上海商業銀行
SHANGHAI COMMERCIAL BANK

2012

GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT

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SMARTBANKING

綠色通道
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黃金買賣服務

流動理財服務

SME 上商中小企融資

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 2012

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I PRINCIPAL ACTIVITIES

Shanghai Commercial Bank Limited (the "Bank") and its subsidiary companies (together 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 as at 30th June 2012.

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 has been approved for issue by the Board of Directors on 10th August 2012.

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%
Right Honour Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	*100%
Glory Step Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	100%
Silver Wisdom Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	100%

* Shares 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 2012 (unaudited) HK$'000**	Six months ended 30th June 2011 (unaudited) HK$'000
Interest income	1a	**1,478,968**	1,275,580
Interest expense	1b	**(533,539)**	(292,561)
Net interest income		**945,429**	983,019
Fee and commission income	1c	**322,134**	361,193
Fee and commission expense	1d	**(18,145)**	(18,711)
Net fee and commission income		**303,989**	342,482
Dividend income	2a	**26,304**	8,891
Net trading income	2b	**72,780**	70,762
Net losses from disposal of equipment		**(150)**	(208)
Net gains from disposal of available-for-sale investments		**76,965**	101,815
Other operating income	2c	**33,104**	38,855
Net earned insurance premium	2d	**18,800**	14,465
Net insurance claims incurred and movement in policyholders' liabilities		**(6,367)**	(4,619)
Operating expenses	3	**(499,871)**	(370,523)
Net reversal for impairment losses on loans and advances to customers	4	**35,533**	9,271
Operating profit		**1,006,516**	1,194,210
Share of net profit of jointly controlled entities		**21,164**	15,309
Profit before income tax		**1,027,680**	1,209,519
Income tax expense	5	**(206,669)**	(225,298)
Profit for the period		**821,011**	984,221
Attributable to:			
Equity holders of the Bank		**819,414**	982,398
Non-controlling interests		**1,597**	1,823
		821,011	984,221

IV CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June 2012 (unaudited) HK$'000	Six months ended 30th June 2011 (unaudited) HK$'000
Profit for the period	**821,011**	984,221
Exchange differences on translation of foreign operations	**(5,920)**	13,587
Net gains on available-for-sale investments		
Fair value changes taken to equity on available-for-sale investments	**285,708**	184,005
Exchange differences on translation of available-for-sale investments	**(1,984)**	1,337
Fair value changes transferred to income statement on disposal and early redemption of available-for-sale investments	**(76,965)**	(101,815)
Deferred income tax	**(34,144)**	(13,856)
Share of changes in equity of jointly controlled entities	**117**	(133)
Total comprehensive income for the period	**987,823**	1,067,346
Attributable to:		
Equity holders of the Bank	**985,960**	1,065,758
Non-controlling interests	**1,863**	1,588
	987,823	1,067,346

V CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30th June 2012 (unaudited) HK$'000**	31st December 2011 (audited) HK$'000
Assets			
Cash and balances with banks	6	**27,568,161**	27,739,092
Placements with and loans and advances to banks	7	**15,624,746**	14,865,476
Loans and advances to customers	8	**54,092,880**	55,195,656
Financial assets held for trading		**458,254**	444,237
Derivative financial instruments	9b	**56,753**	70,294
Investment securities:			
- Available-for-sale		**25,231,688**	22,008,660
- Held-to-maturity		**2,519,895**	2,764,783
Investments in jointly controlled entities		**209,589**	189,308
Property and equipment	10	**2,222,618**	2,040,164
Investment properties	11	**99,132**	9,193
Deferred income tax assets	13	**35,496**	44,755
Other assets		**1,503,059**	1,606,222
Total assets		**129,622,271**	126,977,840
Liabilities			
Deposits and balances from banks		**4,371,643**	4,331,800
Deposits from customers	12	**105,337,385**	103,097,196
Derivative financial instruments	9b	**39,833**	45,409
Other liabilities		**1,338,753**	1,208,269
Provisions		**64,093**	94,691
Current income tax liabilities		**116,579**	14,872
Deferred income tax liabilities	13	**145,990**	104,551
Total liabilities		**111,414,276**	108,896,788
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		**7,485,848**	6,669,090
Other reserves	14	**8,662,601**	8,493,399
		18,148,449	18,022,489
Non-controlling interests in equity		**59,546**	58,563
Total equity		**18,207,995**	18,081,052
Total equity and liabilities		**129,622,271**	126,977,840

