

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2003

## 6. CROSS-BORDER CLAIMS

The Group's cross-border claims by countries or geographical areas which constitutes 10% or more of the relevant disclosure item after taking into account any risk transfers are as follows:

	2003			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific				
excluding Hong Kong	4,452,886	92,751	754,787	5,300,424
North and South America	1,502,657	3,149	810,817	2,316,623
Europe	8,214,313	–	38,878	8,253,191
- of which - Germany	1,930,690	–	–	1,930,690
- United Kingdom	<u>2,384,124</u>	<u>–</u>	<u>38,878</u>	<u>2,423,002</u>

	2002			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific				
excluding Hong Kong	5,105,374	87,553	876,954	6,069,881
- of which Australia	2,146,855	–	–	2,146,855
North and South America	1,721,753	14,617	525,371	2,261,741
Europe	8,247,847	–	–	8,247,847
- of which - Germany	2,324,212	–	–	2,324,212
- United Kingdom	<u>1,799,768</u>	<u>–</u>	<u>–</u>	<u>1,799,768</u>

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## 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:

	US\$	2003 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	<u>33,755</u>	<u>39,460</u>	<u>73,215</u>	
			<b>MOP</b>	
Net structural position			<u>48,545</u>	
			<b>2002</b>	
	US\$	MOP	THB	Total
Equivalent in thousands of HK\$				
Spot assets	6,712,935	55,023	34,900	6,802,858
Spot liabilities	(6,683,374)	(38,594)	(3)	(6,721,971)
Forward purchases	101,793	–	–	101,793
Forward sales	(60,754)	(35,059)	–	(95,813)
Net long (short) position	<u>70,600</u>	<u>(18,630)</u>	<u>34,897</u>	<u>86,867</u>
				<b>MOP</b>
Net structural position				<u>48,545</u>

## 8. OVERDUE AND RESCHEDULED ASSETS

	Gross amount of advances HK\$'000	Percentage to total advances	Specific provision HK\$'000	Net amount of advances HK\$'000
Advances overdue for				
– 6 months or less but over 3 months	61,687	0.3	2,903	58,784
– 1 year or less but over 6 months	1,017,926	5.0	32,190	985,736
– over 1 year	714,484	3.5	166,425	548,059
Total overdue advances	<u>1,794,097</u>	<u>8.8</u>	<u>201,518</u>	<u>1,592,579</u>
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(853,956)	(4.2)	–	(853,956)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	<u>32,699</u>	<u>0.2</u>	<u>1,081</u>	<u>31,618</u>
Total non-performing advances	<u>972,840</u>	<u>4.8</u>	<u>202,599</u>	<u>770,241</u>
Rescheduled advances	<u>823,365</u>	<u>4.1</u>	<u>12,912</u>	<u>810,453</u>

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## 8. OVERDUE AND RESCHEDULED ASSETS - continued

	Gross amount of advances HK\$'000	2002		Net amount of advances HK\$'000
		Percentage to total advances	Specific provision HK\$'000	
Advances overdue for				
– 6 months or less but over 3 months	117,785	0.6	20,615	97,170
– 1 year or less but over 6 months	366,688	1.9	20,191	346,497
– over 1 year	898,609	4.6	223,522	675,087
Total overdue advances	1,383,082	7.1	264,328	1,118,754
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(344,373)	(1.8)	–	(344,373)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	36,860	0.2	2,603	34,257
Total non-performing advances	1,075,569	5.5	266,931	808,638
Rescheduled advances	99,340	0.5	4,778	94,562

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

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

	2003 HK\$'000	2002 HK\$'000
Total overdue advances	1,794,097	1,383,082
Secured amount	1,598,687	1,102,602
Unsecured amount	195,410	280,480
	1,794,097	1,383,082
Market value of security	1,908,132	1,840,312

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 31 December 2003 and 31 December 2002, nor were there any rescheduled advances to banks and other financial institutions.

Repossessed assets held by the Group as at 31 December 2003 amounted to HK\$83,880,000 (2002: HK\$150,950,000).

## 9. CAPITAL ADEQUACY AND LIQUIDITY RATIO

	2003	2002
	%	%
Capital adequacy ratio at 31 December		(restated)
– Unadjusted	<u>19.15</u>	<u>19.90</u>
– Adjusted	<u>19.12</u>	<u>19.88</u>
Average liquidity ratio for the year	<u>52.37</u>	<u>55.39</u>

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 Bank (International) Limited, Liu Chong Hing Banking Corporation, Cayman, and Right Way Investments Limited.

The adjusted capital adequacy ratio which takes into account of market risks as at the balance sheet date is calculated on the same basis as the unadjusted capital adequacy ratio and in accordance with the Guideline “Maintenance of Adequate Capital Against Market Risks” issued by the Hong Kong Monetary Authority.

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 Bank (International) Limited, Liu Chong Hing Banking Corporation, Cayman, and Right Way Investments Limited.

## 10. OTHER FINANCIAL INFORMATION

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

	2003	2002
	HK\$’000	HK\$’000
		(restated)
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)	<u>3,135,705</u>	<u>3,060,255</u>
	4,896,022	4,820,572
Eligible supplemental capital		
Reserves on revaluation of land and interests in land	421,341	428,658
Reserves on revaluation of holding of securities not held for trading purposes	10,890	(2,208)
General provisions for doubtful debts	<u>209,543</u>	<u>201,331</u>
Total capital base before deductions	5,537,796	5,448,353
Deductions from total capital base	<u>627,857</u>	<u>587,262</u>
Total capital base after deductions	<u>4,909,939</u>	<u>4,861,091</u>

In the current year, the Group has adopted, for the first time, SSAP 12 (revised) issued by the Hong Kong Society of Accountants as set out in Note 2 to the financial statements. Comparative figures of capital adequacy ratio in note 9 and total capital base after deductions for 2002 above have been restated accordingly.