

SHANGHAI COMMERCIAL BANK LIMITED

GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT **2009**

SHANGHAI COMMERCIAL BANK LIMITED

(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2009

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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 1,800 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 5th August 2009.

II BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities (including special purpose 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%
Paofoong Insurance Company (Hong Kong) Limited	Insurance	Hong Kong	500,000 ordinary shares of HK$100 each	60%

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 2009 (unaudited) HK$'000**	Six months ended 30th June 2008 (unaudited) HK$'000
Interest income	1a	**1,241,144**	2,066,609
Interest expense	1b	**(421,681)**	(1,058,062)
Net interest income		**819,463**	1,008,547
Fee and commission income	1c	**320,368**	422,981
Fee and commission expense	1d	**(17,933)**	(21,997)
Net fee and commission income		**302,435**	400,984
Dividend income	2a	**4,615**	4,935
Net trading income	2b	**39,601**	87,054
Net income / (loss) from financial instruments designated at fair value through profit or loss		**21,365**	(7,598)
Net loss from disposal of equipment		**(201)**	(190)
Net gain from disposal and redemption of available-for-sale investments		**53,915**	35,880
Other operating income		**54,204**	33,682
Operating expenses	3	**(503,565)**	(476,720)
Impairment losses on loans and advances to customers	4	**(46,371)**	(42,858)
Operating profit		**745,461**	1,043,716
Share of net profits / (losses) of jointly controlled entities		**4,872**	(18,784)
Profit before taxation		**750,333**	1,024,932
Income tax expense	5	**(129,421)**	(189,374)
Profit after taxation		**620,912**	835,558
Attributable to:			
Shareholders of the Bank		**620,864**	835,018
Minority interests		**48**	540
		620,912	835,558

IV CONSOLIDATED BALANCE SHEET

	Note	30th June 2009 (unaudited) HK$'000	31st December 2008 (audited) HK$'000
Assets			
Cash and balances with banks	6	**23,447,971**	22,565,794
Placements with and loans and advances to banks	7	**17,245,309**	17,859,712
Trading assets		**266,448**	310,128
Derivative financial instruments	8b	**23,777**	37,252
Financial assets designated at fair value		**349,956**	341,866
Loans and advances to customers	9	**46,573,957**	49,756,984
Investment securities:			
- Available-for-sale		**19,038,084**	11,625,020
- Held-to-maturity		**3,054,701**	2,950,520
Investments in jointly controlled entities		**133,444**	125,181
Property and equipment	10	**381,510**	392,904
Investment property	11	**43,917**	56,465
Leasehold land and land use rights		**1,645,545**	1,648,779
Deferred income tax assets	13	**140,234**	160,137
Other assets		**1,715,325**	1,917,956
Total assets		**114,060,178**	109,748,698
Liabilities			
Deposits and balances from banks		**3,015,030**	3,808,753
Derivative financial instruments	8b	**42,111**	63,021
Deposits from customers	12	**93,444,551**	89,531,873
Other liabilities		**2,655,670**	1,416,015
Provisions		**75,586**	83,593
Current income tax liabilities		**1,805**	3,689
Deferred income tax liabilities	13	**270**	79
Total liabilities		**99,235,023**	94,907,023
Equity			
Capital and reserves attributable to the equity holders of the bank			
Share capital		**2,000,000**	2,000,000
Retained earnings		**5,069,536**	5,276,236
Other reserves	14	**7,701,195**	7,556,959
		14,770,731	14,833,195
Minority interests in equity		**54,424**	8,480
Total equity		**14,825,155**	14,841,675
Total equity and liabilities		**114,060,178**	109,748,698

V NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT

1 Net interest income and net fee and commission income

	Six months ended 30th June 2009 HK$'000	Six months ended 30th June 2008 HK$'000
a) Interest income		
Cash and balances with banks	**280,861**	662,585
Investment securities		
- interest income on listed investments	**114,102**	145,290
- interest income on unlisted investments	**137,830**	183,173
Loans and advances		
- to bank	**1,188**	2,158
- to customers	**689,210**	1,051,601
Others	**17,953**	21,802
	1,241,144	2,066,609

Included within interest income on loans and advances is HK$15,650,000 (for the six months period ended 30th June 2008: HK$9,552,000) with respect of interest income accrued on financial assets with impairment indication.

