

**SHANGHAI COMMERCIAL BANK LIMITED**  
**(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)**  
**GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2005**

**I CONSOLIDATED PROFIT AND LOSS INFORMATION**

	Note	Six months ended 30/6/2005 (unaudited) HK\$'000	(Restated) Six months ended 30/6/2004 (audited) HK\$'000
Interest income		1,315,264	969,810
Interest expense		<u>(508,185)</u>	<u>(231,740)</u>
Net interest income		807,079	738,070
Other operating income	3	<u>414,106</u>	<u>410,749</u>
Operating income		1,221,185	1,148,819
Operating expenses	4	<u>(394,878)</u>	<u>(383,849)</u>
Operating profit before provisions		826,307	764,970
Impairment losses on loans and advances		<u>3,067</u>	<u>(21,500)</u>
Operating profit		829,374	743,470
Net losses on disposal of fixed assets		(481)	(324)
Profits less losses on disposal of held-to-maturity securities and available-for-sale securities	1	55,190	26,139
Share of net profits/(losses) of jointly controlled entities		<u>257</u>	<u>(1,241)</u>
Profit before taxation		884,340	768,044
Taxation	2	<u>(153,760)</u>	<u>(100,828)</u>
Profit after taxation		<u>730,580</u>	<u>667,216</u>
Profit attributable to:			
Shareholders		730,043	667,116
Minority interests		<u>537</u>	<u>100</u>
		<u>730,580</u>	<u>667,216</u>

Note:

1 Profits less losses on disposal of held-to-maturity securities and available-for-sale securities

	Six months ended 30/6/2005 (unaudited) HK\$'000	Six months ended 30/6/2004 (audited) HK\$'000
Profits less losses on disposal of:		
Held-to-maturity securities	(209)	2,331
Available-for-sale securities	<u>55,399</u>	<u>23,808</u>
	<u>55,190</u>	<u>26,139</u>

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**I CONSOLIDATED PROFIT AND LOSS INFORMATION (CONTINUED)**

Note: (continued)

2 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% ( 2004 : 17.5% ) on the estimated assessable profit for the period. Taxation on overseas profits has been provided on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30/6/2005 (unaudited) HK\$'000	Six months ended 30/6/2004 (audited) HK\$'000
Current taxation :		
- Hong Kong profits tax	134,491	110,425
- Overseas taxation	18,934	14,864
- Over provisions in prior years	(1,168)	(19,204)
Deferred taxation :		
- Hong Kong deferred tax (Note m(2))	232	(6,646)
- Overseas deferred tax (Note m(2))	1,271	1,389
	<u>153,760</u>	<u>100,828</u>

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

	Six months ended 30/6/2005 (unaudited) HK\$'000	(Restated) Six months ended 30/6/2004 (audited) HK\$'000
Profit before taxation	<u>884,340</u>	<u>768,044</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	154,760	134,408
Effect of different taxation rates in other countries	20,236	16,658
Income not subject to taxation	(29,394)	(38,940)
Expenses not deductible for taxation purposes	9,408	8,656
Net effect of investments in partnerships	(82)	(750)
Over provisions in prior years	(1,168)	(19,204)
Taxation charge	<u>153,760</u>	<u>100,828</u>

The Bank has entered into aircraft leverage lease arrangement (as well as coupon bond transaction in 2004), involving special purpose partnerships in which the Bank is the majority general partner. The partnerships are held exclusively with a view to their subsequent disposal in the near future and consequently they are not consolidated in the Bank's accounts. As of 30th June 2005, the unamortised carrying cost of the investments in such partnerships, which was included in "other accounts", amounted to HK\$135,885,000 (31st December 2004: HK\$272,234,000). The Bank's investments in partnerships are amortised over the life of the partnerships.

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**I CONSOLIDATED PROFIT AND LOSS INFORMATION (CONTINUED)**

Note: (continued)

3 Other operating income

	Six months ended 30/6/2005 (unaudited) HK\$'000	Six months ended 30/6/2004 (audited) HK\$'000
Fees and commission income	314,284	310,027
Less : Fees and commission expense	<u>(12,420)</u>	<u>(10,562)</u>
Net fees and commission income	301,864	299,465
Net gain on foreign exchange trading	69,905	62,829
Net profit/(loss) on securities held for dealing purposes	(2,649)	(6,765)
Dividend income		
- listed investments	1,405	904
- unlisted investments	3,585	10,672
Others	<u>39,996</u>	<u>43,644</u>
	<u>414,106</u>	<u>410,749</u>

