

**SHANGHAI COMMERCIAL BANK LIMITED**  
**(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)**  
**GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2006**

**I CONSOLIDATED PROFIT AND LOSS INFORMATION**

	Note	Six months ended 30/6/2006 (unaudited) HK\$'000	Six months ended 30/6/2005 (unaudited) HK\$'000
Interest income		2,149,237	1,315,264
Interest expense		<u>(1,235,685)</u>	<u>(508,185)</u>
Net interest income		913,552	807,079
Other operating income	3	<u>452,946</u>	<u>414,106</u>
Operating income		1,366,498	1,221,185
Operating expenses	4	<u>(414,176)</u>	<u>(394,878)</u>
Operating profit before impairment losses		952,322	826,307
(Provision)/ reversal of impairment losses on advances and trade bills		<u>(9,430)</u>	<u>3,067</u>
Operating profit		942,892	829,374
Net losses on disposal of fixed assets		(562)	(481)
Profits less losses on disposal of held-to-maturity securities and available-for-sale securities	1	18,654	55,190
Share of net profits of jointly controlled entities		<u>8,505</u>	<u>257</u>
Profit before taxation		969,489	884,340
Taxation	2	<u>(171,695)</u>	<u>(153,760)</u>
Profit after taxation		<u>797,794</u>	<u>730,580</u>
Attributable to:			
Shareholders of the bank		797,257	730,043
Minority interests		<u>537</u>	<u>537</u>
		<u>797,794</u>	<u>730,580</u>

Note:

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

		Six months ended 30/6/2006 (unaudited) HK\$'000	Six months ended 30/6/2005 (unaudited) HK\$'000
Profits less losses on disposal of:			
Held-to-maturity securities		-	(209)
Available-for-sale securities		<u>18,654</u>	<u>55,399</u>
		<u>18,654</u>	<u>55,190</u>

**SHANGHAI COMMERCIAL BANK LIMITED**  
**(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)**  
**GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2006**

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

Note: (continued)

2 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% ( 2005 : 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 30/6/2006 (unaudited) HK\$'000	Six months ended 30/6/2005 (unaudited) HK\$'000
Current taxation :		
- Hong Kong profits tax	135,604	134,491
- Overseas taxation	28,354	18,934
- Over provisions in prior years	(1,149)	(1,168)
Deferred taxation :		
- Hong Kong deferred tax	3,124	232
- Overseas deferred tax	5,762	1,271
	<u>171,695</u>	<u>153,760</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 30/6/2006 (unaudited) HK\$'000	Six months ended 30/6/2005 (unaudited) HK\$'000
Profit before taxation	<u>969,489</u>	<u>884,340</u>
Calculated at a taxation rate of 17.5% (2005: 17.5%)	169,661	154,760
Effect of different taxation rates in other countries	26,508	20,236
Income not subject to taxation	(36,176)	(29,394)
Expenses not deductible for taxation purposes	17,441	9,408
Net effect of investments in partnerships	(4,590)	(82)
Over provisions in prior years	(1,149)	(1,168)
Taxation charge	<u>171,695</u>	<u>153,760</u>

The Bank has entered into aircraft leverage lease arrangement, involving special purpose partnership in which the Bank is the majority general partner. As of 30th June 2006, the unamortised carrying cost of the investment in such partnership, which was included in "other accounts", amounted to HK\$256,048,000 (31st December 2005: HK\$399,938,000). The Bank's investment in this special purpose partnership is amortised over the life of the partnership.

**SHANGHAI COMMERCIAL BANK LIMITED**  
**(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)**  
**GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2006**

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

Note: (continued)

3 Other operating income

	Six months ended 30/6/2006 (unaudited) HK\$'000	Six months ended 30/6/2005 (unaudited) HK\$'000
Fees and commission income - mainly wealth management related and from trade bills	364,044	314,284
Less: Fees and commission expense - mainly brokerage fees	<u>(14,411)</u>	<u>(12,420)</u>
Net fees and commission income	349,633	301,864
Net gain on foreign exchange trading - mainly transaction related	58,345	69,905
Net losses on securities at fair value through profit or loss	(9,291)	(2,649)
Dividend income		
- Available-for-sale listed investments	1,839	1,141
- Available-for-sale unlisted investments	14,725	3,585
- Securities at fair value through profit or loss	252	264
Others	<u>37,443</u>	<u>39,996</u>
	<u>452,946</u>	<u>414,106</u>

