

SHANGHAI COMMERCIAL BANK LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)
GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2008

I PRINCIPAL ACTIVITIES

The Shanghai Commercial Bank Limited (the "Bank") and its subsidiary companies (collectively known as "the Group") are engaged in the provision of banking and related financial services in Hong Kong, United States, United Kingdom and the People's Republic of China. The Group employs over 1,500 people.

The Bank is a financial institution incorporated in Hong Kong. The address of its registered office is 12 Queen's Road Central, Hong Kong.

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

This Group Interim Financial Information Disclosure Statement is presented in thousands of units of HK dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30th July 2008.

II BASIS OF CONSOLIDATION

The Group Interim Financial Information Disclosure Statement include the financial statements of the Bank and all its subsidiaries made up to 30th June.

(a) Subsidiaries

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

II BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (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
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 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%
Shacom Securities Limited	Securities brokerage services	Hong Kong	1,000,000 ordinary shares of HK\$100 each	100%
Hai Kwang Property Management Company Limited	Property management	Hong Kong	2 ordinary shares of HK\$1 each	100%

All subsidiary companies are held directly by the Bank.

(b) 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 the economic activity. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an investment.

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.

III CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Six months ended 30th June 2008 (unaudited) HK\$'000	Six months ended 30th June 2007 (unaudited) HK\$'000
Interest income	1a	2,066,609	2,535,931
Interest expense	1b	<u>(1,058,062)</u>	<u>(1,574,742)</u>
Net interest income		1,008,547	961,189
Fee and commission income	1c	422,981	461,021
Fee and commission expense	1d	<u>(21,997)</u>	<u>(17,840)</u>
Net fee and commission income		400,984	443,181
Dividend income	2a	4,693	4,904
Net trading income	2b	87,296	127,114
Net (loss)/ income from financial instruments designated at fair value through profit or loss		(7,598)	15,106
Net loss from disposal of property and equipment		(190)	(490)
Net gain from disposal of available-for-sale investments		35,880	5,327
Other operating income		33,682	37,087
Operating expenses	3	(476,720)	(435,066)
Impairment losses on loans and advances to customers	4	(42,858)	(48,252)
Operating profit		<u>1,043,716</u>	<u>1,110,100</u>
Share of net (losses)/profits of jointly controlled entities		<u>(18,784)</u>	<u>21,643</u>
Profit before taxation		1,024,932	1,131,743
Income tax expense	5	<u>(189,374)</u>	<u>(181,488)</u>
Profit after taxation		<u>835,558</u>	<u>950,255</u>
Attributable to:			
Shareholders of the Bank		835,018	950,443
Minority interests		<u>540</u>	<u>(188)</u>
		<u>835,558</u>	<u>950,255</u>

IV CONSOLIDATED BALANCE SHEET

	Note	30th June 2008 (unaudited) HK\$'000	31st December 2007 (audited) HK\$'000
Assets			
Cash and balances with banks	6	28,274,486	29,576,311
Placements with and loans and advances to banks	7	9,631,635	12,056,719
Trading assets		284,918	284,772
Derivative financial instruments	8b	539,994	428,434
Financial assets designated at fair value		393,880	407,171
Loans and advances to customers	9	53,654,282	45,931,287
Investment securities:			
- Available-for-sale		12,984,672	13,537,925
- Held-to-maturity		3,193,492	3,112,359
Investments in jointly controlled entities		165,771	188,685
Property and equipment	10	398,506	406,925
Leasehold land and land use rights		271,431	273,841
Deferred income tax assets	12	65,698	70,177
Other assets		1,178,475	1,750,802
Total assets		<u>111,037,240</u>	<u>108,025,408</u>
Liabilities			
Deposits and balances from banks		6,169,994	4,078,007
Derivative financial instruments	8b	538,069	434,880
Deposits from customers	11	81,692,266	80,861,142
Certificates of deposit issued		449,952	1,251,596
Other liabilities		7,190,347	6,338,371
Provisions		91,592	128,060
Current income tax liabilities		161,596	39,231
Deferred income tax liabilities	12	90	92
Total liabilities		<u>96,293,906</u>	<u>93,131,379</u>
Equity			
Capital and reserves attributable to the equity holders of the bank			
Share capital		2,000,000	2,000,000
Retained earnings		5,029,668	5,293,541
Other reserves	13	7,706,198	7,592,840
		14,735,866	14,886,381
Minority interests in equity		7,468	7,648
Total equity		<u>14,743,334</u>	<u>14,894,029</u>
Total equity and liabilities		<u>111,037,240</u>	<u>108,025,408</u>

V NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT

1 Net interest income and net fee and commission income

(a) Interest income	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Cash and balances with banks	662,585	843,278
Investment securities	328,463	386,878
Loans and advances		
- to bank	2,158	2,409
- to customers	1,051,601	1,279,996
Others	21,802	23,370
	<u>2,066,609</u>	<u>2,535,931</u>

Included within interest income on loans and advances is HK\$9,552,000 (for the six months period ended 30th June 2007: HK\$13,987,000) with respect of interest income accrued on financial assets with impairment indication.

(b) Interest expense	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Deposits and balances from bank	56,888	104,168
Deposits from customers	978,000	1,397,036
Certificates of deposit issued	18,236	67,775
Others	4,938	5,763
	<u>1,058,062</u>	<u>1,574,742</u>

(c) Fee and commission income	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Commissions from bills	74,661	82,903
Nominees, custodian and securities brokerage commissions	154,048	177,508
Commissions from wealth management products	68,444	80,291
Commissions from remittance	26,988	26,739
Facility fees	30,048	28,553
Fees from credit cards	22,325	20,668
Commissions from retail banking	24,738	26,335
Commissions from insurance	19,548	16,346
Other fees	2,181	1,678
	<u>422,981</u>	<u>461,021</u>

(d) Fee and commission expense	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Commissions on bills	1,348	1,333
Nominees, custodian and securities brokerage commissions paid	8,968	7,977
Commissions on retail banking	11,631	8,506
Others	50	24
	<u>21,997</u>	<u>17,840</u>

V NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

2 Other operating income

(a) Dividend income	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Available-for-sale investments		
- listed investments	1,327	1,826
- unlisted investments	3,366	3,078
	<u>4,693</u>	<u>4,904</u>
(b) Net trading income	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Foreign exchange	71,218	84,931
Interest rate instruments	8,988	5,451
Equities	7,090	36,732
	<u>87,296</u>	<u>127,114</u>

Included within net trading income are losses of HK\$3,976,000 (for the six months period ended 30th June 2007: gain of HK\$8,993,000) relating to those interest rate instruments that were designated at fair value through profit or loss on initial recognition.

"Foreign exchange" net trading income includes gains and losses from spot and forward contracts, swaps and translated foreign currency assets and liabilities. "Interest rate instruments" includes the results of marking markets in instruments in government securities, corporate debt securities, money market instruments and interest rate swaps. "Equities" trading income includes the results of equity securities in overseas markets and equity derivatives such as stock accumulator forward contracts being conducted principally in Hong Kong.

3 Operating expenses

	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Auditors' remuneration	3,512	3,285
Advertising costs	6,718	4,425
Amortisation of interests in leasehold land	2,410	2,410
Depreciation expenses	23,560	25,281
Employee benefit expenses		
Wages and salaries and other costs	303,191	277,933
Pension costs - defined contribution schemes	14,374	13,459
Pension costs - defined benefit schemes	64	72
Premises and equipment expense, excluding depreciation		
Rental of premises	24,033	20,238
Building expenses	4,326	5,727
Building management fee	2,860	2,687
Other operating expenses		
Computer rental and licence	4,789	4,276
Credit card business promotion	7,081	4,520
Legal and consultancy	4,202	1,669
Postage	7,061	7,214
Printing and stationery	3,988	4,171
Repair and maintenance	9,031	8,412
Telegram and telephone	11,936	10,858
Travelling and transportation	2,223	1,938
Water, heat and light	6,656	6,381
Others	34,705	30,110
	<u>476,720</u>	<u>435,066</u>

V NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

4 Impairment losses on loans and advances to customers

	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Trade bills	8,612	361
Loans and advances to customers	<u>34,246</u>	<u>47,891</u>
	<u>42,858</u>	<u>48,252</u>
Net charge/(reversal) of impairment losses on loans and advances to customers		
- Individually assessed (Note 9)	20,044	46,804
- Collectively assessed (Note 9)	<u>22,814</u>	<u>1,448</u>
	<u>42,858</u>	<u>48,252</u>
Of which		
- new allowances (including any amount directly written off in the year)	45,954	48,642
- releases	<u>(3,096)</u>	<u>(390)</u>
Net charge to profit and loss account	<u>42,858</u>	<u>48,252</u>

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the six months period ended 30th June 2008. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Current taxation:		
- Hong Kong profits tax	152,986	145,775
- Overseas taxation	32,454	30,683
Deferred income taxation:		
- Hong Kong deferred tax	(2,598)	(943)
- Overseas deferred tax	<u>6,532</u>	<u>5,973</u>
	<u>189,374</u>	<u>181,488</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 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Profit before taxation	<u>1,024,932</u>	<u>1,131,743</u>
Calculated at a taxation rate of 16.5% (2007:17.5%)	169,114	198,055
Effect of different taxation rates in other countries	19,585	16,273
Income not subject to taxation	(18,955)	(24,277)
Expenses not deductible for taxation purposes	20,064	17,371
Net effect of investments in partnerships (Note)	<u>(434)</u>	<u>(25,934)</u>
Taxation charge	<u>189,374</u>	<u>181,488</u>

Note:

The Bank has entered into aircraft leverage leasing arrangement as well as coupon bond transaction, involving special purpose partnerships in which the Bank is the general partner. As of 30th June 2008, the unamortised carrying cost of the investments in such partnerships, which was included in "Other assets", amounted to HK\$450,523,000 (31st December 2007: HK\$712,864,000). The Bank's investments in these special purpose partnerships are amortised over the life of the individual partnerships.

V NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

6 Cash and balances with banks

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Cash in hand	245,575	243,717
Balances with central banks and Hong Kong Monetary Authority	17,608	62,208
Balances with banks	<u>28,011,303</u>	<u>29,270,386</u>
	<u>28,274,486</u>	<u>29,576,311</u>

As at 30th June 2008, there was HK\$1,500,000 (31st December 2007: 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 to comply with statutory requirement.

7 Placements with and loans and advances to banks

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Placements with banks maturing between one and twelve months	9,547,486	11,972,489
Gross loans and advances to a bank	<u>84,149</u>	<u>84,230</u>
	<u>9,631,635</u>	<u>12,056,719</u>

As of 30th June 2008, HK\$90,785,000 (31st December 2007: HK\$88,696,000) was deposited with state banks in the People's Republic of China to comply with the local reserve requirement. No impairment allowance was deemed necessary to be provided against the banks.

8 Derivative financial instruments and 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 commitment

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Direct credit substitutes	2,080,984	1,571,217
Trade-related contingencies	4,002,901	3,649,046
Other commitments with an original maturity of:		
- under 1 year	762,243	1,057,701
- 1 year and over	3,116,603	2,829,581
- unconditionally cancellable	<u>29,555,524</u>	<u>33,945,770</u>
	<u>39,518,255</u>	<u>43,053,315</u>

v NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

8 Derivative financial instruments and off-balance sheet exposures (continued)

(b) Derivative financial instruments

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

At 30th June 2008

	Contract amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000
Foreign exchange derivatives			
Currency forward exchange contracts	5,768,080	33,054	(15,874)
Interest rate derivatives			
Interest rate swaps contracts	401,713	-	(14,685)
Cross-currency interest rate swaps contracts	312,010	-	(570)
Equity derivatives			
Stock accumulator forward contracts (Note)	3,328,473	506,940	(506,940)
Total recognised derivative financial assets/(liabilities)	<u>9,810,276</u>	<u>539,994</u>	<u>(538,069)</u>

