

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	Notes	2006 RMB million	2005 RMB million (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,800	1,945
Adjustments for:			
Net investment income	7	(1,689)	(1,478)
Net realised and unrealised gains/(losses) on investments	8	(2,326)	336
Interest expenses credited to policyholders' deposits		138	143
Exchange losses, net	9	426	305
Share of profit of an associate		(2)	–
Depreciation for property, plant and equipment	11, 30	933	1,096
Depreciation for investment properties	11, 31	15	6
Amortisation for prepaid land premiums	11, 33	102	93
Net loss on disposals of items of property, plant and equipment and construction in progress	11	3	8
Finance costs	10	209	181
Impairment loss on premiums receivable	11	86	136
Increase in premiums receivable and agents' balances, net		(279)	(1,431)
Increase in deferred acquisition costs, net		(1,425)	(131)
(Increase)/decrease in other non-current assets		(20)	108
Increase in receivables from reinsurers		(209)	(1,511)
(Increase)/decrease in prepayments and other receivables		(463)	1,468
Increase/(decrease) in payables to reinsurers		(140)	2,220
Increase/(decrease) in accrued insurance protection expenses		22	(904)
Increase/(decrease) in other liabilities and accruals		406	(47)
Increase in unearned premium reserves, net		5,421	56
Increase in loss and loss adjustment expense reserves, net		1,175	981
<b>Cash generated from operations</b>		<b>6,183</b>	<b>3,580</b>
PRC income tax paid		(859)	(929)
<b>Net cash inflow from operating activities</b>		<b>5,324</b>	<b>2,651</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,373	1,415
Rental income received from investment properties		36	35
Dividend income received from equity securities		98	52
Payment for investment management fee		(45)	(41)
Payment for capital expenditure		(954)	(1,677)
Proceeds from disposals of items of property, plant and equipment and construction in progress		128	66
Acquisition of an associate		(160)	–
Payment for purchases of debt and equity securities		(32,586)	(19,713)
Proceeds from sales of debt and equity securities		26,812	18,825
Placement of deposits with banks and other financial institutions with original maturity of more than three months		(7,203)	(11,725)
Maturity of deposits with banks and other financial institutions with original maturity of more than three months		11,589	11,807
<b>Net cash outflow from investing activities</b>		<b>(912)</b>	<b>(956)</b>

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## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2006

	<i>Notes</i>	<b>2006</b> <i>RMB million</i>	2005 <i>RMB million</i> (Restated)
<b>Net cash outflow from investing activities</b>		<b>(912)</b>	(956)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from subordinated debts issued by the Company		<b>3,000</b>	–
Repayment of the subordinated loan		<b>(2,000)</b>	–
Securities sold under agreements to repurchase		<b>200</b>	(611)
Increase/(decrease) in policyholders' deposits		<b>307</b>	(480)
Interest paid		<b>(208)</b>	(182)
Interim dividend paid		<b>–</b>	(802)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1,299</b>	(2,075)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		<b>15,895</b>	16,275
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>21,606</b>	15,895
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash in hand	17	<b>25</b>	25
Demand deposits	17	<b>12,623</b>	13,116
Securities purchased under resale agreements			
with original maturity of less than three months	17	<b>307</b>	–
Deposits with bank and other financial institutions			
with original maturity of less than three months	17	<b>8,651</b>	2,754
		<b>21,606</b>	15,895