上海商業銀行
SHANGHAI COMMERCIAL BANK

GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT

2011

SMART BANKING 慧通理財

上商中小企融資

Securities Trading 證券買賣

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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 2011

Contents

1	I	Principal Activities
1-3	II	Basis of Consolidation
4	III	Consolidated Income Statement
5	IV	Consolidated Statement of Comprehensive Income
6	V	Consolidated Statement of Financial Position
7	VI	Consolidated Statement of Changes in Equity
8-21	VII	Notes to the Group Interim Financial Information Disclosure Statement
22-29		Appendix – Unaudited Supplementary Financial Information
30		Review of Operations
30		Statement of Compliance

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 1,600 people.

The Bank is a financial institution incorporated in Hong Kong. The address of its registered office is 35/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

The ultimate holding company is The Shanghai Commercial & Savings Bank, Ltd.

This Group Interim Financial Information Disclosure Statement is presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated, and have been approved for issue by the Board of Directors on 3rd August 2011.

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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held
Shanghai Commercial Bank (Nominees) Limited	Hong Kong	Nominee services Hong Kong	100 ordinary shares of HK$100 each	100%
Shanghai Commercial Bank Trustee Limited	Hong Kong	Trustee services Hong Kong	1,000 ordinary shares of HK$10,000 each	60%
Shacom Futures Limited	Hong Kong	Commodities trading Hong Kong	100,000 ordinary shares of HK$100 each	100%
Shacom Investment Limited	Hong Kong	Investment in Exchange Fund Bills and Notes Hong Kong	10,000 ordinary shares of HK$100 each	100%
Shacom Property Holdings (BVI) Limited	British Virgin Islands	Property holding British Virgin Islands	2 ordinary shares of US$1 each	100%
Shacom Property (NY) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	100%
Shacom Property (CA) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	100%
Shacom Assets Investments Limited	Hong Kong	Investment in notes and bonds Hong Kong	10,000 ordinary shares of HK$1 each	100%
Infinite Financial Solutions Limited	Hong Kong	I.T. application services provider Hong Kong	500,000 ordinary shares of US$1 each	80%
Shacom Insurance Brokers Limited	Hong Kong	Insurance broker Hong Kong	1,000,000 ordinary shares of HK$1 each	100%
Shacom Securities Limited	Hong Kong	Securities brokerage services Hong Kong	1,000,000 ordinary shares of HK$100 each	100%
Hai Kwang Property Management Company Limited	Hong Kong	Property management Hong Kong	2 ordinary shares of HK$1 each	100%
Paofoong Insurance Company (Hong Kong) Limited	Hong Kong	Insurance Hong Kong	500,000 ordinary shares of HK$100 each	60%

All subsidiary companies are held directly by the Bank.

II BASIS OF CONSOLIDATION *(Continued)*

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) 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 income statement included the Group's share of the results of jointly controlled entities, and the consolidated statement of financial position included the Group's share of the net assets of the jointly controlled entities.

III CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30th June 2011 (unaudited) HK$'000**	Six months ended 30th June 2010 (unaudited) HK$'000
Interest income	1a	**1,275,580**	1,110,582
Interest expense	1b	**(292,561)**	(198,382)
Net interest income		**983,019**	912,200
Fee and commission income	1c	**361,193**	328,604
Fee and commission expense	1d	**(18,711)**	(19,208)
Net fee and commission income		**342,482**	309,396
Dividend income	2a	**8,891**	7,237
Net trading income	2b	**70,762**	76,028
Net income from financial instruments designated at fair value through profit or loss		**-**	5,828
Net losses from disposal of equipment		**(208)**	(1,103)
Net gains from disposal of available-for-sale investments		**101,815**	115,845
Other operating income	2c	**38,855**	45,124
Net earned insurance premium		**14,988**	10,947
Net insurance claims incurred and movement in policyholders' liabilities		**(4,619)**	(1,056)
Operating expenses	3	**(371,046)**	(474,586)
Net reversal / (Provision) for impairment losses on loans and advances to customers	4	**9,271**	(4,669)
Operating profit		**1,194,210**	1,001,191
Share of net profit of jointly controlled entities		**15,309**	1,060
Profit before income tax		**1,209,519**	1,002,251
Income tax expense	5	**(225,298)**	(172,647)
Profit for the period		**984,221**	829,604
Attributable to:			
Equity holders of the Bank		**982,398**	827,964
Non-controlling interests		**1,823**	1,640
		984,221	829,604

IV CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June 2011 (unaudited) HK$'000	Six months ended 30th June 2010 (unaudited) HK$'000
Profit for the period	**984,221**	829,604
Exchange differences on translation of foreign operations	**13,587**	7,849
Net gains on available-for-sale investments		
Fair value changes taken to equity on available-for-sale investments	**185,342**	357,296
Fair value changes transferred to income statement on disposal and early redemption of the available-for-sale investments for realised net profit	**(101,815)**	(115,845)
Deferred income tax	**(13,856)**	(40,348)
Share of changes in equity of jointly controlled entities	**(133)**	21
Total comprehensive income for the period	**1,067,346**	1,038,577
Attributable to:		
Equity holders of the Bank	**1,065,758**	1,036,940
Non-controlling interests	**1,588**	1,637
	1,067,346	1,038,577

V CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30th June 2011 (unaudited) HK$'000**	Restated 31st December 2010 (audited) HK$'000
Assets			
Cash and balances with banks	6	**21,912,428**	25,916,048
Placements with and loans and advances to banks	7	**16,482,817**	13,274,323
Loans and advances to customers	8	**55,345,049**	50,706,800
Financial assets held for trading		**676,838**	610,090
Derivative financial instruments	9b	**87,905**	61,484
Investment securities:			
- Available-for-sale		**21,466,347**	21,468,699
- Held-to-maturity		**2,708,015**	2,766,411
Investments in jointly controlled entities		**188,099**	174,473
Property and equipment	10	**2,026,055**	608,584
Investment property	11	**9,254**	1,382,734
Deferred income tax assets	13	**51,690**	56,656
Other assets		**1,112,780**	1,615,370
Total assets		**122,067,277**	118,641,672
Liabilities			
Deposits and balances from banks		**6,556,921**	4,138,145
Deposits from customers	12	**96,337,916**	95,463,191
Trading liabilities		**47,037**	-
Derivative financial instruments	9b	**64,885**	53,508
Other liabilities		**1,190,493**	1,445,783
Liabilities for insurance contracts		**31,553**	25,599
Provisions		**69,214**	99,654
Current income tax liabilities		**268,387**	130,982
Deferred income tax liabilities	13	**122,641**	113,046
Total liabilities		**104,689,047**	101,469,908
Equity			
Capital and reserves attributable to the equity holders			
Share capital		**2,000,000**	2,000,000
Retained earnings			
- Proposed final dividend		**-**	860,000
- Others		**6,764,324**	5,830,421
Other reserves	14	**8,555,444**	8,423,589
		17,319,768	17,114,010
Non-controlling interests in equity		**58,462**	57,754
Total equity		**17,378,230**	17,171,764
Total equity and liabilities		**122,067,277**	118,641,672

VI CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders			Non-controlling interests	Total equity
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
Balance at 1st January 2010	2,000,000	8,247,991	5,785,596	55,419	16,089,006
Profit for the period	-	-	827,964	1,640	829,604
Other comprehensive income					
Fair value gains, net of tax:					
- available-for-sale investments	-	307,426	-	(3)	307,423
Currency translation differences	-	11,887	5,487	-	17,374
Net income recognised directly in equity	-	319,313	5,487	(3)	324,797
Share of changes in equity of jointly controlled entities	-	21	-	-	21
Realised on disposal of available-for-sale investments	-	(115,845)	-	-	(115,845)
Total other comprehensive income	-	203,489	5,487	(3)	208,973
Dividend relating to 2009	-	-	(800,000)	(1,880)	(801,880)
Balance at 30th June 2010 (unaudited)	2,000,000	8,451,480	5,819,047	55,176	16,325,703
Balance at 1st January 2011	**2,000,000**	**8,423,589**	**6,690,421**	**57,754**	**17,171,764**
Profit for the period	**-**	**-**	**982,398**	**1,823**	**984,221**
Other comprehensive income					
Fair value gains, net of tax:					
- available-for-sale investments	**-**	**170,350**	**-**	**(201)**	**170,149**
Currency translation differences	**-**	**13,419**	**1,505**	**-**	**14,924**
Net income recognised directly in equity	**-**	**183,769**	**1,505**	**(201)**	**185,073**
Share of changes in equity of jointly controlled entities	**-**	**(133)**	**-**	**-**	**(133)**
Realised on disposal of available-for-sale investments	**-**	**(101,781)**	**-**	**(34)**	**(101,815)**
Total other comprehensive income	**-**	**81,855**	**1,505**	**(235)**	**83,125**
Transfer from retained earnings	**-**	**50,000**	**(50,000)**	**-**	**-**
Dividend relating to 2010	**-**	**-**	**(860,000)**	**(880)**	**(860,880)**
Balance at 30th June 2011 (unaudited)	**2,000,000**	**8,555,444**	**6,764,324**	**58,462**	**17,378,230**

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT

1 Net interest income and net fee and commission income

	Six months ended 30th June 2011 (unaudited) HK$'000	Restated Six months ended 30th June 2010 (unaudited) HK$'000
(a) Interest income		
Cash and balances with banks	**243,894**	187,050
Investment securities		
- Available-for-sale	**283,825**	262,204
- Held-to-maturity	**32,337**	33,830
Loans and advances		
- to customers	**710,907**	623,953
Others	**4,617**	3,545
	1,275,580	1,110,582
Included within interest income		
Interest income on listed investments	**158,606**	52,352
Interest income on unlisted investments	**157,556**	243,682
Interest income accrued on impaired financial assets	**2,203**	6,087
(b) Interest expense		
Deposits and balances from bank	**9,200**	10,831
Deposits from customers	**281,698**	186,160
Others	**1,663**	1,391
	292,561	198,382
(c) Fee and commission income		
Commissions from bills	**60,392**	59,166
Nominees, custodian and securities brokerage commissions	**126,682**	122,323
Commissions from wealth management products	**47,403**	31,652
Commissions from remittance	**24,733**	25,238
Facility fees	**34,606**	30,075
Fees from credit cards	**24,526**	20,909
Commissions from retail banking	**23,288**	22,802
Commissions from insurance	**15,450**	13,781
Commissions from loans and advances	**4,113**	2,658
	361,193	328,604

