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 2007

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 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 25 July 2007.

II BASIS OF PREPARATION

The Group Interim Financial Information Disclosure Statement (the "Disclosure Statement") have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs which is a collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The Disclosure Statement have been prepared under the historical cost convention, as modified by the revaluation of available-for-saleinvestments, financial assets at fair value through profit or loss, trading securities and derivative financial instruments. The preparation of the Disclosure Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following standards, amendments and interpretations were effective for annual periods beginning on 1 January 2007:

HKFRS 7, Financial Instruments: Disclosures and the Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosure;
HK(IFRIC) - INT 8, Scope of HKFRS 2, Share-based Payment;
HK(IFRIC) - INT 9, Reassessment of Embedded Derivatives;
HK(IFRIC) - INT 10, Interim Financial Reporting and Impairment;
HK(IFRIC) - INT 7, Applying the Restatement Approach under HKAS 29,Financial Reporting in Hyperinflationary Economies.

III BASIS OF CONSOLIDATION

The Group Interim Financial Information Disclosure Statement include the financial statements of the Bank and all its subsidiaries made up to 30 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 an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

III 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
Shacom Finance Limited (In members' voluntary winding up) (Note)	Deposit-taking and lending	Hong Kong	300,000 ordinary shares of HK$100 each	100%
Shanghai Commercial Bank (Nominees) Limited	Nominee services	Hong Kong	100 ordinary shares of HK$100 each	100%
Shanghai Commercial Bank Trustee Limited	Trustee services	Hong Kong	1,000 ordinary shares of HK$10,000 each	60%
Shacom Futures Limited	Commodities trading	Hong Kong	100,000 ordinary shares of HK$100 each	100%
Shacom Investment Limited	Investment in Exchange Fund Bills and Notes	Hong Kong	10,000 ordinary shares of HK$100 each	100%
Shacom 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	200,000 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.

Note: The deposit-taking company licence was revoked by the Hong Kong Monetary Authority on 26 October 2006.

(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 information 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.

IV CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Six months ended 30 June 2007 (unaudited) HK$'000	Six months ended 30 June 2006 (unaudited) HK$'000
Interest income	1a	2,535,931	2,141,368
Interest expense	1b	(1,574,742)	(1,235,685)
Net interest income		961,189	905,683
Fee and commission income	1c	461,021	364,044
Fee and commission expense	1d	(17,840)	(14,411)
Net fee and commission income		443,181	349,633
Dividend income	2a	4,904	16,564
Net trading income	2b	142,220	57,175
Net loss from disposal of property and equipment		(490)	(562)
Net gain from disposal of available-for-sale investments		5,327	18,654
Other operating income		37,087	37,443
Operating expenses	3	(435,066)	(414,176)
Impairment losses on loans and advances to customers	4	(48,252)	(9,430)
Operating profit		1,110,100	960,984
Share of net profits of jointly controlled entities		21,643	8,505
Profit before taxation		1,131,743	969,489
Taxation	5	(181,488)	(171,695)
Profit after taxation		950,255	797,794
Attributable to:			
Shareholders of the Bank		950,443	797,257
Minority interests		(188)	537
		950,255	797,794

V CONSOLIDATED BALANCE SHEET

	Note	30 June 2007 (unaudited) HK$'000	31 December 2006 (audited) HK$'000
ASSETS			
Cash and balances with banks	6	21,962,661	23,533,792
Placements with and loans and advances to banks and other financial institutions	7	10,962,192	10,583,476
Trading securities		264,887	248,084
Derivative financial instruments	8b	95,252	23,962
Financial assets at fair value through profit or loss		402,489	403,296
Loans and advances to customers	9	43,717,610	38,311,148
Investment securities:			
- Available-for-sale		14,860,293	14,708,304
- Held-to-maturity		3,357,537	3,382,442
Investments in jointly controlled entities		183,337	164,774
Property and equipment	10	412,342	427,831
Leasehold land and land use rights		276,251	278,661
Deferred income tax assets	12	72,236	71,915
Other assets		1,491,598	1,622,791
TOTAL ASSETS		98,058,685	93,760,476
LIABILITIES			
Deposits from banks and other financial institutions		4,799,364	3,765,378
Derivative financial instruments	8b	68,824	19,853
Deposits from customers	11	74,581,072	72,237,097
Certificates of deposit issued		3,106,805	3,105,934
Other liabilities		1,835,634	1,486,720
Provision		56,963	92,729
Current income tax liabilities		64,404	19,483
Deferred income tax liabilities	12	67	67
TOTAL LIABILITIES		84,513,133	80,727,261
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK			
Share capital		2,000,000	2,000,000
Retained earnings		4,041,373	3,592,717
Other reserves	13	7,497,973	7,433,623
		13,539,346	13,026,340
Minority interests in equity		6,206	6,875
TOTAL EQUITY		13,545,552	13,033,215
TOTAL EQUITY AND LIABILITIES		98,058,685	93,760,476

