

# NOTES TO THE FINANCIAL STATEMENTS

## 26. OFF-BALANCE SHEET EXPOSURES - continued

Included under "Forward assets purchases" are capital commitments as follows:

	THE GROUP		THE BANK	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:				
– property and equipment	16,399	7,787	16,399	7,787
– investment in fund	160,520	128,535	160,520	128,535
	<u>176,919</u>	<u>136,322</u>	<u>176,919</u>	<u>136,322</u>

	THE GROUP		THE BANK	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Derivatives - notional amounts</b>				
Forward exchange rate contracts				
– hedging	<u>42,935</u>	<u>49,742</u>	<u>42,935</u>	<u>49,742</u>
Interest rate swap contracts				
– hedging	<u>198,588</u>	<u>–</u>	<u>198,588</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

## 26. OFF-BALANCE SHEET EXPOSURES - continued

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

	THE GROUP				THE BANK			
	2002		2001		2002		2001	
	Credit risk		Credit risk		Credit risk		Credit risk	
	Replacement cost	weighted amount	Replacement cost	weighted amount	Replacement cost	weighted amount	Replacement cost	weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	N/A	1,965,465	N/A	1,220,452	N/A	1,965,465	N/A	1,220,452
Exchange rate contracts	58	139	155	696	58	139	155	696
Interest rate contracts	-	360	-	-	-	360	-	-
	<u>58</u>	<u>1,965,964</u>	<u>155</u>	<u>1,221,148</u>	<u>58</u>	<u>1,965,964</u>	<u>155</u>	<u>1,221,148</u>

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

At the balance sheet date, the Group as lessor had contracted with tenants for the following future minimum lease payments:

	THE GROUP AND THE BANK	
	2002	2001
	HK\$'000	HK\$'000
Within one year	630	7,000
In the second to fifth year inclusive	-	2,177
	<u>630</u>	<u>9,177</u>

## 27. RETIREMENT BENEFITS SCHEME

At the balance sheet date, the Group had two retirement schemes in operation, a non-contributory defined benefit scheme which is registered under the Occupational Retirement Scheme Ordinance (the “ORSO Scheme”) in 1995 and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were either staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme. Most of the employees enrolled in the MPF Scheme in replacement of the ORSO Scheme (the “participating members”). The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. As a result, retirement benefits accruing subsequent to the establishment of the MPF Scheme are covered therefrom, as far as the ORSO Scheme members participating in the MPF Scheme are concerned. The ORSO Scheme continues to provide retirement benefits to non-participating members and those retirement benefits accrued prior to MPF Scheme to the participating members.

The Group operates the ORSO Scheme for qualifying employees. Under the ORSO Scheme, the employees are entitled to retirement benefits varying between 0 and 100 percent of total contributions made by the Group on attainment of a retirement age of 55. Upon retirement, the employees are entitled to monthly pension until death varying between 0 and 50 percent of final salary depending on years of service completed at the time of retirement. Under the MPF Scheme, the employee contributes 5% of the relevant payroll to the MPF Scheme while the Group contributes from 5% to 10% of the relevant payroll to the MPF Scheme depending on the years of service completed.

The most recent actuarial valuation of the ORSO Scheme assets and the present value of the defined benefit obligation of the ORSO Scheme was carried out at 1 January 2002 by Watson Wyatt Hong Kong Limited, Qualified Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The main actuarial assumptions used were as follows:

Discount rate	6.25% per annum
Expected return on Scheme assets	5% per annum
Expected rate of salary increase	3% per annum

At 31 December 2002 and 2001, there was no material difference between the present value of the ORSO Scheme obligations and the market value of the ORSO Scheme assets.