

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

## 17. INTEREST IN AN ASSOCIATE

	THE GROUP		THE BANK	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–	–	5
Share of net assets	–	3,570	–	–
	–	3,570	–	5
Amount due from an associate	–	392,878	–	392,878
	–	396,448	–	392,883

On 16 March 2004, the Bank disposed of the entire interest in an associate, being 47.37% of the issued ordinary share capital of Alain Limited, a private limited company incorporated in Hong Kong.

The balance of advances to the associate was fully repaid in March 2004.

## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE BANK	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–	56,500	57,500
Share of net assets	37,875	27,108	–	–
	37,875	27,108	56,500	57,500
Loans to jointly controlled entities	31,000	39,130	31,000	39,130
	68,875	66,238	87,500	96,630

**18. INTERESTS IN JOINTLY CONTROLLED ENTITIES - continued**

As at 31 December 2004, the Bank had interests in the following jointly controlled entities:

Name of company	Place of incorporation and operation	Class of share held	Ownership interest	Proportion of voting power	Nature of business
Bank Consortium Holding Limited	Hong Kong	Ordinary	13.3%	14.3%	Investment holding and provision of trustee, administration and custodian services for retirement schemes
BC Reinsurance Limited	Hong Kong	Ordinary	10.5%	10.5%	Reinsurance
Hong Kong Life Insurance Limited	Hong Kong	Ordinary	11.7%	11.7%	Life insurance underwriting
Net Alliance Co., Limited	Hong Kong	Ordinary	15%	15%	Provision of internet services

The loans to jointly controlled entities are unsecured, non-interest bearing and, in the opinion of the directors, not repayable within one year. A loan to Bank Consortium Holding Limited amounting to HK\$31,000,000 (2003: HK\$31,000,000) is on fixed terms and will be repayable on 28 December 2008.

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## 19. INVESTMENT PROPERTIES

	THE GROUP		THE BANK	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 January 2004	47,868	47,868	47,868	47,868
Additions	16,496	-	-	-
Surplus on revaluation	4,996	-	3,492	-
At 31 December 2004	<u>69,360</u>	<u>47,868</u>	<u>51,360</u>	<u>47,868</u>

Investment properties owned by the Group and by the Bank were revalued at 31 December 2004 on an open market value basis by Vigers Hong Kong Limited, independent professionally qualified valuers.

The investment properties are rented out under operating leases.

The carrying amount of investment properties of the Group and the Bank comprises:

	THE GROUP		THE BANK	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Leasehold properties				
Held in Hong Kong on long-term lease (over 50 years unexpired)	9,350	10,332	9,350	10,332
Held in Hong Kong on medium-term lease (10 - 50 years unexpired)	42,010	37,536	42,010	37,536
Held outside Hong Kong on medium-term lease (10 - 50 years unexpired)	18,000	-	-	-
	<u>69,360</u>	<u>47,868</u>	<u>51,360</u>	<u>47,868</u>

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## 20. PROPERTY AND EQUIPMENT

	THE GROUP				THE BANK		
	Land and buildings HK\$'000	Equipment HK\$'000	Construction		Land and buildings HK\$'000	Equipment HK\$'000	Total HK\$'000
			in progress HK\$'000	Total HK\$'000			
<b>COST OR VALUATION</b>							
At 1 January 2004	526,594	269,148	529,237	1,324,979	526,594	246,412	773,006
Additions	12,027	28,204	15,307	55,538	12,027	27,851	39,878
Acquired on acquisition of a subsidiary	–	6,319	–	6,319	–	–	–
Surplus on revaluation	92,576	–	–	92,576	92,576	–	92,576
Elimination of accumulated depreciation	(11,785)	–	–	(11,785)	(11,785)	–	(11,785)
Disposals	(5,722)	(8,387)	–	(14,109)	(5,722)	(8,211)	(13,933)
At 31 December 2004	<u>613,690</u>	<u>295,284</u>	<u>544,544</u>	<u>1,453,518</u>	<u>613,690</u>	<u>266,052</u>	<u>879,742</u>
Comprising							
At cost	–	295,284	544,544	839,828	–	266,052	266,052
At professional valuation 2004	<u>613,690</u>	–	–	<u>613,690</u>	<u>613,690</u>	–	<u>613,690</u>
	<u>613,690</u>	<u>295,284</u>	<u>544,544</u>	<u>1,453,518</u>	<u>613,690</u>	<u>266,052</u>	<u>879,742</u>
<b>DEPRECIATION</b>							
At 1 January 2004	–	159,703	–	159,703	–	143,815	143,815
Provided for the year	11,785	37,189	–	48,974	11,785	31,221	43,006
Eliminated on disposals	–	(8,323)	–	(8,323)	–	(8,147)	(8,147)
Eliminated on revaluation	(11,785)	–	–	(11,785)	(11,785)	–	(11,785)
At 31 December 2004	–	<u>188,569</u>	–	<u>188,569</u>	–	<u>166,889</u>	<u>166,889</u>
<b>NET BOOK VALUE</b>							
At 31 December 2004	<u>613,690</u>	<u>106,715</u>	<u>544,544</u>	<u>1,264,949</u>	<u>613,690</u>	<u>99,163</u>	<u>712,853</u>
At 31 December 2003	<u>526,594</u>	<u>109,445</u>	<u>529,237</u>	<u>1,165,276</u>	<u>526,594</u>	<u>102,597</u>	<u>629,191</u>

The net book values of land and buildings and construction in progress shown above comprise:

	THE GROUP				THE BANK	
	Land and buildings		Construction in progress		Land and buildings	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Leasehold properties						
Held in Hong Kong on long-term lease (over 50 years unexpired)	182,000	173,807	544,544	529,237	182,000	173,807
Held in Hong Kong on medium-term lease (10 - 50 years unexpired)	423,200	345,415	–	–	423,200	345,415
Held outside Hong Kong on medium-term lease (10 - 50 years unexpired)	8,490	7,372	–	–	8,490	7,372
	<u>613,690</u>	<u>526,594</u>	<u>544,544</u>	<u>529,237</u>	<u>613,690</u>	<u>526,594</u>