

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

14. ADVANCES AND OTHER ACCOUNTS - continued

Provisions against advances and other accounts:

	THE GROUP				THE BANK			
	Specific HK\$'000	General HK\$'000	Total HK\$'000	Suspended interest HK\$'000	Specific HK\$'000	General HK\$'000	Total HK\$'000	Suspended interest HK\$'000
Balance at								
1 January 2004	215,255	215,730	430,985	140,603	214,474	214,608	429,082	140,528
New provisions	105,170	-	105,170	-	105,168	-	105,168	-
Amounts released	(41,142)	(12,853)	(53,995)	-	(41,142)	(12,796)	(53,938)	-
Net charge to								
income statement	64,028	(12,853)	51,175	-	64,026	(12,796)	51,230	-
Interest suspended								
during the year	-	-	-	40,142	-	-	-	40,142
Interest recovered								
during the year	-	-	-	(19,952)	-	-	-	(19,952)
Exchange difference	-	6	6	-	-	6	6	-
Amounts written off	(177,892)	(1,007)	(178,899)	(114,862)	(177,109)	-	(177,109)	(114,787)
Balance at								
31 December 2004	101,391	201,876	303,267	45,931	101,391	201,818	303,209	45,931
Balance at								
1 January 2003	272,699	202,336	475,035	156,820	272,281	201,127	473,408	156,820
New provisions	83,440	45,434	128,874	-	83,077	45,453	128,530	-
Amounts released	(34,287)	(31,784)	(66,071)	-	(34,287)	(31,716)	(66,003)	-
Net charge to								
income statement	49,153	13,650	62,803	-	48,790	13,737	62,527	-
Interest suspended								
during the year	-	-	-	54,940	-	-	-	54,865
Interest recovered								
during the year	-	-	-	(32,764)	-	-	-	(32,764)
Exchange difference	-	(11)	(11)	-	-	(11)	(11)	-
Amounts written off	(106,597)	(245)	(106,842)	(38,393)	(106,597)	(245)	(106,842)	(38,393)
Balance at								
31 December 2003	215,255	215,730	430,985	140,603	214,474	214,608	429,082	140,528

Details of the advances to customers on which interest is being placed in suspense or has ceased to be accrued are as follows:

	THE GROUP		THE BANK	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Gross advances to customers	790,980	972,840	790,980	971,308
Less: Specific provisions	(95,142)	(202,599)	(95,142)	(201,818)
	<u>695,838</u>	<u>770,241</u>	<u>695,838</u>	<u>769,490</u>
Percentage of such advances to total advances	<u>3.9%</u>	<u>4.8%</u>	<u>3.9%</u>	<u>4.8%</u>
Market value of collateral pledged	<u>704,626</u>	<u>775,624</u>	<u>704,626</u>	<u>775,624</u>
Interest in suspense	<u>45,931</u>	<u>140,603</u>	<u>45,931</u>	<u>140,528</u>

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14. ADVANCES AND OTHER ACCOUNTS - continued

The specific provisions were made after taking into account the value of collateral in respect of such advances to customers.

There are no advances to banks and other financial institutions on which interest is being placed in suspense or has ceased to be accrued.

Advances to customers of the Group include receivables under finance leases as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	818	4,382	721	4,302
In the second to fifth year inclusive	1,104	2,581	1,023	2,088
	1,922	6,963	1,744	6,390
Less: unearned finance income	(178)	(573)	—	—
Present value of minimum lease payments receivable	<u>1,744</u>	<u>6,390</u>	<u>1,744</u>	<u>6,390</u>
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)			1,023	2,088
Current finance lease receivables (recoverable within 12 months)			721	4,302
			<u>1,744</u>	<u>6,390</u>

15. CERTIFICATES OF DEPOSIT HELD

All the certificates of deposit are held-to-maturity and are unlisted.

16. INTERESTS IN SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	580,719	547,715
Amounts due from subsidiaries	14,546	2,316
	<u>595,265</u>	<u>550,031</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and, in the opinion of the directors, are not repayable within one year.

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16. INTERESTS IN SUBSIDIARIES - continued

Details of all the subsidiaries are as follows:

Name of company	Place of incorporation / operation	Issued and fully paid ordinary share capital	Percentage of issued share capital directly held	Principal activities
Liu Chong Hing (Management) Limited	Hong Kong	HK\$100,000	100%	Provision of property management services
Liu Chong Hing (Nominees) Limited	Hong Kong	HK\$100,000	100%	Provision of nominee services
Liu Chong Hing Finance Limited	Hong Kong	HK\$25,000,000	100%	Deposit-taking
Liu Chong Hing Data Processing Limited	Hong Kong	HK\$100,000	100%	Provision of electronic data processing services
Liu Chong Hing Finance (International) Limited	Republic of Vanuatu/ Hong Kong	AU\$200,000	100%	Inactive
Liu Chong Hing Banking Corporation, Cayman	Cayman Islands/ Hong Kong	US\$65,000,000	100%	General merchant banking
Chong Hing Securities Limited	Hong Kong	HK\$10,000,000	100%	Stockbroking
Chong Hing Commodities and Futures Limited	Hong Kong	HK\$5,000,000	100%	Investment holding and commodities and futures broking
Right Way Investments Limited	Bermuda/ Hong Kong	US\$12,000	100%	Property investment
Gallbraith Limited	Hong Kong	HK\$16,550,000	100%	Property investment
Card Alliance Company Limited (Note 27)	Hong Kong	HK\$18,000,000	100%	Credit card management

None of the subsidiaries had any debt security subsisting at the end of the year or at any time during the year.