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 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
Balance at 1st January 2012	**2,000,000**	**8,493,399**	**7,529,090**	**58,563**	**18,081,052**
Profit for the period	**-**	**-**	**819,414**	**1,597**	**821,011**
Other comprehensive income					
Fair value gains, net of tax:					
- available-for-sale investments	**-**	**251,522**	**-**	**42**	**251,564**
Currency translation differences	**-**	**(5,248)**	**(2,656)**	**-**	**(7,904)**
Net income recognised directly in equity	**-**	**246,274**	**(2,656)**	**42**	**243,660**
Share of changes in equity of jointly controlled entities	**-**	**117**	**-**	**-**	**117**
Realised on disposal of available-for-sale investments	**-**	**(77,189)**	**-**	**224**	**(76,965)**
Total other comprehensive income	**-**	**169,202**	**(2,656)**	**266**	**166,812**
Dividend relating to 2011	**-**	**-**	**(860,000)**	**(880)**	**(860,880)**
Balance at 30th June 2012 (unaudited)	**2,000,000**	**8,662,601**	**7,485,848**	**59,546**	**18,207,995**

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 2012 (unaudited) HK$'000	Six months ended 30th June 2011 (unaudited) HK$'000
(a) Interest income		
Cash and balances with banks	**302,890**	243,894
Investment securities		
- Available-for-sale	**335,618**	283,825
- Held-to-maturity	**21,065**	32,337
Loans and advances to customers	**814,743**	710,907
Others	**4,652**	4,617
	1,478,968	1,275,580
Included within interest income		
Interest income on listed investments	**163,993**	158,606
Interest income on unlisted investments	**192,690**	157,556
Interest income accrued on impaired financial assets	**6,002**	2,203
(b) Interest expense		
Deposits and balances from bank	**9,291**	9,200
Deposits from customers	**522,480**	281,698
Others	**1,768**	1,663
	533,539	292,561
(c) Fee and commission income		
Commissions from bills	**58,618**	60,392
Nominees, custodian and securities brokerage commissions	**91,697**	126,682
Commissions from wealth management products	**33,901**	47,403
Commissions from remittance	**26,112**	24,733
Facility fees	**44,257**	34,606
Fees from credit cards	**23,639**	24,526
Commissions from retail banking	**21,924**	21,009
Commissions from insurance	**16,425**	15,450
Commissions from loans and advances	**3,715**	4,113
Trust and other commissions	**1,846**	2,279
	322,134	361,193

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 2012 (unaudited) HK$'000	Six months ended 30th June 2011 (unaudited) HK$'000
(d) Fee and commission expense		
Commissions on bills	**1,616**	1,571
Nominees, custodian and securities brokerage commissions paid	**7,553**	8,372
Commissions on retail banking	**8,837**	8,167
Fees on credit cards	**52**	134
Commissions on remittance	**87**	467
	18,145	18,711
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	**130,229**	123,637
- fee expense	**1,668**	1,705
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers		
- fee income	**10,245**	10,254

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 income, net trading income and other operating income and net earned insurance premium

	Six months ended 30th June 2012 (unaudited) HK$'000	Six months ended 30th June 2011 (unaudited) HK$'000
(a) Dividend income		
Dividend income from investment securities		
- listed investments	**1,283**	1,040
- unlisted investments	**25,021**	7,851
	26,304	8,891
(b) Net trading income		
Foreign exchange	**52,444**	55,548
Interest rate instruments	**7,811**	15,200
Equities	**13,013**	(2,482)
Other trading income	**(488)**	2,496
	72,780	70,762

"Foreign exchange" 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" include gains and losses from trading in government securities, corporate debt securities and money market instruments. "Equities" trading income includes gains and losses from trading in equity securities in local and overseas markets.

(c) Other operating income		
Gross rental income from investment properties	**111**	9,774
Others	**32,993**	29,081
	33,104	38,855

The Group did not have any operating expenses (six months ended 30th June 2011: HK$2,432,000) arising from investment properties that generated rental income were included in operating expenses.

(d) Net earned insurance premium		
Insurance premium revenue	**23,810**	18,520
Insurance premium ceded to reinsurers	**(5,010)**	(4,055)
	18,800	14,465

The related net insurance claims incurred and movement in policyholders' liabilities of HK$6,367,000 (six months ended 30th June 2011: HK$4,619,000) was shown after netted off with the insurance claims and loss adjustment expenses recovered from reinsurers of HK$365,000 (six months ended 30th June 2011: HK$155,000).