4 Operating expenses

	Six months ended 30/6/2006 (unaudited) HK\$'000	Six months ended 30/6/2005 (unaudited) HK\$'000
Staff costs		
Salaries and other costs	258,835	241,443
Pension costs mainly on defined contribution plans	13,094	12,177
Premises and equipment		
Rental of premises	19,287	19,615
Building expenses	6,564	5,555
Building management fee	2,658	2,663
Depreciation expenses on property and equipment	30,905	36,251
Amortisation of interests in leasehold land	2,298	2,295
Amortisation of intangible assets	-	316
Auditors' remuneration	3,190	3,269
Other operating expenses		
Telegram and telephone	10,583	10,679
Credit card business promotion	4,440	4,895
Postage	7,013	6,762
Repair and maintenance	8,550	7,986
Legal and consultancy	2,392	(122)
Water, heat and light	6,273	6,026
Printing and stationery	3,857	3,839
Computer rental and licence	2,910	2,997
Travelling and transportation	2,132	2,320
Advertising and business promotion	3,873	3,272
Others	<u>25,322</u>	<u>22,640</u>
	<u>414,176</u>	<u>394,878</u>

## II CONSOLIDATED BALANCE SHEET INFORMATION

	Note	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
<b>ASSETS</b>			
Cash and short-term funds		16,593,079	20,420,169
Placements with banks and other financial institutions maturing between one and twelve months		10,502,482	4,665,155
Trade bills		1,410,506	1,345,715
Certificates of deposit held		1,325,489	1,942,602
Securities at fair value through profit or loss		623,048	464,530
Derivative financial instruments	g	31,871	9,828
Advances to customers, a bank and other accounts	a	37,694,508	35,200,468
Held-to-maturity securities		2,700,042	3,000,981
Available-for-sale securities		12,736,579	13,074,434
Investments in jointly controlled entities		143,613	136,938
Fixed assets		<u>425,921</u>	<u>441,555</u>
<b>TOTAL ASSETS</b>		<u><u>84,187,138</u></u>	<u><u>80,702,375</u></u>
<b>LIABILITIES</b>			
Deposits and balances of banks and other financial institutions		3,009,157	4,002,147
Derivative financial instruments	g	14,282	9,094
Deposits from customers	b	64,569,697	60,930,727
Certificates of deposit issued		3,100,000	3,106,278
Other accounts and provisions		<u>1,570,401</u>	<u>975,038</u>
<b>TOTAL LIABILITIES</b>		<u>72,263,537</u>	<u>69,023,284</u>
<b>EQUITY</b>			
Minority interests		<u>6,389</u>	<u>6,332</u>
<b>Capital and reserves attributable to the shareholders of the bank</b>			
Share capital		2,000,000	2,000,000
Reserves			
General reserve		7,250,641	7,245,166
Other reserves		(61,769)	37,214
Proposed final dividend		-	460,000
Retained profits		<u>2,728,340</u>	<u>1,930,379</u>
Shareholders' funds		<u>11,917,212</u>	<u>11,672,759</u>
<b>TOTAL EQUITY</b>		<u><u>11,923,601</u></u>	<u><u>11,679,091</u></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>84,187,138</u></u>	<u><u>80,702,375</u></u>

### III SUPPLEMENTARY INFORMATION

#### a Advances to customers and other accounts

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Advances to individuals	9,010,250	8,789,126
Advances to corporate entities	<u>27,407,002</u>	<u>25,460,532</u>
Gross loans to customers	36,417,252	34,249,658
Gross advance to a bank	83,495	83,334
Impairment allowances		
Collective assessment	(113,193)	(134,180)
Individual assessment	<u>(85,404)</u>	<u>(54,676)</u>
	36,302,150	34,144,136
Accrued Interest	308,784	-
Other accounts		
Interests in leasehold land	253,368	255,666
Deferred tax assets	116,453	86,154
Other assets	<u>713,753</u>	<u>714,512</u>
	1,083,574	1,056,332
	<u>37,694,508</u>	<u>35,200,468</u>

Included in other assets were advances with repossessed assets of HK\$5,155,000 (2005: HK\$ 6,561,000) and the repossessed asset at fair value by HK\$7,370,000 (2005:HK\$8,690,000).