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

1 Net interest income and net fee and commission income *(Continued)*

	Six months ended 30th June 2011 (unaudited) HK$'000	Restated Six months ended 30th June 2010 (unaudited) HK$'000
(d) Fee and commission expense		
Commissions on bills	**1,571**	1,529
Nominees, custodian and securities brokerage commissions paid	**8,372**	8,481
Commissions on retail banking	**8,167**	9,065
Fees on credit cards	**134**	73
Commissions on remittance	**467**	60
	18,711	19,208
Of which :		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value		
- fee income	**123,637**	112,808
- fee expense	**1,705**	1,602
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers		
- fee income	**10,254**	9,756

The Group provides custody, trustee and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

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

2 Dividend, net trading and other operating income

	Six months ended 30th June 2011 (unaudited) HK$'000	Six months ended 30th June 2010 (unaudited) HK$'000
(a) Dividend income		
Dividend income from investment in securities		
- listed investments	**1,040**	1,073
- unlisted investments	**7,851**	6,164
	8,891	7,237
(b) Net trading income		
Foreign exchange	**55,548**	58,226
Interest rate instruments	**15,200**	21,186
Equities	**(2,482)**	(6,473)
Other trading income	**2,496**	3,089
	70,762	76,028

"Foreign exchange" net trading income includes gains and losses from spot and forward contracts, swaps and translated foreign currency assets and liabilities, which are not designated as qualifying hedging relationship. "Interest rate instruments" includes the results of trading in instruments in government securities, corporate debt securities and money market instruments. "Equities" trading income includes the results of equity securities in overseas markets.

(c) Other operating income		
Gross rental income from investment properties	**9,774**	15,147
Others	**29,081**	29,977
	38,855	45,124

The Group's direct operating expenses of HK$2,432,000 (for the six months period ended 30th June 2010: HK$2,176,000) arising from an investment property that generated rental income were included in operating expenses.

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

3 Operating expenses

	Six months ended 30th June 2011 (unaudited) HK$'000	Six months ended 30th June 2010 (unaudited) HK$'000
Auditors' remuneration (Note a)	**4,270**	3,479
Advertising costs	**10,933**	14,125
Depreciation expenses for property and equipment	**36,326**	36,128
Direct operating expenses arising from an investment property that did not generate rental income	**359**	330
Employee benefit expenses		
Wages and salaries and other costs (Note b)	**288,245**	278,098
Pension costs - defined contribution schemes	**15,422**	15,703
Pension costs - defined benefit schemes	**15**	15
Premises and equipment expense, excluding depreciation		
Rental of premises	**43,632**	27,036
Building expenses	**7,999**	7,671
Building management fee	**4,835**	2,903
Other operating expenses		
Computer rental and licence	**6,069**	5,614
Credit card business promotion	**7,403**	6,097
Credit card service fee	**5,027**	4,724
Insurance	**4,997**	5,161
Legal and consultancy	**15,127**	3,812
Postage	**6,309**	6,103
Printing and stationery	**4,204**	4,406
Repair and maintenance	**7,453**	7,532
Telephone	**12,441**	12,309
Travelling and transportation	**2,199**	2,055
Water, heat and light	**5,971**	5,957
Others (Note c)	**(118,190)**	25,328
	371,046	474,586

(Note a) The amounts of auditors' remuneration comprised of audit fee for Hong Kong office of HK$2,036,000 (for the six months period ended 30th June 2010: HK$1,767,000) and that for overseas branches of HK$1,988,000 (for the six months period ended 30th June 2010: HK$1,468,000) together with HK$246,000 (for the six months period ended 30th June 2010: HK$244,000) for subsidiary companies.

(Note b) Employee benefit expenses include directors' emoluments. The number of persons employed by the Group as at 30th June 2011 was 1,633 (30th June 2010: 1,655).

(Note c) During the period there was a HK$146 million recovery arising from the final settlement in respect of certain series Lehman Brothers Minibonds.