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

3 Operating expenses

	Six months ended 30th June 2012 (unaudited) HK$'000	Six months ended 30th June 2011 (unaudited) HK$'000
Auditor's remuneration		
Statutory audit services	**2,904**	3,064
Non-statutory audit and other services (Note a)	**1,796**	1,512
Advertising costs	**11,555**	10,933
Depreciation expenses for property and equipment	**27,773**	36,326
Direct operating expenses arising from an investment property that did not generate rental income	**-**	359
Employee benefit expenses		
Wages and salaries and other costs (Note b)	**304,792**	288,245
Pension costs - defined contribution schemes	**17,198**	15,422
Pension costs - defined benefit schemes	**16**	15
Premises and equipment expense, excluding depreciation		
Rental of premises	**50,675**	43,632
Building expenses	**5,211**	7,787
Building management fee	**5,079**	4,835
Other operating expenses		
Computer rental and licence	**6,768**	6,069
Credit card business promotion	**7,219**	7,403
Credit card service fee	**5,148**	5,027
Insurance	**4,225**	4,997
Legal and consultancy (Note c)	**(5,063)**	15,127
Postage	**5,792**	6,309
Printing and stationery	**4,341**	4,204
Repair and maintenance	**7,889**	7,453
Telephone and communications	**13,270**	13,097
Travelling and transportation	**2,109**	2,199
Water, heat and light	**6,768**	6,759
Others (Note c)	**14,406**	(120,251)
	499,871	370,523

(Note a) Included in the non-statutory audit and other services was the fee paid for the full scope audit of the Group's financial information for the six months ended 30th June 2012 and 2011 for the group reporting to the ultimate holding company in Taiwan under its local statutory requirements.

(Note b) Employee benefit expenses include directors' emoluments. The number of persons employed by the Group as at 30th June 2012 was 1,668 (30th June 2011: 1,633).

(Note c) Six months ended 2012 included reversal of provision in respect of wealth management products and the related legal fee of HK$18.6 million. In the first half of 2011, the Bank recovered HK$146 million from Lehman Brothers Minibonds Repurchase Scheme and included this amount in “Others”.

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

4 Net reversal for impairment losses on loans and advances to customers

	Six months ended 30th June 2012 (unaudited) HK$'000	Six months ended 30th June 2011 (unaudited) HK$'000
Trade bills	**306**	(7,226)
Loans and advances to customers	**35,227**	16,497
	35,533	9,271
Net reversal / (charge) of impairment losses on loans and advances to customers		
- Individually assessed	**31,430**	30,229
- Collectively assessed	**4,103**	(20,958)
	35,533	9,271
Of which		
- new allowances	**(24,010)**	(45,529)
- releases	**33,674**	22,191
- recoveries	**25,869**	32,609
Net reversal to income statement	**35,533**	9,271

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% (six months ended 30th June 2011: 16.5%) on the estimated assessable profits for the six months period ended 30th June 2012. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months period ended 30th June 2012 at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged / (credited) to the income statement represents:

	Six months ended 30th June 2012 (unaudited) HK$'000	Six months ended 30th June 2011 (unaudited) HK$'000
Current income tax:		
- Hong Kong profits tax	**131,178**	163,954
- Overseas taxation	**58,754**	59,293
- Adjustments in respect of prior years	**(280)**	-
Total current income tax	**189,652**	223,247
Deferred income tax:		
- Hong Kong deferred tax	**7,964**	(3,000)
- Overseas deferred tax	**9,053**	5,051
Total deferred income tax	**17,017**	2,051
Income tax expense	**206,669**	225,298

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	**1,027,680**	1,209,519
Tax calculated at domestic tax rates applicable to profits in the respective countries	**207,528**	235,791
Tax effect of:		
Income not subject to tax	**(17,226)**	(18,662)
Expenses not deductible for tax purposes	**17,266**	8,512
Net effect of investments in partnerships	**(619)**	(343)
Adjustment in respect of prior years	**(280)**	-
Tax expense	**206,669**	225,298

The income tax rate applicable to the majority of the Group and its subsidiaries' 2012 income is 16.5% (2011:16.5%).

For enhancing tax efficient purpose, the Bank has entered into aircraft leverage lease arrangement, involving special purpose partnerships in which the Bank is the general partner. As at 30th June 2012, the unamortised carrying cost of the investments in such partnerships, which was included in "Other assets", amounted to HK$729,040,000 (31st December 2011: HK$961,559,000). The Bank's tax benefit in 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 2012 (unaudited) HK$'000	31st December 2011 (audited) HK$'000
Cash in hand	**329,731**	416,266
Balances with central banks and Hong Kong Monetary Authority	**12,440,759**	10,378,663
Balances with banks	**14,797,671**	16,944,163
	27,568,161	27,739,092

As at 30th June 2012, there was HK$1,500,000 (31st December 2011: 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 the statutory requirement.

As at 30th June 2012, there were HK$278,509,000 (31st December 2011: HK$339,526,000) of statutory deposits with the central bank in the country the Group is operating the business for the purpose of complying with the statutory requirements of the country.