The accrued interest of HK\$279,784 for the year 2005 has been reclassified to its relevant interest-bearing assets.

#### b Deposits from customers

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Demand deposits and current accounts	4,468,352	4,655,211
Savings deposits	15,726,338	15,271,703
Time, call and notice deposits	43,986,657	40,614,287
Deposits from Hong Kong Government Exchange Fund	<u>388,350</u>	<u>389,526</u>
	64,569,697	60,930,727

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

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (unaudited) HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	1,794,333	1,166,679
- Property investment	7,182,269	6,965,176
- Financial concerns	3,981	24,005
- Stockbrokers	5,793	5,746
- Wholesale and retail trade	616,347	616,258
- Manufacturing	1,445,155	1,519,268
- Transport and transport equipment	376,832	395,370
- Information technology - telecommunication	5,917	6,053
- Hotels, boarding houses and catering	989,411	1,072,772
- Others	3,108,583	2,701,230
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	439,574	464,175
- Loans for the purchase of other residential properties	4,582,914	4,711,013
- Credit card advances	292,679	369,185
- Others	2,716,540	2,225,527
Trade finance	6,058,751	5,574,470
Loans for use outside Hong Kong	6,798,173	6,369,354
Accrued interest	-	63,377
	<u>36,417,252</u>	<u>34,249,658</u>

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

	30/6/2006 (unaudited) HK\$'000	%	31/12/2005 (unaudited) HK\$'000	%
Impaired gross advances	487,938	1.34	482,702	1.41
Individual impairment allowances (Note)	<u>(88,345)</u>		<u>(54,676)</u>	
	<u>399,593</u>		<u>428,026</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 2006 and 31st December 2005.

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

	30/6/2006 (unaudited) HK\$'000	%	31/12/2005 (unaudited) HK\$'000	%
Rescheduled advances	<u>61,444</u>	0.17	<u>55,248</u>	0.16

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

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (unaudited) HK\$'000
- six months or less but over three months	3,413	1,965
- one year or less but over six months	671	-
	<u>4,084</u>	<u>1,965</u>

**g 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:

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Direct credit substitutes	1,585,934	1,228,711
Trade-related contingencies	4,921,956	3,829,359
Other commitments with an original maturity of:		
- under 1 year or which are unconditionally cancellable	21,722,626	22,264,539
- 1 year and over	<u>3,702,717</u>	<u>3,212,407</u>
	<u>31,933,233</u>	<u>30,535,016</u>

(2) Derivatives financial instruments

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

	Contract amount 30/6/2006 (unaudited) HK\$'000	Fair value Assets 30/6/2006 (unaudited) HK\$'000	Fair value Liabilities 30/6/2006 (unaudited) HK\$'000	Contract amount 31/12/2005 (audited) HK\$'000	Fair value Assets 31/12/2005 (audited) HK\$'000	Fair value Liabilities 31/12/2005 (audited) HK\$'000
Derivatives held for trading						
Exchange rate contracts						
Forward contracts	11,528,396	23,500	(14,282)	1,184,880	9,828	(7,625)
Interest rate contracts						
Interest rate swaps	<u>500,001</u>	<u>8,371</u>	<u>-</u>	<u>332,560</u>	<u>-</u>	<u>(1,469)</u>
Total derivative assets/(liabilities) held for trading	<u>12,028,397</u>	<u>31,871</u>	<u>(14,282)</u>	<u>1,517,440</u>	<u>9,828</u>	<u>(9,094)</u>

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

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 2006 and 31st December 2005 the contract amounts, credit risk weighted amounts and replacement costs of the above off-balance sheet exposures are as follows:

	Contract amount 30/6/2006 (unaudited) HK\$'000	Credit risk weighted amount 30/6/2006 (unaudited) HK\$'000	Replacement cost 30/6/2006 (unaudited) HK\$'000	Contract amount 31/12/2005 (audited) HK\$'000	Credit risk weighted amount 31/12/2005 (audited) HK\$'000	Replacement cost 31/12/2005 (audited) HK\$'000
Contingent liabilities and commitments	31,933,233	4,364,300	-	30,535,016	3,567,125	-
Derivatives						
- Exchange rate contracts	11,528,396	40,239	23,500	1,184,880	4,855	9,828
- Interest rate contracts	<u>500,001</u>	<u>625</u>	<u>8,371</u>	<u>332,560</u>	<u>717</u>	<u>-</u>
	<u>43,961,630</u>	<u>4,405,164</u>	<u>31,871</u>	<u>32,052,456</u>	<u>3,572,697</u>	<u>9,828</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.