VI 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 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Cash and short-term funds and placements with banks and other financial institutions	843,278	592,145
Interest income on investment securities	386,878	357,363
Loans and advances to customers	1,282,405	1,162,655
Others	23,370	29,205
	2,535,931	2,141,368

Included within interest income on loans and advances is HK$13,987,000 (for the six months period ended 30 June 2006: HK$15,288,000) with respect of interest income accrued on financial assets with impairment indication.

(b) Interest expense

	Six months ended 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Banks and customers	1,501,204	1,155,837
Certificates of deposit issued	67,775	68,994
Others	5,763	10,854
	1,574,742	1,235,685

(c) Fee and commission income

	Six months ended 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Commissions from bills operation	82,903	87,022
Nominees, custodian and securities brokerage commissions	177,508	102,859
Commissions from wealth management products	80,291	61,416
Commissions from remittance operation	26,739	26,783
Facility fees	28,553	29,686
Fees from credit cards	20,668	20,909
Commissions from retail banking	26,335	18,356
Commissions from insurance operation	16,346	16,373
Other fees	1,678	640
	461,021	364,044

(d) Fee and commission expense

	Six months ended 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Commissions on bills operation	1,333	1,328
Nominees, custodian and securities brokerage commissions paid	7,977	5,191
Commissions on retail banking	8,506	7,870
Others	24	22
	17,840	14,411

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

2 Other operating income

(a) Dividend Income

	Six months ended 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Available-for-sale investments		
- listed investments	1,826	1,839
- unlisted investments	3,078	14,725
	4,904	16,564

(b) Net trading income

	Six months ended 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Net gain on foreign exchange trading		
- mainly transaction related	84,931	58,345
Interest rate instruments	20,558	14,952
Equities	36,731	(16,122)
	142,220	57,175

Included within net trading income are gains of HK$8,993,000 (for the six months period ended 30 June 2006: loss of HK$3,226,000) relating to those interest rate instruments that were designated at fair value through profit or loss on initial recognition.

Net gain on foreign exchange trading includes gains and losses from spot and forward contracts 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 marking markets globally in equity securities and equity derivatives such as forward contracts.

3 Operating expenses

	Six months ended 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Auditors' remuneration	3,285	3,190
Advertising costs	4,425	3,873
Amortisation of interests in leasehold land	2,410	2,298
Depreciation expenses	25,281	30,905
Employee benefit expenses		
Wages and salaries and other costs	277,933	258,835
Pension costs - defined contribution schemes	13,459	13,020
Pension costs - defined benefit schemes	72	74
Premises and equipment expense, excluding depreciation		
Rental of premises	20,238	19,287
Building expenses	5,727	6,564
Building management fee	2,687	2,658
Other operating expenses		
Computer rental and licence	4,276	2,910
Credit card business promotion	4,520	4,440
Legal and consultancy	1,669	2,392
Postage	7,214	7,013
Printing and stationery	4,171	3,857
Repair and maintenance	8,412	8,550
Telegram and telephone	10,858	10,583
Travelling and transportation	1,938	2,132
Water, heat and light	6,381	6,273
Others	30,110	25,322
	435,066	414,176

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

4 Impairment losses on loans and advances to customers

	Six months ended 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Trade bills	361	1,878
Loans and advances	47,891	7,552
	48,252	9,430
Net charge/(reversal) of impairment losses on loans and advances to customers		
- Individually assessed	46,804	31,986
- Collectively assessed	1,448	(22,556)
	48,252	9,430
Of which		
- new allowances (including any amount directly written off in the year)	48,642	38,068
- releases	(390)	(28,638)
	48,252	9,430