At 31st December 2007

	Contract amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000
Foreign exchange derivatives			
Currency forward exchange contracts	3,809,121	37,531	(30,269)
Interest rate derivatives			
Interest rate swaps contracts	401,695	-	(13,708)
Equity derivatives			
Stock accumulator forward contracts (Note)	5,375,847	390,903	(390,903)
Total recognised derivative financial assets/(liabilities)	<u>9,586,663</u>	<u>428,434</u>	<u>(434,880)</u>

Note:

The contract amounts as at 30th June 2008 and 31st December 2007 only represent the short position of stock accumulator forward contracts entered with customers. An equivalent amount of long position of stock accumulator forward contracts were entered with counterparties on a back-to-back basis.

As at 30th June 2008 and 31st December 2007 the credit risk weighted amounts of the above exposures are as follows:

	Credit risk weighted amount	
	30th June 2008 HK\$'000	31st December 2007 HK\$'000 (restated)
Derivatives		
- Foreign exchange derivatives	41,649	36,953
- Interest rate derivatives	714	513
- Equity derivatives	192,480	310,825
	<u>234,843</u>	<u>348,291</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. Exchange rate and equity contracts mainly comprise transactions initiated in response to customer demand. No significant positions are maintained by the Group.

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 as at 30th June 2008 and 31st December 2007 are the amounts that have been calculated in accordance with the Banking (Capital) Rules of the Banking Ordinance.

The Group did not enter into any bilateral netting arrangements during the period ended 30th June 2008 and accordingly the amounts disclosed are shown on a gross basis.

V NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

9 Loans and advances to customers

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Loans and advances to individuals	13,008,367	9,310,853
Loans and advances to corporate entities	<u>40,868,251</u>	<u>36,817,297</u>
Gross loans and advances to customers	53,876,618	46,128,150
Less: impairment allowances		
- Individually assessed	(66,651)	(63,989)
- Collectively assessed	<u>(155,685)</u>	<u>(132,874)</u>
	<u>53,654,282</u>	<u>45,931,287</u>
Gross trade bills and other eligible bills, included within loans and advances to customers	3,553,007	1,110,855
Less: impairment allowances		
- Individually assessed	(1,532)	-
- Collectively assessed	<u>(10,206)</u>	<u>(3,126)</u>
	<u>3,541,269</u>	<u>1,107,729</u>
Percentage of impaired loans to total loans and advances and trade bills	<u>1.44%</u>	<u>1.51%</u>

The Group accepted listed securities at fair value of HK\$3,383,305,000 (31st December 2007: HK\$4,838,455,000) as collateral for share financing facilities included in "Term loans and others", which it is permitted to sell or re-pledge in the absence of default by the owner of the collateral.

As of 30th June 2008, certain of our branches in the United States have pledged their real estate loans of HK\$71,169,000 (31st December 2007: HK\$71,899,000) to the State of California and with the Comptroller of the Currency in compliance with the regulatory requirements.

V NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

10 Property and equipment

	Bank premises HK\$'000	Furniture, fittings and equipment HK\$'000	Total HK\$'000
At 1st January 2007			
Cost	475,912	566,775	1,042,687
Accumulated depreciation	(160,844)	(454,012)	(614,856)
Net book amount	<u>315,068</u>	<u>112,763</u>	<u>427,831</u>
Year ended 31st December 2007			
Opening net book amount	315,068	112,763	427,831
Additions	-	29,050	29,050
Disposals	-	(584)	(584)
Depreciation charge	(9,387)	(41,084)	(50,471)
Exchange rate adjustments	962	137	1,099
Closing net book amount	<u>306,643</u>	<u>100,282</u>	<u>406,925</u>
At 31st December 2007			
Cost	477,071	589,134	1,066,205
Accumulated depreciation	(170,428)	(488,852)	(659,280)
Net book amount	<u>306,643</u>	<u>100,282</u>	<u>406,925</u>
Interim period ended 30th June 2008			
Opening net book amount	306,643	100,282	406,925
Additions	-	15,365	15,365
Disposals	-	(251)	(251)
Depreciation charge	(4,491)	(19,069)	(23,560)
Exchange rate adjustments	(49)	76	27
Closing net book amount	<u>302,103</u>	<u>96,403</u>	<u>398,506</u>
At 30th June 2008			
Cost	477,015	600,180	1,077,195
Accumulated depreciation	(174,912)	(503,777)	(678,689)
Net book amount	<u>302,103</u>	<u>96,403</u>	<u>398,506</u>