(b) Interest expense		
Deposits and balances from bank	**17,934**	56,888
Deposits from customers	**402,585**	978,000
Certificates of deposit issued	**86**	18,236
Others	**1,076**	4,938
	421,681	1,058,062
(c) Fee and commission income		
Commissions from bills	**54,825**	74,661
Nominees, custodian and securities brokerage commissions	**134,053**	154,048
Commissions from wealth management products	**18,355**	68,444
Commissions from remittance	**24,381**	26,988
Facility fees	**32,276**	30,048
Fees from credit cards	**19,432**	22,325
Commissions from retail banking	**20,829**	23,741
Commissions from insurance	**14,455**	19,548
Other fees	**1,762**	3,178
	320,368	422,981
(d) Fee and commission expense		
Commissions on bills	**1,391**	1,348
Nominees, custodian and securities brokerage commissions paid	**7,857**	8,968
Commissions on retail banking	**8,637**	11,631
Others	**48**	50
	17,933	21,997

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

2 Other operating income

	Six months ended 30th June 2009 HK$'000	Six months ended 30th June 2008 HK$'000
(a) Dividend income		
Dividend income from investment in securities		
- listed investments	**1,587**	1,569
- unlisted investments	**3,028**	3,366
	4,615	4,935
(b) Net trading income		
Foreign exchange	**28,156**	71,218
Interest rate instruments	**3,281**	8,988
Equities	**8,164**	6,848
	39,601	87,054

"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 and money market instruments. "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

Auditors' remuneration	**3,581**	3,512
Advertising costs	**5,589**	6,718
Amortisation of interests in leasehold land	**3,234**	2,410
Depreciation expenses	**34,641**	23,560
Employee benefit expenses		
Wages and salaries and other costs	**290,999**	303,191
Pension costs - defined contribution schemes	**16,505**	14,374
Pension costs - defined benefit schemes	**24**	64
Premises and equipment expense, excluding depreciation		
Rental of premises	**25,734**	24,033
Building expenses	**6,580**	4,326
Building management fee	**2,941**	2,860
Other operating expenses		
Computer rental and licence	**6,712**	4,789
Credit card business promotion	**5,583**	7,081
Credit card service fee	**4,547**	5,210
Insurance	**4,998**	4,998
Legal and consultancy	**1,280**	4,202
Postage	**6,292**	7,061
Printing and stationery	**4,230**	3,988
Repair and maintenance	**8,494**	9,031
Telegram and telephone	**12,043**	11,936
Travelling and transportation	**2,036**	2,223
Water, heat and light	**6,180**	6,656
Others	**51,342**	24,497
	503,565	476,720

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 2009 HK$'000	Six months ended 30th June 2008 HK$'000
Trade bills	**(173)**	8,612
Loans and advances to customers	**46,544**	34,246
	46,371	42,858
Net (reversal) / charge of impairment losses on loans and advances to customers		
- Individually assessed	**57,129**	20,044
- Collectively assessed	**(10,758)**	22,814
	46,371	42,858
Of which		
- new allowances in the year	**62,823**	45,954
- releases	**(16,452)**	(3,096)
Net charge to profit and loss account	**46,371**	42,858

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the six months period ended 30th June 2009. 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.

Current taxation:		
- Hong Kong profits tax	**78,993**	152,986
- Overseas taxation	**30,433**	32,454
- Under/(over) provisions in prior years	**4,000**	–
Deferred income taxation:		
- Hong Kong deferred tax	**14,473**	(2,598)
- Overseas deferred tax	**1,522**	6,532
	129,421	189,374

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:

Profit before taxation	**750,333**	1,024,932
Calculated at a taxation rate of 16.5% (2008:16.5%)	**123,805**	169,114
Effect of different taxation rates in other countries	**23,221**	19,585
Income not subject to taxation	**(22,947)**	(18,955)
Expenses not deductible for taxation purposes	**5,870**	20,064
Net effect of investments in partnerships (Note)	**(4,528)**	(434)
Under/(over) provisions in prior years	**4,000**	–
Taxation charge	**129,421**	189,374

