

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

- (i) Segment information about these businesses for the year ended 31 December 2002 is presented below:

OTHER INFORMATION

	Corporate and retail banking HK\$'000	Treasury and foreign exchange activities HK\$'000	Other business activities HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital additions	68,576	218	3,007	12,962	84,763
Depreciation and amortisation	<u>23,723</u>	<u>1,005</u>	<u>5,676</u>	<u>13,038</u>	<u>43,442</u>

BALANCE SHEET

	Corporate and retail banking HK\$'000	Treasury and foreign exchange activities HK\$'000	Other business activities HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	20,541,574	17,336,629	646,599	38,524,802
Interest in an associate	–	–	362,777	362,777
Interests in jointly controlled entities	–	–	69,033	69,033
Unallocated corporate assets				<u>232,384</u>
Consolidated total assets				<u>39,188,996</u>
Liabilities				
Segment liabilities	32,530,105	382,992	–	32,913,097
Unallocated corporate liabilities				<u>397,876</u>
Consolidated total liabilities				<u>33,310,973</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

(ii) Segment information about these businesses for the year ended 31 December 2001 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	1,246,716	732,479	-	-	1,979,195
Interest expense to external customers	(1,145,697)	(36,817)	-	-	(1,182,514)
Inter-segment income	463,549	-	-	(463,549)	-
Inter-segment expense	-	(463,549)	-	463,549	-
Net income	564,568	232,113	-	-	796,681
Other operating income	71,398	16,184	68,912	-	156,494
Operating income	635,966	248,297	68,912	-	953,175
Inter-segment pricing is charged at prevailing customer deposits interest rates.					
Charge for bad and doubtful debts	(136,437)	-	-	-	(136,437)
Net losses from disposal of property and equipment	(843)	-	-	-	(843)
Gains less losses from disposal of other securities	-	-	15,926	-	15,926
Gains less losses from disposal of held-to-maturity securities	-	5,088	-	-	5,088
Operating expenses	(271,469)	(14,058)	(26,688)	-	(312,215)
Result					
Segment profit	227,217	239,327	58,150	-	524,694
Unallocated corporate expenses					(111,467)
Profit from operations					413,227
Share of results of jointly controlled entities					(18,882)
Profit from ordinary activities before taxation					394,345
Taxation					(48,458)
Net profit for the year					345,887

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

(ii) Segment information about these businesses as at 31 December 2001 is presented below:

OTHER INFORMATION

	Corporate and retail banking HK\$'000	Treasury and foreign exchange activities HK\$'000	Other business activities HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital additions	56,275	147	8,581	29,644	94,647
Depreciation and amortisation	32,290	671	4,732	10,735	48,428

BALANCE SHEET

	Corporate and retail banking HK\$'000	Treasury and foreign exchange activities HK\$'000	Other business activities HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	19,850,571	18,238,736	612,191	38,701,498
Interest in an associate	-	-	360,139	360,139
Interests in jointly controlled entities	-	-	75,668	75,668
Unallocated corporate assets				325,925
Consolidated total assets				39,463,230
Liabilities				
Segment liabilities	32,759,494	470,433	-	33,229,927
Unallocated corporate liabilities				437,321
Consolidated total liabilities				33,667,248

(b) 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 years 2001 and 2002, 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. More than 90% of assets were located in Hong Kong and the balance of the assets were extended to branches outside Hong Kong, mainly in Mainland China and America.

Details of geographical segmentation are set out in note 3 of the unaudited supplementary financial information.