

## CASH FLOW STATEMENT

Year ended 31 December 2005

Notes	2005 RMB million	2004 RMB million (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,203	395
Adjustments for:		
Net investment income	7 (1,478)	(1,326)
Net realised and unrealised losses on investments	8 336	988
Interest expense credited to policyholders' deposits	143	144
Exchange losses, net	9 305	15
Depreciation for property, plant and equipment	11, 27 1,096	1,246
Depreciation for investment properties	11, 28 6	4
Amortisation for prepaid land premiums	11, 30 93	98
Impairment loss on construction in progress	11, 29 –	6
Net loss on disposals of items of property, plant and equipment and construction in progress	11 8	17
Finance costs	10 181	169
Impairment loss on premiums receivable	11 136	81
Increase in premiums receivable and agents' balances	(1,431)	(538)
Increase in deferred acquisition costs, net	(389)	(969)
Decrease in other non-current assets	108	14
Increase in receivables from reinsurers	(1,511)	(333)
Decrease/(increase) in prepayments and other receivables	1,468	(297)
Increase/(decrease) in payables to reinsurers	2,220	(667)
(Decrease)/increase in accrued insurance protection expenses	(904)	577
(Decrease)/increase in other liabilities and accruals	(47)	1,575
Increase in unearned premium reserves, net	56	2,092
Increase in loss and loss adjustment expense reserves, net	981	3,752
<b>Cash generated from operations</b>	<b>3,580</b>	<b>7,043</b>
PRC income tax paid	(929)	(257)
<b>Net cash inflow from operating activities</b>	<b>2,651</b>	<b>6,786</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,450	612
Dividends received from listed investments	52	228
Payment for investment management fee	(41)	(32)
Payment for capital expenditure	(1,677)	(1,281)
Proceeds from disposals of items of property, plant and equipment and construction in progress	66	10
Payment for purchases of debt and equity securities	(19,713)	(35,051)
Proceeds from sales of debt and equity securities	18,825	27,166
Placement of deposits with banks and other financial institutions with original maturity of more than three months	(11,725)	(13,626)
Maturity of deposits with banks and other financial institutions with original maturity of more than three months	11,807	14,465
<b>Net cash outflow from investing activities</b>	<b>(956)</b>	<b>(7,509)</b>
<b>Net cash inflow/(outflow) before financing activities</b>	<b>1,695</b>	<b>(723)</b>

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Year ended 31 December 2005

	<i>Notes</i>	<b>2005</b> <i>RMB million</i>	2004 <i>RMB million</i> (Restated)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Securities sold under agreements to repurchase		(611)	611
Securities purchased under agreements to resell		–	(300)
Decrease in policyholders' deposits		(480)	(504)
Interest paid		(182)	(169)
Interim dividend paid		(802)	–
Special dividend paid to PICC Holding		–	(644)
<b>Net cash outflow from financing activities</b>		<b>(2,075)</b>	(1,006)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		16,275	18,004
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>15,895</b>	16,275
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash in hand	17	25	25
Demand deposits	17	13,116	14,942
Securities purchased under resale agreements			
with original maturity of less than three months	17	–	50
Deposits with bank and other financial institutions			
with original maturity of less than three months	17	2,754	1,258
		<b>15,895</b>	16,275