23. DEFERRED TAXATION

<table>
<thead>
<tr>
<th></th>
<th>Accelerated tax depreciation HK$’000</th>
<th>Revaluation of properties HK$’000</th>
<th>General provisions for bad and doubtful debts HK$’000</th>
<th>Others HK$’000</th>
<th>Total HK$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>THE GROUP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- as previously reported</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- adjustments on adoption of SSAP 12 (revised)</td>
<td>3,893</td>
<td>107,857</td>
<td>(29,828)</td>
<td>2,085</td>
<td>84,007</td>
</tr>
<tr>
<td>- as restated</td>
<td>3,893</td>
<td>107,857</td>
<td>(29,828)</td>
<td>2,085</td>
<td>84,007</td>
</tr>
<tr>
<td>Credit to land and buildings revaluation reserve for the year</td>
<td>-</td>
<td>(2,461)</td>
<td>-</td>
<td>-</td>
<td>(2,461)</td>
</tr>
<tr>
<td>Charge (credit) to income statement for the year (Note 8)</td>
<td>1,314</td>
<td>(1,327)</td>
<td>(2,878)</td>
<td>974</td>
<td>(1,917)</td>
</tr>
<tr>
<td>Balance at 1 January 2003</td>
<td>5,207</td>
<td>104,069</td>
<td>(32,706)</td>
<td>3,059</td>
<td>79,629</td>
</tr>
<tr>
<td>Charge (credit) to income statement for the year (Note 8)</td>
<td>530</td>
<td>(95)</td>
<td>(538)</td>
<td>(1,907)</td>
<td>(2,010)</td>
</tr>
<tr>
<td>Effect of change in tax rate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to land and buildings revaluation reserve for the year</td>
<td>-</td>
<td>10,454</td>
<td>-</td>
<td>-</td>
<td>10,454</td>
</tr>
<tr>
<td>Charge (credit) to income statement for the year (Note 8)</td>
<td>488</td>
<td>(697)</td>
<td>(3,066)</td>
<td>287</td>
<td>(2,988)</td>
</tr>
<tr>
<td>At 31 December 2003</td>
<td>6,225</td>
<td>113,731</td>
<td>(36,310)</td>
<td>1,439</td>
<td>85,085</td>
</tr>
<tr>
<td><strong>THE BANK</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- as previously reported</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- adjustments on adoption of SSAP 12 (revised)</td>
<td>3,893</td>
<td>97,037</td>
<td>(29,800)</td>
<td>2,085</td>
<td>73,215</td>
</tr>
<tr>
<td>- as restated</td>
<td>3,893</td>
<td>97,037</td>
<td>(29,800)</td>
<td>2,085</td>
<td>73,215</td>
</tr>
<tr>
<td>Charge (credit) to income statement for the year</td>
<td>1,314</td>
<td>(1,327)</td>
<td>(2,873)</td>
<td>974</td>
<td>(1,912)</td>
</tr>
<tr>
<td>Balance at 1 January 2003</td>
<td>5,207</td>
<td>95,710</td>
<td>(32,673)</td>
<td>3,059</td>
<td>71,303</td>
</tr>
<tr>
<td>Charge (credit) to income statement for the year</td>
<td>530</td>
<td>(95)</td>
<td>(552)</td>
<td>(1,907)</td>
<td>(2,024)</td>
</tr>
<tr>
<td>Effect of change in tax rate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to land and buildings revaluation reserve for the year (Note 22)</td>
<td>-</td>
<td>9,670</td>
<td>-</td>
<td>-</td>
<td>9,670</td>
</tr>
<tr>
<td>Charge (credit) to income statement for the year</td>
<td>488</td>
<td>(697)</td>
<td>(3,064)</td>
<td>287</td>
<td>(2,986)</td>
</tr>
<tr>
<td>At 31 December 2003</td>
<td>6,225</td>
<td>104,588</td>
<td>(36,289)</td>
<td>1,439</td>
<td>75,963</td>
</tr>
</tbody>
</table>
24. SHARE OPTION SCHEME

The Bank’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 24 April 2012. Under the Scheme, the Board of Directors of the Bank may grant options to eligible employees, including directors of the Bank and its subsidiaries, to subscribe for shares in the Bank. Additionally, the Bank may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Bank.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Bank in issue at the date of approval of the Scheme, without prior approval from the Bank’s shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Bank in issue at any point in time, without prior approval from the Bank’s shareholders.