## h Capital adequacy and liquidity ratios

	30/6/2006 (unaudited)	31/12/2005 (unaudited)
Capital adequacy ratio	<u>22%</u>	<u>23%</u>
Adjusted capital adequacy ratio	<u>22%</u>	<u>23%</u>

The capital adequacy ratio as at 30th June 2006 and 31st December 2005 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 30th June 2006 and 31st December 2005 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 as at 30th June 2006 and 31st December 2005 and reported to the Hong Kong Monetary Authority are as follows:

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (unaudited) HK\$'000
Core capital		
Paid up ordinary share capital	2,000,000	2,000,000
Reserves	9,102,114	7,873,108
Profit and loss account	<u>806,383</u>	<u>1,362,961</u>
	11,908,497	11,236,069
Supplementary capital		
Reserves on revaluation of holding of available-for-sale securities	(324,139)	(225,156)
Collective impairment allowances for impaired assets and Regulatory Reserve	<u>379,273</u>	<u>401,322</u>
Total gross and eligible value of supplementary capital	55,134	176,166
Total capital base before deductions	11,963,631	11,412,235
Deductions from total capital base		
Shareholdings in subsidiaries or holding company	(95,507)	(108,327)
Exposures to connected companies	(177,908)	(81,626)
Equity investments of 20% or more in jointly controlled entities	(25,300)	(25,300)
Investments in the capital of other banks and financial institutions	<u>(320,867)</u>	<u>(317,425)</u>
	(619,582)	(532,678)
Total capital base after deductions	<u>11,344,049</u>	<u>10,879,557</u>
	Six months ended 30/6/2006 (unaudited)	Six months ended 30/06/2005 (unaudited)
Liquidity ratio	<u>53%</u>	<u>58%</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.

**i 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:**

	Impaired loans		Overdue advances	
	30/6/2006 (unaudited)	31/12/2005 (unaudited)	30/6/2006 (unaudited)	31/12/2005 (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	488,000	494,000	1,043,000	1,074,000
North America	-	25,000	57,000	-
Western Europe	-	-	29,000	-

**j 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):

30/6/2006

	Banks and other financial institutions (unaudited)	Public sector entities (unaudited)	Others (unaudited)	Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia & Pacific excluding Hong Kong	9,573,000	-	665,000	10,238,000
North America	3,840,000	643,000	2,869,000	7,352,000
Western Europe	19,516,000	-	256,000	19,772,000

31/12/2005

	Banks and other financial institutions (unaudited)	Public sector entities (unaudited)	Others (unaudited)	Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia & Pacific excluding Hong Kong	9,052,000	-	687,000	9,739,000
North America	4,060,000	842,000	2,546,000	7,448,000
Western Europe	16,663,000	-	237,000	16,900,000

## k Foreign currency position

30/6/2006

The Group and the Bank

	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	33,222,000	(31,385,000)	7,315,000	(5,421,000)	3,731,000
Pound Sterling	1,761,000	(1,776,000)	48,000	(15,000)	18,000
Canadian Dollars	1,690,000	(1,715,000)	118,000	(88,000)	5,000
Other currencies and gold	6,549,000	(6,510,000)	889,000	(919,000)	9,000
	<u>43,222,000</u>	<u>(41,386,000)</u>	<u>8,370,000</u>	<u>(6,443,000)</u>	<u>3,763,000</u>

