

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

## 26. RETIREMENT BENEFITS SCHEME

A non-contributory defined benefit scheme (the “Scheme”), properly registered under the Occupational Retirement Scheme Ordinance, has been in operation since 1995. In December 2000, most of the Scheme members have chosen to enroll in a defined contribution mandatory provident fund scheme (the “MPF Scheme”) in replacement of the Scheme. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority and authorised by the Securities and Futures Commission. The assets of the Scheme and the MPF Scheme are held separately from those of the Group under the control of the trustees. As a result, retirement benefits accruing subsequent to the establishment of the MPF Scheme are covered therefrom, as far as the Scheme members participating in the MPF Scheme are concerned. The Scheme continues to provide retirement benefits to non-participating members and those retirement benefits accrued prior to the MPF Scheme to the participating members.

The Scheme funding cost has been assessed in accordance with the advice of Buck Consultants Pty. Limited, Qualified Actuaries, using the projected unit credit method. The projected unit credit method is used to determine the ongoing contribution rate such that a satisfactory vested liability position is reached over the short term. The projections allow for salary increases over the relevant period, and projected cash flows are discounted by the assumed investment yield. It was assumed that the investment yield would exceed salary increases by 1% per annum over the long term.

At the date of the latest formal independent actuarial valuation made at 31 December 1998, the market value of the Scheme assets was HK\$192,823,250 which was sufficient to cover the vested aggregate liabilities as at that date. The next formal independent actuarial valuation will be made at 31 December 2001 in accordance with the provisions of the Occupational Retirement Schemes Ordinance.

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## 27. MATURITY PROFILE

The maturity profile of certain assets and liabilities of the Group and the Bank as at 31 December 2000 are analysed as follows:

	THE GROUP						Undated HK\$'000	Total HK\$'000
	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after more than 5 years HK\$'000	Repayable after more than 5 years HK\$'000		
<b>Assets</b>								
Cash and short-term funds	517,238	13,703,670	202,275	87,902	47,235	–	14,558,320	
Placements with banks and other financial institutions	–	2,370,007	461,910	–	–	–	2,831,917	
Advances to banks and other financial institutions	–	–	–	500,000	–	31,131	531,131	
Advances to customers	4,574,897	1,385,594	2,139,691	4,777,526	4,690,091	1,005,272	18,573,071	
Debt securities included in:								
– trading securities	37,958	39,270	65,157	26,828	–	–	169,213	
– held-to-maturity securities	–	–	20,969	37,120	52,484	–	110,573	
	37,958	39,270	86,126	63,948	52,484	–	279,786	
Certificates of deposit held	–	–	40,917	36,057	–	–	76,974	
<b>Liabilities</b>								
Deposits and balances of banks and other financial institutions	10,908	1,147,813	–	–	–	–	1,158,721	
Current, fixed, savings and other deposits of customers	4,671,670	22,699,704	3,618,146	119,077	–	–	31,108,597	
Certificates of deposit issued	–	–	23,398	–	–	–	23,398	
	THE BANK							
	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after more than 5 years HK\$'000	Undated HK\$'000	Total HK\$'000	
<b>Assets</b>								
Cash and short-term funds	517,217	13,703,671	202,275	84,902	47,235	–	14,555,300	
Placements with banks and other financial institutions	–	2,370,007	461,910	–	–	–	2,831,917	
Advances to banks and other financial institutions	–	–	–	–	–	31,131	31,131	
Advances to customers	4,572,306	1,384,898	2,137,684	4,771,146	4,682,618	1,005,272	18,553,924	
Debt securities included in:								
– trading securities	37,958	39,270	65,157	26,828	–	–	169,213	
– held-to-maturity securities	–	–	20,969	37,120	52,484	–	110,573	
	37,958	39,270	86,126	63,948	52,484	–	279,786	
Certificates of deposit held	–	–	40,917	36,057	–	–	76,974	
<b>Liabilities</b>								
Deposits and balances of banks and other financial institutions	10,908	647,813	–	–	–	–	658,721	
Current, fixed, savings and other deposits of customers	4,671,384	22,651,491	3,605,968	117,817	–	–	31,046,660	
Certificates of deposit issued	–	–	23,398	–	–	–	23,398	

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## 27. MATURITY PROFILE – continued

The maturity profile of certain assets and liabilities of the Group and the Bank as at 31 December 1999 are analysed as follows:

	THE GROUP						
	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after more than 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>Assets</b>							
Cash and short-term funds	659,489	9,132,280	154,096	107,406	9,947	–	10,063,218
Placements with banks and other financial institutions	–	3,007,285	878,000	–	–	–	3,885,285
Advances to banks and other financial institutions	–	–	–	500,000	–	30,832	530,832
Advances to customers	5,222,123	1,756,033	2,140,457	4,891,706	4,689,436	556,987	19,256,742
Debt securities included in:							
– trading securities	63,027	29,405	56,737	22,467	–	–	171,636
– held-to-maturity securities	–	2,002	58,786	2,000	11,657	–	74,445
	63,027	31,407	115,523	24,467	11,657	–	246,081
Certificates of deposit held	–	–	50,000	45,917	–	–	95,917
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	140,106	694,379	–	500,000	–	–	1,334,485
Current, fixed, savings and other deposits of customers	4,297,266	21,444,676	2,526,731	59,110	–	–	28,327,783
Certificates of deposit issued	–	–	–	23,315	–	–	23,315
	THE BANK						
	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after more than 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>Assets</b>							
Cash and short-term funds	658,845	9,132,280	154,096	104,406	9,947	–	10,059,574
Placements with banks and other financial institutions	–	3,007,285	878,000	–	–	–	3,885,285
Advances to banks and other financial institutions	–	–	–	–	–	30,832	30,832
Advances to customers	5,222,123	1,755,336	2,139,065	4,884,727	4,672,341	556,987	19,230,579
Debt securities included in:							
– trading securities	63,027	29,405	56,737	22,467	–	–	171,636
– held-to-maturity securities	–	2,002	58,786	2,000	11,657	–	74,445
	63,027	31,407	115,523	24,467	11,657	–	246,081
Certificates of deposit held	–	–	50,000	45,917	–	–	95,917
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	140,106	694,379	–	–	–	–	834,485
Current, fixed, savings and other deposits of customers	4,297,111	21,365,187	2,503,715	56,824	–	–	28,222,837
Certificates of deposit issued	–	–	–	23,315	–	–	23,315

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## 28. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Interest, commission and rental income		Interest and rental expenses	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Investing enterprises having significant influence on the Bank and their subsidiaries	<u>36,144</u>	<u>37,205</u>	<u>13,212</u>	<u>11,409</u>
Associate	<u>–</u>	<u>18,873</u>	<u>–</u>	<u>–</u>
Directors and their associates	<u>58,634</u>	<u>23,960</u>	<u>30,265</u>	<u>27,682</u>

The above transactions were carried out at market price.

As at 31 December 2000, the Group had the following outstanding balances with related parties:

	Amounts owed by related parties		Amounts owed to related parties	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Investing enterprises having significant influence on the Bank and their subsidiaries	<u>426,664</u>	<u>659,643</u>	<u>126,226</u>	<u>61,971</u>
Associate	<u>340,954</u>	<u>330,297</u>	<u>–</u>	<u>–</u>
Directors and their associates	<u>777,859</u>	<u>589,271</u>	<u>736,244</u>	<u>260,711</u>

The above outstanding balances bear interest at rates similar to those made available to non-related parties.