

18. PREMISES AND EQUIPMENT *(continued)*

The net book value of all premises which have been stated in the balance sheet at valuation would have been as follows had they been stated at cost less accumulated depreciation:

	The Group and the Bank	
	2000	1999
	HK\$'000	HK\$'000
Net book value at 31 December	<u>22,391</u>	<u>26,070</u>

19. LIABILITIES OF CUSTOMERS FOR ENGAGEMENTS

Liabilities of customers for engagements are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contracts be fully drawn upon and the clients default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements. Their contractual and risk weighted amounts are as follows:

	The Group			
	2000		1999	
	Contractual	Risk	Contractual	Risk
	Amounts	Amounts	Amounts	Amounts
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Direct credit substitutes	112,140	112,140	72,260	72,260
Transaction-related contingencies	12,471	6,236	16,621	8,311
Trade-related contingencies	203,451	40,690	214,658	42,474
Trade bills for collection and shipping guarantees	<u>207,205</u>	<u>0</u>	<u>56,258</u>	<u>0</u>
	<u>535,267</u>	<u>159,066</u>	<u>359,797</u>	<u>123,045</u>

	The Bank			
	2000		1999	
	Contractual	Risk	Contractual	Risk
	Amounts	Amounts	Amounts	Amounts
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Direct credit substitutes	119,730	119,730	79,852	79,852
Transaction-related contingencies	12,471	6,236	16,621	8,311
Trade-related contingencies	230,894	41,788	228,860	43,042
Trade bills for collection and shipping guarantees	<u>207,205</u>	<u>0</u>	<u>56,258</u>	<u>0</u>
	<u>570,300</u>	<u>167,754</u>	<u>381,591</u>	<u>131,205</u>

20. DEPOSITS AND BALANCES OF OTHER BANKS

The maturity profile analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

	The Group		The Bank	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Repayable on demand	2,472	3,435	2,472	3,435
3 months or less but not repayable on demand	311,934	86,484	311,934	86,484
	314,406	89,919	314,406	89,919

21. CURRENT, FIXED AND OTHER DEPOSITS OF CUSTOMERS

The maturity profile analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

	The Group		The Bank	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Repayable on demand	2,426,818	1,924,173	2,426,416	1,923,795
3 months or less but not repayable on demand	19,722,593	16,030,094	19,355,660	15,504,980
1 year or less but over 3 months	1,199,735	968,187	1,199,735	968,187
5 years or less but over 1 year	46,464	12,549	46,464	12,549
	23,395,610	18,935,003	23,028,275	18,409,511

22. CERTIFICATES OF DEPOSIT ISSUED

The maturity profile analysed by the remaining period at the balance sheet date to the contractual maturity date is as follows:

	The Group		The Bank	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
3 months or less but not repayable on demand	100,000	0	100,000	0
1 year or less but over 3 months	506,699	888,428	506,699	888,428
5 years or less but over 1 year	555,000	11,657	555,000	11,657
	1,161,699	900,085	1,161,699	900,085

23. OTHER ACCOUNTS AND PROVISIONS

	The Group		The Bank	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Other liabilities	352,818	472,579	308,875	318,844
Proposed dividend payable	58,608	35,165	58,608	35,165
Taxation	2,420	994	0	0
	413,846	508,738	367,483	354,009

24. SHARE CAPITAL

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
<i>Authorised</i>		
1,406,592,000 (1999: 1,406,592,000) ordinary shares of HK\$1 each	1,406,592	1,406,592
<i>Issued and fully paid</i>		
1,172,160,000 (1999: 1,172,160,000) ordinary shares of HK\$1 each	1,172,160	1,172,160

25. RESERVES

THE GROUP

	Capital redemption reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	372,000	1,015,256	0	1,387,256
Profit after tax	0	23,838	0	23,838
Dividends paid and proposed	0	(58,608)	0	(58,608)
	<u>372,000</u>	<u>980,486</u>	<u>0</u>	<u>1,352,486</u>
At 31 December 1999	372,000	980,486	0	1,352,486
At 1 January 2000	372,000	980,486	0	1,352,486
Profit after tax	0	244,388	0	244,388
Investments revaluations	0	0	(4,280)	(4,280)
Dividends paid and proposed	0	(93,773)	0	(93,773)
	<u>372,000</u>	<u>1,131,101</u>	<u>(4,280)</u>	<u>1,498,821</u>
At 31 December 2000	<u>372,000</u>	<u>1,131,101</u>	<u>(4,280)</u>	<u>1,498,821</u>