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

4 Net reversal / (Provision) for impairment losses on loans and advances to customers

	Six months ended 30th June 2011 (unaudited) HK$'000	Six months ended 30th June 2010 (unaudited) HK$'000
Trade bills	**(7,226)**	(10,292)
Loans and advances to customers	**16,497**	5,623
	9,271	(4,669)
Net reversal / (charge) of impairment losses on loans and advances to customers		
- Individually assessed	**30,229**	20,647
- Collectively assessed	**(20,958)**	(25,316)
	9,271	(4,669)
Of which		
- new allowances	**(45,529)**	(34,574)
- releases	**22,191**	24,897
- recoveries	**32,609**	5,008
Net reversal / (charge) to income statement	**9,271**	(4,669)

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

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months period ended 30th June 2010: 16.5%) on the estimated assessable profit for the six months period ended 30th June 2011. Taxation on overseas profits has been calculated on the estimated assessable profit for the six months period ended 30th June 2011 at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th June 2011 (unaudited) HK$'000	Six months ended 30th June 2010 (unaudited) HK$'000
Current income tax:		
- Hong Kong profits tax	**163,954**	134,051
- Overseas taxation	**59,293**	37,321
- Adjustments in respect of prior years	**-**	(2,587)
Total current income tax	**223,247**	168,785
Deferred income tax:		
- Hong Kong deferred tax	**(3,000)**	(999)
- Overseas deferred tax	**5,051**	4,861
Total deferred income tax	**2,051**	3,862
Income tax expense	**225,298**	172,647

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

Profit before tax	**1,209,519**	1,002,251
Tax calculated at domestic tax rates applicable to profits in the respective countries	**235,791**	186,992
Tax effect of:		
Income not subject to tax	**(18,662)**	(20,019)
Expenses not deductible for tax purposes	**8,512**	8,720
Net effect of investments in partnerships	**(343)**	(459)
Adjustment in respect of prior years	**-**	(2,587)
Tax expense	**225,298**	172,647

The income tax rate applicable to the majority of the Group and its subsidiaries' 2011 income is 16.5% (2010: 16.5%).

For tax purpose, the Bank has entered into aircraft leverage lease arrangement involving special purpose partnerships in which the Bank is the general partner. As of 30th June 2011, the unamortised carrying cost of the investments in such partnerships, which was included in "Other assets", amounted to HK$444,936,000 (31st December 2010: HK$909,355,000). The Bank's benefits arising from these special purpose partnerships are amortised over the life of the individual partnerships.

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

6 Cash and balances with banks

	30th June 2011 (unaudited) HK$'000	Restated 31st December 2010 (audited) HK$'000
Cash in hand	**313,264**	987,326
Balances with central banks and Hong Kong Monetary Authority	**5,310,513**	7,628,038
Balances with banks	**16,288,651**	17,300,684
	21,912,428	25,916,048

As at 30th June 2011, there was HK$1,500,000 (31st December 2010: 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.

As at 30th June 2011, there were HK$278,398,000 (31st December 2010: HK$96,159,000) of statutory deposits with the central bank in the country the Group is operating the business for the purpose of complying with the local statutory requirements of the country.

Included in balances with banks were placements of HK$9,161,676,000 (31st December 2010: HK$11,337,136,000) and loans and advances to banks HK$1,291,289,000 (31st December 2010: HK$688,380,000) with remaining maturity of less than one month at the reporting date.

7 Placements with and loans and advances to banks

	30th June 2011 (unaudited) HK$'000	Restated 31st December 2010 (audited) HK$'000
Placements with banks maturing between one and twelve months	**14,864,030**	11,646,456
Loans and advances to banks maturing between one and twelve months	**1,618,787**	1,627,867
	16,482,817	13,274,323

As of 30th June 2011, HK$128,777,000 (31st December 2010: HK$127,207,000) was deposited with state banks in the People's Republic of China to comply with the local statutory requirement. No impairment allowance was necessary to be provided against the banks.

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

8 Loans and advances to customers

	30th June 2011 (unaudited) HK$'000	Restated 31st December 2010 (audited) HK$'000
Loans and advances to individuals	**13,872,915**	12,679,116
Loans and advances to corporate entities	**41,762,103**	38,348,991
Gross loans and advances to customers	**55,635,018**	51,028,107
Less: impairment allowances		
- Individually assessed	**(53,479)**	(104,685)
- Collectively assessed	**(236,490)**	(216,622)
	55,345,049	50,706,800
Gross trade bills and other eligible bills, included within loans and advances to customers*	**2,979,900**	1,787,911
Less: impairment allowances		
- Collectively assessed	**(23,508)**	(16,282)
	2,956,392	1,771,629
Value of collateral for loans and advances which are individually impaired	**1,094,802**	858,534
Percentage of classified loans to total loans and advances and trade bills	**1.47%**	1.57%

The Group accepted listed securities at fair value of HK$3,787,291,000 as at 30th June 2011 (31st December 2010: HK$3,422,796,000) as collateral for share financing facilities included in "Loans and advances to individuals", which it is permitted to sell or re-pledge in the event of default by the owner of the collateral.

As of 30th June 2011, certain of our branches in the United States have pledged their real estate loans of HK$63,654,000 (31st December 2010: HK$64,925,000) to the State of California and with the Comptroller of the Currency in compliance with the regulatory requirements.

* Amount of HK$688,380,000 and HK$1,627,867,000 previously grouped in trade bills as at 31st December 2010 has been reclassified to "Cash and balances with Banks - Balances with banks" and "Placement with and loans and advances to banks - Loans and advances to banks maturing between one to twelve months" respectively to conform with the current period's presentation.