7 Placements with and loans and advances to banks

	30th June 2012 (unaudited) HK$'000	31st December 2011 (audited) HK$'000
Placements with banks maturing between one and twelve months	**14,090,018**	12,996,790
Loans and advances to banks maturing between one and twelve months	**1,534,728**	1,868,686
	15,624,746	14,865,476

As at 30th June 2012, HK$129,566,000 (31st December 2011: HK$130,290,000) was deposited with banks in the People's Republic of China to comply with the local statutory requirement.

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

8 Loans and advances to customers

	30th June 2012 (unaudited) HK$'000	31st December 2011 (audited) HK$'000
Loans and advances to individuals	**12,849,964**	13,422,394
Loans and advances to corporate entities	**41,513,337**	42,057,191
Gross loans and advances to customers	**54,363,301**	55,479,585
Less: impairment allowances		
- Individually assessed	**(59,735)**	(69,069)
- Collectively assessed	**(210,686)**	(214,860)
	54,092,880	55,195,656
Gross trade bills and other eligible bills, included within loans and advances to customers	**2,847,157**	3,159,470
Less: impairment allowances on trade bills		
- Individually assessed	**(5)**	-
- Collectively assessed	**(1,110)**	(1,422)
	2,846,042	3,158,048
Value of collateral for loans and advances which are individually assessed to be impaired	**779,139**	1,233,732
Percentage of impaired loans and advances to gross loans and advances	**0.98%**	1.66%

The Group accepted listed securities at fair value of HK$2,546,402,000 as at 30th June 2012 (31st December 2011: HK$2,976,549,000) as collateral for share financing facilities, which the bank is permitted to sell or re-pledge in the event of default by the owner of the collateral.

As at 30th June 2012, certain of the Bank's branches in the United States have pledged their real estate loans of HK$60,823,000 (31st December 2011: HK$62,216,000) to the State of California and with the Comptroller of the Currency in compliance with the regulatory requirements.

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 2012 (unaudited) HK$'000	31st December 2011 (audited) HK$'000
Direct credit substitutes	**2,305,531**	2,330,130
Trade-related contingencies	**3,600,518**	3,406,417
Other commitments with an original maturity of:		
- under 1 year	**856,188**	1,128,087
- 1 year and over	**2,816,833**	2,848,244
- unconditionally cancellable	**32,416,888**	31,685,429
	41,995,958	41,398,307

The credit risk weighted amount of contingent liabilities and commitments was HK$4,343,679,000 (31st December 2011: HK$4,345,251,000).

(b) Derivative financial instruments

		Fair values	
	Contract amount HK$'000	Assets HK$'000	Liabilities HK$'000
At 30th June 2012 (unaudited)			
Derivatives held for trading			
Exchange rate contracts			
Currency forward exchange contracts	**19,941,238**	**56,753**	**(39,833)**
Total derivative assets / (liabilities) held for trading	**19,941,238**	**56,753**	**(39,833)**
Total recognised derivative financial assets / (liabilities)	**19,941,238**	**56,753**	**(39,833)**
At 31st December 2011 (audited)			
Derivatives held for trading			
Exchange rate contracts			
Currency forward exchange contracts	13,809,630	70,294	(45,409)
Total derivative assets / (liabilities) held for trading	13,809,630	70,294	(45,409)
Total recognised derivative financial assets / (liabilities)	13,809,630	70,294	(45,409)

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 2012 (unaudited) HK$'000	31st December 2011 (audited) HK$'000
Exchange rate contracts	**92,245**	93,747

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 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 2012 and 31st December 2011 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