4 Operating expenses

	Six months ended 30/6/2005 (unaudited) HK\$'000	(Restated) Six months ended 30/6/2004 (audited) HK\$'000
Staff costs		
Salaries and other costs	241,443	229,884
Pension costs	12,177	12,519
Premises and equipment		
Rental of premises	19,615	17,616
Building expenses	5,555	5,144
Building management fee	2,663	2,494
Depreciation	36,251	41,839
Amortisation of interests in leasehold land	2,295	2,226
Amortisation of intangible assets	316	-
Auditors' remuneration	3,269	2,483
Other operating expenses		
Telegram and telephone	10,679	10,971
Credit card business promotion	4,895	4,655
Postage	6,762	6,362
Repair and maintenance	7,986	7,044
Legal and consultancy	(122)	1,607
Water, heat and light	6,026	5,452
Printing and stationery	3,839	3,335
Computer rental and licence	2,997	3,514
Travelling and transportation	2,320	1,984
Advertising and business promotion	3,272	3,417
Others	<u>22,640</u>	<u>21,303</u>
	<u>394,878</u>	<u>383,849</u>

## II CONSOLIDATED BALANCE SHEET INFORMATION

	Note	30/6/2005 (unaudited) HK\$'000	(Restated) 31/12/2004 (audited) HK\$'000
<b>ASSETS</b>			
Cash and short-term funds		19,017,869	20,076,076
Placements with banks and other financial institutions maturing between one and twelve months		1,737,228	2,418,605
Trade bills		1,187,330	1,357,162
Certificates of deposit held		2,368,762	2,757,828
Securities measured at fair value through profit or loss		219,844	473,599
Derivative financial instruments		1,545	19,918
Advances to customers, a bank and other accounts	a	34,705,877	30,681,785
Held-to-maturity securities and available-for-sale securities		16,579,336	16,666,940
Investments in jointly controlled entities		129,865	130,438
Fixed assets		463,112	496,289
<b>TOTAL ASSETS</b>		<u>76,410,768</u>	<u>75,078,640</u>
<b>LIABILITIES</b>			
Deposits and balances of banks and other financial institutions		4,705,818	3,060,379
Derivative financial instruments		3,133	198,323
Deposits from customers	b	56,571,383	57,672,909
Certificates of deposit issued		2,700,000	2,700,000
Other accounts and provisions	c	1,376,048	810,406
<b>TOTAL LIABILITIES</b>		<u>65,356,382</u>	<u>64,442,017</u>
<b>EQUITY</b>			
Minority interests		5,895	5,673
Share capital		2,000,000	2,000,000
Reserves			
General reserve		7,010,951	7,013,480
Other reserves		131,745	11,044
Proposed final dividend		-	460,000
Retained profits		1,905,795	1,146,426
Shareholders' funds		11,048,491	10,630,950
<b>TOTAL EQUITY</b>		<u>11,054,386</u>	<u>10,636,623</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>76,410,768</u>	<u>75,078,640</u>

### III SUPPLEMENTARY INFORMATION

#### a Advances to customers and other accounts

	30/6/2005 (unaudited) HK\$'000	(Restated) 31/12/2004 (unaudited) HK\$'000
Advances to customers	33,544,811	30,197,431
Impairment allowances for loans and advances		
Collective impairment allowances	(147,446)	(363,788)
Individual impairment allowances	(185,116)	(162,784)
	<u>33,212,249</u>	<u>29,670,859</u>
Advance to a bank	<u>83,528</u>	<u>7,770</u>
Accrued interest		
Cash and short-term funds	212	166
Placements with banks and other financial institutions maturing between one and twelve months	12,262	15,077
Trade bills	7,667	525
Securities measured at fair value through profit and loss	1,069	592
Advances to customers, a bank and other accounts	37,886	34,296
Held-to-maturity securities and available-for-sale securities	176,277	157,057
	<u>235,373</u>	<u>207,713</u>
Other accounts		
Interests in leasehold land	257,929	260,224
Deferred tax assets	81,879	103,523
Other assets	834,919	431,696
	<u>1,410,100</u>	<u>1,003,156</u>
	<u>34,705,877</u>	<u>30,681,785</u>

Included in other assets were advances with repossessed assets of HK\$5,316,000 (2004: HK\$ 8,343,000) and the repossessed asset value by HK\$ 8,380,000 (2004:HK\$13,090,000)

