

# NOTES TO THE FINANCIAL STATEMENTS

## 5. OTHER OPERATING INCOME

	2004 HK\$'000	2003 HK\$'000
Fees and commission income		
Securities dealings	53,064	43,038
Credit lines	14,151	16,361
Trade finance	13,383	13,835
Credit card services	15,520	13,013
Agency services	23,241	15,950
Others	10,452	9,627
Total fees and commission income	129,811	111,824
Less: Fees and commission expense	(3,197)	(2,140)
Net fees and commission income	126,614	109,684
Dividend income		
Listed investments	6,899	5,192
Unlisted investments	46,530	1,596
Net gains from dealing in foreign currencies	27,562	34,269
Net gains from disposal of trading securities	562	-
Gross rents from properties	4,349	4,621
Less: Outgoings	(592)	(4,577)
Net rental income	3,757	44
Safe deposit box rentals	22,310	21,946
Other banking services income	33,259	29,725
Others	560	11,384
	<u>268,053</u>	<u>213,840</u>

## 6. OPERATING EXPENSES

	2004 HK\$'000	2003 HK\$'000
Auditors' remuneration	2,004	2,187
Staff costs		
Salaries and other costs	225,979	218,588
Retirement benefits scheme contributions	17,249	16,581
Total staff costs	243,228	235,169
Depreciation	48,974	45,586
Premises and equipment expenses, excluding depreciation		
Rentals and rates for premises	40,741	38,737
Others	12,622	12,671
Other operating expenses	114,772	128,804
	<u>462,341</u>	<u>463,154</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

## 7. NET GAINS FROM DISPOSAL OF OTHER SECURITIES AND AN ASSOCIATE

The amounts include gains on disposal of an associate of HK\$934,000 (2003: Nil). In accordance with the Share and Debt Purchase Agreement dated 16 March 2004 between the Bank and Liu Chong Hing Investment Limited, the Bank sold to Liu Chong Hing Investment Limited the entire share capital and the shareholder's loan made to Alain Limited at a consideration of HK\$132 million. As it is considered as a connected transaction under the Listing Rules, the Bank and Liu Chong Hing Investment Limited made a joint announcement.

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004			2003		
	Executive HK\$'000	Others HK\$'000	Total HK\$'000	Executive HK\$'000	Others HK\$'000	Total HK\$'000
<b>Directors</b>						
Fees	373	570	943	360	576	936
Other emoluments:						
Salaries and other benefits	20,703	81	20,784	19,024	362	19,386
Contributions to retirement benefits scheme	1,252	–	1,252	1,260	–	1,260
<b>Total emoluments</b>	<b>22,328</b>	<b>651</b>	<b>22,979</b>	<b>20,644</b>	<b>938</b>	<b>21,582</b>

The above amounts include directors' fees of HK\$180,000 (2003: HK\$265,000) paid to independent non-executive directors.

Emoluments of the directors were within the following bands:

	2004 Number of directors	2003 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	3	4
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	–	–
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
HK\$6,000,001 - HK\$6,500,000	–	–
HK\$6,500,001 - HK\$7,000,000	1	–

### Employees

The five highest paid employees for 2004 and 2003 were all directors.

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## 9. TAXATION

	2004 HK\$'000	2003 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
– current year	58,818	61,315
– under(over)provision in prior years	2,455	(2,057)
	<u>61,273</u>	<u>59,258</u>
Overseas taxation	2,996	2,045
Deferred tax (Note 24)		
– current year	5,901	(2,010)
– attributable to change in tax rate	–	(2,988)
	<u>5,901</u>	<u>(4,998)</u>
	<u>70,170</u>	<u>56,305</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

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

The tax charge for the year can be reconciled to the Group's profit per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<u>419,173</u>	<u>367,780</u>
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	73,355	64,361
Tax effect of expenses not deductible for tax purpose	6,815	2,973
Tax effect of income not taxable for tax purpose	(12,433)	(5,927)
Tax effect of tax losses not recognised	–	173
Under(over)provision in prior years	2,455	(2,057)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(47)	(230)
Decrease in opening deferred tax liability resulting from an increase in applicable tax rate	–	(2,988)
Others	25	–
Tax charge for the year	<u>70,170</u>	<u>56,305</u>