

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

## 27. OFF-BALANCE SHEET EXPOSURES - continued

Included under "Forward assets purchases" are capital commitments as follows:

	THE GROUP		THE BANK	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:				
– property and equipment	7,787	21,565	7,787	18,133
– investment in fund	128,535	156,242	128,535	156,242
	<u>136,322</u>	<u>177,807</u>	<u>136,322</u>	<u>174,375</u>
Derivatives - notional amounts				
Forward exchange rate contracts				
– hedging	<u>49,742</u>	<u>25,506</u>	<u>49,742</u>	<u>25,506</u>

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures are as follows:

	THE GROUP				THE BANK			
	2001		2000		2001		2000	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	N/A	1,220,452	N/A	938,657	N/A	1,220,452	N/A	938,657
Exchange rate contracts	895	696	155	153	895	696	155	153
	<u>895</u>	<u>1,221,148</u>	<u>155</u>	<u>938,810</u>	<u>895</u>	<u>1,221,148</u>	<u>155</u>	<u>938,810</u>

The above amounts do not take into account the effects of bilateral netting arrangements.

At the balance sheet, the Group as lessor had contracted with tenants for the following future minimum lease payments:

	THE GROUP AND THE BANK	
	2001	2000
	HK\$'000	HK\$'000
Within one year	7,000	7,179
In the second to fifth year inclusive	2,177	2,671
	<u>9,177</u>	<u>9,850</u>

## 28. RETIREMENT BENEFITS SCHEME

A non-contributory defined benefit scheme (the “Scheme”), properly registered under the Occupational Retirement Schemes Ordinance, has been in operation since 1995. In December 2000, most of the Scheme members chose to enroll in a defined contribution mandatory provident fund scheme (the “MPF Scheme”) in replacement of the Scheme. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority and authorised by the Securities and Futures Commission. The assets of the Scheme and the MPF Scheme are held separately from those of the Group under the control of the trustees. As a result, retirement benefits accruing subsequent to the establishment of the MPF Scheme are covered therefrom, as far as the Scheme members participating in the MPF Scheme are concerned. The Scheme continues to provide retirement benefits to non-participating members and those retirement benefits accrued prior to the MPF Scheme to the participating members.

The Scheme funding cost has been assessed in accordance with the advice of Watson Wyatt Hong Kong Limited, Qualified Actuaries, using the attained age method. The attained age method is used to establish a level contribution rate of members’ covered salaries payable over their future working lifetimes, so that their benefits are fully funded by the time the member retires or exits earlier from the Scheme. The projections allow for salary increases over the relevant period, and projected cash flows are discounted by the assumed investment yield. It was assumed that the investment yield would exceed salary increases by 2% per annum over the long term.

At the date of the latest formal independent actuarial valuation made at 31 December 2001, the market value of the Scheme assets was HK\$195,862,764 which was sufficient to cover the vested aggregate liabilities as at that date. The next formal independent actuarial valuation will be made at 31 December 2004 in accordance with the provisions of the Occupational Retirement Schemes Ordinance.

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for the year ended 31 December 2001

## 29. MATURITY PROFILES

The maturity profiles of certain assets and liabilities of the Group and the Bank as at 31 December 2001 are analysed as follows:

	THE GROUP						
	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after more than 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>Assets</b>							
Cash and short-term funds	668,677	13,141,485	356,782	72,958	29,937	-	14,269,839
Placements with banks and other financial institutions	-	2,200,011	1,001,727	-	-	-	3,201,738
Advances to banks and other financial institutions	3,356	-	-	-	27,291	-	30,647
Advances to customers	3,948,769	1,625,589	2,378,682	5,389,980	4,693,341	891,911	18,928,272
Debt securities included in:							
- trading securities	49,605	42,965	52,400	26,965	-	-	171,935
- held-to-maturity securities	-	-	161,989	280,205	52,680	-	494,874
	49,605	42,965	214,389	307,170	52,680	-	666,809
Certificates of deposit held	-	-	76,466	399,728	-	-	476,194
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	186,473	357,733	-	-	-	-	544,206
Current, fixed, savings and other deposits of customers	6,208,540	23,798,315	2,634,775	44,090	-	-	32,685,720
<b>THE BANK</b>							
	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after more than 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>Assets</b>							
Cash and short-term funds	668,672	13,141,485	356,782	69,940	29,937	-	14,266,816
Placements with banks and other financial institutions	-	2,200,011	1,001,727	-	-	-	3,201,738
Advances to banks and other financial institutions	3,356	-	-	-	27,291	-	30,647
Advances to customers	3,948,750	1,623,690	2,375,208	5,382,976	4,689,751	891,469	18,911,844
Debt securities included in:							
- trading securities	49,605	42,965	52,400	26,965	-	-	171,935
- held-to-maturity securities	-	-	161,989	280,205	52,680	-	494,874
	49,605	42,965	214,389	307,170	52,680	-	666,809
Certificates of deposit held	-	-	76,466	399,728	-	-	476,194
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	186,473	357,733	-	-	-	-	544,206
Current, fixed, savings and other deposits of customers	6,207,815	23,765,010	2,624,573	43,790	-	-	32,641,188

