	<u>(161,362)</u>
At 31st December 2003	<u>78,860</u>	<u>(12,070)</u>	<u>(219,037)</u>	<u>(9,115)</u>	<u>(161,362)</u>

23 Current and deferred tax liabilities (Continued)

(b) Deferred tax (Continued)

Deferred tax assets

The following deferred tax assets have been included in "Other accounts" in Note 14.

	General provisions for bad and doubtful debts HK\$'000	Accelerated tax depreciation HK\$'000	Others HK\$'000	Total HK\$'000
The Group				
At 1st January 2004	29,380	(2,252)	2,809	29,937
Credited to profit and loss account	880	1,067	581	2,528
Exchange differences	235	(37)	24	222
	<u>30,495</u>	<u>(1,222)</u>	<u>3,414</u>	<u>32,687</u>
At 31st December 2004	<u>30,495</u>	<u>(1,222)</u>	<u>3,414</u>	<u>32,687</u>
The Bank				
At 1st January 2004	29,380	(2,252)	2,809	29,937
(Charged)/credited to profit and loss account	(266)	1,066	581	1,381
Exchange differences	235	(37)	24	222
	<u>29,349</u>	<u>(1,223)</u>	<u>3,414</u>	<u>31,540</u>
At 31st December 2004	<u>29,349</u>	<u>(1,223)</u>	<u>3,414</u>	<u>31,540</u>
The Group and the Bank				
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
	<u>29,380</u>	<u>(2,252)</u>	<u>2,809</u>	<u>29,937</u>
At 31st December 2003	<u>29,380</u>	<u>(2,252)</u>	<u>2,809</u>	<u>29,937</u>

23 Current and deferred tax liabilities (Continued)

(b) Deferred tax (Continued)

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

	2004 HK\$'000	2003 HK\$'000
Reserves in shareholders' equity		
– property revaluation reserve (Note 25)	(4,136)	15,881
– investment revaluation deficit (Note 25)	(9,849)	2,212
	<u>(13,985)</u>	<u>18,093</u>

Deferred taxation of HK\$2,155,000 (2003: HK\$2,188,000) 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.

24 Share capital

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
Authorised:		
30,000,000 shares of HK\$100 each	<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid:		
20,000,000 shares of HK\$100 each	<u>2,000,000</u>	<u>2,000,000</u>

25 Reserves

The Group

	Capital reserve on consolidation HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve/ (deficit) HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2004	28,425	1,009,940	(28,751)	6,505,388	1,162,939	8,677,941
Transfer of property revaluation reserve to retained profits on depreciation of revalued land	-	(12,313)	-	-	12,313	-
Investment revaluation reserve realised on disposal of non-trading securities	-	-	(30,459)	-	-	(30,459)
Change in fair value of non-trading securities	-	-	31,980	-	-	31,980
Effect of deferred taxation (Note 23(b))	-	4,136	9,849	-	-	13,985
Exchange translation differences	-	-	-	3,092	76	3,168
Transfer from profit and loss account	-	-	-	505,000	(505,000)	-
Profit for the year	-	-	-	-	1,316,339	1,316,339
Dividend paid in the year	-	-	-	-	(400,000)	(400,000)
At 31st December 2004	<u>28,425</u>	<u>1,001,763</u>	<u>(17,381)</u>	<u>7,013,480</u>	<u>1,586,667</u>	<u>9,612,954</u>
Representing:						
Retained profits at 31st December 2004					1,586,667	
Dividend proposed for the year					(460,000)	
At 31st December 2004					<u>1,126,667</u>	

The Bank

	Property revaluation reserve HK\$'000	Investment revaluation reserve/ (deficit) HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2004	1,009,940	(32,863)	6,245,382	1,138,687	8,361,146
Transfer of property revaluation reserve to retained profits on depreciation of revalued land	(12,313)	-	-	12,313	-
Investment revaluation reserve realised on disposal of non-trading securities	-	(30,459)	-	-	(30,459)
Change in fair value of non-trading securities	-	21,211	-	-	21,211
Effect of deferred taxation (Note 23(b))	4,136	9,849	-	-	13,985
Exchange translation differences	-	-	3,092	602	3,694
Transfer from profit and loss account	-	-	500,000	(500,000)	-
Profit for the year	-	-	-	1,306,395	1,306,395
Dividend paid in the year	-	-	-	(400,000)	(400,000)
At 31st December 2004	<u>1,001,763</u>	<u>(32,262)</u>	<u>6,748,474</u>	<u>1,557,997</u>	<u>9,275,972</u>
Representing:					
Retained profits at 31st December 2004				1,557,997	
Dividend proposed for the year				(460,000)	
At 31st December 2004				<u>1,097,997</u>	

25 Reserves (Continued)

The Group

	Capital reserve on consolidation HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve/ (deficit) HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003	28,220	1,041,322	(46,214)	6,008,322	1,045,609	8,077,259
Share of reserve of a jointly controlled entity	205	-	-	-	-	205
Transfer of property revaluation reserve to retained profits on depreciation of revalued land	-	(12,501)	-	-	12,501	-
Reduction of valuation of investment property upon reclassification	-	(3,000)	-	-	-	(3,000)
Investment revaluation reserve realised on disposal of non-trading securities	-	-	(9,237)	-	-	(9,237)
Change in fair value of non-trading securities	-	-	28,912	-	-	28,912
Effect of deferred taxation (Note 23(b))	-	(15,881)	(2,212)	-	-	(18,093)
Exchange translation differences	-	-	-	(7,934)	(3,201)	(11,135)
Transfer from profit and loss account	-	-	-	505,000	(505,000)	-
Profit for the year	-	-	-	-	1,013,030	1,013,030
Dividend paid in the year	-	-	-	-	(400,000)	(400,000)
	<u>28,425</u>	<u>1,009,940</u>	<u>(28,751)</u>	<u>6,505,388</u>	<u>1,162,939</u>	<u>8,677,941</u>
At 31st December 2003						
Representing:						
Retained profits at 31st December 2003					1,162,939	
Dividend proposed for the year					(400,000)	
					<u>762,939</u>	
At 31st December 2003						