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the six months period ended 30 June 2007. Taxation on overseas profits has been provided on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Current taxation:		
- Hong Kong profits tax	145,775	135,604
- Overseas taxation	30,683	28,354
- Under/(over) provisions in prior years	-	(1,149)
Deferred taxation:		
- Hong Kong deferred tax	(943)	3,124
- Overseas deferred tax	5,973	5,762
	181,488	171,695

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 June 2007 HK$'000	Six months ended 30 June 2006 HK$'000
Profit before taxation	1,131,743	969,489
Calculated at a taxation rate of 17.5% (2006:17.5%)	198,055	169,661
Effect of different taxation rates in other countries	16,273	26,508
Income not subject to taxation	(24,277)	(36,176)
Expenses not deductible for taxation purposes	17,371	17,441
Net effect of investments in partnerships (Note)	(25,934)	(4,590)
Under/(over) provisions in prior years	-	(1,149)
	181,488	171,695
Taxation charge		

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 30 June, 2007, the unamortised carrying cost of the investments in such partnerships, which was included in "Other assets", amounted to HK$555,950,000 (31 December 2006: HK$845,766,000). The Bank's investments in these special purpose partnerships are amortised over the life of the individual partnerships.

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

6 Cash and balances with banks

	30 June 2007 HK$'000	31 December 2006 HK$'000
Cash in hand	219,682	225,004
Balances with central banks	14,981	6,488
Placement with banks and other financial institutions maturing less than one month	568,677	668,587
Money at call and short notice maturing within one month	21,159,321	22,633,713
	21,962,661	23,533,792

As at 30 June 2007, there was HK$1,500,000 (31 December 2006: 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 and other financial institutions

	30 June 2007 HK$'000	31 December 2006 HK$'000
Placements with other banks and other financial institutions maturing between one and twelve months	10,877,752	10,499,525
Gross loans and advances to a bank	84,440	83,951
	10,962,192	10,583,476

As of 30 June 2007, HK$87,571,000 (31 December 2006: HK$86,474,000) was deposited with state banks in the People's Republic of China to comply with the local reserve requirement.

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 commitments:

	30 June 2007 HK$'000	31 December 2006 HK$'000
Direct credit substitutes	1,426,967	1,783,587
Trade-related contingencies	4,539,544	4,234,092
Other commitments with an original maturity of:		
- under 1 year or which are unconditionally cancellable	23,758,439	24,736,130
- 1 year and over	2,764,377	1,531,057
	32,489,327	32,284,866

VI 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 30 June 2007

	Contract amount	Fair value	
		Assets	Liabilities
	HK$'000	HK$'000	HK$'000
Derivatives held for trading			
Exchange rate contracts			
Forward contracts	9,147,796	52,078	(29,744)
Interest rate contracts			
Interest rate swaps	402,545	4,094	-
Equity contracts	8,302,707	39,080	(39,080)
Total derivative assets/(liabilities) held for trading	17,853,048	95,252	(68,824)

At 31 December 2006

	Contract amount	Fair value	
		Assets	Liabilities
	HK$'000	HK$'000	HK$'000
Derivatives held for trading			
Exchange rate contracts			
Forward contracts	6,452,342	14,586	(8,918)
Interest rate contracts			
Interest rate swaps	500,413	510	(2,069)
Equity contracts	1,845,014	8,866	(8,866)
Total derivative assets/(liabilities) held for trading	8,797,769	23,962	(19,853)

Exchange rate and equity 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 ended 30 June 2006 and accordingly the following amounts are shown on a gross basis.

As at 30 June 2007 and 31 December 2006 the contract amounts, credit risk weighted amounts and replacement costs of the above exposures are as follows:

	Contract amount 30 June 2007 HK$'000	Credit risk weighted amount 30 June 2007 HK$'000	Replacement cost 30 June 2007 HK$'000	Contract amount 31 December 2006 HK$'000	Credit risk weighted amount 31 December 2006 HK$'000	Replacement cost 31 December 2006 HK$'000
Contingent liabilities and commitments	32,489,327	3,907,183	-	32,284,866	3,343,092	-
Derivatives						
- Exchange rate contracts	9,147,796	61,590	52,078	6,452,342	23,326	14,586
- Interest rate contracts	402,545	741	4,094	500,413	1,078	510
- Equity contracts	8,302,707	-	39,080	1,845,014	-	8,866
	50,342,375	3,969,514	95,252	41,082,635	3,367,496	23,962

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 Hong Kong 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 these contracts to market. Replacement cost is a close approximation of the credit risk for these contracts at the balance sheet date.