				Property under development		
	Leasehold land HK$'000	Bank premises HK$'000	Furniture, fittings and equipment HK$'000	Leasehold land HK$'000	Development cost HK$'000	Total HK$'000
At 1st January 2011						
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
Year ended 31st December 2011						
Opening net book amount	259,382	271,172	78,030	-	-	608,584
Additions	15,719	15,719	65,732	-	11,697	108,867
Transfers						
Cost	(2,500)	777	(777)	2,500	-	-
Accumulated depreciation	46	(766)	766	(46)	-	-
Transfers from investment property (Note 11)						
Cost	-	-	-	1,381,406	-	1,381,406
Accumulated depreciation	-	-	-	(5,770)	-	(5,770)
Disposals / write-off						
Cost	-	(4,155)	(70,399)	-	-	(74,554)
Accumulated depreciation	-	4,155	69,350	-	-	73,505
Depreciation charge	(4,837)	(9,252)	(37,075)	(826)	-	(51,990)
Exchange rate adjustments	-	(145)	261	-	-	116
Closing net book amount	267,810	277,505	105,888	1,377,264	11,697	2,040,164
At 31st December 2011 (audited)						
Cost	338,808	478,284	599,058	1,383,906	11,697	2,811,753
Accumulated depreciation	(70,998)	(200,779)	(493,170)	(6,642)	-	(771,589)
Net book amount	267,810	277,505	105,888	1,377,264	11,697	2,040,164
Six months ended 30th June 2012						
Opening net book amount	**267,810**	**277,505**	**105,888**	**1,377,264**	**11,697**	**2,040,164**
Additions	**184,996**	**8,393**	**12,059**	**-**	**5,004**	**210,452**
Disposals / write-off						
Cost	**-**	**(135)**	**(7,766)**	**-**	**-**	**(7,901)**
Accumulated depreciation	**-**	**135**	**7,366**	**-**	**-**	**7,501**
Depreciation charge	**(2,417)**	**(4,620)**	**(19,850)**	**(825)**	**-**	**(27,712)**
Exchange rate adjustments	**-**	**185**	**(71)**	**-**	**-**	**114**
Closing net book amount	**450,389**	**281,463**	**97,626**	**1,376,439**	**16,701**	**2,222,618**
At 30th June 2012 (unaudited)						
Cost	**523,804**	**486,768**	**603,405**	**1,383,906**	**16,701**	**3,014,584**
Accumulated depreciation	**(73,415)**	**(205,305)**	**(505,779)**	**(7,467)**	**-**	**(791,966)**
Net book amount	**450,389**	**281,463**	**97,626**	**1,376,439**	**16,701**	**2,222,618**

Interests in freehold land outside Hong Kong amounted to HK$36,815,000 as at 30th June 2012 (31st December 2011: HK$36,670,000) are included as bank premises.

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

11 Investment properties

	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000
At 1st January 2011			
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
Year ended 31st December 2011			
Opening net book amount	1,376,460	6,274	1,382,734
Additions	4,658	4,657	9,315
Transfers to property under development (Note 10)			
Cost	(1,381,406)	-	(1,381,406)
Accumulated depreciation	5,770	-	5,770
Write-off			
Cost	-	(62,739)	(62,739)
Accumulated depreciation	-	62,739	62,739
Depreciation charge	(830)	(6,390)	(7,220)
Closing net book amount	4,652	4,541	9,193
At 31st December 2011 (audited)			
Cost	4,658	4,657	9,315
Accumulated depreciation	(6)	(116)	(122)
Net book amount	4,652	4,541	9,193
Six months ended 30th June 2012			
Opening net book amount	**4,652**	**4,541**	**9,193**
Additions	**86,094**	**3,906**	**90,000**
Depreciation charge	**(2)**	**(59)**	**(61)**
Closing net book amount	**90,744**	**8,388**	**99,132**
At 30th June 2012 (unaudited)			
Cost	**90,752**	**8,563**	**99,315**
Accumulated depreciation	**(8)**	**(175)**	**(183)**
Net book amount	**90,744**	**8,388**	**99,132**

12 Deposits from customers

	30th June 2012 (unaudited) HK$'000	31st December 2011 (audited) HK$'000
Demand deposits and current accounts	**8,387,932**	8,880,885
Savings deposits	**28,645,415**	28,214,106
Time, call and notice deposits	**67,915,878**	65,613,497
Deposits from Hong Kong Government Exchange Fund	**388,160**	388,708
	105,337,385	103,097,196

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 on available-for-sale investments HK$'000	Others HK$'000	Total HK$'000
Deferred income tax liabilities					
At 1st January 2011	34,777	242	(145,743)	(2,322)	(113,046)
Credited / (charged) to the income statement	380	(2,512)	-	(1,193)	(3,325)
Credited to equity	-	-	10,001	-	10,001
Reclassification to current income tax liabilities	-	-	-	1,260	1,260
Reclassification to deferred income tax assets	-	-	559	-	559
At 31st December 2011 (audited)	35,157	(2,270)	(135,183)	(2,255)	(104,551)
Charged to the income statement	**(1,544)**	**(6,318)**	**-**	**(102)**	**(7,964)**
Charged to equity	**-**	**-**	**(34,012)**	**-**	**(34,012)**
Reclassification to current income tax liabilities	**-**	**-**	**-**	**537**	**537**
At 30th June 2012 (unaudited)	**33,613**	**(8,588)**	**(169,195)**	**(1,820)**	**(145,990)**
Deferred income tax assets					
At 1st January 2011	39,851	(1,244)	-	18,049	56,656
(Charged) / credited to the income statement	(7,922)	2,992	-	(7,341)	(12,271)
Credited to equity	-	-	991	-	991
Exchange differences	(52)	(5)	-	(5)	(62)
Reclassification from deferred income tax liabilities	-	-	(559)	-	(559)
At 31st December 2011 (audited)	31,877	1,743	432	10,703	44,755
Credited / (charged) to the income statement	**834**	**73**	**-**	**(9,960)**	**(9,053)**
Charged to equity	**-**	**-**	**(132)**	**-**	**(132)**
Exchange differences	**(56)**	**(2)**	**-**	**(16)**	**(74)**
At 30th June 2012 (unaudited)	**32,655**	**1,814**	**300**	**727**	**35,496**