11 Deposits from customers

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Demand deposits and current accounts	4,920,972	5,383,513
Savings deposits	20,371,262	20,518,650
Time, call and notice deposits	56,005,721	54,566,791
Deposits from Hong Kong Government Exchange Fund	394,311	392,188
	<u>81,692,266</u>	<u>80,861,142</u>

v NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

12 Deferred income tax

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Impairment allowances HK\$'000	Accelerated tax depreciation HK\$'000	Fair value loss HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January 2007	-	(67)	-	-	(67)
Recognised in the profit and loss account	-	(25)	-	-	(25)
At 31st December 2007	-	(92)	-	-	(92)
Recognised in the profit and loss account	-	2	-	-	2
At 30th June 2008	-	(90)	-	-	(90)

Deferred income tax assets

	Impairment allowances HK\$'000	Accelerated tax depreciation HK\$'000	Fair value loss HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January 2007	33,005	(6,118)	41,076	3,952	71,915
Recognised in the profit and loss account	7,364	(47)	-	271	7,588
Charged to equity (Note 13)	-	-	(9,474)	-	(9,474)
Exchange differences	124	(2)	-	26	148
At 31st December 2007	40,493	(6,167)	31,602	4,249	70,177
Recognised in the profit and loss account	3,349	72	-	(7,357)	(3,936)
Charged to equity (Note 13)	-	-	(1,425)	-	(1,425)
Reclassification to current income tax liabilities	-	-	-	885	885
Exchange differences	-	1	-	(4)	(3)
At 30th June 2008	43,842	(6,094)	30,177	(2,227)	65,698

The deferred taxation charged to equity during the six months period (2007: the year) is as follows:

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Reserves in shareholders' equity		
- Available-for-sale investment revaluation reserve	(1,425)	(9,474)

v NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

13 Other reserves

	Regulatory reserve (Note) HK\$'000	Available- for-sale investment revaluation reserve/ (deficit) HK\$'000	General reserve HK\$'000	Total HK\$'000
Balances at 1st January 2007	262,370	(83,127)	7,254,380	7,433,623
Change in fair value of available-for-sale investments	-	187,153	-	187,153
Realisation on disposal of available-for-sale investments	-	(30,644)	-	(30,644)
Effect of deferred taxation (Note 12)	-	(9,474)	-	(9,474)
Currency translation differences	-	-	17,182	17,182
Transfer to retained earnings	-	-	(5,000)	(5,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st December 2007 and 1st January 2008	262,370	63,908	7,266,562	7,592,840
Change in fair value of available-for-sale investments	-	112,356	-	112,356
Realisation on disposal of available-for-sale investments	-	(6,672)	-	(6,672)
Effect of deferred taxation (Note 12)	-	(1,425)	-	(1,425)
Currency translation differences	-	-	9,099	9,099
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th June 2008	<u>262,370</u>	<u>168,167</u>	<u>7,275,661</u>	<u>7,706,198</u>

Note: The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudent supervision purpose. Any movements in the regulatory reserve are made in consultation with the Hong Kong Monetary Authority.

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Capital structure and adequacy

	30th June 2008	31st December 2007
Capital adequacy ratio	<u>20%</u>	<u>20%</u>
Core capital ratio	<u>20%</u>	<u>20%</u>

The capital adequacy ratio as at 30th June 2008 represents the consolidated ratio of the Bank, Shacom Property (CA) Inc., Shacom Property (NY) Inc., Shacom Property Holdings (BVI) Limited, Shacom Investment Limited, Shacom Assets Investments Limited and Shacom Insurance Brokers Limited computed in accordance with section 98(2) of the Hong Kong Banking Ordinance.