Note: The Bank has entered into aircraft leverage leasing arrangement as well as coupon bond transaction during 2008, involving special purpose partnerships in which the Bank is the general partner. As of 30th June 2009, the unamortised carrying cost of the investments in such partnerships, which was included in "Other assets", amounted to HK$682,431,000 (31st December 2008: HK$1,138,761,000). 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 2009 HK$'000	31st December 2008 HK$'000
Cash in hand	**227,052**	240,546
Balances with central banks and Hong Kong Monetary Authority	**281,928**	85,200
Balances with banks	**22,938,991**	22,240,048
	23,447,971	22,565,794

As at 30th June 2009, there was HK$1,500,000 (31st December 2008: 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

Placements with banks maturing between one and twelve months	**17,161,842**	17,776,185
Gross loans and advances to a bank	**83,467**	83,527
	17,245,309	17,859,712

As of 30th June 2009, HK$90,319,000 (31st December 2008: HK$90,314,000) was deposited with state banks in the People's Republic of China to comply with the local reserve requirement. No impairment allowance was 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 commitments:

Direct credit substitutes	**2,204,156**	2,438,594
Trade-related contingencies	**3,198,257**	2,297,650
Other commitments with an original maturity of:		
- under 1 year	**707,773**	1,045,142
- 1 year and over	**2,734,585**	2,494,919
- unconditionally cancellable	**34,698,163**	35,990,744
	43,542,934	44,267,049

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

	Contract amount	Fair values	
		Assets	Liabilities
	HK$'000	HK$'000	HK$'000
At 30th June 2009			
Derivatives held for trading			
Foreign exchange derivatives			
Currency forward exchange contracts	**2,416,586**	**23,777**	**(15,846)**
Cross-currency interest rate swaps contracts	**395,250**	**–**	**(376)**
Equity derivatives			
Stock accumulator forward contracts (Note)	**–**	**–**	**–**
Total derivative assets/(liabilities) held for trading	**2,811,836**	**23,777**	**(16,222)**
Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Interest rate derivatives			
Interest rate swaps contracts	**399,125**	**–**	**(25,889)**
Total derivative assets/(liabilities) not qualified as hedges	**399,125**	**–**	**(25,889)**
Total recognised derivative financial assets/(liabilities)	**3,210,961**	**23,777**	**(42,111)**
At 31st December 2008			
Derivatives held for trading			
Foreign exchange derivatives			
Currency forward exchange contracts	6,640,387	17,919	(12,381)
Cross-currency interest rate swaps contracts	395,251	–	(235)
Equity derivatives			
Stock accumulator forward contracts (Note)	88,609	19,333	(19,333)
Total derivative assets/(liabilities) held for trading	7,124,247	37,252	(31,949)
Derivatives not qualified as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss			
Interest rate derivatives			
Interest rate swaps contracts	399,126	–	(31,072)
Total derivative assets/(liabilities) not qualified as hedges	399,126	–	(31,072)
Total recognised derivative financial assets/(liabilities)	7,523,373	37,252	(63,021)

Note: The contract amount as at 30th June 2009 and 31st December 2008 only represented 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.

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 *(continued)*

	Credit risk weighted amount	
	30th June 2009 HK$'000	31st December 2008 HK$'000
Exchange rate contracts	**35,383**	33,519
Interest rate swaps contracts	**748**	748
Equity derivatives	**–**	5,099
	36,131	39,366

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 2009 and 31st December 2008 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 year and accordingly the amounts disclosed are shown on a gross basis.

9 Loans and advances to customers

	30th June 2009 HK$'000	31st December 2008 HK$'000
Loans and advances to individuals	**12,188,038**	13,245,878
Loans and advances to corporate entities	**34,758,477**	36,921,823
Gross loans and advances to customers	**46,946,515**	50,167,701
Less: impairment allowances		
- Individually assessed	**(184,604)**	(211,768)
- Collectively assessed	**(187,954)**	(198,949)
	46,573,957	49,756,984
Gross trade bills and other eligible bills, included within loans and advances to customers	**1,063,611**	1,011,208
Less: impairment allowances		
- Collectively assessed	**(4,174)**	(4,346)
	1,059,437	1,006,862
Value of collateral for loans and advances which are individually impaired	**903,973**	969,116
Percentage of impaired loans to total loans and advances and trade bills	**2.47%**	2.54%