The deferred taxation (charged) / credited to equity during the six months period (2011: the year) is as follows:

	30th June 2012 (unaudited) HK$'000	31st December 2011 (audited) HK$'000
Available-for-sale investment revaluation reserve / (deficit)		
- Reserves in shareholders' equity (Note 14)	**(34,091)**	10,596
- Reserves in non-controlling interests	**(53)**	396
	(34,144)	10,992

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

14 Other reserves

	Regulatory reserve (Note) HK$'000	Available-for-sale investment revaluation reserve HK$'000	General reserve HK$'000	Total HK$'000
Balances at 1st January 2011	362,370	735,353	7,325,866	8,423,589
Change in fair value of available-for-sale investments	-	91,302	-	91,302
Realised on disposal of available-for-sale investments	-	(155,824)	-	(155,824)
Effect of deferred taxation (Note 13)	-	10,596	-	10,596
Currency translation differences	-	(302)	24,141	23,839
Transfer from retained earnings	100,000	-	-	100,000
Share of investment revaluation reserve of jointly controlled entities	-	(103)	-	(103)
Balance at 31st December 2011 (audited)	462,370	681,022	7,350,007	8,493,399
Balance at 1st January 2012	**462,370**	**681,022**	**7,350,007**	**8,493,399**
Change in fair value of available-for-sale investments	**-**	**285,613**	**-**	**285,613**
Realised on disposal of available-for-sale investments	**-**	**(77,189)**	**-**	**(77,189)**
Effect of deferred taxation (Note 13)	**-**	**(34,091)**	**-**	**(34,091)**
Currency translation differences	**-**	**(1,984)**	**(3,264)**	**(5,248)**
Share of investment revaluation reserve of jointly controlled entities	**-**	**117**	**-**	**117**
Balance at 30th June 2012 (unaudited)	**462,370**	**853,488**	**7,346,743**	**8,662,601**

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

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Capital structure and adequacy

	30th June 2012	31st December 2011
Capital adequacy ratio	**19%**	18%
Core capital ratio	**18%**	18%

The capital adequacy ratio as at 30th June 2012 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 2012 and 31st December 2011 and reported to the Hong Kong Monetary Authority is analysed as follows:

	30th June 2012 HK$'000	31st December 2011 HK$'000
Core capital:		
Paid up ordinary share capital	**2,000,000**	2,000,000
Reserves	**13,867,591**	12,096,361
Income statement	**797,030**	1,777,148
Less: net deferred tax assets	**(58,440)**	(74,990)
	16,606,181	15,798,519
Other deductions from core capital	**(1,067,724)**	(902,705)
Core capital after deductions	**15,538,457**	14,895,814
Supplementary capital:		
Collective impairment allowances for loans and advances	**210,686**	214,859
Regulatory reserve	**462,370**	462,370
Revaluation reserves for available-for-sale investments	**461,499**	368,816
	1,134,555	1,046,045
Other deductions from supplementary capital	**(1,067,724)**	(902,705)
Supplementary capital after deductions	**66,831**	143,340
Total capital base	**15,605,288**	15,039,154

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 the transfer of risk.

	Banks and other financial institutions HK$'000	Public sector entities HK$'000	Others HK$'000	Total HK$'000
At 30th June 2012				
Asia Pacific excluding Hong Kong	**36,050,000**	**259,000**	**1,740,000**	**38,049,000**
North America	**1,754,000**	**185,000**	**280,000**	**2,219,000**
Western Europe	**1,937,000**	**-**	**341,000**	**2,278,000**
At 31st December 2011				
Asia Pacific excluding Hong Kong	32,685,000	161,000	1,705,000	34,551,000
North America	2,821,000	181,000	353,000	3,355,000
Western Europe	3,751,000	78,000	303,000	4,132,000

3 Gross loans and advances to customers by geographical segments

The following table breaks down the Group's loans and advances balance by geographical region. Geographical segments are classified according to the location of the customers after taking into account the transfer of risk.

