

23. SHARE OPTION SCHEME

The Bank's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 24 April 2012. Under the Scheme, the Board of Directors of the Bank may grant options to eligible employees, including directors of the Bank and its subsidiaries, to subscribe for shares in the Bank. Additionally, the Bank may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Bank.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Bank in issue at the date of approval of the Scheme, without prior approval from the Bank's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Bank in issue at any point in time, without prior approval from the Bank's shareholders.

Options granted must be taken up within 28 days of the date of offer, upon payment of HK\$10 per option. Options may be exercised at any time from the date of grant of the share option to the fifth anniversary of the date of grant. The exercise price is determined by the Board of Directors of the Bank, and will be the highest of the closing price of the Bank's shares on the date of offer, the average closing price of the shares for the five trading days immediately preceding the date of offer and the nominal value of the shares.

No options have been granted under the above-mentioned scheme since the Scheme was adopted.

NOTES TO THE FINANCIAL STATEMENTS

24. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Cash and balances with banks and other financial institutions	515,457	409,020
Money at call and short notice	11,267,918	13,034,683
Exchange fund bills	605,109	826,136
Placements with banks and other financial institutions (repayable within three months)	1,982,395	2,200,011
Deposits and balances of banks and other financial institutions (repayable within three months)	<u>(420,845)</u>	<u>(544,206)</u>
	<u><u>13,950,034</u></u>	<u><u>15,925,644</u></u>

25. LOANS TO OFFICERS

The aggregate relevant loans to officers disclosed pursuant to Section 161B(4B) of the Companies Ordinance are as follows:

	THE GROUP AND THE BANK	
	2002 HK\$'000	2001 HK\$'000
Aggregate balance of all relevant loans outstanding at the balance sheet date	<u>125,227</u>	<u>132,101</u>
Maximum aggregate balance of relevant loans during the year	<u>132,101</u>	<u>141,717</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

26. OFF-BALANCE SHEET EXPOSURES

	THE GROUP		THE BANK	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Contingent liabilities and commitments – contractual amounts				
Direct credit substitutes	1,022,268	390,897	1,022,268	390,897
Trade – related contingencies	240,006	195,097	240,006	195,097
Other commitments				
With an original maturity of under one year or which are unconditionally cancellable	3,361,498	3,283,442	3,360,984	3,285,072
With an original maturity of one year and over	2,362,951	1,791,073	2,362,951	1,790,559
Forward assets purchases	176,919	136,322	176,919	136,322
	<u>7,163,642</u>	<u>5,796,831</u>	<u>7,163,128</u>	<u>5,797,947</u>

Included under “Other commitments” are non-cancellable operating leases commitments in respect of rented premises. At the balance sheet date, the Group had commitments for future minimum lease payments under these non-cancellable operating leases which fall due as follows:

	THE GROUP		THE BANK	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	27,896	19,501	27,382	21,130
In the second to fifth year inclusive	54,736	19,000	54,736	18,487
	<u>82,632</u>	<u>38,501</u>	<u>82,118</u>	<u>39,617</u>

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed.