(6) Gross amount of advances which have been overdue for three months and beyond

	30 June 2004			
	Gross advances HK\$'000	% of total advances	Specific provision HK\$'000	Net advances HK\$'000
Advances overdue for				
- 6 months or less but over 3 months	182,369	0.9	4,437	177,932
- 1 year or less but over 6 months	21,980	0.1	1,695	20,285
- Over 1 year	650,207	3.1	94,401	555,806
Overdue advances	854,556	4.1	100,533	754,023
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(170,908)	(0.8)	(2,082)	(168,826)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased		0.2	1,292	46 106
	47,488 731,136	3.5	99,743	46,196 631,393
Total non-performing advances Rescheduled advances	663,584	3.2	8,666	654,918
Rescrieduled advances	003,364	<u> </u>		034,916
	31 December 2003			
	Gross advances HK\$'000	% of total advances	Specific provision HK\$'000	Net advances HK\$'000
Advances overdue for	advances	% of total	Specific provision	advances
Advances overdue for – 6 months or less but over 3 months	advances	% of total	Specific provision	advances
	advances HK\$'000	% of total advances	Specific provision HK\$'000	advances HK\$'000
- 6 months or less but over 3 months	advances HK\$'000	% of total advances	Specific provision HK\$'000	advances HK\$'000
6 months or less but over 3 months1 year or less but over 6 months	advances HK\$'000 61,687 1,017,926	% of total advances 0.3 5.0	Specific provision HK\$'000 2,903 32,190	advances HK\$'000 58,784 985,736
6 months or less but over 3 months1 year or less but over 6 monthsOver 1 year	advances HK\$'000 61,687 1,017,926 714,484	% of total advances 0.3 5.0 3.5	Specific provision HK\$'000 2,903 32,190 166,425	advances HK\$'000 58,784 985,736 548,059
 6 months or less but over 3 months 1 year or less but over 6 months Over 1 year Overdue advances Less: Advances overdue for more than 3 months and on which interest 	advances HK\$'000 61,687 1,017,926 714,484 1,794,097 (853,956)	% of total advances 0.3 5.0 3.5 8.8	Specific provision HK\$'000 2,903 32,190 166,425	advances HK\$'000 58,784 985,736 548,059 1,592,579
 6 months or less but over 3 months 1 year or less but over 6 months Over 1 year Overdue advances Less: Advances overdue for more than 3 months and on which interest is still being accrued Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased 	advances HK\$'000 61,687 1,017,926 714,484 1,794,097 (853,956)	% of total advances 0.3 5.0 3.5 8.8	Specific provision HK\$'000 2,903 32,190 166,425 201,518	advances HK\$'000 58,784 985,736 548,059 1,592,579 (853,956)
 6 months or less but over 3 months 1 year or less but over 6 months Over 1 year Overdue advances Less: Advances overdue for more than 3 months and on which interest is still being accrued Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which 	advances HK\$'000 61,687 1,017,926 714,484 1,794,097 (853,956)	% of total advances 0.3 5.0 3.5 8.8	Specific provision HK\$'000 2,903 32,190 166,425 201,518	advances HK\$'000 58,784 985,736 548,059 1,592,579 (853,956)

Non-performing advances are advances on which interest is being placed in suspense or on which interest accrual has ceased.

(6) Gross amount of advances which have been overdue for three months and beyond - continued

The value of the security of the above overdue advances is analysed as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Total overdue advances	854,556	1,794,097
Secured amount	780,891	1,598,687
Unsecured amount	73,665	195,410
	<u>854,556</u>	<u>1,794,097</u>
Market value of security	970,559	1,908,132

The loan borrowers are predominantly located in Hong Kong.

There were no advances to banks and other financial institutions or other assets which were overdue for over 3 months as at 30 June 2004 and 31 December 2003. Nor were there any rescheduled advances to banks and other financial institutions.

Assets acquired by repossession of collateral for realisation continue to be treated as securities for loans and advances. In this regard, provision has been made on the shortfall between the carrying amount of the loans and advances and the expected net sales proceeds from realisation of the repossessed assets.

Repossessed assets held by the Group as at 30 June 2004 amounted to HK\$127,890,000 (2003: HK\$83,880,000).

(7) Currency risk

The Group's foreign currency exposures arising from non-trading and structural position which constitute 10% or more of the total net position in all foreign currencies are as follows:

30 June 2004

	US\$	MOP	JPY	Total
Equivalent in thousands of HK\$				
Spot assets	7,340,164	64,387	156,251	7,560,802
Spot liabilities	(7,333,829)	(41,600)	(146,293)	(7,521,722)
Forward purchases	74,179	_	1,920	76,099
Forward sales	(40,283)	(10,017)	(5,216)	(55,516)
Net long position	40,231	12,770	6,662	59,663
				MOP
Net structural position				48,545
	31 December 2003			
		US\$	THB	Total
Equivalent in thousands of HK\$		•		
Spot assets		7,264,879	39,460	7,304,339
Spot liabilities		(7,274,994)	_	(7,274,994)
Forward purchases		91,544	_	91,544
Forward sales		(47,674)	_	(47,674)
Net long position		33,755	39,460	73,215
-				MOP
Net structural position				48,545

(8) The contractual or notional amounts of each of the following classes of off-balance sheet exposures outstanding are:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Contingent liabilities and commitments		
- Direct credit substitutes	1,154,983	829,984
- Trade-related contingencies	412,851	256,126
- Other commitments	6,344,924	6,835,913
 Forward assets purchases 	181,523	165,981
	8,094,281	8,088,004
Derivatives		
- Exchange rate contracts - hedging	105,370	19,046
- Interest rate swap contracts - hedging	312,836	611,758

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

	30 June 2004		31 December 2003	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Contingent liabilities and commitments	n/a	2,366,153	n/a	2,181,804
Exchange rate contracts	128	956	120	125
Interest rate contracts	14,641	6,564	694	1,683
	14,769	2,373,673	<u>814</u>	2,183,612

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

(9) Capital adequacy and liquidity ratio

capital adoquacy and inquiatry ratio	30 June 2004	31 December 2003
	%	%
Capital adequacy ratio	20.55	19.15
	30 June 2004	30 June 2003
	%	%
Average liquidity ratio for the period	53.23	53.62

The capital adequacy ratio is calculated as the ratio, expressed as a percentage, of the capital base to the risk assets, as specified in the Third Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Liu Chong Hing Finance Limited, Liu Chong Hing Finance (International) Limited, Liu Chong Hing Banking Corporation, Cayman, and Right Way Investments Limited.

The average liquidity ratio is calculated as the ratio, expressed as a percentage, of the average of each calendar month's average ratio, as specified in the Fourth Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Liu Chong Hing Finance Limited, Liu Chong Hing Finance (International) Limited, Liu Chong Hing Banking Corporation, Cayman, and Right Way Investments Limited.

(10) The components of the total capital base after deductions as reported under Part I of the Capital Adequacy Return are as follows:

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Core capital		
Paid up ordinary share capital	217,500	217,500
Share premium account	1,542,817	1,542,817
Reserves (eligible for inclusion in core capital)	3,224,501	3,135,705
	4,984,818	4,896,022
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	418,022	421,341
Reserves on revaluation of holding of securities		
not held for trading purposes	6,619	10,890
General provisions for doubtful debts	249,666	209,543
Total capital base before deductions	5,659,125	5,537,796
Deductions from total capital base	(247,295)	(627,857)
Total capital base after deductions	5,411,830	4,909,939