

5. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Fees and commission income		
Securities dealings	43,038	29,031
Credit lines	16,361	23,038
Trade finance	13,835	14,430
Credit card services	13,013	14,274
Agency services	15,950	11,024
Others	9,627	12,131
Total fees and commission income	111,824	103,928
Less: Fees and commission expenses	(2,140)	(1,507)
Net fees and commission income	109,684	102,421
Dividend income		
Listed investments	5,192	14,076
Unlisted investments	1,596	1,380
Gains less losses from dealing in foreign currencies	34,269	21,721
Gross rents from properties	4,621	8,838
Less: Outgoings	(4,577)	(5,400)
Net rental income	44	3,438
Safe deposit box rentals	21,946	20,464
Other banking services income	29,725	24,310
Others	11,384	13,036
	<u>213,840</u>	<u>200,846</u>

6. OPERATING EXPENSES

	2003 HK\$'000	2002 HK\$'000
Auditors' remuneration	2,187	2,237
Staff costs		
Salaries and other costs	218,588	213,037
Retirement benefits scheme contributions	16,581	18,338
Total staff costs	235,169	231,375
Depreciation and amortisation	45,586	43,442
Premises and equipment expenses, excluding depreciation		
Rentals and rates for premises	38,737	26,069
Others	12,671	12,039
Other operating expenses	128,804	124,099
	<u>463,154</u>	<u>439,261</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2003			2002		
	Executive HK\$'000	Others HK\$'000	Total HK\$'000	Executive HK\$'000	Others HK\$'000	Total HK\$'000
Directors						
Fees	360	576	936	360	560	920
Other emoluments:						
Salaries and other benefits	19,024	362	19,386	17,969	736	18,705
Contributions to retirement benefits scheme	1,260	–	1,260	1,233	–	1,233
Total emoluments	20,644	938	21,582	19,562	1,296	20,858

The above amounts include directors' fees of HK\$264,767 (2002: HK\$320,000) paid to independent non-executive directors.

Emoluments of the directors were within the following bands:

	2003 Number of directors	2002 Number of directors
Nil - HK\$1,000,000	13	13
HK\$1,000,001 - HK\$1,500,000	–	1
HK\$1,500,001 - HK\$2,000,000	4	3
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	–	–
HK\$3,000,001 - HK\$3,500,000	–	–
HK\$3,500,001 - HK\$4,000,000	–	–
HK\$4,000,001 - HK\$4,500,000	–	1
HK\$4,500,001 - HK\$5,000,000	–	–
HK\$5,000,001 - HK\$5,500,000	1	–
HK\$5,500,001 - HK\$6,000,000	1	1

Employees

The five highest paid employees for 2003 and 2002 were all directors.

8. TAXATION

	2003 HK\$'000	2002 HK\$'000 (restated)
The taxation charge comprises:		
Hong Kong Profits Tax		
- current year	61,315	60,491
- overprovision in prior years	(2,057)	(33)
	<u>59,258</u>	<u>60,458</u>
Overseas taxation	<u>2,045</u>	<u>2,236</u>
Deferred tax (note 23)		
- current year	(2,010)	(1,917)
- attributable to change in tax rate	(2,988)	-
	<u>(4,998)</u>	<u>(1,917)</u>
	<u>56,305</u>	<u>60,777</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year.

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of the current and deferred tax balances at the balance sheet date.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The taxation charge for the year is reconciled to the Group's profit before taxation as follows:

	2003		2002	
	HK\$'000	%	HK\$'000	%
Profit before taxation	<u>367,780</u>		<u>372,188</u>	
Tax at the domestic income tax rate of 17.5% (2002: 16%)	64,361	17.5	59,550	16.0
Tax effect of expenses not deductible for tax purpose	2,973	0.8	7,804	2.1
Tax effect of income not taxable for tax purpose	(5,927)	(1.6)	(6,588)	(1.8)
Tax effect of tax losses not recognised	173	0.1	48	-
Overprovision in prior years	(2,057)	(0.6)	(33)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(230)	(0.1)	(4)	-
Decrease in opening deferred tax liability resulting from an increase in applicable tax rate	(2,988)	(0.8)	-	-
Taxation charge and effective tax rate for the year	<u>56,305</u>	<u>15.3</u>	<u>60,777</u>	<u>16.3</u>