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

9 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:

	30th June 2011 (unaudited) HK$'000	31st December 2010 (audited) HK$'000
Direct credit substitutes	**2,218,216**	2,177,614
Trade-related contingencies	**4,113,137**	2,979,778
Other commitments with an original maturity of:		
- under 1 year	**1,376,193**	1,575,238
- 1 year and over	**1,846,695**	1,878,263
- unconditionally cancellable	**31,197,299**	40,456,515
	40,751,540	49,067,408

(b) Derivative financial instruments

		Fair values	
	Contract amount HK$'000	Assets HK$'000	Liabilities HK$'000
At 30th June 2011 (unaudited)			
Derivatives held for trading			
Foreign exchange derivatives			
Currency forward exchange contracts	**12,853,196**	**86,719**	**(64,742)**
Cross-currency interest rate swaps contracts	**474,739**	**1,186**	**(143)**
Total derivative assets/(liabilities) held for trading	**13,327,935**	**87,905**	**(64,885)**
Total recognised derivative financial assets/(liabilities)	**13,327,935**	**87,905**	**(64,885)**
At 31st December 2010 (audited)			
Derivatives held for trading			
Foreign exchange derivatives			
Currency forward exchange contracts	4,347,507	60,468	(52,473)
Cross-currency interest rate swaps contracts	785,416	1,016	(1,035)
Total derivative assets/(liabilities) held for trading	5,132,923	61,484	(53,508)
Total recognised derivative financial assets/(liabilities)	5,132,923	61,484	(53,508)

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

9 Derivative financial instruments and off-balance sheet exposures *(Continued)*

(b) Derivative financial instruments *(Continued)*

	Credit risk weighted amount	
	30th June 2011 (unaudited) HK$'000	31st December 2010 (audited) HK$'000
Exchange rate contracts	**114,836**	72,778
	114,836	72,778

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 end of the reporting period, they do not represent the amounts at risk.

The credit risk weighted amounts as at 30th June 2011 and 31st December 2010 are the amounts that have been calculated in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

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

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

10 Property and equipment

	Leasehold land HK$'000	Bank premises HK$'000	Furniture, fittings and equipment HK$'000	Property under development* HK$'000	Total HK$'000
At 1st January 2010					
Cost	325,589	467,222	610,769	-	1,403,580
Accumulated depreciation	(61,387)	(186,352)	(517,443)	-	(765,182)
Net book amount	264,202	280,870	93,326	-	638,398
Year ended 31st December 2010					
Opening net book amount	264,202	280,870	93,326	-	638,398
Additions	-	-	18,746	-	18,746
Disposals	-	-	(1,526)	-	(1,526)
Depreciation charge	(4,820)	(8,847)	(32,561)	-	(46,228)
Exchange rate adjustments	-	(851)	45	-	(806)
Closing net book amount	259,382	271,172	78,030	-	608,584
At 31st December 2010 (audited)					
Cost	325,589	466,163	604,213	-	1,395,965
Accumulated depreciation	(66,207)	(194,991)	(526,183)	-	(787,381)
Net book amount	259,382	271,172	78,030	-	608,584
Interim period ended 30th June 2011					
Opening net book amount	**259,382**	**271,172**	**78,030**	**-**	**608,584**
Additions	**15,719**	**15,719**	**32,665**	**5,886**	**69,989**
Transfers	**(2,454)**	**11**	**(11)**	**1,378,090**	**1,375,636**
Disposals	**-**	**-**	**(365)**	**-**	**(365)**
Depreciation charge	**(2,419)**	**(4,628)**	**(22,120)**	**-**	**(29,167)**
Exchange rate adjustments	**-**	**1,275**	**103**	**-**	**1,378**
Closing net book amount	**270,228**	**283,549**	**88,302**	**1,383,976**	**2,026,055**
At 30th June 2011 (unaudited)					
Cost	**338,808**	**480,140**	**627,673**	**1,456,686**	**2,903,307**
Accumulated depreciation	**(68,580)**	**(196,591)**	**(539,371)**	**(72,710)**	**(877,252)**
Net book amount	**270,228**	**283,549**	**88,302**	**1,383,976**	**2,026,055**

* Denotes transfers from investment properties the net book amount of the land located on 10 Queen's Road Central, Hong Kong and transfers from leasehold land the net book amount of the land located on 12 Queen's Road Central, Hong Kong upon the commencement of the redevelopment of these properties to become the new headquarters of the Bank.

