

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

13. 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 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 recovered | (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 | <u>215,255</u> | <u>215,730</u> | <u>430,985</u> | <u>140,603</u> | <u>214,474</u> | <u>214,608</u> | <u>429,082</u> | <u>140,528</u> |
| Balance at | | | | | | | | |
| 1 January 2002 | 279,131 | 180,866 | 459,997 | 160,829 | 278,713 | 179,684 | 458,397 | 160,829 |
| New provisions | 109,627 | 21,470 | 131,097 | - | 109,627 | 21,443 | 131,070 | - |
| Amounts recovered | (2,070) | - | (2,070) | - | (2,070) | - | (2,070) | - |
| Net charge to | | | | | | | | |
| income statement | 107,557 | 21,470 | 129,027 | - | 107,557 | 21,443 | 129,000 | - |
| Interest suspended | | | | | | | | |
| during the year | - | - | - | 51,525 | - | - | - | 51,525 |
| Interest recovered | | | | | | | | |
| during the year | - | - | - | (13,757) | - | - | - | (13,757) |
| Amounts written off | (113,989) | - | (113,989) | (41,777) | (113,989) | - | (113,989) | (41,777) |
| Balance at | | | | | | | | |
| 31 December 2002 | <u>272,699</u> | <u>202,336</u> | <u>475,035</u> | <u>156,820</u> | <u>272,281</u> | <u>201,127</u> | <u>473,408</u> | <u>156,820</u> |

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 | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Gross advances to customers | 972,840 | 1,075,569 | 971,308 | 1,075,151 |
| Less: Specific provisions | (202,599) | (266,931) | (201,818) | (266,513) |
| | <u>770,241</u> | <u>808,638</u> | <u>769,490</u> | <u>808,638</u> |
| Percentage of such advances to | | | | |
| total advances | <u>4.8%</u> | <u>5.5%</u> | <u>4.8%</u> | <u>5.5%</u> |
| Market value of collateral pledged | <u>775,624</u> | <u>788,742</u> | <u>775,624</u> | <u>788,742</u> |
| Interest in suspense | <u>140,603</u> | <u>156,820</u> | <u>140,528</u> | <u>156,820</u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

13. 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 | |
|--|---------------------------|------------------|---|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Within one year | 4,382 | 7,170 | 4,302 | 6,735 |
| In the second to fifth year inclusive | 2,581 | 3,609 | 2,088 | 3,490 |
| | <u>6,963</u> | <u>10,779</u> | <u>6,390</u> | <u>10,225</u> |
| Less: unearned finance income | (573) | (554) | — | — |
| Present value of minimum lease payments receivable | <u>6,390</u> | <u>10,225</u> | <u>6,390</u> | <u>10,225</u> |
| Analysed as: | | | | |
| Non-current finance lease receivables (recoverable after 12 months) | | | 2,088 | 3,490 |
| Current finance lease receivables (recoverable within 12 months) | | | 4,302 | 6,735 |
| | | | <u>6,390</u> | <u>10,225</u> |

14. CERTIFICATES OF DEPOSIT HELD

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

Certificates of deposit of approximately HK\$23,293,000 (2002: HK\$37,435,000) 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.

15. INTERESTS IN SUBSIDIARIES

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-------------------------------|------------------|------------------|
| Unlisted shares, at cost | 547,715 | 547,715 |
| Amounts due from subsidiaries | 2,316 | 2,459 |
| | <u>550,031</u> | <u>550,174</u> |

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

15. 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 Bank (International) Limited | Republic of Vanuatu/ Hong Kong | AU\$200,000 | 100% | Banking |
| 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\$10,000 | 100% | Inactive |

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