#### b Deposits from customers

	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000
Demand deposits and current accounts	4,940,121	5,907,603
Savings deposits	15,989,174	18,644,144
Time, call and notice deposits	35,253,588	32,732,662
Deposits from Hong Kong Government Exchange Fund	388,500	388,500
	<u>56,571,383</u>	<u>57,672,909</u>

#### c Other accounts and provisions

Include in other accounts and provisions are interest payable on deposits and other accounts of banks and other financial institutions HK\$768,000 (2004: HK\$34,637,000), deposits from customers HK\$53,828,000 (2004:HK\$37,143,000), certificates of deposit issued HK\$3,861,000 (2004:HK\$108,000) and other accounts and provisions HK\$ Nil (2004: HK\$173,000).

**d Gross advances to customers by industry sector**

	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	1,116,719	966,512
- Property investment	6,396,377	5,542,128
- Financial concerns	84,671	299,502
- Stockbrokers	5,958	5,455
- Wholesale and retail trade	623,063	485,862
- Manufacturing	1,550,603	1,303,741
- Transport and transport equipment	414,827	340,181
- Information technology - telecommunication	6,278	4,342
- Hotels, boarding houses and catering	885,628	911,726
- Others	3,188,090	2,785,393
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	507,374	565,847
- Loans for the purchase of other residential properties	4,874,126	4,931,785
- Credit card advances	298,065	319,837
- Others	1,838,101	1,420,680
Trade finance	6,007,766	5,028,950
Loans for use outside Hong Kong	5,747,165	5,285,490
	<u>33,544,811</u>	<u>30,197,431</u>

**e The amount of impaired advances to customers and the percentages of such advances to total advances to customers are analysed as follows:**

	30/6/2005 (unaudited) HK\$'000	%
Gross advances	730,509	2.18
Individual impairment allowances (Note)	<u>(185,116)</u>	
	<u>545,393</u>	

Note :

The individual impairment allowances were made after taking into account the value of collateral in respect of such advances as at 30th June 2005 and 31st December 2004.

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

	30/6/2005 (unaudited) HK\$'000	%	31/12/2004 (unaudited) HK\$'000	%
Rescheduled advances	<u>92,463</u>	0.28	<u>111,152</u>	0.37

**g The amount of trade bills which have been overdue for:**

	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000
- six months or less but over three months	-	522
- one year or less but over six months	-	-
	<u>-</u>	<u>522</u>

## h Off-balance sheet exposures

### (1) Contingent liabilities and commitments

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

	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000
Direct credit substitutes	1,334,294	1,508,201
Trade-related contingencies	4,574,258	4,611,502
Other commitments with an original maturity of:		
- under 1 year or which are unconditionally cancellable	21,129,124	20,896,555
- 1 year and over	<u>2,521,700</u>	<u>3,219,326</u>
	<u>29,559,376</u>	<u>30,235,584</u>

### (2) Derivatives

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

	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000
Exchange rate contracts		
Forward contracts	5,660,305	6,117,778
Interest rate contracts		
Interest rate swaps	<u>200,000</u>	<u>2,092,266</u>
	<u>5,860,305</u>	<u>8,210,044</u>

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

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

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

As at 30th June 2005 and 31st December 2004 the contract amounts, credit risk weighted amounts and replacement costs of the above off-balance sheet exposures are as follows:

	Contract amount 30/6/2005 (unaudited) HK\$'000	Credit risk weighted amount 30/6/2005 (unaudited) HK\$'000	Replacement cost 30/6/2005 (unaudited) HK\$'000	Contract amount 31/12/2004 (unaudited) HK\$'000	Credit risk weighted amount 31/12/2004 (unaudited) HK\$'000	Replacement cost 31/12/2004 (unaudited) HK\$'000
Contingent liabilities and commitments	29,559,376	3,462,768	-	30,235,584	3,981,779	-
Derivatives						
- Exchange rate contracts	5,660,305	26,290	43,289	6,117,778	73,734	112,170
- Interest rate contracts	<u>200,000</u>	<u>495</u>	<u>640</u>	<u>2,092,226</u>	<u>5,474</u>	<u>661</u>
	<u>35,419,681</u>	<u>3,489,553</u>	<u>43,929</u>	<u>38,445,588</u>	<u>4,060,987</u>	<u>112,831</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.