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

11 Investment Property

	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000
At 1st January 2010			
Cost	1,381,406	62,739	1,444,145
Accumulated depreciation	(3,297)	(31,369)	(34,666)
Net book amount	1,378,109	31,370	1,409,479
Year ended 31st December 2010			
Opening net book amount	1,378,109	31,370	1,409,479
Depreciation charge	(1,649)	(25,096)	(26,745)
Closing net book amount	1,376,460	6,274	1,382,734
At 31st December 2010 (audited)			
Cost	1,381,406	62,739	1,444,145
Accumulated depreciation	(4,946)	(56,465)	(61,411)
Net book amount	1,376,460	6,274	1,382,734
Interim period ended 30th June 2011			
Opening net book amount	**1,376,460**	**6,274**	**1,382,734**
Additions	**4,658**	**4,657**	**9,315**
Transfers	**(1,375,636)**	**-**	**(1,375,636)**
Depreciation charge	**(827)**	**(6,332)**	**(7,159)**
Closing net book amount	**4,655**	**4,599**	**9,254**
At 30th June 2011 (unaudited)			
Cost	**4,658**	**4,657**	**9,315**
Accumulated depreciation	**(3)**	**(58)**	**(61)**
Net book amount	**4,655**	**4,599**	**9,254**

12 Deposits from customers

	30th June 2011 (unaudited) HK$'000	31st December 2010 (audited) HK$'000
Demand deposits and current accounts	**8,437,542**	8,378,122
Savings deposits	**29,668,765**	31,224,416
Time, call deposits and notice deposits	**57,842,280**	55,471,665
Deposits from Hong Kong Government Exchange Fund	**389,329**	388,988
	96,337,916	95,463,191

VII 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 first six months of 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 gains HK$'000	Others HK$'000	Total HK$'000
Deferred income tax liabilities					
At 1st January 2010	36,011	(3,666)	(112,630)	(2,423)	(82,708)
(Charged)/Credited to the income statement	(1,234)	3,908	-	(616)	2,058
Charged to equity	-	-	(33,113)	-	(33,113)
Reclassification to current income tax liabilities	-	-	-	717	717
At 31st December 2010 (audited)	34,777	242	(145,743)	(2,322)	(113,046)
(Charged)/credited to the income statement	**2,592**	**466**	**-**	**(57)**	**3,001**
Charged to equity	**-**	**-**	**(13,856)**	**-**	**(13,856)**
Reclassification to current income tax liabilities	**-**	**-**	**-**	**1,260**	**1,260**
At 30th June 2011 (unaudited)	**37,369**	**708**	**(159,599)**	**(1,119)**	**(122,641)**
Deferred income tax assets					
At 1st January 2010	31,735	(1,224)	-	13,468	43,979
(Charged)/credited to the income statement	8,001	(12)	-	4,501	12,490
Exchange differences	115	(8)	-	80	187
At 31st December 2010 (audited)	39,851	(1,244)	-	18,049	56,656
(Charged)/credited to the income statement	**1,303**	**223**	**-**	**(6,578)**	**(5,052)**
Exchange differences	**73**	**3**	**-**	**10**	**86**
At 30th June 2011 (unaudited)	**41,227**	**(1,018)**	**-**	**11,481**	**51,690**

The deferred taxation charged to equity during the six months period (2010: the year) is as follows:

	30th June 2011 (unaudited) HK$'000	31st December 2010 (audited) HK$'000
Available-for-sale investment revaluation deficit		
- Reserves in shareholders' equity (Note 14)	**(13,902)**	(33,043)
- Reserves in non-controlling interests	**46**	(70)
	(13,856)	(33,113)

VII 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 2010	362,370	573,934	7,311,687	8,247,991
Change in fair value of available-for-sale investments	-	456,261	-	456,261
Realised on disposal of available-for-sale investments	-	(263,096)	-	(263,096)
Effect of deferred taxation (Note 13)	-	(33,043)	-	(33,043)
Currency translation differences	-	1,136	14,179	15,315
Share of investment revaluation reserve of jointly controlled entities	-	161	-	161
Balance at 31st December 2010 (audited)	362,370	735,353	7,325,866	8,423,589
Balance at 1st January 2011	**362,370**	**735,353**	**7,325,866**	**8,423,589**
Change in fair value of available-for-sale investments	**-**	**184,252**	**-**	**184,252**
Realised on disposal of available-for-sale investments	**-**	**(101,781)**	**-**	**(101,781)**
Effect of deferred taxation (Note 13)	**-**	**(13,902)**	**-**	**(13,902)**
Currency translation differences	**-**	**1,337**	**12,082**	**13,419**
Transfer from retained earnings	**50,000**	**-**	**-**	**50,000**
Share of investment revaluation reserve of jointly controlled entities	**-**	**(133)**	**-**	**(133)**
Balance at 30th June 2011 (unaudited)	**412,370**	**805,126**	**7,337,948**	**8,555,444**

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 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Capital structure and adequacy

	30th June 2011	31st December 2010
Capital adequacy ratio	**19%**	19%
Core capital ratio	**19%**	19%

The capital adequacy ratio as at 30th June 2011 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 2011 and 31st December 2010 and reported to the Hong Kong Monetary Authority is analysed as follows:

