## 31. OFF-BALANCE SHEET EXPOSURES

Off-balance sheet exposures are made up as follows:

The Group	Contractual Amounts HK\$'000	2000 Risk Weighted Amounts <i>HK\$'000</i>	Replacement Costs <i>HK\$</i> ′000
Undrawn loan facilities			
– with an original maturity of under 1 year			
or which are unconditionally cancellable	5,748,063	0	N/A
- with an original maturity of 1 year and over	1,153,887	552,944	N/A
Forward forward deposits placed	209,385	41,877	N/A
Financial instruments			
<ul> <li>Forward exchange contracts</li> </ul>	1,478,148	21,760	36,098
– Cross currency swaps	0	0	0
– Forward interest rate contracts	0	0	0
– Interest rate swaps	0	0	0
- Leverage deposits contracts	318,277	0	21,013
<ul> <li>Currency options purchased</li> </ul>		0	0
	8,907,760	616,581	57,111
		1999	
		Risk	
	Contractual	Weighted	Replacement
	Amounts	Amounts	Costs
	HK\$'000	HK\$'000	HK\$'000
Undrawn loan facilities			
– with an original maturity of under 1 year			
or which are unconditionally cancellable	4,719,567	0	N/A
– with an original maturity of 1 year and over	249,887	124,944	N/A
Forward forward deposits placed	5,868	1,174	N/A
Financial instruments			
<ul> <li>Forward exchange contracts</li> </ul>	1,147,901	3,192	382
– Cross currency swaps	621,680	1,243	0
– Forward interest rate contracts	0	0	0
– Interest rate swaps	0	0	0
– Leverage deposits contracts	373,536	0	40,384
<ul> <li>Revolving underwriting facilities</li> </ul>	3,137	16	0

# 31. OFF-BALANCE SHEET EXPOSURES (continued)

		2000 Risk	
The Bank	Contractual Amounts HK\$'000	Weighted Amounts <i>HK\$</i> ′000	Replacement Costs HK\$'000
Undrawn loan facilities			
- with an original maturity of under 1 year			
or which are unconditionally cancellable	5,742,963	0	N/A
– with an original maturity of 1 year and over	1,126,036	539,019	N/A
Forward forward deposits placed	209,385	41,877	N/A
Financial instruments			
<ul> <li>Forward exchange contracts</li> </ul>	1,497,290	21,809	36,150
- Cross currency swaps	0	0	0
– Forward interest rate contracts	0	0	0
– Interest rate swaps	0	0	0
Leverage deposits contracts	318,277	0	21,013
<ul> <li>Currency options purchased</li> </ul>		0	0
	8,893,951	602,705	57,163
		1999	
		Risk	
	Contractual	Weighted	Replacement
	Amounts	Amounts	Costs
	HK\$'000	HK\$'000	HK\$'000
Undrawn loan facilities			
– with an original maturity of under 1 year			
or which are unconditionally cancellable	4,717,567	0	N/A
– with an original maturity of 1 year and over	237,817	118,909	N/A
Forward forward deposits placed Financial instruments	5,868	1,174	N/A
<ul> <li>Forward exchange contracts</li> </ul>	1,158,893	3,251	565
– Cross currency swaps	621,680	1,243	0
<ul> <li>Forward interest rate contracts</li> </ul>	0	0	0
– Interest rate swaps	0	0	0
<ul> <li>Leverage deposits contracts</li> </ul>	373,536	0	40,384
<ul> <li>Revolving underwriting facilities</li> </ul>	3,137	16	0
	7,118,498	124,593	40,949

#### 31. OFF-BALANCE SHEET EXPOSURES (continued)

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

The table above gives the contractual amounts, replacement cost and credit risk-weighted amounts of off-balance sheet transactions. These are assessed in accordance with the Hong Kong Monetary Authority's guidelines which implement the Basle agreement on capital adequacy and depend on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments, and from 0% to 50% for exchange rate and interest rate contracts. Replacement cost represents the cost of replacing all contracts which have a positive value when marked to market. The credit risk-weighted amount refers to the amount as computed in accordance with the Third Schedule to the Hong Kong Banking Ordinance.

Off-balance sheet financial instruments arise from forward and swap transactions undertaken by the Group and the Bank in the foreign exchange and interest rate markets. The contractual amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

The above financial instruments represent transactions that are substantially all initiated in response to customer demands and no significant positions are maintained by the Group or the Bank.

# 32. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Profit before taxation	275,526	21,840
Interest expense on floating rate certificates of deposit	55,5 <i>77</i>	92,634
Depreciation	41,841	34,487
(Profit)/Loss on disposal of fixed assets	(2,275)	53
Profit from realisation of held-to-maturity debt securities		
and non-trading equities	(43,800)	0
Profit on disposal of a subsidiary	0	(1,679)
Dividends received from listed investments	(621)	0
Dividends received from unlisted investments	(1,300)	(1,319)
Amortisation of discount of held to maturity securities	(13,140)	(10,192)
Amortisation of premium of held to maturity securities	6,357	6,335
Specific provision written off during the year	(221,099)	(247,843)
Charge for bad doubtful debts	194,214	373,833
Decrease/(Increase) in short-term funds with original		
maturity of over three months	145,040	(94,040)
Increase in placements maturing between one and twelve months	(261,043)	(192,305)
Increase in trade bills and certificates of deposit	(262,035)	(133,095)
(Increase)/Decrease in advances to customers	(3,885,407)	2,282,537
Increase in accrued interest and other accounts	(73,077)	(416,028)
Increase in customer deposits	4,460,607	276,307
(Decrease)/Increase in other accounts and provisions	(129,107)	210,515
Net cash inflow from operating acctivites	286,258	2,202,040

## 33. NET CASH OUTFLOW FROM FINANCING ACTIVITIES

			2000 HK\$'000	1999 <i>HK\$'000</i>
	Floa	ating rate certificates of deposits in issue at 1 January ating rate certificates of deposits issued during the year ating rate certificates of deposits redeemed during the year	900,085 1,150,000 (888,386)	1,996,838 0 (1,096,753)
	Floa	ating rate certificates of deposits in issue at 31 December	1,161,699	900,085
34.	SAL	E OF SUBSIDIARY		1999 HK\$'000
	(a)	Net assets disposed of Fixed assets Cash at bank and in hand Investment Net current asset Profit on disposal		1,327 605 36,017 25,546 1,679
	(b)	Net cash inflow from disposal of a subsidiary  Cash net of related expenses  Less: Cash at bank and in hand		65,174 65,174 (605)
	(c)	Satisfied by:		64,569
		Cash net of related expenses		65,174