

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

	2006 HK\$'000	2005 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	570,914	468,801
Adjustments for:		
Net loss (gain) on disposal of property and equipment	913	(1,150)
Net loss on liquidation of a subsidiary	–	4
Net gain on disposal of available-for-sale securities	(54,001)	(47,534)
Impairment allowances on loans and advances	59,801	67,807
Dividend income	(13,543)	(10,243)
Share of profit of jointly controlled entities	(33,546)	(3,576)
Net gain from fair value adjustment on investment properties	(5,390)	(7,500)
Depreciation	30,535	35,605
Amortisation of prepaid lease payments for land	5,114	5,063
Interest income from held-to-maturity securities and available-for-sale securities	(455,581)	(223,118)
Interest expense on loan capital	2,952	–
Exchange adjustments	1,873	(1,665)
Operating cash flows before movements in operating assets and liabilities	110,041	282,494
Increase in interest receivable and other accounts	(322,242)	(15,765)
Increase in other accounts and accruals	411,166	33,426
Increase in placements with banks and other financial institutions with original maturity over three months	(777,531)	(347,769)
(Increase) decrease in exchange fund bills with original maturity over three months	(127,460)	110,559
(Increase) decrease in money at call and short notice with original maturity over three months	(1,753,156)	130,932
(Increase) decrease in bills receivable	(154,655)	79,011
Increase in trade bills	(9,788)	(42,183)
Increase in other advances to customers	(2,523,220)	(4,155,297)
(Increase) decrease in advances to banks and other financial institutions	(216)	1,003
(Decrease) increase in deposits and balances of banks and other financial institutions with original maturity over three months	(19,177)	99,219
Decrease (increase) in financial assets at fair value through profit or loss	198,349	(111,817)
Decrease in derivative financial instruments	42,361	–
Increase in deposits from customers	13,168,940	7,554,661
Cash generated from operations	8,243,412	3,618,474
Hong Kong Profits Tax paid	(67,618)	(56,549)
Overseas tax paid	(850)	(797)
NET CASH GENERATED FROM OPERATING ACTIVITIES	8,174,944	3,561,128

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	<i>Note</i>	2006 HK\$'000	2005 HK\$'000
INVESTING ACTIVITIES			
Interest received on held-to-maturity securities and available-for-sale securities		416,922	146,285
Dividends received on equity securities		13,543	10,243
Purchase of held-to-maturity securities		(15,680,153)	(8,419,804)
Purchase of available-for-sale securities		(340,798)	(191,591)
Purchase of property and equipment		(215,748)	(44,633)
Lease prepayment for land		(20,680)	–
Purchase of a subsidiary	31	–	(122,959)
Cash outflow on liquidation of a subsidiary	32	–	(46)
Proceeds from redemption of held-to-maturity securities		10,969,886	3,205,017
Proceeds from sale and redemption of available-for-sale securities		104,813	69,785
Proceeds from disposals of property and equipment		233	4,198
NET CASH GENERATED USED IN INVESTING ACTIVITIES		(4,751,982)	(5,343,505)
CASH USED IN FINANCING ACTIVITIES			
Net proceeds from issue of loan capital		967,000	–
Dividends paid		(265,350)	(252,300)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		701,650	(252,300)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,124,612	(2,034,677)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		9,990,602	12,025,279
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by			
Cash and balances with banks and other financial institutions		997,461	1,010,669
Money at call and short notice		14,744,553	10,301,297
Exchange fund bills		514,845	486,513
Placements with banks and other financial institutions maturing between one to twelve months		2,638,461	2,029,416
Deposits and balances of banks and other financial institutions		(528,993)	(2,263,504)
Less: Amounts with original maturity over three months		(4,251,113)	(1,573,789)
		14,115,214	9,990,602