The capital base after deductions used in the calculation of the above capital adequacy ratios as at 30th June 2008 and 31st December 2007 and reported to the Hong Kong Monetary Authority are analysed as follows:

	30th June 2008 HK\$'000	31st December 2007 HK\$'000 (restated)
Core capital:		
Paid up ordinary share capital	2,000,000	2,000,000
Reserves	11,332,156	10,225,175
Profit and loss account	854,191	1,078,957
Less: net deferred tax assets	<u>(65,698)</u>	<u>(70,177)</u>
	14,120,649	13,233,955
Other deductions from core capital	<u>(435,094)</u>	<u>(382,490)</u>
Core capital after deductions	<u>13,685,555</u>	<u>12,851,465</u>
Supplementary capital:		
Collective impairment allowances for loans and advance	155,685	132,874
Regulatory reserve	262,370	262,370
Revaluation reserves for available-for-sale investment	62,096	14,538
Unrealised fair value gains for securities designated at fair value	<u>-</u>	<u>2,038</u>
	480,151	411,820
Other deductions from supplementary capital	<u>(435,094)</u>	<u>(382,490)</u>
Supplementary capital after deductions	<u>45,057</u>	<u>29,330</u>
Total capital base	<u>13,730,612</u>	<u>12,880,795</u>

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

2 Cross-border claims

The information on cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk.

As at 30th June 2008

	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	20,031,000	-	1,044,000	21,075,000
North America	5,157,000	1,274,000	1,392,000	7,823,000
Western Europe	16,941,000	-	253,000	17,194,000

As at 31st December 2007

	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding Hong Kong	13,727,000	-	815,000	14,542,000
North America	6,011,000	366,000	2,462,000	8,839,000
Western Europe	26,154,000	-	262,000	26,416,000

3 Gross loans and advances to customers by geographical segments

The following table breaks down the Group's loans and advances exposure by geographical region as of 30 June 2008. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties. Exposure by geographical sectors is classified according to the location of counterparties after taking into account the transfer of risk.

	The Group	
	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Hong Kong	43,376,777	37,337,400
Asia Pacific excluding Hong Kong	1,420,051	992,228
North America	8,660,716	7,458,849
Western Europe	419,074	339,673
	<u>53,876,618</u>	<u>46,128,150</u>

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

4 Overdue and impaired loans by geographical area

The Group	30th June 2008		
	Individually assessed to be impaired HK\$'000	Individual Impairment Allowance HK\$'000	Collective Impairment Allowance HK\$'000
Hong Kong	600,419	66,651	930
North America	176,040	-	512
	<u>776,459</u>	<u>66,651</u>	<u>1,442</u>

	30th June 2008		
	Overdue HK\$'000	Individual Impairment Allowance HK\$'000	Collective Impairment Allowance HK\$'000
Hong Kong	1,623,255	39,053	4,172
North America	117,619	-	341
Western Europe	44,733	-	130
	<u>1,785,607</u>	<u>39,053</u>	<u>4,643</u>

The Group	31st December 2007		
	Individually assessed to be impaired HK\$'000	Individual Impairment Allowance HK\$'000	Collective Impairment Allowance HK\$'000
Hong Kong	570,268	63,989	-
Asia Pacific excluding Hong Kong	2,996	-	9
North America	121,292	-	353
	<u>694,556</u>	<u>63,989</u>	<u>362</u>

The Group	31st December 2007		
	Overdue HK\$'000	Individual Impairment Allowance HK\$'000	Collective Impairment Allowance HK\$'000
Hong Kong	1,658,875	5,550	4,505
North America	661,280	-	1,918
Western Europe	28,944	-	84
	<u>2,349,099</u>	<u>5,550</u>	<u>6,507</u>

