

## Exchange Fund - Cash Flow Statement

for the year ended 31 December 2006

(Expressed in millions of Hong Kong dollars)	Notes	Group		Fund	
		2006	2005 (restated)	2006	2005
<b>Cash flows from operating activities</b>					
Surplus before share of profit of associate		<b>65,079</b>	20,810	<b>64,562</b>	20,325
<b>Adjustments for:</b>					
Interest income	4(a)	<b>(43,483)</b>	(31,496)	<b>(41,184)</b>	(29,719)
Dividend income	4(a)	<b>(6,162)</b>	(5,165)	<b>(6,429)</b>	(5,430)
Net (gains)/losses on available-for-sale securities	4(a)	<b>(19)</b>	7	<b>-</b>	-
Interest expense	4(b)	<b>38,996</b>	17,137	<b>37,421</b>	16,026
Depreciation and amortisation	4(c)	<b>149</b>	147	<b>117</b>	116
Elimination of exchange differences and other non-cash items		<b>(1,695)</b>	1,989	<b>(1,587)</b>	2,068
Interest received		<b>41,755</b>	31,666	<b>39,705</b>	29,889
Interest paid		<b>(20,090)</b>	(21,516)	<b>(18,606)</b>	(20,424)
Dividends received		<b>6,149</b>	5,156	<b>6,133</b>	5,156
Income tax paid		<b>(63)</b>	(161)	<b>-</b>	-
		<b>80,616</b>	18,574	<b>80,132</b>	18,007
Change in fair value of derivatives and other debt securities issued		<b>727</b>	(2,310)	<b>683</b>	(2,324)
Change in placements with banks and other financial institutions		<b>(1,723)</b>	33	<b>(1,535)</b>	3
Change in financial assets designated at fair value through profit or loss		<b>(225,220)</b>	40,740	<b>(225,220)</b>	40,740
Change in loan portfolio		<b>1,180</b>	7,254	<b>-</b>	-
Change in gold		<b>(64)</b>	(38)	<b>(64)</b>	(38)
Change in other assets		<b>(168)</b>	(5,361)	<b>(298)</b>	(5,329)
Change in Certificates of Indebtedness, government-issued currency notes and coins in circulation		<b>8,691</b>	2,487	<b>8,691</b>	2,487
Change in balance of the banking system		<b>474</b>	(14,228)	<b>474</b>	(14,228)
Change in trading liabilities		<b>(5,316)</b>	5,820	<b>(5,316)</b>	5,820
Change in placements by banks and other financial institutions		<b>(18,140)</b>	(13,362)	<b>(18,140)</b>	(13,362)
Change in placements by other Hong Kong Special Administrative Region government funds		<b>27,444</b>	16,995	<b>27,444</b>	16,995
Change in placements by Hong Kong statutory bodies		<b>26</b>	-	<b>26</b>	-
Change in Exchange Fund Bills and Notes issued		<b>11,005</b>	(4,951)	<b>11,005</b>	(4,951)
Change in other liabilities		<b>1,763</b>	647	<b>1,989</b>	734
<b>Net cash from/(used in) operating activities</b>		<b>(118,705)</b>	52,300	<b>(120,129)</b>	44,554

## Exchange Fund - Cash Flow Statement (cont.)

for the year ended 31 December 2006

	Notes	Group		Fund	
		2006	2005 (restated)	2006	2005
(Expressed in millions of Hong Kong dollars)					
<b>Cash flows from investing activities</b>					
Proceeds from sale or redemption of available-for-sale securities		18,602	2,217	-	-
Purchase of available-for-sale securities		(21,051)	(4,287)	-	(193)
Proceeds from redemption of held-to-maturity securities		229	5,644	-	-
Purchase of held-to-maturity securities		(397)	(6,105)	-	-
Purchase of property, plant and equipment and intangible assets		(29)	(69)	(18)	(25)
Dividends received from subsidiaries		-	-	272	265
<b>Net cash from/(used in) investing activities</b>		<b>(2,646)</b>	<b>(2,600)</b>	<b>254</b>	<b>47</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of other debt securities		13,202	5,091	-	-
Redemption of other debt securities issued		(12,699)	(12,348)	-	-
Proceeds from issue of mortgage-backed securities		2,000	980	-	-
Redemption of mortgage-backed securities issued		(1,830)	(1,671)	-	-
Dividends paid to minority shareholders		(18)	(12)	-	-
<b>Net cash from/(used in) financing activities</b>		<b>655</b>	<b>(7,960)</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(120,696)</b>	<b>41,740</b>	<b>(119,875)</b>	<b>44,601</b>
<b>Cash and cash equivalents at 1 January</b>		<b>218,541</b>	<b>178,866</b>	<b>215,953</b>	<b>173,420</b>
<b>Effect of foreign exchange rate changes</b>		<b>1,592</b>	<b>(2,065)</b>	<b>1,587</b>	<b>(2,068)</b>
<b>Cash and cash equivalents at 31 December</b>	30	<b>99,437</b>	<b>218,541</b>	<b>97,665</b>	<b>215,953</b>

The notes on pages 119 to 185 form part of these accounts.