	30th June 2012 HK$'000	31st December 2011 HK$'000
Hong Kong	**41,207,235**	42,626,442
Asia Pacific excluding Hong Kong	**2,398,720**	2,081,541
North and South America	**9,703,643**	9,806,806
Middle East and Africa	**601**	709
Europe	**1,053,102**	964,087
	54,363,301	55,479,585

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION *(CONTINUED)*

4 Overdue and impaired loans and advances to customers by geographical area

	30th June 2012		
	Individually assessed impaired loan and advances HK$'000	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Hong Kong	**281,948**	**35,627**	**-**
North America	**251,934**	**24,108**	**-**
	533,882	**59,735**	**-**

	30th June 2012		
	Overdue loans and advances HK$'000	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Hong Kong	**726,638**	**30,018**	**2,432**
Asia Pacific excluding Hong Kong	**25,979**	**-**	**104**
North America	**732,784**	**9,077**	**2,280**
Western Europe	**67,526**	**-**	**270**
	1,552,927	**39,095**	**5,086**

	31st December 2011		
	Individually assessed impaired loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Hong Kong	323,791	38,212	-
North America	596,404	30,857	-
	920,195	69,069	-

	31st December 2011		
	Overdue loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Hong Kong	684,902	31,425	2,242
Asia Pacific excluding Hong Kong	25,633	16	83
North America	678,702	17,496	2,003
Western Europe	24,130	-	97
	1,413,367	48,937	4,425

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (*CONTINUED*)

5 Loans and advances to customers

(a) Gross loans and advances to customers by loan usage

	30th June 2012		31st December 2011	
	Gross loans and advance HK$'000	**Amount covered by collateral / other security HK$'000**	Gross loans and advance HK$'000	Amount covered by collateral / other security HK$'000
Loans for use in Hong Kong				
- Industrial, commercial and financial				
- Property development	**2,111,647**	**1,044,927**	1,916,158	1,049,683
- Property investment	**10,343,895**	**10,123,439**	11,519,801	10,698,444
- Financial concerns	**84,047**	**82,890**	70,471	69,178
- Stockbrokers	**152**	**152**	16,048	14,249
- Wholesale and retail trade	**922,848**	**540,233**	1,010,922	633,777
- Manufacturing	**1,973,706**	**1,240,675**	1,778,685	1,100,288
- Transport and transport equipment	**840,984**	**395,551**	793,162	347,681
- Information technology - telecommunication	**2,205**	**1,354**	2,159	861
- Hotels, boarding houses and catering	**920,335**	**907,455**	941,579	927,034
- Others	**4,721,096**	**3,302,637**	4,183,634	2,951,769
- Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respecitve successor schemes	**244,804**	**243,759**	263,119	261,995
- Loans for the purchase of other residential properties	**4,031,748**	**4,026,084**	4,269,934	4,261,578
- Credit card advances	**250,996**	**-**	323,162	-
- Others	**5,394,878**	**5,157,027**	5,739,932	5,519,857
Trade finance	**6,242,420**	**4,000,815**	5,932,944	2,974,036
Loans for use outside Hong Kong *	**13,430,383**	**12,121,649**	13,558,405	11,884,108
	51,516,144	**43,188,647**	52,320,115	42,694,538

*Included in "Loans for use outside Hong Kong" as at 30th June 2012 were advances to individuals of HK$2,927,538,000 (31st December 2011: HK$2,826,247,000).

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (*CONTINUED*)

5 Loans and advances to customers *(Continued)*

(b) Impairment allowances on loans and advances to customers 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 is individually assessed to be impaired is analysed as follows:

	30th June 2012			
	Impaired loans and advances HK$'000	**Overdue loans and advances HK$'000**	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Industrial, commercial and financial - Property investment	**27,174**	**125,572**	**108**	**41,267**

	31st December 2011			
	Impaired loans and advances HK$'000	Overdue loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Industrial, commercial and financial - Property investment	27,319	152,581	111	45,970

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (*CONTINUED*)

6 Loans and advances to customers overdue for more than 3 months

(a) Gross amount of overdue loans and advances

	30th June 2012		31st December 2011	
	HK$'000	**% of gross loans and advances to customers**	HK$'000	% of gross loans and advances to customers
Gross loans and advances which have been overdue for:				
- six months or less but over three months	**38,460**	**0.07**	89,316	0.16
- one year or less but over six months	**70,404**	**0.13**	158,417	0.29
- over one year	**155,328**	**0.29**	34,442	0.06
	264,192	**0.49**	282,175	0.51

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

	Outstanding amount HK$'000	Current market value of collateral HK$'000	Covered portion by collateral HK$'000	Uncovered portion by collateral HK$'000	Individually assessed impairment allowances HK$'000
At 30th June 2012					
Overdue loans and advances	**264,192**	**424,091**	**196,777**	**67,415**	**31,033**
At 31st December 2011					
Overdue loans and advances	282,175	399,172	200,863	81,312	47,841

Collateral held against such loans and advances mainly include mortgages over properties.