The Bank

	Property revaluation reserve HK\$'000	Investment revaluation reserve/ (deficit) HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003	1,041,322	(46,214)	5,753,324	1,021,958	7,770,390
Transfer of property revaluation reserve to retained profits on depreciation of revalued land	(12,501)	-	-	12,501	-
Reduction of valuation of investment property upon reclassification	(3,000)	-	-	-	(3,000)
Investment revaluation reserve realised on disposal of non-trading securities	-	(9,237)	-	-	(9,237)
Change in fair value of non-trading securities	-	24,800	-	-	24,800
Effect of deferred taxation (Note 23(b))	(15,881)	(2,212)	-	-	(18,093)
Exchange translation differences	-	-	(7,942)	(2,594)	(10,536)
Transfer from profit and loss account	-	-	500,000	(500,000)	-
Profit for the year	-	-	-	1,006,822	1,006,822
Dividend paid in the year	-	-	-	(400,000)	(400,000)
	<u>1,009,940</u>	<u>(32,863)</u>	<u>6,245,382</u>	<u>1,138,687</u>	<u>8,361,146</u>
At 31st December 2003					
Representing:					
Retained profits at 31st December 2003				1,138,687	
Dividend proposed for the year				(400,000)	
				<u>738,687</u>	
At 31st December 2003					

26 Notes to the consolidated cash flow statement

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

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	1,542,133	1,208,048
Share of net profits of jointly controlled entities	(4,955)	(1,970)
Charge for bad and doubtful debts	14,984	165,701
Depreciation	100,054	76,395
Net losses on disposal of fixed assets	888	3,794
Profits less losses on disposal of held-to-maturity securities and non-trading securities	(25,910)	(17,568)
Amortisation of held-to-maturity securities	49,351	12,449
Interest income on held-to-maturity securities and non-trading securities	(621,453)	(609,951)
Dividend income on non-trading securities	(11,181)	(12,420)
Interest expenses on certificates of deposit issued	20,202	50,838
	<hr/>	<hr/>
Operating cash inflow before changes in operating assets and liabilities	1,064,113	875,316
(Increase)/decrease in operating assets:		
Interest receivable, prepaid expenses and other accounts	100,690	(459,837)
Advances to customers and a bank, amounts written off and recoveries	(2,118,886)	(533,064)
Trade bills	(406,331)	(179,341)
Securities held for dealing purposes	(137,327)	(23,455)
Money at call and short notice with original maturity beyond three months	(497,207)	(337,244)
Placements with banks and other financial institutions with original maturity beyond three months	(477,592)	1,468,537
Certificates of deposit held with original maturity beyond three months	136,719	426,326
Increase/(decrease) in operating liabilities:		
Interest payable, accrued expenses and other accounts	28,450	114,279
Deposits from customers	662,616	948,096
Deposits and balances of banks and other financial institutions with original maturity beyond three months	–	(24,000)
Decrease in statutory deposits	1,497	–
Exchange adjustment	(429,543)	(974,066)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities before taxation	(2,072,801)	1,301,547
Hong Kong profits tax paid	(186,707)	(24,901)
Overseas tax paid	(38,118)	(25,599)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<u>(2,297,626)</u>	<u>1,251,047</u>

26 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Certificates of deposit issued HK\$'000
Balance at 1st January 2003	4,088,000
Net cash outflow from financing	<u>(1,150,000)</u>
Balance at 31st December 2003	2,938,000
Net cash outflow from financing	<u>(238,000)</u>
Balance at 31st December 2004	<u><u>2,700,000</u></u>

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

	2004 HK\$'000	2003 HK\$'000
Cash and balances with banks and other financial institutions	642,251	478,220
Money at call and short notice	18,499,525	19,975,219
Placements with banks and other financial institutions with original maturity within three months	1,763,573	3,205,838
Less: Amounts deposited with regulatory authorities to comply with local regulatory requirements	(7,871)	(9,368)
Less: Deposits and balances of banks and other financial institutions with original maturity within three months	<u>(1,960,379)</u>	<u>(1,928,043)</u>
	<u><u>18,937,099</u></u>	<u><u>21,721,866</u></u>

27 Off-balance sheet exposures

(a) Contingent liabilities and commitments

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

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Direct credit substitutes	1,508,201	1,554,755	1,508,201	1,554,755
Trade-related contingencies	4,611,502	4,610,936	4,611,502	4,610,936
Other commitments with an original maturity of:				
– under 1 year or which are unconditionally cancellable	20,896,555	17,908,037	20,895,373	17,875,967
– 1 year and over	3,219,326	2,899,403	3,219,326	2,899,403
	<u>30,235,584</u>	<u>26,973,131</u>	<u>30,234,402</u>	<u>26,941,061</u>

(b) Derivatives

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

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
Exchange rate contracts		
– Forward contracts	6,117,778	7,139,069
Interest rate contracts		
– Interest rate swaps	2,092,266	2,618,677
	<u>8,210,044</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 and the Bank.

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 year and accordingly the following amounts are shown on a gross basis.

27 Off-balance sheet exposures (Continued)

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

	Contract amount 2004 HK\$'000	Credit risk weighted amount 2004 HK\$'000	Replacement cost 2004 HK\$'000	Contract amount 2003 HK\$'000	Credit risk weighted amount 2003 HK\$'000	Replacement cost 2003 HK\$'000
The Group						
Contingent liabilities and commitments	30,235,584	3,981,779		26,973,131	3,865,839	
Derivatives						
– Exchange rate contracts	6,117,778	73,734	112,170	7,139,069	82,778	125,874
– Interest rate contracts	2,092,226	5,474	661	2,618,677	7,813	3,954
	<u>38,445,588</u>	<u>4,060,987</u>	<u>112,831</u>	<u>36,730,877</u>	<u>3,956,430</u>	<u>129,828</u>
The Bank						
Contingent liabilities and commitments	30,234,402	3,981,779		26,941,061	3,865,839	
Derivatives						
– Exchange rate contracts	6,117,778	73,734	112,170	7,139,069	82,778	125,874
– Interest rate contracts	2,092,226	5,474	661	2,618,677	7,813	3,954
	<u>38,444,406</u>	<u>4,060,987</u>	<u>112,831</u>	<u>36,698,807</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.

