

**(6) Gross amount of advances which have been overdue for three months and beyond**

	<b>30 June 2004</b>			
	<b>Gross advances HK\$'000</b>	<b>% of total advances</b>	<b>Specific provision HK\$'000</b>	<b>Net advances HK\$'000</b>
Advances overdue for				
– 6 months or less but over 3 months	182,369	0.9	4,437	177,932
– 1 year or less but over 6 months	21,980	0.1	1,695	20,285
– Over 1 year	<u>650,207</u>	<u>3.1</u>	<u>94,401</u>	<u>555,806</u>
Overdue advances	854,556	4.1	100,533	754,023
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(170,908)	(0.8)	(2,082)	(168,826)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	<u>47,488</u>	<u>0.2</u>	<u>1,292</u>	<u>46,196</u>
Total non-performing advances	<u>731,136</u>	<u>3.5</u>	<u>99,743</u>	<u>631,393</u>
Rescheduled advances	<u>663,584</u>	<u>3.2</u>	<u>8,666</u>	<u>654,918</u>
	<b>31 December 2003</b>			
	<b>Gross advances HK\$'000</b>	<b>% of total advances</b>	<b>Specific provision HK\$'000</b>	<b>Net advances HK\$'000</b>
Advances overdue for				
– 6 months or less but over 3 months	61,687	0.3	2,903	58,784
– 1 year or less but over 6 months	1,017,926	5.0	32,190	985,736
– Over 1 year	<u>714,484</u>	<u>3.5</u>	<u>166,425</u>	<u>548,059</u>
Overdue advances	1,794,097	8.8	201,518	1,592,579
Less: Advances overdue for more than 3 months and on which interest is still being accrued	(853,956)	(4.2)	–	(853,956)
Add: Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased	<u>32,699</u>	<u>0.2</u>	<u>1,081</u>	<u>31,618</u>
Total non-performing advances	<u>972,840</u>	<u>4.8</u>	<u>202,599</u>	<u>770,241</u>
Rescheduled advances	<u>823,365</u>	<u>4.1</u>	<u>12,912</u>	<u>810,453</u>

Non-performing advances are advances on which interest is being placed in suspense or on which interest accrual has ceased.

## SUPPLEMENTARY INFORMATION

### (6) Gross amount of advances which have been overdue for three months and beyond - continued

The value of the security of the above overdue advances is analysed as follows:

	<b>30 June 2004</b>	<b>31 December 2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total overdue advances	<u>854,556</u>	<u>1,794,097</u>
Secured amount	<u>780,891</u>	<u>1,598,687</u>
Unsecured amount	<u>73,665</u>	<u>195,410</u>
	<u>854,556</u>	<u>1,794,097</u>
Market value of security	<u>970,559</u>	<u>1,908,132</u>

The loan borrowers are predominantly located in Hong Kong.

There were no advances to banks and other financial institutions or other assets which were overdue for over 3 months as at 30 June 2004 and 31 December 2003. Nor were there any rescheduled advances to banks and other financial institutions.

Assets acquired by repossession of collateral for realisation continue to be treated as securities for loans and advances. In this regard, provision has been made on the shortfall between the carrying amount of the loans and advances and the expected net sales proceeds from realisation of the repossessed assets.

Repossessed assets held by the Group as at 30 June 2004 amounted to HK\$127,890,000 (2003: HK\$83,880,000).