## i Capital adequacy and liquidity ratios

	30/6/2005 (unaudited)	31/12/2004 (unaudited)
Capital adequacy ratio	<u>23%</u>	<u>24%</u>
Adjusted capital adequacy ratio	<u>23%</u>	<u>23%</u>

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

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

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

	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000
Core capital		
Paid up ordinary share capital	2,000,000	2,000,000
Reserves	8,143,909	7,283,607
Profit and loss account	<u>727,600</u>	<u>853,732</u>
	<u>10,871,509</u>	<u>10,137,339</u>
Supplementary capital		
Reserves on revaluation of land and interests in land	-	701,234
Reserves on revaluation of holding of securities not held for trading purposes	(83,231)	(17,381)
Collective impairment allowances for impaired assets and Regulatory Reserve	<u>365,322</u>	<u>378,066</u>
Total gross and eligible value of supplementary capital	<u>282,091</u>	<u>1,061,919</u>
Total capital base before deductions	<u>11,153,600</u>	<u>11,199,258</u>
Deductions from total capital base		
Shareholdings in subsidiaries or holding company	(103,079)	(75,306)
Exposures to connected companies	(81,571)	(86,257)
Equity investments of 20% or more in jointly controlled entities	(25,300)	(24,300)
Investments in the capital of other banks and financial institutions	<u>(304,302)</u>	<u>(260,256)</u>
	<u>(514,252)</u>	<u>(446,119)</u>
Total capital base after deductions	<u>10,639,348</u>	<u>10,753,139</u>
	Six months ended 30/6/2005 (unaudited)	Six months ended 30/06/2004 (unaudited)
Liquidity ratio	<u>58%</u>	<u>67%</u>

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



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

	Total advances		Total overdue advances (Restated)	
	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000
Hong Kong	26,879,000	24,150,000	839,000	861,000
North America	4,408,000	4,124,000	2,000	2,000

**k Cross-border claims**

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

30/6/2005

	Banks and other financial institutions (unaudited) HK\$'000	Public sector entities (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
Asia & Pacific excluding Hong Kong	5,731,000	46,000	547,000	6,324,000
North America	4,074,000	837,000	2,099,000	7,010,000
Western Europe	18,804,000	-	228,000	19,032,000

31/12/2004

	Banks and other financial institutions (unaudited) HK\$'000	Public sector entities (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
Asia & Pacific excluding Hong Kong	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

## I Foreign currency position

30/6/2005

	Spot assets (unaudited) HK\$'000	Spot liabilities (unaudited) HK\$'000	Forward purchases (unaudited) HK\$'000	Forward sales (unaudited) HK\$'000	Net long/ (short) positions (unaudited) HK\$'000
US Dollars	32,312,000	(28,964,000)	3,400,000	(2,770,000)	3,978,000
Pound Sterling	1,945,000	(1,924,000)	117,000	(113,000)	25,000
Canadian Dollars	1,667,000	(1,653,000)	34,000	(36,000)	12,000
Other currencies and gold	5,810,000	(5,855,000)	1,094,000	(1,040,000)	9,000
	<u>41,734,000</u>	<u>(38,396,000)</u>	<u>4,645,000</u>	<u>(3,959,000)</u>	<u>4,024,000</u>

31/12/2004

	Spot assets (unaudited) HK\$'000	Spot liabilities (unaudited) HK\$'000	Forward purchases (unaudited) HK\$'000	Forward sales (unaudited) HK\$'000	Net long positions (unaudited) HK\$'000
US Dollars	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>

## m Current and deferred tax liabilities

	The Group		The Bank	
	30/6/2005 (unaudited) HK\$'000	(Restated) 31/12/2004 (unaudited) HK\$'000	30/6/2005 (unaudited) HK\$'000	(Restated) 31/12/2004 (unaudited) HK\$'000
Current tax	76,778	13,111	74,077	12,371
Deferred tax	89	65	-	-
	<u>76,867</u>	<u>13,176</u>	<u>74,077</u>	<u>12,371</u>

### (1) Current tax

	The Group		The Bank	
	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000	30/6/2005 (unaudited) HK\$'000	31/12/2004 (unaudited) HK\$'000
Hong Kong profits tax	68,476	734	65,781	-
Overseas tax	8,302	12,377	8,296	12,371
	<u>76,778</u>	<u>13,111</u>	<u>74,077</u>	<u>12,371</u>

The following current tax receivable has been included in "Other accounts".