28 Capital and lease commitments

(a) Capital commitments

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for	11,720	10,958	15,294	13,199
Authorised but not contracted for	2,712	4,486	2,712	4,486
	<u>14,432</u>	<u>15,444</u>	<u>18,006</u>	<u>17,685</u>

(b) Lease commitments

At 31st December 2004 and 31st December 2003 respectively, the Group and the Bank had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Land and buildings:				
Within one year	34,926	30,604	36,635	32,267
In the second to fifth years inclusive	47,827	39,584	56,477	47,446
After the fifth year	1,536	841	7,503	8,416
	<u>84,289</u>	<u>71,029</u>	<u>100,615</u>	<u>88,129</u>

29 Loans to officers

The aggregate of loans made by the Bank to officers and disclosed pursuant to Section 161B(4B) of the Hong Kong Companies Ordinance are as follows:

	Balance outstanding at 31st December		Maximum balance during the year	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Aggregate amount outstanding in respect of principal and interest	<u>4,071</u>	<u>2,623</u>	<u>14,789</u>	<u>3,369</u>

30 Balances with group companies

Included in the following balance sheet captions are balances with the ultimate holding company:

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Cash and short-term funds	5,252	541
Trade bills	514	6,667
Held-to-maturity securities and non-trading securities	<u>54,411</u>	<u>36,485</u>
	<u>60,177</u>	<u>43,693</u>
Deposits and balances of banks and other financial institutions	<u>408,519</u>	<u>414,969</u>
Contingent liabilities arising from letters of guarantee and letters of credit issued	<u>303,951</u>	<u>240,141</u>

Included in the following balance sheet captions are balances with subsidiary companies of the ultimate holding company:

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Deposits from customers	<u>274,982</u>	<u>276,752</u>

Included in the following balance sheet captions are balances with jointly controlled entities:

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Deposits from customers	<u>251,337</u>	<u>266,904</u>

Amounts due from/to subsidiary companies are included in Note 17(b) and amounts due from jointly controlled entities are included in Note 17(a).

31 Balances with related parties

Included in the following balance sheet captions are balances with the Directors and their relatives:

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Advances to customers, a bank and other accounts	<u>14,944</u>	<u>12,932</u>
Deposits from customers	<u>189,830</u>	<u>212,234</u>

Included in the following balance sheet captions are balances with companies controlled by the Directors or their relatives:

	The Group and the Bank	
	2004	2003
	HK\$'000	HK\$'000
Trade bills	15	15
Advances to customers, a bank and other accounts	344,032	505,856
Held-to-maturity securities and non-trading securities	<u>2,000</u>	<u>2,000</u>
	<u>346,047</u>	<u>507,871</u>
Deposits from customers	<u>369,719</u>	<u>473,911</u>
Contingent liabilities arising from letters of guarantee and letters of credit issued	<u>74,106</u>	<u>57,151</u>

The above balances arose from transactions which were entered into by the Group or the Bank in the normal course of business and at arm's length basis.

32 Ultimate holding company

The ultimate holding company is The Shanghai Commercial & Savings Bank, Ltd., which was incorporated in Shanghai, China in 1915 and is authorised to operate in Taipei, Taiwan since 1965.

33 Approval of accounts

The accounts on pages 18 to 63 were approved by the Board of Directors on 23rd February 2005.

Supplementary Financial Information

The following information is disclosed as part of the accompanying information to the accounts and does not form part of the audited accounts.

1 Corporate governance

- (a) The Bank has fully complied with the requirements set out in the guideline on “Corporate Governance of Locally Incorporated Authorized Institutions” issued by the Hong Kong Monetary Authority throughout the year.
- (b) Key specialised committees established under the Board of Directors (the “Board”)
- (i) Executive Committee
The Executive Committee meets monthly and operates as a general management committee under the direct authority of the Board to review the management and performance of the Bank. The members of the Executive Committee are Mr. John Kam-pak Yan (Chairman), Mr. Hung-ching Yung, Mr. Frank Kai-shu Lau, Mr. Shen Ruolei, Mr. David Sek-chi Kwok and Mr. David Joseph Zuercher.
 - (ii) Audit Committee
The Audit Committee meets quarterly to consider the nature and scope of audit reviews, review the Bank’s financial statements, the findings of both internal and external auditors and the effectiveness of the internal control systems of the Bank. The members of the Audit Committee are Mr. Johnson Mou Daid Cha (Chairman), Mr. Lincoln Chu Kuen Yung and Dr. Philip Kin Hang Wong.
 - (iii) Asset and Liability Committee
The Asset and Liability Committee meets monthly to oversee the Bank’s operations relating to interest rate risk and liquidity risk and in particular to ensure that the Bank has adequate funds to meet its obligations. The members of the Asset and Liability Committee are Mr. John Kam-pak Yan (Chairman), Mr. David Sek-chi Kwok, Mr. Henry Koon-man To, Mr. Chun-yiu Chan, Mr. Francis Wai-choi Cheung and Mr. Edward Kawah Chu.
 - (iv) Credit Committee
The Credit Committee meets monthly to ensure that the Bank’s lending policies are adequate and lending activities are conducted in accordance with established policies and relevant laws and regulations. The Credit Committee is also responsible for establishing credit policies, monitoring loan portfolio quality, ensuring compliance with statutory and internal lending limits, and evaluating credit applications and making credit decisions. The members of the Credit Committee are Mr. David Sek-chi Kwok (Chairman), Mr. Chun-yiu Chan, Mr. Francis Wai-choi Cheung and Mr. Chun-sum Chan.
 - (v) Operational Risk Management Committee
The Operational Risk Management Committee meets quarterly to establish and to review operational risk management policies, processes and procedures for managing operational risk in all of the Bank’s material products, activities, processes and systems. The Operational Risk Management Committee is also responsible for overseeing the identification, assessment, monitoring and control of operational risk exposures. The members of the Operational Risk Management Committee are Mr. David Sek-chi Kwok (Chairman), Mr. Chun-yiu Chan, Mr. Francis Wai-choi Cheung, Mr. Burton Chi-shan Cheng, Mr. Raymond Pui-kam Tse, Mr. Wai-chau Tang, Ms. Iris Ka-yin Kwok, Mr. Kwong-yiu Chong and Mr. Shek-kwan Lai.