The Group accepted listed securities at fair value of HK$2,148,349,000 (31st December 2008: HK$1,998,254,000) 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 2009, certain of our branches in the United States have pledged their real estate loans of HK$68,526,000 (31st December 2008: HK$69,742,000) 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 2008			
Cost	477,071	589,134	1,066,205
Accumulated depreciation	(170,428)	(488,852)	(659,280)
Net book amount	306,643	100,282	406,925
Year ended 31st December 2008			
Opening net book amount	306,643	100,282	406,925
Additions	–	48,993	48,993
Disposals	–	(819)	(819)
Depreciation charge	(8,943)	(41,929)	(50,872)
Exchange rate adjustments	(11,058)	(265)	(11,323)
Closing net book amount	286,642	106,262	392,904
At 31st December 2008			
Cost	463,387	608,630	1,072,017
Accumulated depreciation	(176,745)	(502,368)	(679,113)
Net book amount	286,642	106,262	392,904
Interim period ended 30th June 2009			
Opening net book amount	**286,642**	**106,262**	**392,904**
Additions	**–**	**6,723**	**6,723**
Disposals	**–**	**(217)**	**(217)**
Depreciation charge	**(4,414)**	**(17,679)**	**(22,093)**
Exchange rate adjustments	**4,068**	**125**	**4,193**
Closing net book amount	**286,296**	**95,214**	**381,510**
At 30th June 2009			
Cost	**468,464**	**607,261**	**1,075,725**
Accumulated depreciation	**(182,168)**	**(512,047)**	**(694,215)**
Net book amount	**286,296**	**95,214**	**381,510**

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

11 Investment Property

2008	HK$'000
Net book amount at 1st January	–
Additions	62,739
Depreciation charge	(6,274)
Net book amount at 31st December	56,465
At 31st December 2008	
Cost	62,739
Accumulated depreciation	(6,274)
Net book amount	56,465

2009	**HK$'000**
Net book amount at 1st January	**56,465**
Depreciation charge	**(12,548)**
Net book amount at 30th June	**43,917**
At 30th June	
Cost	**62,739**
Accumulated depreciation	**(18,822)**
Net book amount	**43,917**

12 Deposits from customers

	30th June 2009 HK$'000	31st December 2008 HK$'000
Demand deposits and current accounts	**6,101,402**	5,008,461
Savings deposits	**26,065,416**	21,334,017
Time, call and notice deposits	**60,889,910**	62,801,012
Deposits from Hong Kong Government Exchange Fund	**387,823**	388,383
	93,444,551	89,531,873

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

13 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:

	Impairment allowances HK$'000	Accelerated tax depreciation HK$'000	Fair value loss HK$'000	Others HK$'000	Total HK$'000
Deferred income tax liabilities					
At 1st January 2008	–	(92)	–	–	(92)
Recognised in the profit and loss account	–	13	–	–	13
At 31st December 2008	–	(79)	–	–	(79)
Recognised in the profit and loss account	**–**	**5**	**–**	**–**	**5**
Acquisition of a subsidiary	**–**	**–**	**(294)**	**–**	**(294)**
Credited to equity	**–**	**–**	**98**	**–**	**98**
At 30th June 2009	**–**	**(74)**	**(196)**	**–**	**(270)**
Deferred income tax assets					
At 1st January 2008	40,493	(6,167)	31,602	4,249	70,177
Recognised in the profit and loss account	35,640	(1,938)	–	(3,981)	29,721
Credited to equity	–	–	60,054	–	60,054
Reclassification to current income tax liabilities	–	–	–	886	886
Exchange differences	(647)	(14)	–	(40)	(701)
At 31st December 2008	75,486	(8,119)	91,656	1,114	160,137
Recognised in the profit and loss account	**(15,442)**	**2,383**	**–**	**(2,941)**	**(16,000)**
Credited to equity	**115**	**–**	**(4,941)**	**–**	**(4,826)**
Reclassification to current income tax liabilities	**–**	**–**	**–**	**747**	**747**
Exchange differences	**169**	**9**	**–**	**(2)**	**176**
At 30th June 2009	**60,328**	**(5,727)**	**86,715**	**(1,082)**	**140,234**

The deferred taxation charged to equity during the six months period (2008: the year) is as follows:

