

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

- (i) Segment information about these businesses for the year ended 31 December 2003 is presented below: - continued

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	14,371	765	929	26,860	42,925
Depreciation and amortisation	<u>25,993</u>	<u>512</u>	<u>4,904</u>	<u>14,177</u>	<u>45,586</u>

- (i) Segment information about these businesses as at 31 December 2003 is presented below:

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	20,852,733	17,458,133	597,169	38,908,035
Interest in an associate	-	-	396,448	396,448
Interests in jointly controlled entities	-	-	66,238	66,238
Unallocated corporate assets				<u>570,195</u>
Consolidated total assets				<u>39,940,916</u>
Liabilities				
Segment liabilities	32,629,660	997,322	-	33,626,982
Unallocated corporate liabilities				<u>369,526</u>
Consolidated total liabilities				<u>33,996,508</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

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

INCOME STATEMENT (RESTATED)

	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	813,627	435,033	-	-	1,248,660
Interest expense to external customers	(487,766)	(11,523)	-	-	(499,289)
Inter-segment income (Note)	181,254	-	-	(181,254)	-
Inter-segment expense (Note)	-	(181,254)	-	181,254	-
Net income	507,115	242,256	-	-	749,371
Other operating income	95,547	21,721	83,578	-	200,846
Operating income	602,662	263,977	83,578	-	950,217
Charge for bad and doubtful debts	(129,027)	-	-	-	(129,027)
Net (losses) gains from disposal of property and equipment	(246)	-	15	-	(231)
Operating expenses	(247,902)	(16,764)	(28,097)	-	(292,763)
Segment profit	225,487	247,213	55,496	-	528,196
Unallocated corporate expenses					(146,498)
Profit from operations					381,698
Share of results of jointly controlled entities			(9,510)		(9,510)
Profit from ordinary activities before taxation					372,188
Taxation					(60,777)
Net profit for the year					311,411

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

(a) Business segments - continued

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

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	23,723	1,005	5,676	13,038	43,442

(ii) Segment information about these businesses as at 31 December 2002 is presented below:

BALANCE SHEET (RESTATED)

	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				232,384
Consolidated total assets				39,188,996
Liabilities				
Segment liabilities	32,530,105	382,992	-	32,913,097
Unallocated corporate liabilities				477,505
Consolidated total liabilities				33,390,602

(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 2002 and 2003, 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.