2 Qualitative information on management of risks

The Bank has in place policies and procedures for the control and monitoring of credit, liquidity, market, interest rate, foreign exchange and operational risks. One of the major functions of the Board is to ensure that the Bank establishes policies, procedures and controls to manage the various types of risk with which it faces. The Board has delegated its powers to the Executive Committee, the Audit Committee, the Asset and Liability Committee, the Credit Committee and the Operational Risk Management Committee for the supervision of major functional areas, and in particular, the Executive Committee has been delegated the authority to oversee and guide the management of different risks. Senior management is always watchful for changes in economic, political and market conditions in which the Bank operates and the inherent risks the Bank faces. The Internal Audit Department performs regular audits to ensure compliance with the policies and procedures. The Risk Manager is responsible for monitoring the overall risk management of the Bank’s operations, except for credit risk, which is managed by the Credit Committee. Reconciliation procedures are also in place to ensure that the systems capture all necessary data. All of the above arrangements ensure that the risk management processes are operating effectively.

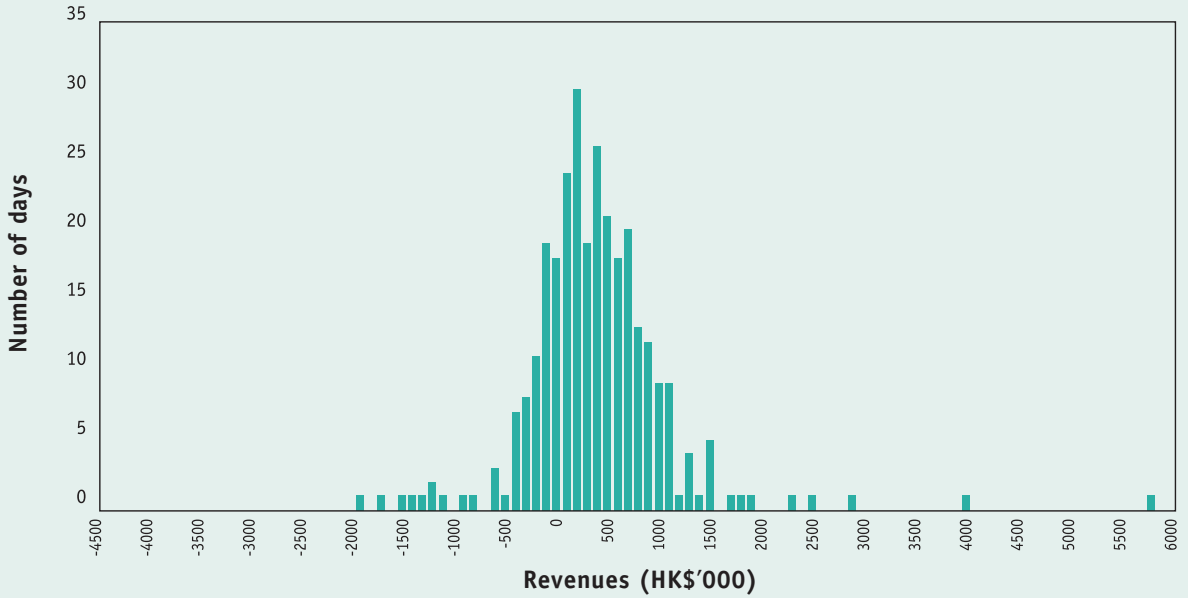
2 Qualitative information on management of risks (Continued)

- (a) **Credit risk management**
Credit risk is the risk that a customer or counterparty of the Bank will be unable or unwilling to meet a commitment when it falls due. It arises from the lending, trade finance, treasury and other activities undertaken by the Bank. Credit approval and review procedures and guidelines, delegated approval authorities and an effective credit control system are used to maintain the high quality of the loan portfolio and other risk assets. The Bank manages the credit risk of its counterparties within a conservative framework by evaluating the creditworthiness of its counterparties, and setting credit limits on individual counterparty, country and industry sector. The Bank's credit risk is managed and monitored by the Credit Committee under limits and guidelines approved by the Directors.
- (b) **Liquidity risk management**
Liquidity risk is the risk that the Bank will be unable to meet payment obligations when they fall due. The liquidity of the Bank is managed and monitored in accordance with the guidelines and procedures laid down in the liquidity management policy approved by the Directors, which has regard to a variety of factors, including liquidity ratio, loan to deposit ratio, liquefiable assets to be kept in Hong Kong, maturity mismatch profile, diversity and stability of the deposits base and ability to borrow in the interbank market. An adequate stock of high quality liquid assets is being maintained at all times, in order to enable the Bank to meet deposit withdrawals, to repay interbank borrowings, and to make new loans and investments as and when required in a timely and cost effective manner. Liquefiable assets held comprise mainly marketable debt securities and interbank placements. The Bank's liquidity risk is managed by the Treasury Department and monitored by management and the Asset and Liability Committee under guidelines and procedures approved by the Directors.
- (c) **Market risk management**
Market risk is the risk that interest rates, foreign exchange rates or equity prices will move relative to positions taken, resulting in profits or losses. In the ordinary course of business, the Bank enters into various types of financial instruments, mainly forward exchange contracts, that are mainly customers-driven and are entered into on behalf of customers. The measuring procedures and limit systems used for market risk management have been approved by the Directors. The Bank's market risk is managed by the Treasury Department and monitored by management. The transactions included in the trading book as at 31st December 2004 for the Group and the Bank is not significant.
- (d) **Interest rate risk management**
Interest rate risk is the risk that the Bank's position may be adversely affected by a change of market interest rates. The Bank's interest rate risk arises primarily from the timing differences in the repricing of interest bearing assets, liabilities and commitments. The primary objective of interest rate risk management is to limit the potential adverse effects of interest rate movement on net interest income by closely monitoring the net repricing gap of the Bank's assets and liabilities. The interest rate risk is managed by the Treasury Department and monitored by management and the Asset and Liability Committee under limits approved by the Directors.
- (e) **Foreign exchange risk management**
Foreign exchange risk is the risk that the holding of foreign currencies will affect the Bank's position as a result of a change in foreign currency exchange rates. The Bank's foreign exchange risk arises primarily from currency exposures originated by the Bank's commercial banking businesses. The foreign exchange risk is managed by the Treasury Department and monitored by management and the Asset and Liability Committee within position limits approved by the Directors.
- (f) **Capital management**
The Bank's policy is to maintain a strong capital base to support the development of the Bank's business and to ensure compliance with the statutory capital adequacy ratio requirement, a requirement used to assess the capital adequacy of banks. Capital is allocated to the various activities of the Bank depending on the risk taken by each business division. Where the subsidiaries or branches are directly regulated by other regulators, they are required to maintain capital according to the rules of these regulators.
- (g) **Objectives, policies and strategies for the use of derivatives**
The Group uses different types of derivatives to manage foreign exchange and interest rate sensitivity primarily to hedge its underlying positions. The types of derivatives used by the Group include forward exchange rate and interest rate swap contracts which are typically made over-the-counter and are managed within limits approved by the Directors or with prior approval obtained from the Executive Committee. The policy on the use of derivatives is reviewed by the Executive Committee and recommended changes and amendments are submitted to the Board for consideration.