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

5 Loans and advances to customers

(a) Gross advances to customers by loan usage

	30th June 2008		31st December 2007	
	Gross Advance HK\$'000	Amount covered by collateral / other security HK\$'000	Gross Advance HK\$'000	Amount covered by collateral / other security HK\$'000
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	1,774,113	295,149	1,508,539	223,514
- Property investment	11,480,787	10,760,087	10,093,071	9,426,516
- Financial concerns	35,291	31,772	28,667	26,935
- Stockbrokers	10,866	9,850	5,105	105
- Wholesale and retail trade	767,346	690,322	753,975	688,061
- Manufacturing	1,459,404	1,079,491	1,408,462	1,047,993
- Transport and transport equipment	851,905	321,147	698,590	357,732
- Information technology - telecommunication	2,421	1,649	2,392	1,880
- Hotels, boarding houses and catering	976,215	959,688	982,211	970,507
- Others	3,844,873	2,102,962	6,450,589	4,671,719
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	461,883	458,037	485,974	481,595
- Loans for the purchase of other residential properties	5,160,754	5,160,754	4,831,728	4,831,728
- Credit card advances	260,177	-	313,453	-
- Others	5,753,355	5,530,706	2,472,776	2,289,944
Trade finance	9,887,172	1,699,892	6,724,065	3,768,086
Loans for use outside Hong Kong *	11,150,058	10,216,701	9,368,553	8,623,166
	<u>53,876,618</u>	<u>39,318,207</u>	<u>46,128,150</u>	<u>37,409,481</u>

*Included in 'Loans for use outside Hong Kong' were advances to individuals of HK\$1,372,196,000 (31st December 2007: HK\$1,206,922,000)

(b) Provisions on loans and advances by loan usage

For those industry sectors to which the Bank's total amount of loans and advances constitute not less than 10% of the Bank's total amount of loans and advances, the amount of impaired loans and advances which are individually determined to be impaired are analysed as follows:

	30th June 2008		
	Individually assessed to be impaired HK\$'000	Individual Impairment Allowance HK\$'000	Collective Impairment Allowance HK\$'000
Industrial, commercial and financial			
- Property investment	26,867	-	33,294
Individuals			
- Loans for the purchase of other residential properties	143,281	6,695	14,900
	<u>170,148</u>	<u>6,695</u>	<u>48,194</u>
	31st December 2007		
	Individually assessed to be impaired HK\$'000	Individual Impairment Allowance HK\$'000	Collective Impairment Allowance HK\$'000
Industrial, commercial and financial			
- Property investment	11,030	-	29,270
Individuals			
- Loans for the purchase of other residential properties	2,511	-	14,012
	<u>13,541</u>	<u>-</u>	<u>43,282</u>

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

6 Loans and advances overdue for more than 3 months

(i) Gross amount of overdue loans

	30th June 2008		31st December 2007	
	Gross amount of overdue loans HK\$'000	% of total	Gross amount of overdue loans HK\$'000	% of total
Gross advances to customers which have been overdue for				
- six months or less but over three months	134,253	0.25	92,672	0.20
- one year or less but over six months	60,122	0.11	60,165	0.13
- over one year	58,648	0.11	68,901	0.15
	<u>253,023</u>	<u>0.47</u>	<u>221,738</u>	<u>0.48</u>

(ii) Value of collateral held and impairment allowances against overdue loans and advances

30th June 2008

	Outstanding amount of loans and advances	Current market value of collateral	Covered portion by collateral	Uncovered portion by collateral	Impairment allowances - individual assessment
Overdue loans and advances on					
- Customers	<u>253,023</u>	<u>456,369</u>	<u>183,983</u>	<u>69,040</u>	<u>18,294</u>

31st December 2007

Overdue loans and advances on					
- Customers	<u>221,738</u>	<u>364,598</u>	<u>142,978</u>	<u>78,760</u>	<u>13,122</u>

Collateral held against such loans mainly include mortgages over properties

(iii) Rescheduled advances net of amounts included in overdue advances for more than 3 months

	The Group and the Bank			
	30th June 2008	% of total Advances to customers	31st December 2007	% of total Advances to customers
Loans and advances to customers	87,180	0.16	59,286	0.13

(iv) Repossessed Assets

During the period, the Group obtained assets by taking possession of collateral held as security, as follow:

Nature of assets	Carrying amount	
	30th June 2008	31st December 2007
Residential property	<u>24,341</u>	<u>12,435</u>

At 30th June 2008, the repossessed assets of the Group and the Bank amounted to HK\$38,980,000 (2007: HK\$20,290,000).