### (7) Currency risk

The Group's foreign currency exposures arising from non-trading and structural position which constitute 10% or more of the total net position in all foreign currencies are as follows:

	<b>30 June 2004</b>			
	<b>US\$</b>	<b>MOP</b>	<b>JPY</b>	<b>Total</b>
Equivalent in thousands of HK\$				
Spot assets	7,340,164	64,387	156,251	7,560,802
Spot liabilities	(7,333,829)	(41,600)	(146,293)	(7,521,722)
Forward purchases	74,179	-	1,920	76,099
Forward sales	(40,283)	(10,017)	(5,216)	(55,516)
Net long position	<u>40,231</u>	<u>12,770</u>	<u>6,662</u>	<u>59,663</u>
				<b>MOP</b>
Net structural position				<u>48,545</u>
	<b>31 December 2003</b>			
	<b>US\$</b>	<b>THB</b>		<b>Total</b>
Equivalent in thousands of HK\$				
Spot assets	7,264,879	39,460		7,304,339
Spot liabilities	(7,274,994)	-		(7,274,994)
Forward purchases	91,544	-		91,544
Forward sales	(47,674)	-		(47,674)
Net long position	<u>33,755</u>	<u>39,460</u>		<u>73,215</u>
				<b>MOP</b>
Net structural position				<u>48,545</u>

(8) The contractual or notional amounts of each of the following classes of off-balance sheet exposures outstanding are:

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Contingent liabilities and commitments		
– Direct credit substitutes	1,154,983	829,984
– Trade-related contingencies	412,851	256,126
– Other commitments	6,344,924	6,835,913
– Forward assets purchases	<u>181,523</u>	<u>165,981</u>
	<u><u>8,094,281</u></u>	<u><u>8,088,004</u></u>
Derivatives		
– Exchange rate contracts - hedging	<u>105,370</u>	<u>19,046</u>
– Interest rate swap contracts - hedging	<u><u>312,836</u></u>	<u><u>611,758</u></u>

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

	30 June 2004		31 December 2003	
	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000	Replacement cost HK\$'000	Credit risk weighted amount HK\$'000
Contingent liabilities and commitments	n/a	2,366,153	n/a	2,181,804
Exchange rate contracts	128	956	120	125
Interest rate contracts	<u>14,641</u>	<u>6,564</u>	<u>694</u>	<u>1,683</u>
	<u><u>14,769</u></u>	<u><u>2,373,673</u></u>	<u><u>814</u></u>	<u><u>2,183,612</u></u>

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

## SUPPLEMENTARY INFORMATION

### (9) Capital adequacy and liquidity ratio

	30 June 2004	31 December 2003
	%	%
Capital adequacy ratio	<u>20.55</u>	<u>19.15</u>
	30 June 2004	30 June 2003
	%	%
Average liquidity ratio for the period	<u>53.23</u>	<u>53.62</u>

The capital adequacy ratio is calculated as the ratio, expressed as a percentage, of the capital base to the risk assets, as specified in the Third Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Liu Chong Hing Finance Limited, Liu Chong Hing Finance (International) Limited, Liu Chong Hing Banking Corporation, Cayman, and Right Way Investments Limited.

The average liquidity ratio is calculated as the ratio, expressed as a percentage, of the average of each calendar month's average ratio, as specified in the Fourth Schedule of the Banking Ordinance, with reference to the financial information of the Bank, Liu Chong Hing Finance Limited, Liu Chong Hing Finance (International) Limited, Liu Chong Hing Banking Corporation, Cayman, and Right Way Investments Limited.

### (10) The components of the total capital base after deductions as reported under Part I of the Capital Adequacy Return are as follows:

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Core capital		
Paid up ordinary share capital	217,500	217,500
Share premium account	1,542,817	1,542,817
Reserves (eligible for inclusion in core capital)	<u>3,224,501</u>	<u>3,135,705</u>
	<b>4,984,818</b>	4,896,022
Eligible supplementary capital		
Reserves on revaluation of land and interests in land	418,022	421,341
Reserves on revaluation of holding of securities not held for trading purposes	<b>6,619</b>	10,890
General provisions for doubtful debts	<u>249,666</u>	<u>209,543</u>
Total capital base before deductions	<b>5,659,125</b>	5,537,796
Deductions from total capital base	<u>(247,295)</u>	<u>(627,857)</u>
Total capital base after deductions	<u><b>5,411,830</b></u>	<u>4,909,939</u>