

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

22. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	HK\$'000	HK\$'000
Profit from ordinary activities before taxation	554,829	430,661
Increase in interest receivable and other accounts	(328,234)	(104,830)
Increase in other accounts and provisions	153,327	15,602
Gains from disposal of property and equipment	(40)	(169)
Net gains from disposal of other securities	(13,641)	(12,798)
(Decrease) increase in provisions against advances and other accounts	(10,813)	185,314
Increase in interest in suspense	42,588	70,967
Dividend income on equity securities	(5,875)	(5,081)
Depreciation and amortisation	43,730	39,742
Interest expenses on certificates of deposit issued	1,702	34,722
Interest income on investment in securities	(65,880)	(52,098)
Surplus on revaluation of land buildings	—	(85)
Net cash inflow from trading activities	371,693	601,947
Decrease (increase) in placements with banks and other financial institutions (repayable beyond three months)	416,090	(748,000)
Decrease in bills receivable	98,621	17,666
(Increase) decrease in trade bills	(13,107)	37,987
Decrease (increase) in other advances to customers	598,157	(1,510,663)
Increase in advances to banks and other financial institutions	(299)	(419)
Decrease (increase) in trading securities	2,394	(12,869)
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	2,780,814	3,815,631
Increase (decrease) in certificates of deposit issued	83	(596,525)
Exchange adjustments	2,066	1,626
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,756,512	1,606,381

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

23. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2000	1999
	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	338,616	398,544
Money at call and short notice	13,443,296	8,987,473
Exchange fund bills	776,408	677,201
Placements with banks and other financial institutions (repayable within three months)	2,370,007	3,007,285
Deposits and balances of banks and other financial institutions (repayable within three months)	<u>(1,158,721)</u>	<u>(834,485)</u>
	<u>15,769,606</u>	<u>12,236,018</u>

24. 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	
	2000	1999
	HK\$'000	HK\$'000
Aggregate balance of all relevant loans outstanding at the balance sheet date	<u>110,294</u>	<u>112,236</u>
Maximum aggregate balance of relevant loans during the year	<u>117,858</u>	<u>113,291</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

25. OFF-BALANCE SHEET EXPOSURES

	THE GROUP		THE BANK	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Contingent liabilities and commitments				
Direct credit substitutes	379,255	478,902	379,255	478,902
Trade - related contingencies	238,304	266,948	238,304	266,948
Other commitments				
With an original maturity of under one year or which are unconditionally cancellable	3,805,930	3,275,529	3,805,930	3,272,855
With an original maturity of one year and over	1,119,509	576,612	1,140,254	599,412
Forward assets purchases	177,807	176,341	174,375	175,341
	<u>5,720,805</u>	<u>4,774,332</u>	<u>5,738,118</u>	<u>4,793,458</u>

Included under "Other commitments" are non-cancellable operating leases commitments in respect of rented premises. The portion of these commitments which is payable in the next year is as follows:

	THE GROUP		THE BANK	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Operating leases which expire:				
Within one year	1,309	6,262	1,309	5,577
In the second to fifth year inclusive	18,237	7,873	38,982	30,673
	<u>19,546</u>	<u>14,135</u>	<u>40,291</u>	<u>36,250</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

25. OFF-BALANCE SHEET EXPOSURES – continued

Included under “Forward assets purchases” are capital commitments as follows:

	THE GROUP		THE BANK	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:				
– property and equipment	21,565	4,025	18,133	3,025
– investment in fund	156,242	172,316	156,242	172,316
	<u>177,807</u>	<u>176,341</u>	<u>174,375</u>	<u>175,341</u>
Derivatives				
Forward exchange rate contracts				
– hedging	<u>25,506</u>	<u>5,356</u>	<u>25,506</u>	<u>5,356</u>

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures are as follows:

	THE GROUP				THE BANK			
	2000		1999		2000		1999	
	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighed amount	Replacement cost	Credit risk weighted amount	Replacement cost	Credit risk weighed amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contingent liabilities and commitments	N/A	220,965	N/A	615,395	N/A	220,965	N/A	615,395
Exchange rate contracts	155	153	186	120	155	153	186	71
	<u>155</u>	<u>221,118</u>	<u>186</u>	<u>615,515</u>	<u>155</u>	<u>221,118</u>	<u>186</u>	<u>615,466</u>

The above amounts do not take into account the effects of bilateral netting arrangements.