Appendix 1

INTERIM FINANCIAL DISCLOSURE PACKAGE FOR AUTHORIZED INSTITUTIONS INCORPORATED IN HONG KONG

Content of Interim Financial Information Disclosure Statement

The Interim Financial Information Disclosure Statement should contain:

I. Profit and Loss Information

(i) Interest income

(ii) Interest expenses

(iii) Other operating income

(iv) Operating expenses

(v) Charge for bad and doubtful debts

(vi) Gains less losses from disposal of tangible fixed assets and long-term investments

(vii) Exceptional items

(viii) Taxation charges

- Hong Kong tax
- Overseas tax
- Deferred tax, if any

(ix) Extraordinary item

(x) As an appropriation:

- Dividends
- Transfers to or from reserves

(xi) Comparative figures of the items specified in (i) to (x) inclusive for the corresponding period of the preceding year

(xii) An explanatory statement relating to the activities of the institution and profit (or loss) during the relevant period which should include any significant information enabling readers to make an informed assessment of the trend of the activities and profit (or loss) of the institution together with an indication of any special factor which has influenced those activities and the profit (or loss) during the period in question. The statement should enable a comparison to be made with

the corresponding period of the preceding financial year and should also, as far as possible, refer to the prospects of the institution in the current financial year.

II. Supplementary Information

(i) Advances and other accounts

- Advances to customers
- Advances to banks and other financial institutions
- Accrued interest and other accounts (analyse where material)
- Provisions for bad and doubtful debts (analyse between those against advances to customers, advances to banks and financial institutions, accrued interest and other accounts if material)
  - General
  - Specific

(ii) The breakdown of the gross amount of advances to customers by industry sectors which are considered to be significant to the institution. In order to achieve consistency of reporting among authorized institutions, the information should be disclosed in accordance with the industry categories set out below. The types of advances that should be included in the respective categories should follow those contained in the return on "Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A)". Institutions may also break items down into more detailed sub-categories if they so wish. Institutions may also find that disclosing information about the extent to which the advances are backed by collateral or other security indicates better the extent of credit risk. Disclosure of any such additional information is encouraged.

Loans for use in Hong Kong

Industrial, commercial and financial

- Property development
- Property investment
- Financial concerns
- Stockbrokers
- Wholesale and retail trade
- Manufacturing

- Transport and transport equipment
- Others

Individuals

- Loans for the purchase of flats in the Home Ownership Scheme and Private Sector Participation Scheme
- Loans for the purchase of other residential properties
- Credit card advances
- Others

Trade finance

Loans for use outside Hong Kong

(iii) Advances to customers on which interest is being placed in suspense or on which interest accrual has ceased[1], the amount of such interest, the amount of specific provisions made against such advances, and the percentage of such advances to total advances to customers. Similar information on advances to banks and other financial institutions on which interest is being placed in suspense or on which interest accrual has ceased should also be disclosed.

(iv) Advances to customers which have been overdue[2] ("overdue advances") for:

- six months or less but over three months;
- one year or less but over six months; and
- over one year.

The amount of overdue advances and the percentage of such advances to total advances to customers should be given for each maturity bracket. Similar information on overdue advances to banks and other financial institutions should also be disclosed.

The amount of advances above should be shown net of any interest that has been capitalized but accrued to a suspense account. Institutions may also wish to disclose the value of collateral held against the overdue loans and the amount of specific provisions made. Where an institution opts to disclose the value of collateral held, it should disclose the split of overdue advances into those which are secured and those which are

[1] Guidance on recognition of interest is at **Appendix 2**
[2] Guidance on overdue and rescheduled advances is at **Appendix 3**

unsecured and the market value of collateral held against the secured loans based on the most recent estimate. An illustration recommending how an institution should make such disclosures is at **Appendix 4**.

(v) The amount of advances to customers and advances to banks and other financial institutions which:

- are overdue for more than three months and on which interest is still being accrued; and
- are overdue for three months or less (or are not yet due) and on which interest is being placed in suspense or on which interest accrual has ceased.

(vi) The amount of rescheduled advances[3] to customers, net of those which have been overdue for over three months and reported in item (iv) above, and the percentage of such advances to total advances to customers. Similar information on rescheduled advances to banks and other financial institutions should also be disclosed.

(vii) The contractual or notional amounts of each of the following class of off-balance sheet exposures outstanding:

Contingent liabilities and commitments

– Direct credit substitutes
– Transaction-related contingencies
– Trade-related contingencies
– Note issuance and revolving underwriting facilities
– Other commitments
– Others (including forward asset purchases, amounts owing on partly paid shares and securities, forward forward deposits placed, asset sales or other transactions with recourse) -

Derivatives

– Exchange rate contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)
– Interest rate contracts
– Others

[3] Guidance on overdue and rescheduled advances is at **Appendix 3**

(viii) The corresponding amount for the immediately preceding financial period should be given for the above disclosures (i.e. the preceding year-end figures).

(ix) Any additional information which in the opinion of the institution is necessary for a reasonable appreciation of the results for the six month period.

III. Year 2000 problem

Authorized institutions should disclose information in relation to the Year 2000 problem:

a) The institution's definition of what it understands as being Year 2000 compliant;

b) Risks and uncertainties associated with the Year 2000 problem. If the institution has not made an assessment of this problem or has not determined its materiality, that fact should be stated together with an explanation of the institution's strategy for dealing with the Year 2000 problem;

c) The institution's general plans to address the Year 2000 problem relating to its business and operations and, if material, its relationships with customers, suppliers and other relevant parties;

d) Structure of the Year 2000 compliance program;

e) Details of the steps taken or planned to reduce the institution's potential exposure to the Year 2000 problem;

f) Progress of work performed to date;

g) Date on which the institution expects to be Year 2000 compliant in respect of both its critical and non-critical systems;

h) Whether the total estimated costs of these plans, including amounts to be spent in future periods, have been quantified, and if so, how these costs have been accounted for. Where applicable, an indication of total costs likely to be incurred, and the percentage of these costs that has already been incurred should be provided;

i) Aggregate amount of commitments authorized by the directors and contracted for as at the end of the financial period in respect of the Year 2000 modification costs (regardless of whether such costs will be capitalised or expensed) to the extent that this amount has not been provided for in the institution's financial statements; and

j) Aggregate amount of commitments at the end of the financial period in respect of the Year 2000 modification costs (regardless of whether such costs will be capitalised or expensed) which has been authorized by the directors but not yet contracted for.

The above list of disclosures in relation to the Year 2000 problem is not exhaustive. Institutions should disclose any additional information considered necessary to enable depositors and other counterparties to appraise the position of the institution as a whole.

Declaration of compliance

The statement should include a declaration by the institution to certify that the information disclosed complies with the HKMA's recommendations and is not false or misleading. In cases of partial compliance, the statement should specify the areas of, and reasons for, non-compliance.

Basis of preparation

The disclosures in the Interim Disclosure Statement should be prepared on a consolidated basis.

Comparative figures

Where the recommendations are applied for the first time, and it is impractical to apply the recommendations retrospectively, the recommendations in respect of the comparatives need not apply for the first financial period.