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

	30th June 2012		31st December 2011	
	HK$'000	**% of gross loans and advances to customers**	HK$'000	% of gross loans and advances to customers
Rescheduled loans and advances	**302,651**	**0.56**	181,940	0.33

(d) Repossessed assets

During the period, the Group had not obtained assets by taking possession of collateral held as security. As at 31st December 2011, the fair value of repossessed assets of the Group and the Bank amounted to HK$22,993,000.

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

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (*CONTINUED*)

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
At 30th June 2012				
Types of counterparties				
Mainland entities	**1,971,085**	**219,985**	**2,191,070**	**-**
Companies and individuals outside Mainland where the credit is granted for use in Mainland	**2,189,487**	**277,036**	**2,466,523**	**2,079**
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposure	**122,552**	**375,788**	**498,340**	**1,044**
	4,283,124	**872,809**	**5,155,933**	**3,123**
At 31st December 2011				
Types of counterparties				
Mainland entities	1,876,989	355,778	2,232,767	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	2,260,451	313,802	2,574,253	12,677
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposure	148,842	207,493	356,335	1,075
	4,286,282	877,073	5,163,355	13,752

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
At 30th June 2012						
Equivalent in Hong Kong Dollars						
US Dollars	**41,729,000**	**(40,495,000)**	**13,725,000**	**(13,707,000)**	**1,252,000**	**3,787,000**
Pound Sterling	**2,269,000**	**(2,265,000)**	**39,000**	**(27,000)**	**16,000**	**4,000**
Yuan Renminbi	**10,449,000**	**(9,860,000)**	**5,744,000**	**(5,256,000)**	**1,077,000**	**137,000**
Canadian Dollars	**1,670,000**	**(1,677,000)**	**30,000**	**(20,000)**	**3,000**	**-**
Australian Dollar	**6,570,000**	**(6,709,000)**	**938,000**	**(838,000)**	**(39,000)**	**-**
Other currencies and gold	**2,928,000**	**(2,879,000)**	**1,179,000**	**(1,199,000)**	**29,000**	**-**
	65,615,000	**(63,885,000)**	**21,655,000**	**(21,047,000)**	**2,338,000**	**3,928,000**
At 31st December 2011						
Equivalent in Hong Kong Dollars						
US Dollars	39,234,000	(39,118,000)	7,462,000	(8,464,000)	(886,000)	3,412,000
Pound Sterling	2,031,000	(2,032,000)	45,000	(29,000)	15,000	10,000
Yuan Renminbi	10,189,000	(9,507,000)	3,871,000	(3,900,000)	653,000	107,000
Canadian Dollars	1,744,000	(1,746,000)	31,000	(18,000)	11,000	-
Australian Dollar	6,455,000	(6,587,000)	1,221,000	(1,177,000)	(88,000)	-
Other currencies and gold	3,059,000	(3,065,000)	300,000	(306,000)	(12,000)	-
	62,712,000	(62,055,000)	12,930,000	(13,894,000)	(307,000)	3,529,000

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.

The above disclosure is based on the significance of the Group's foreign currency exposures of the currect period.

9 Liquidity ratio

	30th June 2012	30th June 2011
Liquidity ratio	**59%**	45%

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 Hong Kong Banking Ordinance.

REVIEW OF OPERATIONS

Shanghai Commercial Bank Limited ("the Bank") reported a consolidated profit after tax of HK$821 million in the first six months of 2012, a decrease of HK$163.2 million or 16.6%, as compared with that for the same period last year. Due to the dwindling interest spread on lending and the volatility in the equity and foreign exchange markets, current period's net interest income of HK$945 million and net fee and commission income of HK$304 million decreased by 3.8% and 11.2% respectively, while the income from the treasury operations of HK$176 million declined by 3% as compared with those for the same period in 2011. The operating expenses of the Bank for the first half of 2012 increased by 34.9% or HK$129.3 million to HK$499.9 million, as expenses in 2011 included a significant amount recovered from the final settlement of certain series of Lehman Brothers Minibonds. Excluding this factor, the operating expenses in the current period would have decreased by 3.2%.

The Bank will continue to explore opportunities to expand its customer base, generate additional income through enhancement of our product range, service quality and competitive edge, as well as leveraging on the tri-bank alliance platform, with Bank of Shanghai in Shanghai and The Shanghai Commercial & Savings Bank in Taiwan, to better serve our customers in the Greater China region.

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