香港利得稅乃根據本期歸屬於香港利得稅百分之十七點五（香港利得稅百分之十七點五）計算。

其他業務管轄地區之利得稅乃根據其業務管轄地區之現行稅率計算。

每股市盈（基本及攤薄）乃根據股東應佔溢利港幣175,860,000元（香港利得稅百分之三：港幣147,616,000元）以已發行股份
435,000,000股（香港利得稅百分之三：435,000,000股）計算而得。

於香港利得稅百分之三十六日之公佈中，詳述本銀行已出售於聯營公司之權益及聯營公司之其他貸款已全數清償。

風險管理

本集團已經制定政策、程序及監控措施，用以監察及控制銀行及有關之金融服務業務所帶來之風險。此等政策、程序及監
控措施由本集團各委員會及主要部門執行。董事會定期檢查，內部稽核部門於整個風險管理過程中亦扮演重要角色。執行定期
及非定期之符合性審計。

資產及負債管理委員會（“資債委會”）負責監督本集團之資產及負債管理。資債委會由處理本集團主要業務之常務董事
及高級經理組成。通過每月一次或以上的會議，檢討及指導有關政策，以監測銀行之整體狀況。資產及負債委員會及財務部
則透過各種質量分析，每天審查本集團日常之流動資金風險，外匯風險、利率風險及市場風險，並確保符合資債委員
會所制定之政策。

資本管理

本集團採取維持強大資本之政策，以支持本集團之業務發展。於過去五年內，本集團之資本充足比率均維持於大概百分
之二十，遠超過法定之百分之八之最低要求。

信貸風險

信貸風險主要來源於客戶及交易對手未能如期履約及風險。

本集團根據《銀行業條例》之要求及相應香港金融管理局所發出之指引編製信貸政策，詳細列明信貸審批及監控
之機制，風險分類系統及損壞賠償之政策。

放款審核委員會根據客戶之信貸、集中風險及抵押品等資料執行日常信貸管理工作，放款審核委員會決議由常務董事
所組成之常務董事及放款審核委員會定期檢討。

流動資金風險

流動資金風險是本集團未能如期支付短期債務之風險。

本集團已經制定流動資金政策，並由董事會及資債委員會定期檢討。此政策規定本集團之流動資金每天維持於一定水平
，以確保有足夠之流動資金支付所有債務，並符合法定流動資金比率之要求。通過法定流動資金比率、資本比率、資
產負債之到期情況及非銀行交易，本集團得以監控流動資金情況。

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產負債之到期情況及非銀行交易，本集團得以監控流動資金情況。

(1) Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period.

(2) The ratio of earnings per share, basic and diluted, is based on the profit attributable to shareholders of HK$175,860,000
(2003: HK$147,616,000) and on 435,000,000 (2003: 435,000,000) ordinary shares in issue during the period.

(3) As explained in the announcement dated 16 March 2004, the Bank sold the interest in an associate and all other advances
and to monitor the bank-wide positions. The day-to-day management of the liquidity risk, foreign exchange, interest rate and
other market risks, and the compliance with the ALCO policies are monitored by the Treasury Management and the Finance
Departments with the assistance of various qualitative and quantitative analyses.

(i) Capital management

The Group has adopted a policy of maintaining a strong capital base to support its business growth. Capital adequacy
ratio has remained at around 20% for the past five financial years, well above the statutory minimum ratio of 8%.

(ii) Credit risk

Credit risk is the risk that a customer or counter-party may fail to meet a commitment when it falls due.

The Group’s lending policy is one of detail credit approval and monitoring mechanism, the loan classification
system and provisioning policy, which is established in accordance with the requirements and provisions of the Banking
Ordinance and the guidelines issued by the Hong Kong Monetary Authority.

Day-to-day credit management is performed by the Loans Committee with reference to the creditworthiness, and
concentration risk of and the collateral pledged by the counterparties. Decisions made by the Loans Committee are
reviewed regularly by the Executive Loans Committee comprising executive directors.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group has laid down liquidity policy which is reviewed regularly by the Board of Directors, and the ALCO. This policy
requires the Group to maintain a conservative level of liquid funds on a daily basis to ensure the availability of adequate
liquid funds to meet all obligations, and the compliance with the statutory liquidity ratio requirement. The liquidity position is
monitored through statutory liquidity ratio, loan-to-deposit ratio, maturity profile of assets and liabilities, and inter-bank
transactions undertaken by the Group.
(4) Risk management - continued

(iv) Market risk
Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movement in market rates and price.

Market risk arising from the trading book is considered immaterial, as the Group does not maintain significant positions of financial instruments leading to foreign exchange, interest rate, commodity and equity exposures. Structural foreign exchange exposure is explained further under (v) foreign exchange risk.

(v) Foreign exchange risk
The Group does not have any significant foreign exchange risk as foreign exchange dealing is minimal. Structural foreign exchange exposure arising from investments in foreign branches and subsidiaries is accounted for in the reserves account. Day-to-day foreign exchange management is performed by the Treasury Management Department within approved limits.