31/12/2005

The Group and the Bank

	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	33,117,000	(31,022,000)	1,038,000	(1,359,000)	1,774,000
Pound Sterling	1,788,000	(1,769,000)	81,000	(85,000)	15,000
Canadian Dollars	1,555,000	(1,596,000)	52,000	(11,000)	-
Other currencies and gold	6,373,000	(6,270,000)	920,000	(1,016,000)	7,000
	<u>42,833,000</u>	<u>(40,657,000)</u>	<u>2,091,000</u>	<u>(2,471,000)</u>	<u>1,796,000</u>

Structural assets include capital reserves and retained profits of overseas branches together with investments in overseas subsidiaries and related companies:

	Structural assets	
	30/6/2006 (unaudited) HK\$'000	31/12/2005 (unaudited) HK\$'000
US Dollars	1,306,000	1,247,000
Pound Sterling	7,000	13,000
Other currencies	14,000	10,000
	<u>1,327,000</u>	<u>1,270,000</u>

## l Current and deferred tax liabilities

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Current tax	124,466	31,160
Deferred tax	89	89
	<u>124,555</u>	<u>31,249</u>

(1) Current tax

	30/6/2006 (unaudited) HK\$'000	31/12/2005 (audited) HK\$'000
Hong Kong profits tax	113,284	20,455
Overseas tax	11,182	10,705
	<u>124,466</u>	<u>31,160</u>

## 1 Current and deferred tax liabilities (continued)

### (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% (2005: 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".

	Impairment allowances (unaudited) HK\$'000	Accelerated tax depreciation (unaudited) HK\$'000	Reserves (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1st January 2006	-	(89)	-	-	(89)
(Charged)/ credited to profit and loss account	-	-	-	-	-
At 30th June 2006	-	(89)	-	-	(89)
	Impairment allowances (audited) HK\$'000	Accelerated tax depreciation (audited) HK\$'000	Reserves (audited) HK\$'000	Others (audited) HK\$'000	Total (audited) HK\$'000
At 1st January 2005, as restated	-	(65)	-	-	(65)
Charged to profit and loss account	-	(24)	-	-	(24)
As at 31st December 2005	-	(89)	-	-	(89)

#### (b) Deferred tax assets

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

	Impairment allowances (unaudited) HK\$'000	Accelerated tax depreciation (unaudited) HK\$'000	Reserves (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
As at 1st January 2006	36,504	(4,590)	50,476	3,764	86,154
Charged to profit and loss account	(4,595)	(389)	-	(3,902)	(8,886)
Credited to reserves	-	-	38,576	-	38,576
Reclassification to provision for corporation profit tax	-	-	-	401	401
Exchange differences	167	2	-	39	208
At 30th June 2006	32,076	(4,977)	89,052	302	116,453
	Impairment allowances (audited) HK\$'000	Accelerated tax depreciation (audited) HK\$'000	Reserves (audited) HK\$'000	Others (audited) HK\$'000	Total (audited) HK\$'000
At 1st January 2005, as restated	43,318	671	(8,913)	(1,104)	33,972
(Charged)/ credited to profit and loss account	(6,507)	(5,262)	-	739	(11,030)
Credited to reserves	-	-	59,389	-	59,389
Reclassification to provision for corporation profit tax	-	-	-	4,181	4,181
Exchange differences	(307)	1	-	(52)	(358)
At 31st December 2005	36,504	(4,590)	50,476	3,764	86,154

The deferred taxation credited to reserves during the period is as follows:

	Six months ended 30/6/2006 (unaudited) HK\$'000	Six months ended 30/6/2005 (unaudited) HK\$'000
Reserves in shareholders' equity - investment revaluation deficit	38,576	12,960

## **REVIEW OF OPERATIONS**

Shanghai Commercial Bank Limited ("the Group") registered a satisfactory performance in the first half of 2006, with an increase of 9.2 % in its consolidated profit attributable to shareholders over the same period in 2005. Notwithstanding the fierce competition in the local banking sector, the net interest income of the Group increased by 13.2 % as compared with the first half of 2005, while the Group's other operating income increased by 9.4%, which was mainly contributed by the substantial increase in the brokerage income from its stock trading business. Meanwhile, the operating expenses of the Group increased by 4.9%, and there was also an increase in the impairment losses on advances and trade bills of the Group for the first half of 2006.

As for the second half, the Group will continue its efforts to increase its loan portfolio 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 increasing its fees and commission income.

## **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.