	30th June 2009 HK$'000	31st December 2008 HK$'000
Available-for-sale investment revaluation reserve		
- Reserves in shareholders' equity (Note 14)	**(4,837)**	60,054
- Minority interests	**(6)**	–
	(4,843)	60,054

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

14 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 2008	262,370	63,908	7,266,562	7,592,840
Change in fair value of available-for-sale investments	–	(149,750)	–	(149,750)
Realised on disposal of available-for-sale investments	–	(41,422)	–	(41,422)
Effect of deferred taxation (Note 13)	–	60,054	–	60,054
Currency translation differences	–	–	790	790
Transfer from retained earnings	100,000	–	–	100,000
Share of investment revaluation reserve of jointly controlled entities	–	(5,553)	–	(5,553)
Balance at 31st December 2008 and 1st January 2009	362,370	(72,763)	7,267,352	7,556,959
Change in fair value of available-for-sale investments	**–**	**124,065**	**–**	**124,065**
Realised on disposal of available-for-sale investments	**–**	**(23,777)**	**–**	**(23,777)**
Effect of deferred taxation (Note 13)	**–**	**(4,837)**	**–**	**(4,837)**
Currency translation differences	**–**	**–**	**17,755**	**17,755**
Transfer from retained earnings	**–**	**–**	**26,659**	**26,659**
Share of investment revaluation reserve of jointly controlled entities	**–**	**4,371**	**–**	**4,371**
Balance at 30th June 2009	**362,370**	**27,059**	**7,311,766**	**7,701,195**

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.

15 Events after the balance sheet date

Subsequent to the period ended 30 June 2009, the Group, together with the other fifteen distributing banks, agreed to a scheme to offer their eligible customers to repurchase the outstanding Lehman Brothers Minibonds sold through the respective institutions. It is expected that this would result in a negative impact of approximately HK$175 million to the profit of the Group for the second half of 2009.

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Capital structure and adequacy

	30th June 2009	31st December 2008
Capital adequacy ratio	**20%**	19%
Core capital ratio	**20%**	18%

The capital adequacy ratio as at 30th June 2009 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 2009 and 31st December 2008 and reported to the Hong Kong Monetary Authority are analysed as follows:

	30th June 2009 HK$'000	31st December 2008 HK$'000
Core capital:		
Paid up ordinary share capital	**2,000,000**	2,000,000
Reserves	**11,645,157**	10,261,150
Profit and loss account	**607,595**	1,266,707
Less: net deferred tax assets	**(53,521)**	(68,482)
	14,199,231	13,459,375
Other deductions from core capital	**(529,076)**	(454,924)
Core capital after deductions	**13,670,155**	13,004,451
Supplementary capital:		
Collective impairment allowances for loans and advances	**187,954**	198,949
Regulatory reserve	**362,370**	362,370
Revaluation reserves for available-for-sale investments	**–**	–
Unrealised fair value gains for securities designated at fair value	**–**	–
	550,324	561,319
Other deductions from supplementary capital	**(529,077)**	(454,925)
Supplementary capital after deductions	**21,247**	106,394
Total capital base	**13,691,402**	13,110,845

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.

	Banks and other financial institutions HK$'000	Public sector entities HK$'000	Others HK$'000	Total HK$'000
As at 30th June 2009				
Asia Pacific excluding Hong Kong	**23,254,000**	**-**	**691,000**	**23,945,000**
North America	**6,499,000**	**1,064,000**	**981,000**	**8,544,000**
Western Europe	**15,602,000**	**77,000**	**180,000**	**15,859,000**
As at 31st December 2008				
Asia Pacific excluding Hong Kong	19,015,000	-	778,000	19,793,000
North America	6,143,000	481,000	988,000	7,612,000
Western Europe	19,239,000	-	268,000	19,507,000

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 2009. 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 2009 HK$'000	31st December 2008 HK$'000
Hong Kong	**36,346,771**	37,388,038
Asia Pacific excluding Hong Kong	**1,342,519**	1,899,056
North and South America	**8,926,307**	9,151,521
Middle East and Africa	**1,234**	3,187
Europe	**322,635**	333,101
Other countries	**7,049**	1,392,798
	46,946,515	50,167,701

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION *(Continued)*

4 Overdue and impaired loans by geographical area

The Group

	30th June 2009		
	Individually assessed to be impaired HK$'000	**Individual Impairment Allowance HK$'000**	**Collective Impairment Allowance HK$'000**
Hong Kong	**877,685**	**172,037**	**–**
North America	**281,895**	**12,567**	**–**
	1,159,580	**184,604**	**–**

	30th June 2009		
	Overdue HK$'000	**Individual Impairment Allowance HK$'000**	**Collective Impairment Allowance HK$'000**
Hong Kong	**1,193,304**	**104,841**	**3,635**
North America	**863,642**	**11,001**	**2,953**
Western Europe	**10,295**	**–**	**41**
	2,067,241	**115,842**	**6,629**

	31st December 2008		
	Individually assessed to be impaired HK$'000	Individual Impairment Allowance HK$'000	Collective Impairment Allowance HK$'000
Hong Kong	799,042	199,630	–
North America	477,031	12,138	–
	1,276,073	211,768	–

	31st December 2008		
	Overdue HK$'000	Individual Impairment Allowance HK$'000	Collective Impairment Allowance HK$'000
Hong Kong	1,810,773	79,267	7,540
North America	408,983	–	1,636
Western Europe	36,054	–	144
	2,255,810	79,267	9,320

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION *(Continued)*

5 Loans and advances to customers

(a) Gross advances to customers by loan usage

	30th June 2009		31st December 2008	
	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	**1,973,284**	**296,076**	2,127,198	292,724
- Property investment	**10,516,085**	**9,649,100**	10,920,365	10,245,782
- Financial concerns	**229,128**	**228,460**	307,799	306,881
- Stockbrokers	**1,018**	**17**	1,630	627
- Wholesale and retail trade	**711,981**	**596,742**	726,631	666,643
- Manufacturing	**1,300,493**	**936,326**	1,439,366	1,059,157
- Transport and transport equipment	**817,137**	**284,887**	875,305	336,426
- Information technology - telecommunication	**1,451**	**609**	1,638	1,103
- Hotels, boarding houses and catering	**950,806**	**933,448**	981,260	965,846
- Others	**3,468,756**	**1,669,486**	3,731,258	1,806,585
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**403,453**	**397,972**	432,666	426,678
- Loans for the purchase of other residential properties	**4,701,566**	**4,701,566**	4,814,950	4,814,950
- Credit card advances	**239,906**	**304**	302,347	-
- Others	**5,048,666**	**4,817,156**	5,775,881	5,599,491
Trade finance	**4,672,131**	**3,279,718**	5,657,114	3,858,115
Loans for use outside Hong Kong *	**10,847,043**	**10,201,752**	11,061,085	10,172,671
	45,882,904	**37,993,619**	49,156,493	40,553,679

* Included in 'Loans for use outside Hong Kong' were advances to individuals of HK$1,794,447,000 (31st December 2008: HK$1,920,034,000)

(b) Impairment allowances 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 2009			
	Individually assessed to be impaired HK$'000	**Overdue HK$'000**	**Individual Impairment Allowance HK$'000**	**Collective Impairment Allowance HK$'000**
Industrial, commercial and financial				
- Property investment	**43,608**	**217,444**	**834**	**41,890**
Individuals				
- Loans for the purchase of other residential properties	**19,782**	**183,467**	**1,627**	**18,727**
	63,390	**400,911**	**2,461**	**60,617**

	31st December 2008			
Industrial, commercial and financial				
- Property investment	69,757	299,211	4,563	43,402
Individuals				
- Loans for the purchase of other residential properties	45,004	138,920	3,480	19,080
	114,761	438,131	8,043	62,482

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION *(Continued)*

6 Loans and advances overdue for more than 3 months

(a) Gross amount of overdue loans

	30th June 2009		31st December 2008	
	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	**155,250**	**0.33**	133,052	0.27
- one year or less but over six months	**190,677**	**0.41**	122,746	0.24
- over one year	**65,370**	**0.14**	80,287	0.16
	411,297	**0.88**	336,085	0.67

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

	Outstanding amount of loans and advances HK$'000	Current market value of collateral HK$'000	Covered portion by collateral HK$'000	Uncovered portion by collateral HK$'000	Impairment allowances - individual assessment HK$'000
30th June 2009					
Overdue loans and advances on:					
- Customers	**411,297**	**521,013**	**259,659**	**151,638**	**50,849**
31st December 2008					
Overdue loans and advances on:					
- Customers	336,085	507,566	236,527	99,558	37,489

Collateral held against such loans mainly include mortgages over properties.