(vi) Interest rate risk
Interest rate risk is the risk that the Group’s position may be adversely affected by the change in market interest rate.

The Group does not carry interest rate positions on its trading book. Interest rate risk arises primarily from the timing differences in the repricing of, and the different bases of pricing interest-bearing assets, liabilities and commitments, and from positions of non-interest bearing balances. Interest rate risk is monitored by regular sensitivity analyses of the net repricing gap and of different scenarios of pricing bases of assets and liabilities grouped with reference to their next contractual repricing date or maturity date.

(vii) Operational and legal risk
Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures.

Executive directors, department heads, in-house legal counsels, and internal auditors collaborate to manage operational and legal risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information. Senior management and the Audit Committee are accountable to the Board of Directors for maintaining a strong and disciplined control environment to provide reasonable assurance that the operational and legal risks are prudently managed.

A comprehensive contingency plan is available to ensure that key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

(viii) Reputational risk
Reputational risk is the risk to earnings or capital arising from negative public opinion.

Reputational risk is managed by ensuring proper and adequate communications and public relations efforts to foster the reputation of the Group. A risk management mechanism guided by the senior management including executive directors and senior managers has been established to manage the media exposure, handle customers’ and other relevant parties’ complaints and suggestions, and to ensure that new business activities and agents acting on our behalf do not jeopardise our reputation.

(四) 風險管理（續）

(iv) 市場風險
市場風險因為市場利率及匯率波動對資產、負債及資產負債表外之項目所構成之虧損風險。

本集團並無巨額持倉於可帶來外匯、利率、商品及股票風險之金融工具，故此因持倉所承受之市場風險極為轻微。結構性外匯風險詳述於(v)外匯風險。

(v) 外匯風險
由於本集團極少參與可帶來外匯之交易，故並無任何重大之外匯風險。源於投資海外分行及附屬公司之結構性外匯風險轉入儲備帳。日常外匯管理工作由資金管理部負責，並維持在管理層所訂下之限額內。

(vi) 利率風險
利率風險為市場利率變動對本集團帶來負面影響之風險。

本集團之營業範圍內並無任何利率倉盤。利率風險源自帶息資產、負債及承擔在再定息時之時差及不同之定息機制，及非帶息項目之影響。本集團以定期利率感應分析監控利率風險，分析方法乃根據資產及負債之下期定息日或到期日，計算其再定息淨差額及不同定息機制之情況。

(vii) 營運及法律風險
營運風險涉及人为錯誤、系統失靈、詐騙或內部控制不足及程序不當所引致不可預見之損失。

常務董事、部門主管、行內法律顧問及框架部通過適當的人力資源政策、下放權力、分工及掌握現時及積極之管理資源，攜手管理營運及法律風險。高級管理層及審計委員會負責董事會維持一個健全及有系統的監督環境，為求確保營運及法律風險得以妥善管理。

一套完善的應變計劃現已制定，以確保主要業務能如常進行。一旦受到任何商業干預，日常運作亦可有效地回復正常。

(viii) 信譽風險
信譽風險乃指公眾負面評論對利潤或資本造成之風險。

透過適當及足夠的溝通及公開工作，本集團之信譽得以維持。信譽風險亦受到管理。一個由高級管理層包括常務董事及高級經理負責的風險管理機制現已成立，以處理與傳媒之溝通、客戶及有關團體之投訴及建議，並確保新增的商業活動及由本集團作代理之業務不會損害本集團之信譽。
(i) Business segments

The corporate and retail banking services provided by the Group are principally lending and trade finance facilities, consumer financing, chequing facilities, mandatory provident fund services, provision of fixed deposits and savings accounts, credit card, insurance and personal wealth management services. The Group also provides fully automated telephone and internet banking services to its customers. Other financial services offered include remittance and money exchange, safe deposit boxes, auto pay and direct debit services.

Treasury activities mainly comprise inter-bank placement and deposit transactions, management of overall interest rate risk and liquidity of the Group and centralised cash management. Income from foreign exchange activities is generated from services provided to customers in the form of foreign exchange trading and forward contracts.

Other business activities of the Group include investment holding, securities trading, stockbroking, commodities and futures broking, other investment advisory services and property investment.

(a) Segment information about these businesses for the period ended 30 June 2004 is presented below:

<table>
<thead>
<tr>
<th>INCOME STATEMENT</th>
<th>Corporate and retail banking activities</th>
<th>Treasury and foreign exchange activities</th>
<th>Other business activities</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income from external customers</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Interest expense to external customers</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
</tr>
<tr>
<td>Inter-segment income</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
</tr>
<tr>
<td>Inter-segment expense</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
</tr>
<tr>
<td>Net income</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Other operating income</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Operating income</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Net charge for bad and doubtful debts</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
</tr>
<tr>
<td>Net (losses) gains from disposal of property and equipment</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
<td>(HK$’000)</td>
</tr>
<tr>
<td>Net gains from disposal of investment securities and an associate</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Segment profit</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Unallocated corporate expenses</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Share of results of jointly controlled entities</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Profit from ordinary activities before taxation</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Net taxation charge</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
</tbody>
</table>

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