

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2006	2005
Operating activities			
Profit before tax		10,084	6,462
Adjustments for:			
– Impairment losses charged on loans and advances		3,537	3,575
– Impairment losses (released)/charged on deposits and placements with banks and other financial institutions		(91)	62
– Impairment losses charged on other assets		245	–
– Unwind of interest income on impaired loans		(222)	(244)
– Depreciation		910	854
– Amortisation of discount and premium of debt investments		(267)	152
– Amortisation of discount and premium of bonds issued		7	194
– Write-off of loans and advances, net of recoveries		(270)	(661)
– Net gain on debt investments		(335)	(276)
– Net gain on disposal of fixed assets		(1)	(4)
– Interest income on debt investments		(3,652)	(3,133)
– Interest expense on issued debts		474	407
Changes in operating assets and liabilities:			
Increase in balances and placements with banks and other financial institutions with original maturity over 3 months		(6,910)	(8,266)
Increase in discounted bills		(4,309)	(38,641)
Increase in loans and advances to customers		(89,208)	(59,605)
Decrease in other assets		7,362	379
Increase in deposits from customers		139,353	121,818
Increase in deposits and placements from banks and other financial institutions		33,356	10,251
Increase in other liabilities		2,812	1,408
Net cash inflow from operating activities		92,875	34,732
Income tax paid		(3,410)	(2,405)

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	Note	2006	2005
Investing activities			
Payment for purchase of debt investments		(157,403)	(132,115)
Proceeds from redemption or disposal of debt investments		104,685	113,998
Interest received from debt investments		3,526	3,116
Payment for purchase of fixed assets		(1,768)	(1,256)
Proceeds from sale of fixed assets		260	43
Net cash outflow from investing activities		(50,700)	(16,214)
Net cash inflow before financing activities		38,765	16,113
Financing activities			
Proceeds from H-Shares issuance		21,049	–
Cost of issuing shares, net of interest income		(544)	–
Payment of issuing expenses on other debts		–	(19)
Proceeds from issue of other debts		–	10,000
Dividends paid		(3,160)	(742)
Interest paid on issued debts		(465)	(257)
Net cash inflow from financing activities		16,880	8,982
Net increase in cash and cash equivalents		55,645	25,095
Cash and cash equivalents at 1 January		120,609	95,952
Effect of foreign exchange rate changes		(644)	(438)
Cash and cash equivalents at 31 December	34(a)	175,610	120,609
Cash flows from operating activities include:			
Interest received		30,552	22,507
Interest paid		11,291	8,075

The notes on pages 141 to 219 form part of these financial statements.