Hong Kong profits tax	<u>-</u>	<u>66,865</u>	<u>-</u>	<u>66,865</u>
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### (2) 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% (2004: 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:

#### (a) Deferred tax (liabilities)

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

	(Restated) Collective impairment allowances for loans and advances (unaudited) HK\$'000	(Restated) Accelerated tax depreciation (unaudited) HK\$'000	(Restated) Reserves (unaudited) HK\$'000	(Restated) Others (unaudited) HK\$'000	(Restated) Total (unaudited) HK\$'000
At 1st January 2005	-	(65)	-	-	(65)
(Charged)/ credited to profit and loss account	-	(24)	-	-	(24)
At 30th June 2005	<u>-</u>	<u>(89)</u>	<u>-</u>	<u>-</u>	<u>(89)</u>

**n Current and deferred tax liabilities (continued)**

(2) Deferred Tax (continued)

(a) Deferred tax (liabilities) (continued)

	(Restated) Collective impairment allowances for loans and advances (unaudited) HK\$'000	(Restated) Accelerated tax depreciation (unaudited) HK\$'000	(Restated) Reserves (unaudited) HK\$'000	(Restated) Others (unaudited) HK\$'000	(Restated) Total (unaudited) HK\$'000
At 1st January 2004, as previously reported	78,860	(12,127)	(219,037)	(9,115)	(161,419)
Prior year adjustment for adoption of HKAS 17	-	10,439	214,230	-	224,669
At 1st January 2004, as restated	78,860	(1,688)	(4,807)	(9,115)	63,250
(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	-	-	9,849	-	9,849
At 31st December 2004 before reclassification	68,419	1,828	5,042	(4,518)	70,771
Reclassification to deferred tax assets	(68,419)	(1,893)	(5,042)	4,518	(70,836)
At 31st December 2004 after reclassification	-	(65)	-	-	(65)

(b) Deferred tax assets

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

	(Restated) Collective impairment allowances for loans and advances (unaudited) HK\$'000	(Restated) Accelerated tax depreciation (unaudited) HK\$'000	(Restated) Reserves (unaudited) HK\$'000	(Restated) Others (unaudited) HK\$'000	(Restated) Total (unaudited) HK\$'000
At 31st December 2004 as previously reported	30,495	(1,222)	-	3,414	32,687
Reclassified from deferred tax liabilities	68,419	1,893	5,042	(4,518)	70,836
At 31st December 2004 as restated	98,914	671	5,042	(1,104)	103,523
Effect of initial adoption of HKAS 39	(37,148)	-	(13,955)	-	(51,103)
At 1st January 2005 as restated	61,766	671	(8,913)	(1,104)	52,420
(Charged)/credited to profit and loss account	(1,356)	2,272	-	(2,395)	(1,479)
Credited to reserves	-	-	26,915	-	26,915
Reclassification to provision for corporation profit tax	-	-	-	4,181	4,181
Exchange differences	(140)	(1)	-	(17)	(158)
At 30th June 2005	60,270	2,942	18,002	665	81,879

	Collective impairment allowances for loans and advances (unaudited) HK\$'000	Accelerated tax depreciation (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
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
At 31st December 2004	30,495	(1,222)	3,414	32,687

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

	(Restated) Six months ended 30/6/2005 (unaudited) HK\$'000	(Restated) Six months ended 30/6/2004 (unaudited) HK\$'000
Reserves in shareholders' equity		
- investment revaluation deficit	12,960	(19,923)

## **REVIEW OF OPERATIONS**

Shanghai Commercial Bank Limited ("the Group") registered a satisfactory performance in the first half of 2005, with an increase of 9.4 % in its consolidated profit attributable to shareholders over the same period in 2004. The net interest income of the Group increased by 9.3% as compared with the first half of 2004, while the Group's other operating income increased by 0.8%. Meanwhile, the operating expenses of the Group increased by 2.9%, but there was a reduction in the impairment allowances for loans and advances of the Group for the first half of 2005 with a net release of provisions.

The Group took advantage of the economic upturn to increase its loan portfolio in the first half of 2005. In order to further strengthen its niche in serving the small and medium-sized enterprises, the Group set up new SME units in four major local branches during the first half of 2005. As for the second half, the Group will step up its efforts to increase its fees and commission income and to solicit more new business in trade finance which has always been its mainstay business. The Group will also continue to spend more efforts on recruiting more quality staff to support its growth strategy.

## **STATEMENT OF COMPLIANCE**

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