

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

## 10. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Ordinary shares:		
Interim dividend paid - HK\$0.17 (2003: HK\$0.15) per share	73,950	65,250
Final dividend proposed - HK\$0.40 (2003: HK\$0.35) per share	<u>174,000</u>	<u>152,250</u>
	<u>247,950</u>	<u>217,500</u>

A final dividend of HK\$0.40 (2003: HK\$0.35) per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$349,003,000 (2003: HK\$311,475,000) and on 435,000,000 (2003: 435,000,000) ordinary shares in issue during the year.

## 12. CASH AND SHORT-TERM FUNDS

	THE GROUP		THE BANK	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Cash and balances with banks and other financial institutions	560,601	744,527	560,594	744,527
Money at call and short notice	12,548,402	10,745,214	12,548,402	10,745,214
Exchange fund bills	497,944	512,147	497,944	512,147
	<u>13,606,947</u>	<u>12,001,888</u>	<u>13,606,940</u>	<u>12,001,888</u>

## 13. INVESTMENTS IN SECURITIES

	Trading securities		Held-to-maturity securities		Other securities		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>THE GROUP</b>								
Equity securities:								
Listed in Hong Kong	155	394	-	-	157,678	114,044	157,833	114,438
Listed overseas	-	-	-	-	5,650	5,441	5,650	5,441
Unlisted	-	-	-	-	214,519	200,462	214,519	200,462
	<u>155</u>	<u>394</u>	<u>-</u>	<u>-</u>	<u>377,847</u>	<u>319,947</u>	<u>378,002</u>	<u>320,341</u>
Debt securities:								
Unlisted	234,508	220,575	3,388,300	3,104,561	-	-	3,622,808	3,325,136
Total:								
Listed in Hong Kong	155	394	-	-	157,678	114,044	157,833	114,438
Listed overseas	-	-	-	-	5,650	5,441	5,650	5,441
Unlisted	234,508	220,575	3,388,300	3,104,561	214,519	200,462	3,837,327	3,525,598
	<u>234,663</u>	<u>220,969</u>	<u>3,388,300</u>	<u>3,104,561</u>	<u>377,847</u>	<u>319,947</u>	<u>4,000,810</u>	<u>3,645,477</u>
Market value of listed securities:								
Listed in Hong Kong	155	394	-	-	157,678	114,044	157,833	114,438
Listed overseas	-	-	-	-	5,650	5,441	5,650	5,441
	<u>155</u>	<u>394</u>	<u>-</u>	<u>-</u>	<u>163,328</u>	<u>119,485</u>	<u>163,483</u>	<u>119,879</u>

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## 13. INVESTMENTS IN SECURITIES - continued

	Trading securities		Held-to-maturity securities		Other securities		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE BANK</b>								
Equity securities:								
Listed in Hong Kong	-	-	-	-	126,972	91,151	126,972	91,151
Listed overseas	-	-	-	-	5,650	5,441	5,650	5,441
Unlisted	-	-	-	-	214,519	200,462	214,519	200,462
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,141</u>	<u>297,054</u>	<u>347,141</u>	<u>297,054</u>
Debt securities:								
Unlisted	234,508	220,575	3,388,300	3,104,561	-	-	3,622,808	3,325,136
Total:								
Listed in Hong Kong	-	-	-	-	126,972	91,151	126,972	91,151
Listed overseas	-	-	-	-	5,650	5,441	5,650	5,441
Unlisted	234,508	220,575	3,388,300	3,104,561	214,519	200,462	3,837,327	3,525,598
	<u>234,508</u>	<u>220,575</u>	<u>3,388,300</u>	<u>3,104,561</u>	<u>347,141</u>	<u>297,054</u>	<u>3,969,949</u>	<u>3,622,190</u>
Market value of listed securities:								
Listed in Hong Kong	-	-	-	-	126,972	91,151	126,972	91,151
Listed overseas	-	-	-	-	5,650	5,441	5,650	5,441
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,622</u>	<u>96,592</u>	<u>132,622</u>	<u>96,592</u>

Certain held-to-maturity federal notes of approximately HK\$23,510,000 (2003: Certificates of deposit: HK\$23,293,000) held by the San Francisco Branch of the Bank, have been pledged to the State of California of the United States of America in compliance with the requirements of the California Financial Code.

Investments in securities are analysed and reported by issuing entities as follows:

	Trading securities		Held-to-maturity securities		Other securities		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>								
Central governments and central banks								
Public sectors entities	-	-	50,024	-	-	-	50,024	-
Banks and other	-	-	29,762	-	41,380	33,859	71,142	33,859
financial institutions	35	40	1,915,305	1,548,459	16,457	10,899	1,931,797	1,559,398
Corporate entities	120	354	1,392,514	1,456,008	82,111	55,600	1,474,745	1,511,962
Others	234,508	220,575	695	100,094	237,899	219,589	473,102	540,258
	<u>234,663</u>	<u>220,969</u>	<u>3,388,300</u>	<u>3,104,561</u>	<u>377,847</u>	<u>319,947</u>	<u>4,000,810</u>	<u>3,645,477</u>
<b>THE BANK</b>								
Central governments and central banks								
Public sectors entities	-	-	50,024	-	-	-	50,024	-
Banks and other	-	-	29,762	-	39,896	33,370	69,658	33,370
financial institutions	-	-	1,915,305	1,548,459	13,658	8,647	1,928,963	1,557,106
Corporate entities	-	-	1,392,514	1,456,008	79,068	54,575	1,471,582	1,510,583
Others	234,508	220,575	695	100,094	214,519	200,462	449,722	521,131
	<u>234,508</u>	<u>220,575</u>	<u>3,388,300</u>	<u>3,104,561</u>	<u>347,141</u>	<u>297,054</u>	<u>3,969,949</u>	<u>3,622,190</u>

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## 14. ADVANCES AND OTHER ACCOUNTS

	THE GROUP		THE BANK	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Advances to customers				
Bills receivable	410,792	537,161	410,792	537,161
Trade bills	89,366	69,355	89,366	69,355
Other advances to customers	19,790,061	19,578,749	19,784,832	19,566,981
	<u>20,290,219</u>	<u>20,185,265</u>	<u>20,284,990</u>	<u>20,173,497</u>
Interest receivable	86,900	122,020	86,893	121,970
Provisions for bad and doubtful debts				
– General	(201,876)	(215,730)	(201,818)	(214,608)
– Specific	(101,391)	(215,255)	(101,391)	(214,474)
Interest in suspense	(45,931)	(140,603)	(45,931)	(140,528)
	<u>20,027,921</u>	<u>19,735,697</u>	<u>20,022,743</u>	<u>19,725,857</u>
Advances to banks and other financial institutions	58,212	58,369	58,212	58,369
	<u>20,086,133</u>	<u>19,794,066</u>	<u>20,080,955</u>	<u>19,784,226</u>
Other accounts	159,901	287,477	55,399	133,423
	<u>20,246,034</u>	<u>20,081,543</u>	<u>20,136,354</u>	<u>19,917,649</u>

Included in the “Advances to customers” of the Group and the Bank are aggregate amounts of approximately HK\$225,503,000 (2003: HK\$284,274,000) due from companies having significant influence on the Bank and their subsidiaries.

Included in the “Advances to banks and other financial institutions” is an amount of approximately HK\$58,212,000 (2003: HK\$58,369,000) placed as reserve funds with the financial institutions in the People’s Republic of China by the Shantou Branch of the Bank in compliance with the requirements of Regulations Governing Foreign Financial Institutions of the People’s Republic of China.