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

9 Loans and advances to customers

	30 June 2007 HK$'000	31 December 2006 HK$'000
Advances to individuals	9,321,110	8,973,495
Advances to corporate entities	33,776,689	28,494,839
Trade bills	803,036	1,003,722
Gross loans and advances and trade bills	43,900,835	38,472,056
Less: impairment allowances		
Collective assessment	(120,966)	(119,019)
Individual assessment	(62,259)	(41,889)
	43,717,610	38,311,148

Impaired loans are analysed as follows:

	30 June 2007 HK$'000	31 December 2006 HK$'000
Impaired loans		
Trade bills	12,061	35,002
Loans and advances	465,102	421,671
	477,163	456,673

	30 June 2007 HK$'000	31 December 2006 HK$'000
Gross impaired loans (Note a)	477,163	456,673
Impairment allowances made in respect of such loans	(62,259)	(41,889)
	414,904	414,784
Percentage of such loans to total loans and advances and trade bills	1.09%	1.19%

(Note a) Impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated.

The value of collateral which has been taken into account in respect of the impaired loans to which the individual impairment allowances relate is HK$486,762,000 (31 December 2006: HK$452,862,000), of which the Group accepted listed securities at fair value of HK$3,967,308,000 (31 December 2006: HK$2,404,060,000) as collateral.

As of 30 June 2007, certain of our branches in the United States have pledged their held-to-maturity investments totalling HK$241,847,000 (31 December 2006: HK$232,822,000) and real estate loans of HK$72,693,000 (31 December 2006: HK$72,937,000) to the State of California and with the Comptroller of the Currency in compliance with the above regulatory requirements.

Movement in impairment allowance on loans and advances to customers

	Impairment allowances		
	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 1 January 2007	41,889	119,019	160,908
Amounts written off	(31,552)	-	(31,552)
Recoveries of advances written off in previous years	5,118	-	5,118
Charged to profit and loss account (Note 4)	46,804	1,448	48,252
Exchange adjustment	-	499	499
At 30 June 2007	62,259	120,966	183,225
Deducted from:			
Loans and advances (excluding trade bills)	61,014	118,743	179,757
Trade bills	1,245	2,223	3,468
	62,259	120,966	183,225

	Impairment allowances		
	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 1 January 2006	54,676	138,952	193,628
Amounts written off	(97,676)	-	(97,676)
Recoveries of advances written off in previous years	29,401	-	29,401
Credited to profit and loss account	55,488	(20,914)	34,574
Exchange adjustment	-	981	981
At 31 December 2006	41,889	119,019	160,908
Deducted from:			
Loans and advances (excluding trade bills)	41,765	116,036	157,801
Trade bills	124	2,983	3,107
	41,889	119,019	160,908

VI 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 1 January 2006			
Cost	462,354	555,786	1,018,140
Accumulated depreciation	(150,552)	(426,033)	(576,585)
Net book amount	311,802	129,753	441,555
Year ended 31 December 2006			
Opening net book amount	311,802	129,753	441,555
Additions	7,919	33,287	41,206
Disposals	(252)	(1,464)	(1,716)
Depreciation charge	(9,371)	(49,064)	(58,435)
Exchange rate adjustments	4,970	251	5,221
Closing net book amount	315,068	112,763	427,831
At 31 December 2006			
Cost	475,912	566,775	1,042,687
Accumulated depreciation	(160,844)	(454,012)	(614,856)
Net book amount	315,068	112,763	427,831
Interim period ended 30 June 2007			
Opening net book amount	315,068	112,763	427,831
Additions	-	8,937	8,937
Disposals	-	(514)	(514)
Depreciation charge	(4,709)	(20,572)	(25,281)
Exchange rate adjustments	1,278	91	1,369
Closing net book amount	311,637	100,705	412,342
At 30 June 2007			
Cost	477,464	572,195	1,049,659
Accumulated depreciation	(165,827)	(471,490)	(637,317)
Net book amount	311,637	100,705	412,342

11 Deposits from customers

	30 June 2007 HK$'000	31 December 2006 HK$'000
Demand deposits and current accounts	4,633,065	4,860,976
Savings deposits	18,401,661	18,710,539
Time, call and notice deposits	51,153,052	48,274,424
Deposits from Hong Kong Government Exchange Fund	393,294	391,158
	74,581,072	72,237,097