THE BANK

	Capital redemption reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	372,000	792,161	0	1,164,161
Profit after tax	0	58,861	0	58,861
Dividends paid and proposed	0	(58,608)	0	(58,608)
	<u>372,000</u>	<u>792,414</u>	<u>0</u>	<u>1,164,414</u>
At 31 December 1999	372,000	792,414	0	1,164,414
At 1 January 2000	372,000	792,414	0	1,164,414
Profit after tax	0	134,373	0	134,373
Investments revaluations	0	0	(4,280)	(4,280)
Dividends paid and proposed	0	(93,773)	0	(93,773)
	<u>372,000</u>	<u>833,014</u>	<u>(4,280)</u>	<u>1,200,734</u>
At 31 December 2000	<u>372,000</u>	<u>833,014</u>	<u>(4,280)</u>	<u>1,200,734</u>

25. RESERVES *(continued)*

- (a) The capital redemption reserve arose from the redemption of the Bank's "A" and "B" preference shares in 1991 and 1992 out of its retained earnings. The capital redemption reserve is undistributable under the Hong Kong Companies Ordinance section 79 C(2) but may be applied by the Bank in paying up its unissued shares to be allotted to its members as fully paid bonus shares.
- (b) Total distributable reserves of the Group and the Bank amounted to HK\$1,131,101 (1999: HK\$980,486) and HK\$833,014 (1999: HK\$792,414) respectively.

26. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Included in advances to customers are amounts due from lessees and due on hire purchase contracts.

The net investment in finance leases and hire purchase contracts is as follows:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
(a) Finance Leases	405,926	312,666
(b) Hire purchase contracts	1,153,772	593,802
	<u>1,559,698</u>	<u>906,468</u>

Aggregate rentals receivable for the year amounted to:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
(a) Finance Leases	187,302	261,821
(b) Hire purchase contracts	532,259	497,301
	<u>719,561</u>	<u>759,122</u>

26. FINANCE LEASES AND HIRE PURCHASE CONTRACTS (continued)

Cost of assets acquired for the purpose of letting under finance leases and hire purchase contracts are:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
(a) Finance Leases	819,482	762,114
(b) Hire purchase contracts	2,273,140	1,687,092
	<u>3,092,622</u>	<u>2,449,206</u>

27. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the year the Group entered into a number of transactions with its ultimate holding company and another major shareholder, China Everbright Limited and its subsidiaries, in the ordinary course of its banking business including, inter alia, lending, the acceptance and placement of interbank deposits, participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The contracts were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of the Directors these transactions were conducted on normal commercial terms.

Information relating to income and expense from related party transactions during the year and balances outstanding as at the balance sheet date is set out below:

	2000	1999
	HK\$'000	HK\$'000
(i) Income/(expense)		
Interest income	14,926	9,468
Interest expense	(47,109)	(28,977)
	<u>(32,183)</u>	<u>(19,509)</u>

27. MATERIAL RELATED PARTY TRANSACTIONS (continued)

	2000	1999
	HK\$'000	HK\$'000
(ii) Assets		
<i>Ultimate holding company</i>		
Short term funds	212,380	166,465
Accrued interest and other accounts	3,875	2,751
	<hr/>	<hr/>
Due from ultimate holding company	216,255	169,216
	<hr/>	<hr/>
<i>Other related parties</i>		
Loans and advances to customers	23,000	38,000
Accrued interest and other accounts	16	17
	<hr/>	<hr/>
Due from other related parties	23,016	38,017
	<hr/>	<hr/>
Total receivable	239,271	207,233
	<hr/> <hr/>	<hr/> <hr/>
(iii) Liabilities		
<i>Ultimate holding company</i>		
Deposits and balances with other banks	11,433	708
Other accounts and provisions	20	0
	<hr/>	<hr/>
Due to ultimate holding company	11,453	708
	<hr/>	<hr/>
<i>Other related parties</i>		
Current, fixed and other deposits of customers	147,753	50,000
Other accounts and provisions	113	472
	<hr/>	<hr/>
Due to other related parties	147,866	50,472
	<hr/>	<hr/>
Total payable	159,319	51,180
	<hr/> <hr/>	<hr/> <hr/>

27. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

- (b) The Bank has granted overdraft banking facilities to Bright World Enterprise Limited and SAR1.Com Limited amounting to HK\$10 million and HK\$27 million respectively on 29 September 1999 and 15 January 2000 respectively. Both companies are controlled by Mr. Steven Kwok Lim Poon, one of the Bank's Independent Non-executive Directors, and his immediately family. The banking facilities were granted to provide general working capital for the companies.

