

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

13. ADVANCES AND OTHER ACCOUNTS - continued

Provisions against advances and other accounts:

	THE GROUP				THE BANK			
	Specific HK\$'000	General HK\$'000	Total HK\$'000	Suspended interest HK\$'000	Specific HK\$'000	General HK\$'000	Total HK\$'000	Suspended interest HK\$'000
Balance at								
1 January 2003	272,699	202,336	475,035	156,820	272,281	201,127	473,408	156,820
New provisions	83,440	45,434	128,874	-	83,077	45,453	128,530	-
Amounts recovered	(34,287)	(31,784)	(66,071)	-	(34,287)	(31,716)	(66,003)	-
Net charge to								
income statement	49,153	13,650	62,803	-	48,790	13,737	62,527	-
Interest suspended								
during the year	-	-	-	54,940	-	-	-	54,865
Interest recovered								
during the year	-	-	-	(32,764)	-	-	-	(32,764)
Exchange difference	-	(11)	(11)	-	-	(11)	(11)	-
Amounts written off	(106,597)	(245)	(106,842)	(38,393)	(106,597)	(245)	(106,842)	(38,393)
Balance at								
31 December 2003	<u>215,255</u>	<u>215,730</u>	<u>430,985</u>	<u>140,603</u>	<u>214,474</u>	<u>214,608</u>	<u>429,082</u>	<u>140,528</u>
Balance at								
1 January 2002	279,131	180,866	459,997	160,829	278,713	179,684	458,397	160,829
New provisions	109,627	21,470	131,097	-	109,627	21,443	131,070	-
Amounts recovered	(2,070)	-	(2,070)	-	(2,070)	-	(2,070)	-
Net charge to								
income statement	107,557	21,470	129,027	-	107,557	21,443	129,000	-
Interest suspended								
during the year	-	-	-	51,525	-	-	-	51,525
Interest recovered								
during the year	-	-	-	(13,757)	-	-	-	(13,757)
Amounts written off	(113,989)	-	(113,989)	(41,777)	(113,989)	-	(113,989)	(41,777)
Balance at								
31 December 2002	<u>272,699</u>	<u>202,336</u>	<u>475,035</u>	<u>156,820</u>	<u>272,281</u>	<u>201,127</u>	<u>473,408</u>	<u>156,820</u>

Details of the advances to customers on which interest is being placed in suspense or has ceased to be accrued are as follows:

	THE GROUP		THE BANK	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Gross advances to customers	972,840	1,075,569	971,308	1,075,151
Less: Specific provisions	(202,599)	(266,931)	(201,818)	(266,513)
	<u>770,241</u>	<u>808,638</u>	<u>769,490</u>	<u>808,638</u>
Percentage of such advances to				
total advances	<u>4.8%</u>	<u>5.5%</u>	<u>4.8%</u>	<u>5.5%</u>
Market value of collateral pledged	<u>775,624</u>	<u>788,742</u>	<u>775,624</u>	<u>788,742</u>
Interest in suspense	<u>140,603</u>	<u>156,820</u>	<u>140,528</u>	<u>156,820</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

13. ADVANCES AND OTHER ACCOUNTS - continued

The specific provisions were made after taking into account the value of collateral in respect of such advances to customers.

There are no advances to banks and other financial institutions on which interest is being placed in suspense or has ceased to be accrued.

Advances to customers of the Group include receivables under finance leases as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	4,382	7,170	4,302	6,735
In the second to fifth year inclusive	2,581	3,609	2,088	3,490
	<u>6,963</u>	<u>10,779</u>	<u>6,390</u>	<u>10,225</u>
Less: unearned finance income	(573)	(554)	—	—
Present value of minimum lease payments receivable	<u>6,390</u>	<u>10,225</u>	<u>6,390</u>	<u>10,225</u>
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)			2,088	3,490
Current finance lease receivables (recoverable within 12 months)			4,302	6,735
			<u>6,390</u>	<u>10,225</u>

14. CERTIFICATES OF DEPOSIT HELD

All the certificates of deposit are held-to-maturity and are unlisted.

Certificates of deposit of approximately HK\$23,293,000 (2002: HK\$37,435,000) held by the San Francisco Branch of the Bank, have been pledged to the State of California of the United States of America in compliance with the requirements of the California Financial Code.

15. INTERESTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	547,715	547,715
Amounts due from subsidiaries	2,316	2,459
	<u>550,031</u>	<u>550,174</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and, in the opinion of the directors, are not repayable within one year.

15. INTERESTS IN SUBSIDIARIES - continued

Details of all the subsidiaries are as follows:

Name of company	Place of incorporation / operation	Issued and fully paid ordinary share capital	Percentage of issued share capital directly held	Principal activities
Liu Chong Hing (Management) Limited	Hong Kong	HK\$100,000	100%	Provision of property management services
Liu Chong Hing (Nominees) Limited	Hong Kong	HK\$100,000	100%	Provision of nominee services
Liu Chong Hing Finance Limited	Hong Kong	HK\$25,000,000	100%	Deposit-taking
Liu Chong Hing Data Processing Limited	Hong Kong	HK\$100,000	100%	Provision of electronic data processing services
Liu Chong Hing Bank (International) Limited	Republic of Vanuatu/ Hong Kong	AU\$200,000	100%	Banking
Liu Chong Hing Banking Corporation, Cayman	Cayman Islands/ Hong Kong	US\$65,000,000	100%	General merchant banking
Chong Hing Securities Limited	Hong Kong	HK\$10,000,000	100%	Stockbroking
Chong Hing Commodities and Futures Limited	Hong Kong	HK\$5,000,000	100%	Investment holding and commodities and futures broking
Right Way Investments Limited	Bermuda/ Hong Kong	US\$12,000	100%	Property investment
Gallbraith Limited	Hong Kong	HK\$10,000	100%	Inactive

None of the subsidiaries had any debt security subsisting at the end of the year or at any time during the year.