	30th June 2011 HK$'000	31st December 2010 HK$'000
Core capital:		
Paid up ordinary share capital	**2,000,000**	2,000,000
Reserves	**12,995,555**	11,354,793
Income statement	**964,376**	1,677,177
Less: net deferred tax assets	**(88,720)**	(89,422)
	15,871,211	14,942,548
Other deductions from core capital	**(905,308)**	(917,656)
Core capital after deductions	**14,965,903**	14,024,892
Supplementary capital:		
Collective impairment allowances for loans and advances	**236,490**	216,622
Regulatory reserve	**412,370**	362,370
Revaluation reserves for available-for-sale investments	**434,267**	396,364
	1,083,127	975,356
Other deductions from supplementary capital	**(905,308)**	(917,656)
Supplementary capital after deductions	**177,819**	57,700
Total capital base	**15,143,722**	14,082,592

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 2011				
Asia Pacific excluding Hong Kong	**35,852,000**	**62,000**	**1,538,000**	**37,452,000**
North America	**2,908,000**	**175,000**	**365,000**	**3,448,000**
Western Europe	**2,977,000**	**77,000**	**340,000**	**3,394,000**
As at 31st December 2010				
Asia Pacific excluding Hong Kong	27,404,000	60,000	1,176,000	28,640,000
North America	2,918,000	167,000	981,000	4,066,000
Western Europe	4,538,000	78,000	230,000	4,846,000

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 30th June 2011. 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.

	30th June 2011 HK$'000	Restated 31st December 2010 HK$'000
Hong Kong	**43,271,221**	39,193,015
Asia Pacific excluding Hong Kong	**2,090,467**	1,560,107
North and South America	**9,470,328**	9,716,937
Middle East and Africa	**817**	2,726
Europe	**802,185**	555,322
	55,635,018	51,028,107

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION *(Continued)*

4 Overdue and classified loans by geographical area

	30th June 2011		
	Individually assessed to be impaired HK$'000	**Individual impairment allowance HK$'000**	**Collective impairment allowance HK$'000**
Hong Kong	**253,750**	**34,347**	**-**
North America	**566,834**	**19,132**	**-**
	820,584	**53,479**	**-**

	30th June 2011		
	Overdue HK$'000	**Individual impairment allowance HK$'000**	**Collective impairment allowance HK$'000**
Hong Kong	**643,323**	**27,699**	**2,376**
Asia Pacific excluding Hong Kong	**4,325**	**-**	**17**
North America	**773,192**	**17,582**	**1,218**
Western Europe	**38,772**	**-**	**155**
	1,459,612	**45,281**	**3,766**

	31st December 2010		
	Individually assessed to be impaired HK$'000	Individual impairment allowance HK$'000	Collective impairment allowance HK$'000
Hong Kong	332,250	39,673	-
North America	469,136	65,012	-
	801,386	104,685	-

	31st December 2010		
	Overdue HK$'000	Individual impairment allowance HK$'000	Collective impairment allowance HK$'000
Hong Kong	550,831	20,757	1,580
Asia Pacific excluding Hong Kong	16,807	-	67
North America	606,487	5,032	1,705
Western Europe	25,669	-	103
	1,199,794	25,789	3,455

5 Loans and advances to customers

(a) Gross advances to customers by loan usage

	30th June 2011		31st December 2010	
	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	**2,434,800**	**992,680**	2,820,335	948,978
- Property investment	**11,805,044**	**10,886,785**	11,947,671	11,156,783
- Financial concerns	**280,630**	**280,630**	278,883	277,213
- Stockbrokers	**3,783**	**3,777**	10,015	-
- Wholesale and retail trade	**1,104,068**	**819,192**	879,732	753,337
- Manufacturing	**1,732,661**	**1,078,016**	1,543,525	895,996
- Transport and transport equipment	**849,501**	**384,019**	736,772	257,070
- Information technology - telecommunication	**151,051**	**149,076**	149,720	148,717
- Hotels, boarding houses and catering	**879,809**	**859,564**	846,265	827,552
- Others	**4,057,619**	**2,934,129**	2,915,025	1,665,101
- Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**286,903**	**285,678**	316,398	315,051
- Loans for the purchase of other residential properties	**4,422,662**	**4,422,662**	4,685,462	4,685,462
- Credit card advances	**244,192**	**-**	301,200	158
- Others	**5,862,280**	**5,804,517**	4,794,679	4,744,455
Trade finance	**5,980,005**	**3,181,209**	5,224,429	2,814,117
Loans for use outside Hong Kong *	**12,560,110**	**11,311,166**	11,790,085	10,856,997
	52,655,118	**43,393,100**	49,240,196	40,346,987

* Included in 'Loans for use outside Hong Kong' as at 30th June 2011 were advances to individuals of HK$3,056,878,000 (31st December 2010: HK$2,581,377,000).

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (*Continued*)

5 Loans and advances to customers *(Continued)*

(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 2011			
	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	**48,970**	**120,815**	**573**	**47,024**
	48,970	**120,815**	**573**	**47,024**

	31st December 2010			
	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	51,698	152,059	966	47,583
Individuals				
- Loans for the purchase of other residential properties	36,564	91,225	299	18,596
	88,262	243,284	1,265	66,179

6 Loans and advances overdue for more than 3 months

(a) Gross amount of overdue loans

	30th June 2011		31st December 2010	
	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	**154,428**	**0.28**	13,766	0.03
- one year or less but over six months	**132,836**	**0.24**	58,393	0.11
- over one year	**70,966**	**0.13**	78,065	0.15
	358,230	**0.65**	150,224	0.29

(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 2011					
Overdue loans and advances on:					
- Customers	**358,230**	**435,054**	**323,361**	**34,869**	**34,181**
31st December 2010					
Overdue loans and advances on:					
- Customers	150,224	192,404	109,047	41,177	21,600

Collateral held against such loans mainly include mortgages over properties.