VI 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	Reserves HK$'000	Others HK$'000	Total HK$'000
At 31 December 2005	-	(89)	-	-	(89)
Recognised in the profit and loss account	-	22	-	-	22
At 31 December 2006	-	(67)	-	-	(67)
Recognised in the profit and loss account	-	-	-	-	-
At 30 June 2007	-	(67)	-	-	(67)

Deferred income tax assets

	Impairment allowances HK$'000	Accelerated tax depreciation HK$'000	Reserves HK$'000	Others HK$'000	Total HK$'000
At 31 December 2005	36,504	(4,590)	50,476	3,764	86,154
Recognised in the profit and loss account	(3,823)	(1,533)	-	(291)	(5,647)
Charged to reserves (Note 13)	-	-	(9,400)	-	(9,400)
Reclassification to current income tax liabilities	-	-	-	401	401
Exchange differences	324	5	-	78	407
At 31 December 2006	33,005	(6,118)	41,076	3,952	71,915
Recognised in the profit and loss account	4,105	1,456	-	(10,591)	(5,030)
Charged to reserves (Note 13)	-	-	5,121	-	5,121
Reclassification to current income tax liabilities	-	-	-	-	-
Exchange differences	193	(4)	-	41	230
At 30 June 2007	37,303	(4,666)	46,197	(6,598)	72,236

The deferred taxation credited/(charged) to reserves during the six months period (2006: the year) is as follows:	30 June 2007 HK$'000	31 December 2006 HK$'000
Reserves in shareholders' equity		
- Investment revaluation reserve/(deficit)	5,121	(9,400)

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

13 Other reserves

	Regulatory reserve (Note) HK$'000	Investment revaluation reserve/ (deficit) HK$'000	General reserve HK$'000	Total HK$'000
Balances at 1 January 2006	262,370	(225,156)	7,245,166	7,282,380
Change in fair value of available-for-sale investments	-	161,437	-	161,437
Investment revaluation reserve realised on disposal of available-for-sale investments	-	(10,008)	-	(10,008)
Effect of deferred taxation (Note 12)	-	(9,400)	-	(9,400)
Currency translation differences	-	-	9,214	9,214
At 31 December 2006 and 1 January 2007	262,370	(83,127)	7,254,380	7,433,623
Change in fair value of available-for-sale investments	-	45,086	-	45,086
Investment revaluation reserve realised on disposal of available-for-sale investments	-	(1,431)	-	(1,431)
Effect of deferred taxation (Note 12)	-	5,121	-	5,121
Currency translation differences	-	-	15,574	15,574
At 30 June 2007	262,370	(34,351)	7,269,954	7,497,973

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

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Capital structure and adequacy

	30 June 2007	31 December 2006
Capital adequacy ratio	20%	22%

The core capital ratio as at 30 June 2007 calculated in accordance with the Banking (Capital) Rules ("the Capital Rules") issued by the Hong Kong Monetary Authority under section 98A of the Hong Kong Banking Ordinance for the implementation of the "Basel II" capital accord, which became effective on 1 January 2007, was 20%.

The capital adequacy ratio as at 30 June 2007 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 (2006: consolidated ratio excludes Shacom Insurance Brokers Limited).

As of 30 June 2007, different approach under the Capital Rules is used to calculate the regulatory capital or capital charge for credit risk, market risk or operational risk for the same exposure class, business unit, risk category.

The capital adequacy ratio at 31 December 2006 was compiled in accordance with the then Third Schedule of the Hong Kong Banking Ordinance ("the Third Schedule") under the "Basel I" capital accord. As the there are significant differences between the Capital Rules and the Third Schedule on requirements in the scope of consolidation and the calculation of capital base and risk-weighted assets, the capital ratio is not directly comparable.