Options granted must be taken up within 28 days of the date of offer, upon payment of HK$10 per option. Options may be exercised at any time from the date of grant of the share option to the fifth anniversary of the date of grant. The exercise price is determined by the Board of Directors of the Bank, and will be the highest of the closing price of the Bank’s shares on the date of offer, the average closing price of the shares for the five trading days immediately preceding the date of offer and the nominal value of the shares.

No options have been granted under the above-mentioned scheme since the Scheme was adopted.

25. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with banks and other financial institutions</td>
<td>744,527</td>
<td>515,457</td>
</tr>
<tr>
<td>Money at call and short notice</td>
<td>10,745,214</td>
<td>11,267,918</td>
</tr>
<tr>
<td>Exchange fund bills</td>
<td>512,147</td>
<td>605,109</td>
</tr>
<tr>
<td>Placements with banks and other financial institutions (with original maturity within three months)</td>
<td>1,166,126</td>
<td>1,982,395</td>
</tr>
<tr>
<td>Deposits and balances of banks and other financial institutions (with original maturity within three months)</td>
<td>(1,035,392)</td>
<td>(420,845)</td>
</tr>
<tr>
<td></td>
<td>12,132,622</td>
<td>13,950,034</td>
</tr>
</tbody>
</table>

26. LOANS TO OFFICERS

The aggregate relevant loans to officers disclosed pursuant to Section 161B(4B) of the Companies Ordinance are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate balance of all relevant loans outstanding at the balance sheet date</td>
<td>105,554</td>
<td>125,227</td>
</tr>
<tr>
<td>Maximum aggregate balance of relevant loans during the year</td>
<td>135,502</td>
<td>132,101</td>
</tr>
</tbody>
</table>
27. OFF-BALANCE SHEET EXPOSURES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$'000</td>
<td>HK$'000</td>
<td>HK$'000</td>
<td>HK$'000</td>
</tr>
<tr>
<td>Contingent liabilities and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- contractual amounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct credit substitutes</td>
<td>829,984</td>
<td>1,022,268</td>
<td>829,984</td>
<td>1,022,268</td>
</tr>
<tr>
<td>Trade - related contingencies</td>
<td>256,126</td>
<td>240,006</td>
<td>256,126</td>
<td>240,006</td>
</tr>
<tr>
<td>Other commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With an original maturity of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under one year or which</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>are unconditionally cancellable</td>
<td>3,643,812</td>
<td>3,361,498</td>
<td>3,643,170</td>
<td>3,360,984</td>
</tr>
<tr>
<td>With an original maturity of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>one year and over</td>
<td>3,192,101</td>
<td>2,362,951</td>
<td>3,191,031</td>
<td>2,362,951</td>
</tr>
<tr>
<td>Forward assets purchases</td>
<td>165,981</td>
<td>176,919</td>
<td>165,981</td>
<td>176,919</td>
</tr>
<tr>
<td></td>
<td>8,088,004</td>
<td>7,163,642</td>
<td>8,086,292</td>
<td>7,163,128</td>
</tr>
</tbody>
</table>

Included under “Other commitments” are non-cancellable operating leases commitments in respect of rented premises. At the balance sheet date, the Group had commitments for future minimum lease payments under these non-cancellable operating leases which fall due as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$'000</td>
<td>HK$'000</td>
<td>HK$'000</td>
<td>HK$'000</td>
</tr>
<tr>
<td>Within one year</td>
<td>33,708</td>
<td>27,896</td>
<td>33,066</td>
<td>27,382</td>
</tr>
<tr>
<td>In the second to fifth year</td>
<td>49,676</td>
<td>54,736</td>
<td>48,606</td>
<td>54,736</td>
</tr>
<tr>
<td></td>
<td>816</td>
<td>-</td>
<td>816</td>
<td>-</td>
</tr>
<tr>
<td>Over five years</td>
<td>84,200</td>
<td>82,632</td>
<td>82,488</td>
<td>82,118</td>
</tr>
</tbody>
</table>

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed.