

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

22. SHARE CAPITAL

	2001 & 2000 HK\$'000
Authorised:	
600,000,000 shares of HK\$0.50 each	<u>300,000</u>
Issued and fully paid:	
435,000,000 shares of HK\$0.50 each	<u>217,500</u>

23. RESERVES

	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 GROUP											
At 1 January 2000											
- as originally stated	1,542,817	(182)	30,708	708,690	10,750	1,200,000	188,500	2,913	-	1,370,852	5,055,048
- prior period adjustment (note 2)	-	-	-	-	-	-	-	-	117,450	-	117,450
- as restated	1,542,817	(182)	30,708	708,690	10,750	1,200,000	188,500	2,913	117,450	1,370,852	5,172,498
Revaluation movements	-	-	-	23,644	51,310	-	-	-	-	-	74,954
Currency re-alignment	-	-	-	-	-	-	-	2,504	-	-	2,504
Profit for the year	-	-	-	-	-	-	-	-	-	456,598	456,598
Dividends paid	-	-	-	-	-	-	-	-	(117,450)	(78,300)	(195,750)
Proposed dividend	-	-	-	-	-	-	-	-	152,250	(152,250)	-
At 1 January 2001	1,542,817	(182)	30,708	732,334	62,060	1,200,000	188,500	5,417	152,250	1,596,900	5,510,804
Revaluation movements	-	-	-	(24,119)	(36,457)	-	-	-	-	-	(60,576)
Transfer between reserves	-	-	(1,364)	1,364	-	-	-	-	-	-	-
Currency re-alignment	-	-	-	-	-	-	-	(133)	-	-	(133)
Profit for the year	-	-	-	-	-	-	-	-	-	345,887	345,887
Dividends paid	-	-	-	-	-	-	-	-	(152,250)	(65,250)	(217,500)
Proposed dividend	-	-	-	-	-	-	-	-	130,500	(130,500)	-
At 31 December 2001	1,542,817	(182)	29,344	709,579	25,603	1,200,000	188,500	5,284	130,500	1,747,037	5,578,482

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.

NOTES TO THE FINANCIAL STATEMENTS

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>