

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

23. RESERVES - continued

	Share premium HK\$'000	Goodwill HK\$'000	Investment property revaluation reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	General reserve HK\$'000	Inner reserve HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE BANK											
At 1 January 2000											
- as originally stated	1,542,817	-	30,708	288,001	10,750	1,190,000	541,422	-	-	1,166,894	4,770,592
- prior period adjustment (note 2)	-	-	-	-	-	-	-	-	117,450	-	117,450
- as restated	1,542,817	-	30,708	288,001	10,750	1,190,000	541,422	-	117,450	1,166,894	4,888,042
Revaluation movements	-	-	-	-	5,000	-	-	-	-	-	5,000
Currency re-alignment	-	-	-	-	-	-	-	268	-	-	268
Profit for the year	-	-	-	-	-	-	-	-	-	422,521	422,521
Dividends paid	-	-	-	-	-	-	-	-	(117,450)	(78,300)	(195,750)
Proposed dividend	-	-	-	-	-	-	-	-	152,250	(152,250)	-
At 1 January 2001	1,542,817	-	30,708	288,001	15,750	1,190,000	541,422	268	152,250	1,358,865	5,120,081
Revaluation movements	-	-	-	-	(5,594)	-	-	-	-	-	(5,594)
Transfer between reserves	-	-	(1,364)	1,364	-	-	-	-	-	-	-
Currency re-alignment	-	-	-	-	-	-	-	(15)	-	-	(15)
Profit for the year	-	-	-	-	-	-	-	-	-	302,215	302,215
Dividends paid	-	-	-	-	-	-	-	-	(152,250)	(65,250)	(217,500)
Proposed dividend	-	-	-	-	-	-	-	-	130,500	(130,500)	-
At 31 December 2001	1,542,817	-	29,344	289,365	10,156	1,190,000	541,422	253	130,500	1,465,330	5,199,187

Included in the "Translation reserve" of the Group was a surplus of HK\$3,813,000 (2000: HK\$3,813,000) being the Bank's share of translation reserve of an associate. Other than this, there is no other reserve retained by the associate.

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for the year ended 31 December 2001

24. RECONCILIATION OF PROFIT FROM OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit from operations	413,227	554,829
Decrease (increase) in interest receivable and other accounts	246,487	(328,234)
(Decrease) increase in other accounts and provisions	(417,674)	153,327
Loss (gains) from disposal of property and equipment	843	(40)
Net gains from disposal of other securities	(15,926)	(13,641)
Net gains on disposal of held-to-maturity securities	(5,088)	-
Decrease in provisions against advances and other accounts	(109,334)	(10,813)
Increase in interest in suspense	42,966	42,588
Dividend income on equity securities	(5,448)	(5,875)
Depreciation and amortisation	48,428	43,730
Interest expenses on certificates of deposit issued	864	1,702
Interest income on investment in securities	(68,668)	(65,880)
Net cash inflow from trading activities	130,677	371,693
(Increase) decrease in placements with banks and other financial institutions (repayable beyond three months)	(591,292)	416,090
Decrease in bills receivable	153,572	98,621
Decrease (increase) in trade bills	28,555	(13,107)
(Increase) decrease in other advances to customers	(537,328)	598,157
Decrease (increase) in advances to banks and other financial institutions	500,484	(299)
(Increase) decrease in trading securities	(2,545)	2,394
Decrease in deposits and balances of banks and other financial institutions (repayable beyond three months)	-	(500,000)
Increase in current, fixed, savings and other deposits of customers	1,577,123	2,780,814
(Decrease) increase in certificates of deposit issued	(23,398)	83
Exchange adjustments	(133)	2,066
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,235,715</u>	<u>3,756,512</u>

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for the year ended 31 December 2001

25. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Cash and balances with banks and other financial institutions	409,020	338,616
Money at call and short notice	13,034,683	13,443,296
Exchange fund bills	826,136	776,408
Placements with banks and other financial institutions (repayable within three months)	2,200,011	2,370,007
Deposits and balances of banks and other financial institutions (repayable within three months)	(544,206)	(1,158,721)
	<u>15,925,644</u>	<u>15,769,606</u>

26. LOANS TO OFFICERS

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

	THE GROUP AND THE BANK	
	2001 HK\$'000	2000 HK\$'000
Aggregate balance of all relevant loans outstanding at the balance sheet date	<u>132,101</u>	<u>110,294</u>
Maximum aggregate balance of relevant loans during the year	<u>141,717</u>	<u>117,858</u>

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for the year ended 31 December 2001

27. OFF-BALANCE SHEET EXPOSURES

	THE GROUP		THE BANK	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments				
– contractual amounts				
Direct credit substitutes	390,897	379,255	390,897	379,255
Trade – related contingencies	195,097	238,304	195,097	238,304
Other commitments				
With an original maturity of under one year or which are unconditionally cancellable	3,283,442	3,822,901	3,285,072	3,823,081
With an original maturity of one year and over	1,791,073	1,126,988	1,790,559	1,125,704
Forward assets purchases	136,322	177,807	136,322	174,375
	<u>5,796,831</u>	<u>5,745,255</u>	<u>5,797,947</u>	<u>5,740,719</u>

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:

	THE GROUP		THE BANK	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	19,501	18,280	21,130	18,460
In the second to fifth year inclusive	19,000	25,716	18,487	24,432
	<u>38,501</u>	<u>43,996</u>	<u>39,617</u>	<u>42,892</u>