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for the year ended 31 December 2001

## 29. MATURITY PROFILES - continued

The maturity profile of certain assets and liabilities of the Group and the Bank as at 31 December 2000 are analysed as follows:

	THE GROUP						
	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after more than 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>Assets</b>							
Cash and short-term funds	517,238	13,703,670	202,275	87,902	47,235	-	14,558,320
Placements with banks and other financial institutions	-	2,370,007	410,435	-	-	-	2,780,442
Advances to banks and other financial institutions	-	-	-	500,000	-	31,131	531,131
Advances to customers	4,574,897	1,385,594	2,139,691	4,777,526	4,690,091	1,005,272	18,573,071
Debt securities included in:							
- trading securities	37,958	39,270	65,157	26,828	-	-	169,213
- held-to-maturity securities	-	-	20,969	37,120	52,484	-	110,573
	37,958	39,270	86,126	63,948	52,484	-	279,786
Certificates of deposit held	-	-	92,392	36,057	-	-	128,449
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	10,908	1,147,813	-	-	-	-	1,158,721
Current, fixed, savings and other deposits of customers	4,671,670	22,699,704	3,618,146	119,077	-	-	31,108,597
Certificates of deposit issued	-	-	23,398	-	-	-	23,398
	THE BANK						
	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after more than 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>Assets</b>							
Cash and short-term funds	517,217	13,703,671	202,275	84,902	47,235	-	14,555,300
Placements with banks and other financial institutions	-	2,370,007	410,435	-	-	-	2,780,442
Advances to banks and other financial institutions	-	-	-	-	-	31,131	31,131
Advances to customers	4,572,306	1,384,898	2,137,684	4,771,146	4,682,618	1,005,272	18,553,924
Debt securities included in:							
- trading securities	37,958	39,270	65,157	26,828	-	-	169,213
- held-to-maturity securities	-	-	20,969	37,120	52,484	-	110,573
	37,958	39,270	86,126	63,948	52,484	-	279,786
Certificates of deposit held	-	-	92,392	36,057	-	-	128,449
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	10,908	647,813	-	-	-	-	658,721
Current, fixed, savings and other deposits of customers	4,671,384	22,651,491	3,605,968	117,817	-	-	31,046,660
Certificates of deposit issued	-	-	23,398	-	-	-	23,398

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Interest, commission and rental income		Interest and rental expenses	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Investing enterprises having significant influence on the Bank and their subsidiaries	<u>28,258</u>	<u>36,144</u>	<u>14,411</u>	<u>13,212</u>
Associate and jointly controlled entities	<u>2,176</u>	<u>-</u>	<u>9,588</u>	<u>52</u>
Directors and their associates	<u>54,277</u>	<u>58,634</u>	<u>28,328</u>	<u>30,213</u>

The above transactions were carried out at market price.

As at the balance sheet date, the Group had the following outstanding balances with related parties:

	Amounts owed by related parties		Amounts owed to related parties	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Investing enterprises having significant influence on the Bank and their subsidiaries	<u>504,390</u>	<u>426,664</u>	<u>74,897</u>	<u>126,226</u>
Associate and jointly controlled entities	<u>393,376</u>	<u>359,754</u>	<u>118,800</u>	<u>56,480</u>
Directors and their associates	<u>843,288</u>	<u>759,059</u>	<u>579,704</u>	<u>679,764</u>

The above outstanding balances bear interest at rates similar to those made available to non-related parties.