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Repossessed properties are classified in the balance sheet within other assets

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

7 Non-bank Mainland exposures

As at 30th June 2008	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	Total HK\$ million	Impairment allowances HK\$ million
Types of counterparties				
Mainland entities	1,727	17	1,744	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	4,654	1,392	6,046	24
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposure	117	303	420	-
	<u>6,498</u>	<u>1,712</u>	<u>8,210</u>	<u>24</u>

As at 31st December 2007	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	Total HK\$ million	Impairment allowances HK\$ million
Types of counterparties				
Mainland entities	1,367	26	1,393	1
Companies and individuals outside Mainland where the credit is granted for use in Mainland	4,184	1,054	5,238	21
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposure	131	379	510	-
	<u>5,682</u>	<u>1,459</u>	<u>7,141</u>	<u>22</u>

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

8 Currency concentrations

As at 30th June 2008

	Spot assets HK\$'000	Spot liabilities HK\$'000	Forward purchases HK\$'000	Forward sales HK\$'000	Net long / (short) position HK\$'000	Net structural position HK\$'000
Equivalent in Hong Kong dollars						
US Dollars	38,255,000	(37,852,000)	5,100,000	(3,765,000)	1,738,000	1,690,000
Pound Sterling	2,033,000	(2,019,000)	85,000	(81,000)	18,000	6,000
Canadian Dollars	2,270,000	(2,276,000)	39,000	(33,000)	-	-
Euro	2,284,000	(2,413,000)	1,185,000	(1,082,000)	(26,000)	-
Other currencies and gold	9,586,000	(9,573,000)	254,000	(314,000)	(47,000)	56,000
	<u>54,428,000</u>	<u>(54,133,000)</u>	<u>6,663,000</u>	<u>(5,275,000)</u>	<u>1,683,000</u>	<u>1,752,000</u>

As at 31st December 2007

	Spot assets HK\$'000	Spot liabilities HK\$'000	Forward purchases HK\$'000	Forward sales HK\$'000	Net long / (short) position HK\$'000	Net structural position HK\$'000
Equivalent in Hong Kong dollars						
US Dollars	38,999,000	(37,487,000)	3,515,000	(2,588,000)	2,439,000	1,626,000
Pound Sterling	2,569,000	(2,552,000)	90,000	(88,000)	19,000	8,000
Canadian Dollars	1,848,000	(1,853,000)	25,000	(16,000)	4,000	-
Euro	1,776,000	(1,817,000)	898,000	(832,000)	25,000	-
Other currencies and gold	6,573,000	(6,572,000)	537,000	(560,000)	(22,000)	42,000
	<u>51,765,000</u>	<u>(50,281,000)</u>	<u>5,065,000</u>	<u>(4,084,000)</u>	<u>2,465,000</u>	<u>1,676,000</u>

Net structural position includes structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- investments in fixed assets and premises, net of depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related company.

9 Liquidity

	30th June 2008	30th June 2007
Liquidity ratio	<u>46%</u>	<u>53%</u>

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the six months of the financial period of the Bank's overseas and Hong Kong offices computed in accordance with the Banking (Disclosure) Rules.

REVIEW OF OPERATIONS

Shanghai Commercial Bank Limited (“the Group”) registered in the first half year of 2008 a decrease of 12.14% in its consolidated profit attributable to shareholders over the same period in 2007. The net interest income of the Group increased by 4.9% as compared with the first half of 2007, whereas the Group’s non-interest income decreased by 12.3%, which was mainly attributable to the decrease in commission and fee income as well as investment income. The operating expenses of the Group increased by 9.6%, whereas the impairment losses on loans and advances to customers of the Group registered a decrease of 11.2% for the first half of 2008.

As for the second half, the Group anticipates that the fee income would compare less favourably than the same period in 2007, but we will strive to maintain the competitive edge in our core products and services and to find opportunities to enhance the return on assets.

STATEMENT OF COMPLIANCE

The above information is prepared in accordance with and fully complies with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.