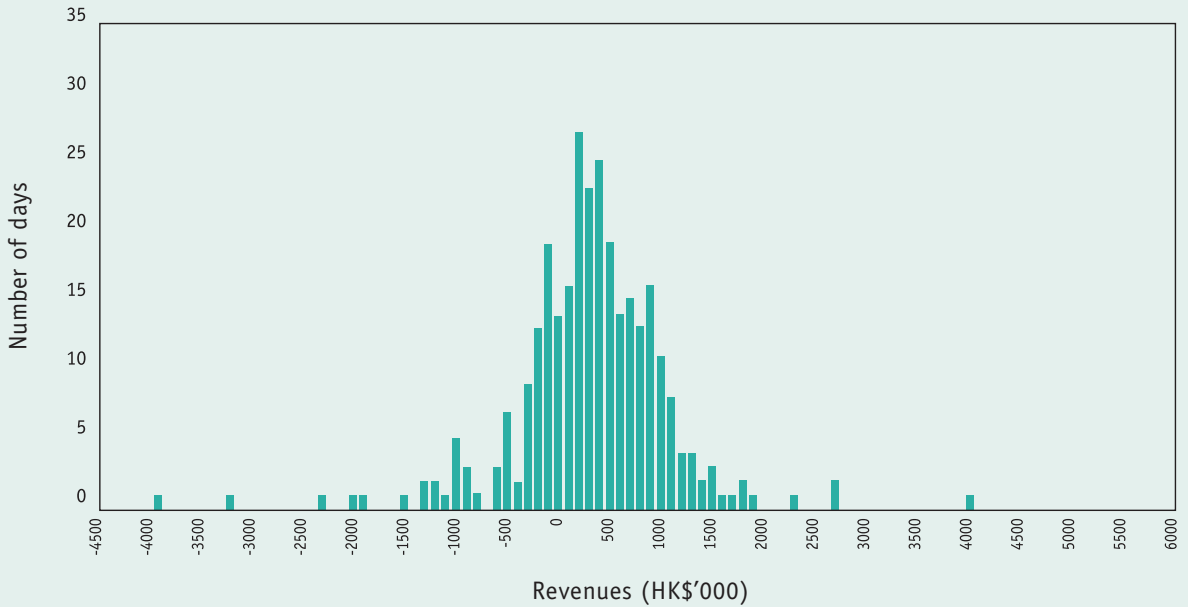
3 Quantitative information on market risk

The average daily revenue arising from foreign exchange, equity and other financial instruments exposures in the year was HK\$0.43 million (2003: HK\$0.36 million). The standard deviation of these daily revenues was HK\$0.70 million (2003: HK\$0.77 million). The highest daily revenue was HK\$5.89 million (2003: HK\$4.09 million) and the maximum daily loss was HK\$1.81 million (2003: HK\$3.89 million).

Daily distribution of market risk revenues in 2004



Daily distribution of market risk revenues in 2003



4 Capital adequacy and liquidity ratios

	2004	2003
Capital adequacy ratio	<u>24%</u>	<u>23%</u>
Adjusted capital adequacy ratio	<u>23%</u>	<u>23%</u>
Liquidity ratio	<u>64%</u>	<u>74%</u>

The capital adequacy ratio as at 31st December 2004 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 as at the balance sheet date computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority.

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

The components of the total capital base after deductions as reported in the calculation of the capital adequacy ratio as at 31st December and reported to Hong Kong Monetary Authority are as follows:

	2004 HK\$'000	2003 HK\$'000
Core capital		
Paid up ordinary share capital	2,000,000	2,000,000
Reserves	7,283,607	6,669,396
Profit and loss account	<u>853,732</u>	<u>613,483</u>
	<u>10,137,339</u>	<u>9,282,879</u>
Supplementary capital		
Reserves on revaluation of land and interests in land	701,234	706,958
Reserves on revaluation of holding of securities not held for trading purposes	<u>(17,381)</u>	<u>(28,751)</u>
General provisions for doubtful debts	<u>378,066</u>	<u>411,696</u>
Total gross and eligible value of supplementary capital	<u>1,061,919</u>	<u>1,089,903</u>
Total capital base before deductions	<u>11,199,258</u>	<u>10,372,782</u>
Deductions from total capital base		
Shareholdings in subsidiaries or holding company	<u>(75,306)</u>	<u>(57,375)</u>
Exposures to connected companies	<u>(86,257)</u>	<u>(87,493)</u>
Equity investments of 20% or more in jointly controlled entities	<u>(24,300)</u>	<u>(24,600)</u>
Investments in the capital of other banks and financial institutions	<u>(260,256)</u>	<u>(259,670)</u>
	<u>(446,119)</u>	<u>(429,138)</u>
Total capital base after deductions	<u>10,753,139</u>	<u>9,943,644</u>

