

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

16. INTEREST IN AN ASSOCIATE

	THE GROUP		THE BANK	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	–	–	5	5
Share of net assets	<u>3,570</u>	<u>3,724</u>	–	–
	3,570	3,724	5	5
Amount due from associate	<u>392,878</u>	<u>359,053</u>	<u>392,878</u>	<u>359,053</u>
	<u>396,448</u>	<u>362,777</u>	<u>392,883</u>	<u>359,058</u>

At 31 December 2003, the Bank held 47.37% of the issued ordinary share capital of Alain Limited, a private limited company incorporated in Hong Kong. The associate is engaged in the development of high-class commercial buildings in Shanghai.

The amount due from associate is secured by the property and assets charged under a debenture in favour of the Group, bears interest at Hong Kong prime rate and, in the opinion of the directors, is not repayable within one year.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE BANK	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	–	–	57,500	57,500
Share of net assets	<u>27,108</u>	<u>29,108</u>	–	–
	27,108	29,108	57,500	57,500
Loans to jointly controlled entities	<u>39,130</u>	<u>39,925</u>	<u>39,130</u>	<u>39,925</u>
	<u>66,238</u>	<u>69,033</u>	<u>96,630</u>	<u>97,425</u>

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES - continued

As at 31 December 2003, 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%	Provision of Mandatory Provident Fund services
BC Reinsurance Limited	Hong Kong	Ordinary	10.5%	10.5%	Reinsurance
Card Alliance Company Limited	Hong Kong	Ordinary	33.3%	33.3%	Credit card management
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 (2002: HK\$31,000,000) is on fixed terms and will be repayable on 28 December 2008.

18. INVESTMENT PROPERTIES

	THE GROUP AND THE BANK 2003 & 2002 HK\$'000
At valuation	<u>47,868</u>

The net book value of investment properties of the Group and the Bank comprises:

	2003 & 2002 HK\$'000
Leasehold properties	
Held in Hong Kong on long-term lease (over 50 years unexpired)	10,332
Held in Hong Kong on medium-term lease (10 - 50 years unexpired)	<u>37,536</u>
	<u>47,868</u>

The investment properties are rented out under operating leases.

Investment properties owned by the Group and by the Bank were revalued at 31 December 2003 on an open market value basis by Vigers Hong Kong Limited, independent professionally qualified valuers.