The components of the total capital base after deductions as reported in the calculation of the capital adequacy ratio as at 30 June 2007 and 31 December 2006 reported to the Hong Kong Monetary Authority are as follows:

	30 June 2007 HK$'000	31 December 2006 HK$'000
Core Capital		
Paid-up ordinary share capital	2,000,000	2,000,000
Reserves	10,220,862	9,069,417
Profit and loss account	908,449	1,142,835
Less: Net deferred tax assets	(72,236)	-
Core Capital	13,057,075	12,212,252
Less:		
50% of total amount of Deductible items (TDI) and any excessive amount of non-deduction from Supplementary Capital	(553,265)	-
Total Core Capital	12,503,810	12,212,252
Supplementary Capital		
Reserves attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities	(80,548)	(83,127)
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss included in supplementary capital	15,269	-
Regulatory reserve for general banking risks	262,370	262,370
Collective provisions	120,966	119,019
Supplementary Capital	318,057	298,262
Less:		
50% of total amount of Deductible items (TDI) up to Supplementary Capital amount	(318,057)	-
Total Supplementary Capital	-	298,262
Total deduction from capital base	-	(606,563)
Capital Base	12,503,810	11,903,951

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

2 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 securities investments 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):

As at 30 June 2007

	Banks and other financial institutions HK$'000	Public sector entities HK$'000	Others HK$'000	Total HK$'000
Asia Pacific excluding Hong Kong	6,255,000	-	681,000	6,936,000
North America	4,963,000	1,825,000	1,639,000	8,427,000
Western Europe	27,727,000	-	240,000	27,967,000

As at 31 December 2006

	Banks and other financial institutions HK$'000	Public sector entities HK$'000	Others HK$'000	Total HK$'000
Asia Pacific excluding Hong Kong	8,140,000	-	817,000	8,957,000
North America	5,507,000	511,000	3,053,000	9,071,000
Western Europe	26,842,000	7,000	255,000	27,104,000

3 Gross loans and advances to customers by geographical segments

	30 June 2007 HK$'000	31 December 2006 HK$'000
Hong Kong	35,914,368	30,977,430
Asia Pacific excluding Hong Kong	422,506	419,484
North America	6,446,956	5,794,492
Western Europe	313,969	276,928
	43,097,799	37,468,334

4 Overdue and impaired loans by geographical segments

	Impaired loans		Overdue advances	
	30 June 2007 HK$'000	31 December 2006 HK$'000	30 June 2007 HK$'000	31 December 2006 HK$'000
Hong Kong	472,000	449,000	1,268,000	1,167,000
Asia Pacific excluding Hong Kong	5,000	7,000	-	-
North America	-	-	179,000	112,000
Europe	-	-	16,000	17,000
	477,000	456,000	1,463,000	1,296,000

Impairment allowances made in respect of overdue and impaired loans are analysed as follows:

At 30 June 2007

	Impaired loans			Overdue advances		
	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
Hong Kong	61,000	1,000	62,000	29,000	4,000	33,000
Asia Pacific excluding Hong Kong	-	-	-	-	-	-
North America	-	-	-	-	-	-
Europe	-	-	-	-	-	-
	61,000	1,000	62,000	29,000	4,000	33,000

At 31 December 2006

	Impaired loans			Overdue advances		
	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
Hong Kong	41,000	1,000	42,000	21,000	4,000	25,000
Asia Pacific excluding Hong Kong	-	-	-	-	-	-
North America	-	-	-	-	-	-
Europe	-	-	-	-	-	-
	41,000	1,000	42,000	21,000	4,000	25,000

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

5 Gross loans and advances to customers by industry sector

At 30 June 2007

	Secured	Unsecured	Total
	HK$'000	HK$'000	HK$'000
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	77,812	1,012,056	1,089,868
- Property investment	8,075,513	760,295	8,835,808
- Financial concerns	6,829	-	6,829
- Stockbrokers	350	10,000	10,350
- Wholesale and retail trade	621,576	92,432	714,008
- Manufacturing	1,031,839	352,367	1,384,206
- Transport and transport equipment	146,760	441,081	587,841
- Information technology - telecommunication	2,152	-	2,152
- Hotels, boarding houses and catering	912,683	17,300	929,983
- Others	5,891,421	1,410,641	7,302,062
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	513,401	4,724	518,125
- Loans for the purchase of other residential properties	4,557,283	-	4,557,283
- Credit card advances	364	282,948	283,312
- Others	2,608,465	217,387	2,825,852
Trade finance	4,288,753	1,955,303	6,244,056
Loans for use outside Hong Kong *	6,969,874	836,190	7,806,064
	35,705,075	7,392,724	43,097,799