Supplementary Financial Information

5 Segmental information

(a) Gross advances to customers by industry sector

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	966,512	1,166,997	966,512	1,166,997
– Property investment	5,542,128	4,614,325	5,521,634	4,582,983
– Financial concerns	299,502	15,359	299,502	15,359
– Stockbrokers	5,455	5,565	5,455	5,565
– Wholesale and retail trade	485,862	479,857	482,336	478,085
– Manufacturing	1,303,741	910,452	1,302,689	907,547
– Transport and transport equipment	340,181	189,447	321,873	166,935
– Information technology - telecommunication	4,342	608	4,342	608
– Hotels, boarding houses and catering	911,726	1,062,662	911,726	1,062,662
– Others	2,785,393	3,264,354	2,762,035	3,239,951
Individuals				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	565,847	709,580	556,375	698,342
– Loans for the purchase of other residential properties	4,931,785	5,086,666	4,858,231	4,999,231
– Credit card advances	319,837	337,038	319,837	337,038
– Others	1,420,680	1,068,873	1,405,409	1,046,982
Trade finance	5,028,950	4,423,032	5,028,950	4,423,032
Loans for use outside Hong Kong	5,285,490	4,814,410	5,283,831	4,812,400
	<u>30,197,431</u>	<u>28,149,225</u>	<u>30,030,737</u>	<u>27,943,717</u>

5 Segmental information (Continued)

- (b) 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:

The Group

	Total advances		Non-performing advances		Overdue advances	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	24,150,000	23,356,000	370,000	592,000	142,000	159,000
North America	4,124,000	3,805,000	-	-	-	-

The Bank

	Total advances		Non-performing advances		Overdue advances	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	23,984,000	23,151,000	366,000	579,000	142,000	154,000
North America	4,124,000	3,805,000	-	-	-	-

- (c) 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):

The Group and the Bank

	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
2004				
Asia & Pacific excluding Hong Kong	5,706,000	22,000	919,000	6,647,000
North America	4,005,000	3,621,000	678,000	8,304,000
Western Europe	19,218,000	-	397,000	19,615,000
2003				
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

Supplementary Financial Information

5 Segmental information (Continued)

(d) By geographical area

The information concerning geographical analysis has been classified by the location of the principal operations of the subsidiary, or in the case of the Bank itself, on the location of the branch responsible for reporting the results or booking the assets.

2004

	Hong Kong HK\$'000	Europe HK\$'000	Americas HK\$'000	Intersegment eliminations HK\$'000	Consolidated HK\$'000
Operating income	<u>2,124,478</u>	<u>39,776</u>	<u>161,028</u>	<u>–</u>	<u>2,325,282</u>
Profit before taxation	<u>1,410,616</u>	<u>26,067</u>	<u>105,450</u>	<u>–</u>	<u>1,542,133</u>
Taxation	<u>(188,910)</u>	<u>(5,208)</u>	<u>(31,076)</u>	<u>–</u>	<u>(225,194)</u>
Minority interests	<u>(600)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(600)</u>
Segment results	<u>1,221,106</u>	<u>20,859</u>	<u>74,374</u>	<u>–</u>	<u>1,316,339</u>
Segment assets	<u>66,635,110</u>	<u>6,738,327</u>	<u>6,235,982</u>	<u>(3,419,848)</u>	<u>76,189,571</u>
Segment liabilities	<u>55,430,444</u>	<u>6,720,572</u>	<u>5,453,161</u>	<u>(3,033,233)</u>	<u>64,570,944</u>
Segment contingent liabilities and commitments	<u>28,085,063</u>	<u>179,774</u>	<u>1,970,747</u>	<u>–</u>	<u>30,235,584</u>

2003

	Hong Kong HK\$'000	Europe HK\$'000	Americas HK\$'000	Intersegment eliminations HK\$'000	Consolidated HK\$'000
Operating income	<u>1,896,726</u>	<u>44,311</u>	<u>153,218</u>	<u>–</u>	<u>2,094,255</u>
Profit before taxation	<u>1,082,845</u>	<u>27,943</u>	<u>97,260</u>	<u>–</u>	<u>1,208,048</u>
Taxation	<u>(159,954)</u>	<u>(7,787)</u>	<u>(26,878)</u>	<u>–</u>	<u>(194,619)</u>
Minority interests	<u>(399)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(399)</u>
Segment results	<u>922,492</u>	<u>20,156</u>	<u>70,382</u>	<u>–</u>	<u>1,013,030</u>
Segment assets	<u>65,010,439</u>	<u>6,878,550</u>	<u>5,974,006</u>	<u>(3,059,494)</u>	<u>74,803,501</u>
Segment liabilities	<u>54,854,699</u>	<u>6,861,184</u>	<u>5,266,305</u>	<u>(2,861,981)</u>	<u>64,120,207</u>
Segment contingent liabilities and commitments	<u>25,022,986</u>	<u>164,119</u>	<u>1,786,026</u>	<u>–</u>	<u>26,973,131</u>

5 Segmental information (Continued)

(e) By class of business

The Group and the Bank are engaged predominantly in banking and related financial activities. It comprises retail and corporate banking, bills, treasury and other classes of business.

The "Others" business mainly comprises remittance, share dealing, provision of trustee, wealth management and insurance agency services.

For the purpose of class of business analysis, the allocation of revenue, besides the direct revenue generated by the business, also includes the benefits of funding resources derived from the other businesses by way of internal fund transfer pricing mechanisms. Cost allocation is based on the direct cost incurred by the class of business and internal allocation of management overheads. Asset allocation is based on the assets directly attributable to the class of business and internal allocation of assets.

