

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

5. OTHER OPERATING INCOME

	2001 HK\$'000	2000 HK\$'000
Fee and commission income	80,424	102,637
Less: Fee and commission expenses	534	1,228
Net fee and commission income	79,890	101,409
Dividend income		
Listed	3,468	4,605
Unlisted	1,980	1,270
Gains less losses from dealing in foreign currencies	16,184	7,013
Gains less losses on trading securities	47	1,298
Gross rents from properties	11,210	11,429
Less: Outgoings	6,533	5,690
Net rental income	4,677	5,739
Safe deposit box rentals	20,607	20,342
Other banking services income	17,303	13,742
Others	12,338	21,695
	<u>156,494</u>	<u>177,113</u>

6. OPERATING EXPENSES

	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	2,228	2,131
Staff costs		
Salaries and other costs	207,722	210,022
Retirement benefits scheme contributions	20,183	12,834
Total staff costs	<u>227,905</u>	<u>222,856</u>
Depreciation and amortisation	48,428	43,730
Premises and equipment expenses, excluding depreciation		
Rentals and rates for premises	27,632	28,822
Others	12,136	10,987
Other operating expenses	105,353	96,042
	<u>423,682</u>	<u>404,568</u>

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7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2001			2000		
	Executive HK\$'000	Others HK\$'000	Total HK\$'000	Executive HK\$'000	Others HK\$'000	Total HK\$'000
Directors						
Fees	332	602	934	320	634	954
Other emoluments:						
Salaries and other benefits	18,157	912	19,069	15,685	1,350	17,035
Contribution to retirement benefits scheme	1,445	2	1,447	591	1	592
Total emoluments	<u>19,934</u>	<u>1,516</u>	<u>21,450</u>	<u>16,596</u>	<u>1,985</u>	<u>18,581</u>

The above amounts include directors' fees of HK\$320,000 (2000: HK\$320,000) paid to independent non-executive directors.

Emoluments of the directors were within the following bands:

	2001 Number of directors	2000 Number of directors
HK\$ Nil - HK\$1,000,000	17	16
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	2	3
HK\$2,000,001 - HK\$2,500,000	–	–
HK\$2,500,001 - HK\$3,000,000	1	–
HK\$3,000,001 - HK\$3,500,000	–	–
HK\$3,500,001 - HK\$4,000,000	–	1
HK\$4,000,001 - HK\$4,500,000	–	–
HK\$4,500,001 - HK\$5,000,000	1	–
HK\$5,000,001 - HK\$5,500,000	–	1
HK\$5,500,001 - HK\$6,000,000	<u>1</u>	<u>–</u>

Employees

The five highest paid employees for 2001 and 2000 were all directors.

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8. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– current year	47,200	96,758
– (over) underprovision in prior year	(839)	560
Overseas taxation	2,097	913
	<u>48,458</u>	<u>98,231</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year. Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

Deferred taxation has not been provided on the surplus arising on the revaluation of investment properties, and land and buildings as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus does not constitute a timing difference for tax purposes.

There are no other significant timing differences for the year or at the balance sheet date.

9. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$345,887,000 (2000: HK\$456,598,000), a profit of HK\$302,215,000 (2000: HK\$422,521,000) has been dealt with in the financial statements of the Bank.

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for the year ended 31 December 2001

10. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim dividend paid - HK\$0.15 (2000: HK\$0.18) per share	65,250	78,300
Final dividend proposed - HK\$0.30 (2000: HK\$0.35) per share	<u>130,500</u>	<u>152,250</u>
	<u>195,750</u>	<u>230,550</u>

A final dividend of HK\$0.30 (2000: HK\$0.35) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$345,887,000 (2000: HK\$456,598,000) and on 435,000,000 (2000: 435,000,000) ordinary shares in issue during the year.

12. CASH AND SHORT-TERM FUNDS

	THE GROUP		THE BANK	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and balances with banks and other financial institutions	409,020	338,616	409,015	338,613
Money at call and short notice	13,034,683	13,443,296	13,034,683	13,443,296
Exchange fund bills	826,136	776,408	823,118	773,391
	<u>14,269,839</u>	<u>14,558,320</u>	<u>14,266,816</u>	<u>14,555,300</u>