At 31 December 2006

	Secured	Unsecured	Total
	HK$'000	HK$'000	HK$'000
Loans for use in Hong Kong			
Industrial, commercial and financial			
- Property development	79,586	1,082,369	1,161,955
- Property investment	7,967,923	266,971	8,234,894
- Financial concerns	32,470	-	32,470
- Stockbrokers	446	7,000	7,446
- Wholesale and retail trade	505,043	72,621	577,664
- Manufacturing	902,558	374,452	1,277,010
- Transport and transport equipment	185,128	201,882	387,010
- Information technology - telecommunication	2,503	295	2,798
- Hotels, boarding houses and catering	1,023,166	22,434	1,045,600
- Others	2,438,863	1,260,700	3,699,563
Individuals			
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	386,373	4,730	391,103
- Loans for the purchase of other residential properties	4,480,254	-	4,480,254
- Credit card advances	402	386,344	386,746
- Others	2,569,995	174,758	2,744,753
Trade finance	3,832,683	2,126,373	5,959,056
Loans for use outside Hong Kong *	6,318,679	761,333	7,080,012
	30,726,072	6,742,262	37,468,334

*Included in 'Loans for use outside Hong Kong' were advances to individuals of HK$1,136,538,000 (31 December 2006: HK$970,639,000)

Impaired loans and overdue advances to major counterparty type or industry sectors are analysed as follows:

	Impaired loans		Overdue advances	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	HK$'000	HK$'000	HK$'000	HK$'000
Industrial, commercial and financial				
- Property investment	25,104	24,513	123,189	96,684
Individuals				
- Loans for the purchase of other residential properties	2,546	123	81,028	78,522

Impairment allowance made in respect of the impaired loans and overdue advances are analysed as follows:

At 30 June 2007	Impaired loans		Overdue advances	
	Individual assessment	Individual assessment	Collective assessment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Industrial, commercial and financial				
- Property investment	365	365	357	722
Individuals				
- Loans for the purchase of other residential properties	-	3,801	216	4,017
	365	4,166	573	4,739

At 31 December 2006	Impaired loans		Overdue advances	
	Individual assessment	Individual assessment	Collective assessment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Industrial, commercial and financial				
- Property investment	465	582	296	878
Individuals				
- Loans for the purchase of other residential properties	123	860	232	1,092
	588	1,442	528	1,970

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

6 Overdue and rescheduled advances

(a) Advances

(i) Gross amount of overdue loans

	30 June 2007 HK$'000	%	31 December 2006 HK$'000	%
Gross advances to customers in Hong Kong which have been overdue for				
- six months or less but over three months	86,666	0.19	49,236	0.13
- one year or less but over six months	51,552	0.12	31,136	0.08
- over one year	80,106	0.18	63,931	0.17
	218,324	0.49	144,303	0.38

HK$14,052,000 (31 December 2006: HK$ 9,294,000) had been provided for individual assessment

(ii) Rescheduled advances net of amounts included in overdue advances

	30 June 2007 HK$'000	%	31 December 2006 HK$'000	%
Advances to customers	60,090	0.14	64,013	0.17

(iii) Trade bills

	30 June 2007 HK$'000	31 December 2006 HK$'000
Trade bills which have been overdue for:		
- six months or less but over three months	1,708	151
- one year or less but over six months	1,986	690
- over one year	208	1,844
	3,902	2,685

(c) Repossessed assets

At 30 June 2007, the fair value of repossessed assets of the Group amounted to HK$15,920,000 (31 December 2006: HK$20,598,000).

7 Non-bank Mainland exposures

As at 30 June 2007

	Total direct exposures					
Types of counterparties	On-balance sheet exposure HK$'000	Contingent liabilities HK$'000	Irrevocable undrawn commitments HK$'000	Forward exchange and derivatives contracts HK$'000	Total HK$'000	Individual impairment allowances HK$'000
(a) ITICs and their subsidiaries	190,585	-	-	-	190,585	-
(b) Red-chip companies and their subsidiaries	162,925	-	-	-	162,925	-
(c) H-shares companies and their subsidiaries	58,995	6,550	-	-	65,545	-
(d) Other state, provincial or municipal government owned entities and their subsidiaries	275,134	19,772	-	-	294,906	-
(e) Other entities incorporated or established in China	343,660	19,819	-	-	363,479	1,069
(f) Companies and individuals outside China where the credit is granted for use in China	4,430,035	1,532,328	-	1,496	5,963,859	19,269
(g) Other counterparties where the exposure is considered by the Group to be non-bank China exposure	191,349	235,224	-	-	426,573	2,479
Total (a) to (g)	5,652,683	1,813,693	-	1,496	7,467,872	22,817
Memorandum item: Companies and individuals for purchasing properties in China under (a) to (g)	35,432	-	-	-	35,432	