2004

The Group

	Retail and corporate banking HK\$'000	Bills HK\$'000	Treasury HK\$'000	Others HK\$'000	Total HK\$'000
Operating income	<u>1,313,699</u>	<u>315,633</u>	<u>354,822</u>	<u>341,128</u>	<u>2,325,282</u>
Operating profit before provisions	<u>864,043</u>	<u>236,450</u>	<u>223,795</u>	<u>202,852</u>	<u>1,527,140</u>
Operating profit	<u>849,676</u>	<u>235,833</u>	<u>223,795</u>	<u>202,852</u>	<u>1,512,156</u>
Profit before taxation	<u>853,563</u>	<u>235,757</u>	<u>249,553</u>	<u>203,260</u>	<u>1,542,133</u>
Segment assets	<u>28,463,365</u>	<u>4,660,994</u>	<u>42,365,640</u>	<u>699,572</u>	<u>76,189,571</u>

The Bank

	Retail and corporate banking HK\$'000	Bills HK\$'000	Treasury HK\$'000	Others HK\$'000	Total HK\$'000
Operating income	<u>1,308,090</u>	<u>315,633</u>	<u>353,731</u>	<u>336,556</u>	<u>2,314,010</u>
Operating profit before provisions	<u>861,605</u>	<u>236,450</u>	<u>222,759</u>	<u>200,209</u>	<u>1,521,023</u>
Operating profit	<u>847,238</u>	<u>235,833</u>	<u>222,759</u>	<u>200,209</u>	<u>1,506,039</u>
Profit before taxation	<u>846,789</u>	<u>235,757</u>	<u>248,517</u>	<u>200,071</u>	<u>1,531,134</u>
Segment assets	<u>28,189,827</u>	<u>4,634,758</u>	<u>42,354,969</u>	<u>661,099</u>	<u>75,840,653</u>

Supplementary Financial Information

5 Segmental information (Continued)

(e) By class of business (Continued)

2003

The Group

	Retail and corporate banking HK\$'000	Bills HK\$'000	Treasury HK\$'000	Others HK\$'000	Total HK\$'000
Operating income	<u>1,273,388</u>	<u>311,246</u>	<u>303,325</u>	<u>206,296</u>	<u>2,094,255</u>
Operating profit before provisions	<u>935,547</u>	<u>183,770</u>	<u>249,702</u>	<u>(11,014)</u>	<u>1,358,005</u>
Operating profit	<u>785,868</u>	<u>167,748</u>	<u>249,702</u>	<u>(11,014)</u>	<u>1,192,304</u>
Profit before taxation	<u>784,064</u>	<u>166,936</u>	<u>267,186</u>	<u>(10,138)</u>	<u>1,208,048</u>
Segment assets	<u>26,834,417</u>	<u>4,025,273</u>	<u>43,263,112</u>	<u>680,699</u>	<u>74,803,501</u>

The Bank

	Retail and corporate banking HK\$'000	Bills HK\$'000	Treasury HK\$'000	Others HK\$'000	Total HK\$'000
Operating income	<u>1,268,894</u>	<u>311,246</u>	<u>298,573</u>	<u>199,195</u>	<u>2,077,908</u>
Operating profit before provisions	<u>934,817</u>	<u>183,770</u>	<u>245,012</u>	<u>(12,680)</u>	<u>1,350,919</u>
Operating profit	<u>786,833</u>	<u>167,748</u>	<u>245,012</u>	<u>(12,680)</u>	<u>1,186,913</u>
Profit before taxation	<u>785,267</u>	<u>166,936</u>	<u>262,496</u>	<u>(14,012)</u>	<u>1,200,687</u>
Segment assets	<u>26,524,822</u>	<u>4,002,738</u>	<u>43,265,033</u>	<u>651,272</u>	<u>74,443,865</u>

5 Segmental information (Continued)

(f) Fees and commission income by product lines

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Import and export	191,611	178,415	191,611	178,415
Retail banking operation and custodian	287,806	177,402	284,375	176,712
Credit cards	39,367	36,241	39,367	36,241
Remittances	50,683	44,934	50,683	44,934
Credit facilities	49,401	49,206	48,485	48,064
Others	3,180	1,910	3,136	1,828
Total	<u>622,048</u>	<u>488,108</u>	<u>617,657</u>	<u>486,194</u>

6 Overdue and rescheduled advances

(a) 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:

The Group

	2004		2003	
	HK\$'000	%	HK\$'000	%
Gross amount of advances which have been overdue for				
– six months or less but over three months	71,454	0.24	52,988	0.19
– one year or less but over six months	19,851	0.06	41,773	0.15
– over one year	50,911	0.17	64,287	0.23
	<u>142,216</u>	<u>0.47</u>	<u>159,048</u>	<u>0.57</u>
Secured overdue advances	105,925		137,177	
Unsecured overdue advances	36,291		21,871	
	<u>142,216</u>		<u>159,048</u>	
Market value of security held against the secured overdue advances	<u>153,397</u>		<u>161,635</u>	
Specific provisions made	<u>30,861</u>		<u>28,051</u>	

Supplementary Financial Information

6 Overdue and rescheduled advances (Continued)

- (a) 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: (Continued)

The Bank

	2004		2003	
	HK\$'000	%	HK\$'000	%
Gross amount of advances which have been overdue for				
- six months or less but over three months	71,231	0.24	47,833	0.17
- one year or less but over six months	19,851	0.06	41,743	0.15
- over one year	50,911	0.17	64,287	0.23
	<u>141,993</u>	<u>0.47</u>	<u>153,863</u>	<u>0.55</u>
Secured overdue advances	105,702		132,147	
Unsecured overdue advances	<u>36,291</u>		<u>21,716</u>	
	<u>141,993</u>		<u>153,863</u>	
Market value of security held against the secured overdue advances	<u>153,097</u>		<u>155,846</u>	
Specific provisions made	<u>30,850</u>		<u>27,648</u>	

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

The Group

	2004		2003	
	HK\$'000	%	HK\$'000	%
Rescheduled advances	<u>111,152</u>	0.37	<u>154,427</u>	0.55

The Bank

	2004		2003	
	HK\$'000	%	HK\$'000	%
Rescheduled advances	<u>108,642</u>	0.36	<u>149,548</u>	0.54

6 Overdue and rescheduled advances (Continued)

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

	The Group		The Bank	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Gross amount of overdue advances (item 6(a) above)	142,216	159,048	141,993	153,863
Less: gross amount of advances which are overdue for more than three months and on which interest is still being accrued	38,045	30,347	38,045	25,316
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	266,122	463,577	262,032	450,827
Gross amount of non-performing advances (Note 14)	370,293	592,278	365,980	579,374

- (d) The amount of trade bills which have been overdue for:

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
– six months or less but over three months	522	161

7 The amount of repossessed assets held

	The Group and the Bank	
	2004 HK\$'000	2003 HK\$'000
Repossessed assets	13,090	13,270

