

(5) Business and geographical segments - continued

(i) Business segments - continued

(b) Segment information about these businesses for the period ended 30 June 2003 is presented below:

INCOME STATEMENT

	Corporate and retail banking HK\$'000	Treasury and foreign exchange activities HK\$'000	Other business activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	351,171	193,089	–	–	544,260
Interest expense to external customers	(194,541)	(3,630)	–	–	(198,171)
Inter-segment income (<i>Note</i>)	68,039	–	–	(68,039)	–
Inter-segment expense (<i>Note</i>)	–	(68,039)	–	68,039	–
Net income	224,669	121,420	–	–	346,089
Other operating income	43,476	14,048	32,029	–	89,553
Operating income	268,145	135,468	32,029	–	435,642
Net charge for bad and doubtful debts	(38,928)	–	–	–	(38,928)
Net (losses) gains from disposal of property and equipment	(1,455)	–	30	–	(1,425)
Net gains from disposal of investment securities	–	–	692	–	692
Operating expenses	(133,000)	(9,203)	(10,499)	–	(152,702)
Segment profit	94,762	126,265	22,252	–	243,279
Unallocated corporate expenses					(71,743)
Profit from operations					171,536
Share of results of jointly controlled entities			(2,000)		(2,000)
Profit from ordinary activities before taxation					169,536
Net taxation charge					(21,920)
Net profit for the period					147,616

Note: Inter-segment pricing is charged at prevailing customer deposits interest rates.

(ii) Geographical segments

Geographical segmentation is analysed based on the locations of the principal operations of the branches and subsidiary companies responsible for reporting the results or booking the assets. For both six months ended 2003 and 2004, more than 90% of the Group's revenue and profit from ordinary activities before taxation were generated by assets booked by the principal operations of the branches and subsidiary companies located in Hong Kong.

(6) Other operating income

	6 months ended 30 June 2004 HK\$'000	6 months ended 30 June 2003 HK\$'000
Fees and commission income	64,822	47,471
Less: Fees and commission expenses	(1,557)	(926)
Net fees and commission income	63,265	46,545
Dividend income	19,939	4,144
Gains less losses from dealing in foreign currencies	11,703	14,048
Gross rental income from properties	2,140	2,478
Less: Outgoings	(338)	(3,374)
Net rental income	1,802	(896)
Safe deposit box rentals	10,184	10,149
Other banking services income	14,329	14,843
Others	926	720
	<u>122,148</u>	<u>89,553</u>

(7) Operating expenses

	6 months ended 30 June 2004 HK\$'000	6 months ended 30 June 2003 HK\$'000
Staff costs		
Salaries and other costs	111,868	110,401
Retirement benefits scheme contributions	7,653	7,519
Total staff costs	119,521	117,920
Depreciation and amortisation	20,921	19,403
Premises and equipment expenses, excluding depreciation		
Rentals and rates for premises	20,166	17,422
Others	5,324	6,473
Other operating expenses	57,288	63,227
	<u>223,220</u>	<u>224,445</u>

(8) Deposits from customers

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Demand deposits and current accounts	2,148,959	2,029,869
Savings deposits	7,898,133	7,568,026
Time, call and notice deposits	22,351,560	22,993,695
	<u>32,398,652</u>	<u>32,591,590</u>

NOTES

(9) Maturity profiles

The maturity profiles of certain assets and liabilities of the Group as at 30 June 2004 are analysed as follows:

	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
ASSETS							
Cash and short-term fund	<u>1,330,827</u>	<u>10,773,985</u>	<u>240,610</u>	<u>69,567</u>	<u>19,994</u>	<u>-</u>	<u>12,434,983</u>
Placements with banks and other financial institutions	<u>-</u>	<u>1,061,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,061,865</u>
Advances to banks and other financial institutions	<u>-</u>	<u>44,284</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,284</u>
Advances to customers	<u>1,644,872</u>	<u>3,625,790</u>	<u>3,035,356</u>	<u>6,605,084</u>	<u>5,083,845</u>	<u>681,791</u>	<u>20,676,738</u>
Debt securities							
Trading securities	<u>55,464</u>	<u>111,730</u>	<u>48,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,584</u>
Held-to-maturity securities	<u>-</u>	<u>216,752</u>	<u>482,042</u>	<u>2,339,685</u>	<u>178,025</u>	<u>-</u>	<u>3,216,504</u>
	<u>55,464</u>	<u>328,482</u>	<u>530,432</u>	<u>2,339,685</u>	<u>178,025</u>	<u>-</u>	<u>3,432,088</u>
Certificates of deposit held	<u>-</u>	<u>143,398</u>	<u>662,760</u>	<u>311,856</u>	<u>-</u>	<u>-</u>	<u>1,118,014</u>
LIABILITIES							
Deposits and balances of banks and other financial institutions	<u>31,336</u>	<u>1,428,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,459,782</u>
Deposits from customers	<u>10,063,712</u>	<u>20,458,644</u>	<u>1,613,842</u>	<u>262,454</u>	<u>-</u>	<u>-</u>	<u>32,398,652</u>

(9) Maturity profiles - continued

The maturity profiles of certain assets and liabilities of the Group as at 31 December 2003 are analysed as follows:

	Repayable on demand HK\$'000	Repayable within 3 months or less (except those repayable on demand) HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
ASSETS							
Cash and short-term fund	<u>933,204</u>	<u>10,798,317</u>	<u>175,874</u>	<u>74,499</u>	<u>19,994</u>	<u>-</u>	<u>12,001,888</u>
Placements with banks and other financial institutions	<u>-</u>	<u>1,116,125</u>	<u>127,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,243,771</u>
Advances to banks and other financial institutions	<u>-</u>	<u>2,633</u>	<u>41,760</u>	<u>13,976</u>	<u>-</u>	<u>-</u>	<u>58,369</u>
Advances to customers	<u>1,989,555</u>	<u>2,992,788</u>	<u>2,919,657</u>	<u>6,890,735</u>	<u>4,509,465</u>	<u>883,065</u>	<u>20,185,265</u>
Debt securities							
Trading securities	<u>120,572</u>	<u>51,138</u>	<u>41,043</u>	<u>7,822</u>	<u>-</u>	<u>-</u>	<u>220,575</u>
Held-to-maturity securities	<u>-</u>	<u>95,084</u>	<u>235,497</u>	<u>2,655,493</u>	<u>118,487</u>	<u>-</u>	<u>3,104,561</u>
	<u>120,572</u>	<u>146,222</u>	<u>276,540</u>	<u>2,663,315</u>	<u>118,487</u>	<u>-</u>	<u>3,325,136</u>
Certificates of deposit held	<u>-</u>	<u>73,284</u>	<u>504,519</u>	<u>714,604</u>	<u>-</u>	<u>-</u>	<u>1,292,407</u>
LIABILITIES							
Deposits and balances of banks and other financial institutions	<u>38,070</u>	<u>997,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,035,392</u>
Deposits from customers	<u>9,680,090</u>	<u>20,670,640</u>	<u>1,916,230</u>	<u>324,630</u>	<u>-</u>	<u>-</u>	<u>32,591,590</u>