As at 31 December 2006

	Total direct exposures					
Types of counterparties	On-balance sheet exposure HK$'000	Contingent liabilities HK$'000	Irrevocable undrawn commitments HK$'000	Forward exchange and derivatives contracts HK$'000	Total HK$'000	Individual impairment allowances HK$'000
(a) ITICs and their subsidiaries	228,550	-	-	-	228,550	-
(b) Red-chip companies and their subsidiaries	162,304	-	-	-	162,304	-
(c) H-shares companies and their subsidiaries	38,883	2,193	-	-	41,076	-
(d) Other state, provincial or municipal government owned entities and their subsidiaries	237,755	20,180	-	-	257,935	-
(e) Other entities incorporated or established in China	307,642	7,829	-	-	315,471	-
(f) Companies and individuals outside China where the credit is granted for use in China	4,590,978	1,335,639	-	2,513	5,929,130	10,378
(g) Other counterparties where the exposure is considered by the Group to be non-bank China exposure	186,442	299,857	-	-	486,299	3,572
Total (a) to (g)	5,752,554	1,665,698	-	2,513	7,420,765	13,950
Memorandum item: Companies and individuals for purchasing properties in China under (a) to (g)	41,141	-	-	-	41,141	

8 Currency concentrations

As at 30 June 2007

	Spot assets HK$'000	Spot liabilities HK$'000	Forward purchases HK$'000	Forward sales HK$'000	Net long / (short) position HK$'000
Equivalent in Hong Kong dollars					
US Dollars	37,660,000	(36,532,000)	6,908,000	(5,469,000)	2,567,000
Pound Sterling	1,945,000	(1,944,000)	43,000	(23,000)	21,000
Canadian Dollars	1,717,000	(1,746,000)	39,000	(2,000)	8,000
Euro	1,541,000	(1,582,000)	1,072,000	(968,000)	63,000
Other currencies and gold	5,172,000	(5,254,000)	702,000	(625,000)	(5,000)
	48,035,000	(47,058,000)	8,764,000	(7,087,000)	2,654,000

As at 31 December 2006

	Spot assets HK$'000	Spot liabilities HK$'000	Forward purchases HK$'000	Forward sales HK$'000	Net long / (short) position HK$'000
Equivalent in Hong Kong dollars					
US Dollars	35,847,000	(34,497,000)	4,961,000	(2,647,000)	3,664,000
Pound Sterling	1,849,000	(1,849,000)	86,000	(67,000)	19,000
Canadian Dollars	1,729,000	(1,736,000)	23,000	(14,000)	2,000
Euro	1,467,000	(1,473,000)	489,000	(431,000)	52,000
Other currencies and gold	5,076,000	(5,064,000)	395,000	(412,000)	(5,000)
	45,968,000	(44,619,000)	5,954,000	(3,571,000)	3,732,000

There was no net option position outstanding as at 30 June 2007 (31 December 2006: Nil).

Net structural position include capital reserves and retained earnings of overseas branches together with investments in overseas subsidiaries and related companies:

	Net structural position	
	30 June 2007 HK$'000	31 December 2006 HK$'000
US Dollars	1,550,000	1,476,000
Pound Sterling	5,000	8,000
Chinese Reminibi	32,000	23,000
	1,587,000	1,507,000

9 Liquidity

	30 June 2007	30 June 2006
Liquidity ratio	53%	53%

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 for the Bank computed in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance (2006: six months of the financial year for the Bank and Shacom Finance Limited).

REVIEW OF OPERATIONS

The Group registered a satisfactory performance in the first half of 2007, with an increase of 19.2% in its consolidated profit attributable to shareholders over the same period in 2006. Notwithstanding the fierce competition in the local banking sector, the net interest income of the Group increased by 6.1% as compared with the first half of 2006, while the Group's non-interest income increased by 36.2%, 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 5%, and there was also an increase in the impairment losses on advances and trade bills of the Group for the first half of 2007.

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 fee and commission income.

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 on 1st January 2007.