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

	30th June 2009 HK$'000	**% of total advances to customers**	31st December 2008 HK$'000	% of total advances to customers
Loans and advances to customers	**130,735**	**0.28**	81,827	0.16

(d) Repossessed assets

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

	Carrying amount	
	30th June 2009 HK$'000	31st December 2008 HK'000
Nature of assets		
Commercial property	**-**	1,044
Industrial property	**1,400**	8,423
Residential property	**7,192**	32,156

At 30th June 2009, the repossessed assets of the Group and the Bank amounted to HK$19,530,000 (2008: HK$55,040,000).

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

	On-balance sheet exposure HK$ million	Off-balance sheet exposure HK$ million	Total HK$ million	Impairment allowances HK$ million
As at 30th June 2009				
Types of counterparties				
Mainland entities	**1,435**	**6**	**1,441**	**4**
Companies and individuals outside Mainland where the credit is granted for use in Mainland	**3,601**	**1,309**	**4,910**	**29**
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposure	**126**	**171**	**297**	**3**
	5,162	**1,486**	**6,648**	**36**
As at 31st December 2008				
Types of counterparties				
Mainland entities	1,585	7	1,592	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	4,062	1,165	5,227	48
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposure	131	126	257	1
	5,778	1,298	7,076	49

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION *(Continued)*

8 Currency concentrations

	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
As at 30th June 2009						
Equivalent in Hong Kong dollars						
US Dollars	**45,022,000**	**(42,661,000)**	**2,876,000**	**(1,991,000)**	**3,246,000**	**1,828,000**
Pound Sterling	**1,843,000**	**(1,838,000)**	**111,000**	**(100,000)**	**16,000**	**1,000**
Canadian Dollars	**1,813,000**	**(1,814,000)**	**26,000**	**(21,000)**	**4,000**	**-**
Euro	**2,207,000**	**(2,372,000)**	**808,000**	**(692,000)**	**(49,000)**	**-**
Other currencies and gold	**8,767,000**	**(8,609,000)**	**459,000**	**(653,000)**	**(36,000)**	**41,000**
	59,652,000	**(57,294,000)**	**4,280,000**	**(3,457,000)**	**3,181,000**	**1,870,000**
As at 31st December 2008						
Equivalent in Hong Kong dollars						
US Dollars	43,068,000	(42,766,000)	5,153,000	(3,083,000)	2,372,000	1,748,000
Pound Sterling	1,627,000	(1,624,000)	43,000	(32,000)	14,000	11,000
Canadian Dollars	1,494,000	(1,506,000)	31,000	(19,000)	-	-
Euro	2,174,000	(2,304,000)	536,000	(473,000)	(67,000)	-
Other currencies and gold	7,619,000	(7,465,000)	258,000	(455,000)	(43,000)	69,000
	55,982,000	(55,665,000)	6,021,000	(4,062,000)	2,276,000	1,828,000

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 2009	30th June 2008
Liquidity ratio	**54%**	46%

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 its consolidated profit attributable to shareholders of HK$620.8 million in the first half of 2009, a decrease of 25.6% over the same period in 2008. The net interest income of the Group decreased by 18.8% as compared with the first half of 2008, while the Group's non-interest income decreased by 14.3%, which was mainly attributable to the decrease in fees and commission income as well as income from foreign exchange operation. The operating expenses of the Group increased by 5.6%, while the impairment losses on loans and advances to customers of the Group registered an increase of 8.2% for the first half of 2009.

Subsequent to the interim period, the Group, together with the other fifteen distributing banks, agreed to a scheme to offer their eligible customers to repurchase the outstanding Lehman Brothers Minibonds sold through the respective institutions. It is expected that this would result in a negative impact of approximately HK$175 million to the profit of the Group for the second half of 2009.

Nevertheless, the Group anticipates that the non-interest income could be able to show improvement in light of the stabilizing global investment markets in the latter part of the year and that the overall impairment losses on loans and advances to customers would be less than that of last year.

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.