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

	30th June 2011 HK$'000	**% of total loans and advances to customers**	31st December 2010 HK$'000	Restated % of total loans and advances to customers
Loans and advances to customers	**129,094**	**0.23**	343,938	0.67

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (*Continued*)

6 Loans and advances overdue for more than 3 months *(Continued)*

(d) Repossessed collateral

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

	Carrying amount	
	30th June 2011 HK$'000	31st December 2010 HK$'000
Nature of assets		
- Commercial property	**26,493**	1,507
- Residential properties	**4,731**	40,145

At 30th June 2011, the fair value of repossessed assets of the Group and the Bank amounted to HK$81,423,000 (31st December 2010: HK$42,770,000).

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Repossessed properties are classified in the statement of financial position within other assets.

7 Non-bank Mainland exposures

	On-balance sheet exposure HK$'000	Off-balance sheet exposure HK$'000	Total HK$'000	Individually assessed impairment allowances HK$'000
As at 30th June 2011				
Types of counterparties				
Mainland entities	**2,268,015**	**16,610**	**2,284,625**	**-**
Companies and individuals outside Mainland where the credit is granted for use in Mainland	**3,497,470**	**788,536**	**4,286,006**	**17,238**
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposure	**195,156**	**182,110**	**377,266**	**1,085**
	5,960,641	**987,256**	**6,947,897**	**18,323**
As at 31st December 2010				
Types of counterparties				
Mainland entities	1,761,992	21,623	1,783,615	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	3,252,575	944,108	4,196,683	18,149
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposure	113,849	157,881	271,730	1,085
	5,128,416	1,123,612	6,252,028	19,234

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 2011						
Equivalent in Hong Kong dollars						
US Dollars	**39,203,000**	**(39,337,000)**	**9,192,000**	**(9,576,000)**	**(518,000)**	**3,309,000**
Pound Sterling	**2,040,000**	**(2,030,000)**	**130,000**	**(125,000)**	**15,000**	**6,000**
Yuan Renminbi	**9,030,000**	**(8,512,000)**	**2,692,000**	**(2,724,000)**	**486,000**	**87,000**
Canadian Dollars	**1,515,000**	**(1,511,000)**	**37,000**	**(34,000)**	**7,000**	**-**
Euro	**1,381,000**	**(1,606,000)**	**656,000**	**(443,000)**	**(12,000)**	**-**
Other currencies and gold	**7,570,000**	**(7,588,000)**	**1,501,000**	**(1,452,000)**	**31,000**	**-**
	60,739,000	**(60,584,000)**	**14,208,000**	**(14,354,000)**	**9,000**	**3,402,000**
As at 31st December 2010						
Equivalent in Hong Kong dollars						
US Dollars	40,877,000	(40,870,000)	3,876,000	(4,656,000)	(773,000)	3,193,000
Pound Sterling	1,815,000	(1,811,000)	37,000	(27,000)	14,000	5,000
Yuan Renminbi	6,153,000	(5,961,000)	1,242,000	(1,171,000)	263,000	74,000
Canadian Dollars	1,436,000	(1,446,000)	32,000	(14,000)	8,000	-
Euro	1,696,000	(1,737,000)	289,000	(273,000)	(25,000)	-
Other currencies and gold	7,183,000	(7,296,000)	574,000	(464,000)	(3,000)	-
	59,160,000	(59,121,000)	6,050,000	(6,605,000)	(516,000)	3,272,000

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 property and equipment, net of depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related company.

9 Liquidity ratio

	30th June 2011	30th June 2010
Liquidity ratio	**45%**	51%

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 Bank") registered a consolidated profit after tax of HK$984.2 million in the first six months of 2011, an increase of HK$154.6 million or 18.64% over the same period in 2010. The Bank's net interest income at HK$983 million as well as net fee and commission income at HK$342 million increased by 7.8% and 10.7% respectively when compared to the first half of 2010, while the income from the treasury operations at HK$181 million registered a year-on-year decline of 11.5%. The operating expenses of the Bank for the first half of 2011 decreased by 21.8% to HK$371 million as during the period there was a HK$146 million recovery arising from the final settlement in respect of certain series Lehman Brothers Minibonds.

In light of the rising cost of funds locally and the uncertainties in the external environment, there would be mounting challenges ahead for the second half of the year. Nevertheless, the Bank will strive for the expansion of customer base and cross-selling capabilities in order to improve our product range, service quality and competitive edge.

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.

Lincoln Chu Kuen Yung
Chairman

David Sek-Chi Kwok
Chief Executive & Managing Director