

Year ended 31 December 2004

	Notes	2004 RMB million	7 July 2003 to 31 December 2003 RMB million	Pro forma 2003 RMB million
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		505	342	2,288
Adjustments for:				
Interest and dividend income	6	(1,252)	(389)	(690)
Net (gains)/losses on trading and non-trading securities	6	948	(30)	(260)
Interest expense credited to policyholders' deposits	5	144	65	123
Depreciation	8	1,348	680	1,560
Impairment loss on construction in progress	8	6	21	21
Provision for doubtful accounts	8	81	63	66
Net loss on disposals of fixed assets	8	17	6	7
Finance costs	9	120	23	35
(Increase)/decrease in premiums receivable and agents' balances		(538)	793	255
Decrease in reinsurers' share of unearned premium reserves		1,711	1,132	1,074
(Increase)/decrease in receivable from reinsurers		(333)	(193)	255
Decrease in reinsurance recoverable on unpaid losses		326	728	36
(Increase)/decrease in prepayments and other receivable		(181)	11	(165)
Increase in deferred acquisition costs		(969)	(1)	(208)
(Increase)/decrease in other non-current assets		14	(52)	34
Increase/(decrease) in unearned premium reserves		381	(2,690)	2,369
Increase in loss and loss adjustment expense reserves		3,316	489	1,359
Decrease in provision for premium deficiency		–	(1)	(2)
Decrease in payable to reinsurers		(667)	(331)	(325)
Increase in accrued insurance protection fund		577	182	441
Increase/(decrease) in other liabilities and accruals		1,408	(471)	(9)
Increase in capital security fund		–	(2,228)	(688)
Cash (used in)/generated from operations		6,962	(1,851)	7,576
PRC income tax paid		(257)	(17)	(17)
Net cash inflow/(outflow) from operating activities		6,705	(1,868)	7,559
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		612	478	657
Dividend received from trading and non-trading securities		228	12	42
Cash received in connection with the Reorganisation	36	–	17,797	–
Payment for capital expenditures		(1,281)	(573)	(1,696)
Proceeds from disposal of fixed assets		10	–	7
Payment for purchase of trading, non-trading and held-to-maturity securities		(35,051)	(12,661)	(16,511)
Proceeds from sales of trading and non-trading securities		27,166	10,051	12,555
Placement of deposits with banks and other financial institutions with original maturity of more than three months		(13,626)	(13,389)	(15,318)
Maturity of deposits with banks and other financial institutions with original maturity of more than three months		14,465	11,171	11,042
Net cash inflow/(outflow) from investing activities		(7,477)	12,886	(9,222)
Net cash inflow/(outflow) before financing activities		(772)	11,018	(1,663)

CASH FLOW STATEMENT

Year ended 31 December 2004

	Notes	2004 RMB million	7 July 2003 to 31 December 2003 RMB million	Pro forma 2003 RMB million
CASH FLOWS FROM FINANCING ACTIVITIES				
Securities sold under agreements to repurchase		611	300	300
Securities purchased under agreements to resell		(300)	(2,100)	(1,500)
Increase/(decrease) in policyholders' deposits		(504)	1,204	1,668
Subordinated loan borrowed		–	2,000	2,000
Issue of H Shares		–	6,024	6,024
Expenses related to share issues		–	(414)	(414)
Interest on loans and other finance costs		(120)	(23)	(35)
Special dividend paid to PICC Holding Company	13	(644)	(5)	(5)
Net cash inflow/(outflow) from financing activities		(957)	6,986	8,038
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year/period		18,004	–	11,629
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	16	16,275	18,004	18,004
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Demand deposits	16	14,942	11,529	11,529
Cash in hand	16	25	32	32
Securities purchased under resale agreements with original maturity of less than three months	16	50	3,327	3,327
Deposits with bank and other financial institutions with original maturity of less than three months	16	1,258	3,116	3,116
		16,275	18,004	18,004

The basis of presentation is disclosed in note 1 to the financial statements.