Interest is charged on both facilities at deposit rate plus 1% per annum. They are fully secured by deposits of HK\$10 million and HK\$27 million respectively and the Bank has the right to set off the deposits in the event of any default. The balance of the loans granted to Bright World Enterprise Limited and SAR1.Com Limited as at 31 December 2000 amounted to HK\$Nil and HK\$963,000 respectively.

In the opinion of the Directors and as confirmed by the Independent Non-executive Directors, the facilities provided to Bright World Enterprise Limited and SAR1.Com Limited were granted in the ordinary and usual course of business of the Bank and on normal commercial terms and are fair and reasonable so far as the shareholders of the Bank are concerned.

28. LOANS TO OFFICERS

The aggregate amount of loans made by the Group and the Bank disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	2000	1999
	HK\$'000	HK\$'000
At 31 December	<u>9,497</u>	<u>19,551</u>
Maximum during the year	<u>50,496</u>	<u>21,594</u>

29. RETIREMENT SCHEME

The Group operates a retirement scheme ("Retirement Scheme"), which incorporates a defined benefits plan, for all its full-time employees. Calculation of contributions is based on Scheme Salary of a Member of the Retirement Scheme which is defined as the basic monthly salary excluding commission and bonuses. Contributions by the Group include a "Basic Contribution" equal to 5% of Scheme Salary for Non-contributory Members and 10% for Contributory Members plus a "Supplementary Normal Contribution" to the Retirement Scheme at a rate recommended by the Trustee on the advice of an independent actuary taking into consideration contributions in respect of employees who have left the Retirement Scheme prior to full vesting.

29. RETIREMENT SCHEME *(continued)*

The latest actuarial valuation was undertaken on 30 June 2000 (“Valuation Date”) by Victor Wong, Fellow of the Society of Actuaries of the United States of America, of William M. Mercer Limited. The actuarial method used in the valuation to determine the required contribution rate is the “Projected Unit Credit Cost Method”. The major assumptions affecting the actuarial cost is the difference between:

- (a) the rate of investment return; and
- (b) the rate of future salary increases (rather than the absolute level of either).

For the purpose of this valuation, the actuarial value of the scheme assets is set to equal to the market value of the scheme asset. Based on the latest actuarial valuation, the market value of the scheme assets was taken as HK\$145,162,576. At the Valuation Date, the Retirement Scheme is solvent, with scheme assets exceeding vested liabilities by some 14%.

As at the Valuation Date, the assets of the scheme are sufficient to cover 100% of the past service liabilities with a surplus of some HK\$678,000. Projections of the funded status of the Retirement Scheme were carried out and these indicated that the Retirement Scheme should remain in a sound financial position over the short term provided that the valuation assumptions and funding assumptions are met. The actuary recommended the employers to contribute at 6.5% and 9% of annual scheme salary for non-contributory members and contributory members respectively, thus ensuring some buffer for the Retirement Scheme. Based on the recommendation of the actuary, the Group has contributed at 6.5% and 9% of annual total scheme salary for non-contributory members and contributory members respectively from the Valuation Date.

During the year ended 31 December 2000, the Group contributed HK\$12,107,119 (1999: HK\$11,658,047) to the Retirement Scheme.

In light of the introduction of the Mandatory Provident Fund (“MPF”) Scheme, the Group has restructured its retirement arrangements to comply with the MPF legislation. The Group has secured MPF exemption status for the Retirement Scheme and participated in an approved MPF scheme with the Bank Consortium Trust Company Limited effective 1 December 2000 to provide scheme choice to both existing and new employees. Mandatory benefits are being provided under the MPF Scheme.

30. OUTSTANDING COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2000 not provided for in the accounts are as follows:

	The Group		The Bank	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Contract for Authorised but not contracted for	24,973	0	24,973	0
	<u>54,871</u>	<u>0</u>	<u>54,871</u>	<u>0</u>
	<u>79,844</u>	<u>0</u>	<u>79,844</u>	<u>0</u>

- (b) Operating lease commitments in respect of land and buildings at the balance sheet date payable within one year are as follows:

	The Group		The Bank	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Leases expiring:				
Within one year	4,623	549	4,623	549
Between one and five years	<u>7,870</u>	<u>11,651</u>	<u>7,870</u>	<u>11,651</u>
	<u>12,493</u>	<u>12,200</u>	<u>12,493</u>	<u>12,200</u>