Supplementary Financial Information

8 Foreign currency position

	Spot assets HK\$'000	Spot liabilities HK\$'000	Forward purchases HK\$'000	Forward sales HK\$'000	Net long positions HK\$'000
2004					
The Group and the Bank					
US Dollars	35,020,000	(31,005,000)	2,551,000	(2,630,000)	3,936,000
Pound Sterling	2,019,000	(1,989,000)	31,000	(15,000)	46,000
Canadian Dollars	1,701,000	(1,710,000)	82,000	(26,000)	47,000
Other currencies and gold	5,607,000	(5,649,000)	2,054,000	(1,928,000)	84,000
	<u>44,347,000</u>	<u>(40,353,000)</u>	<u>4,718,000</u>	<u>(4,599,000)</u>	<u>4,113,000</u>
2003					
The Group					
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	7,563,000	(7,541,000)	1,629,000	(1,632,000)	19,000
	<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>
The Bank					
US Dollars	34,041,000	(29,567,000)	2,976,000	(2,795,000)	4,655,000
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	7,560,000	(7,541,000)	1,629,000	(1,632,000)	16,000
	<u>43,730,000</u>	<u>(39,030,000)</u>	<u>4,888,000</u>	<u>(4,861,000)</u>	<u>4,727,000</u>

Branches and Subsidiary Companies

Head Office

12 Queen's Road Central
Telephone: (852) 2841 5415
Fax: (852) 2810 4623
Telex: 73390; 73650 SCBK HX
SWIFT: SCBK HK HH
Web Site: <http://www.shacombank.com.hk>

Hong Kong Island Branches

Aberdeen Branch	118 Aberdeen Main Road
Causeway Bay Branch	18 Pennington Street
Hennessy Road Branch	Shop LG 16, C.C. Wu Building, 302 Hennessy Road
North Point Branch	486 King's Road
President Theatre Branch	Shop A, G/F., 517 Jaffe Road
Shaukiwan Branch	136 Shaukiwan Main Street East
Sheung Wan Branch	19-25 Jervois Street
Siu Sai Wan Branch	Shop 9, G/F., Harmony Garden, 9 Siu Sai Wan Road
Taikoo Shing Branch	G502, Tai Yue Avenue, Taikoo Shing
Victoria Centre Branch	G7, Victoria Centre, 15 Watson Road
Wanchai Branch	19-21 Hennessy Road
West Point Branch	47 Catchick Street

Kowloon Branches

Jordan Road Branch	Shop 2, G/F., Sino Cheer Plaza, 23 Jordan Road
Kowloon Bay Branch	Telford House, 16 Wang Hoi Road
Kowloon Tong Branch	G28, Franki Centre, 320 Junction Road
Kwun Tong Branch	57-61 Hong Ning Road
Laichikok Branch	Shops 5-8, G/F., Lai Kwan Court, 438 Castle Peak Road
Mei Foo Sun Chuen (Stage 1) Branch	29D Broadway, Mei Foo Sun Chuen
Mei Foo Sun Chuen (Stage 4) Branch	83B Broadway, Mei Foo Sun Chuen
Mongkok Branch	666 Nathan Road
Ping Shek Estate Branch	115 Tsuen Shek House, Ping Shek Estate
Sanpokong Branch	28 Hong Keung Street
Sham Shui Po Branch	141 Cheung Sha Wan Road
Tokwawan Branch	60 Tokwawan Road
Tsimshatsui Branch	7 Hankow Road
Tsimshatsui East Branch	G27, Houston Centre, 63 Mody Road
Waterloo Road Branch	84K Waterloo Road
Whampoa Garden Branch	Shop 9, Palm Mansions, Whampoa Garden, Site 4

Branches and Subsidiary Companies

New Territories and Outlying Island Branches

Kingswood Villa Branch	Shop G08, G/F., Phase 2, Kingswood Ginza, 18 Tin Yan Road
Kwai Chung Branch	Shop 3, Hutchison Estate, 482 Castle Peak Road
Ma On Shan Branch	Shop 308, Level 3, Ma On Shan Plaza, 608 Sai Sha Road
Shatin Branch	Shop 70B, Level 3, Shatin Centre, Wang Pok Street
Sheung Shui Branch	126 San Fung Avenue
Tai Po Branch	Shop 83, Level 1, Uptown Plaza, 9 Nam Wan Road
Texaco Road Branch	Shops B128-131, East Asia Commercial Centre, 36-60 Texaco Road
Tseung Kwan O Branch	Shops G1-2, G/F., Metro City Plaza III, The Metropolis, 8 Mau Yip Road
Tsuen Wan Branch	405 Castle Peak Road
Tuen Mun Branch	Shop 4A, Level Two (South Wing), Trend Plaza
Tung Chung Branch	Shops 1-2, Block 5, Tung Chung Crescent
TVB Office	2/F., Workshop Block, TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate
Yuen Long Branch	17 Hong Lok Road

Banking Centre

Nob Hill Banking Centre	Shop 127, 1/F., The Household Centre, 8 King Lai Path, Laichikok
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Overseas Branches

London Branch	65 Cornhill, London EC3V 3NB, U.K.
San Francisco Branch	231 Sansome Street, San Francisco, CA 94104, U.S.A.
New York Branch	125 East 56th Street, New York, NY 10022, U.S.A.
Los Angeles Branch	383 E. Valley Boulevard, Alhambra, CA 91801, U.S.A.

Mainland Branch

Shenzhen Branch	26/F., Shenzhen International Financial Building, 2022 Jianshe Road, Shenzhen 518001, P.R.C.
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Mainland Representative Office

Shanghai Representative Office	Room 09-13, 9/F., China Merchants Tower, 161 Lu Jia Zui Road (E), Pu Dong, Shanghai 200120, P.R.C.
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Wholly-owned Subsidiary Companies

Shacom Assets Investments Limited
Shacom Finance Limited
Shacom Futures Limited
Shacom Insurance Brokers Limited
Shacom Investment Limited
Shacom Investment Management Limited
Shacom Property (CA) Inc.
Shacom Property (NY) Inc.
Shacom Property Holdings (BVI) Limited
Shanghai Commercial Bank (Nominees) Limited

Subsidiary Companies

Infinite Financial Solutions Limited
Shanghai Commercial Bank Trustee Limited