

# Consolidated Cash Flow Statement

For the year ended December 31, 2004

	2004 <i>RMB million</i>	2003 <i>RMB million</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit/(loss)	7,171	(1,428)
Adjustments for non-cash items:		
Changes in minority interests	52	(15)
Net realised and unrealised loss/(gain) on investments	1,298	(1,115)
Amortisation of deferred acquisition costs	6,263	5,023
Other impairments	3	93
Profit from investments in associated companies	–	(16)
Interest credited to policyholder contract deposits	4,320	7,260
Investment contract policy fees	(5,194)	(6,097)
Depreciation and amortisation	778	1,186
Revaluation of investment properties	–	181
Amortisation of fixed maturities' premiums and discounts	(120)	101
Loss/(gain) on disposal of fixed assets	5	(69)
Deferred income tax	2,201	1,041
Changes in operational assets and liabilities:		
Deferred policy acquisition costs	(13,478)	(11,806)
Reinsurance assets	(300)	326
Accrued investment income	(2,209)	(184)
Receivables and payables	(1,357)	361
Reserves for claims and claim adjustment expenses	401	(65)
Unearned premium reserves	(170)	547
Future life policyholder benefits	33,154	43,066
Statutory insurance levy	96	120
<b>Net cash inflow from operating activities</b>	<b>32,914</b>	<b>38,510</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales and maturities:		
Fixed maturity securities	21,805	36,507
Equity securities	7,934	4,514
Fixed assets	67	263
Purchases:		
Fixed maturity securities	(105,051)	(71,540)
Equity securities	(13,005)	(13,575)
Fixed assets	(970)	(2,242)
Term deposits, net	(38,306)	(75,724)
Securities purchased under agreements to resell	13,723	13,854
Proceeds from investment in securities sold under agreements to repurchase, net	(6,448)	2,846
Other (mainly policy loans), net	(275)	(69)
<b>Net cash outflow from investing activities</b>	<b>(120,526)</b>	<b>(105,166)</b>

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<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contribution from minority shareholders	–	320
Proceeds from shares issued	–	24,710
Deposits accepted on investment contracts	<b>88,736</b>	91,343
Withdrawals from investment contracts	<b>(16,523)</b>	(13,329)
Repayment of bank borrowings	–	(2)
Cash and cash equivalents retained by CLIC upon the consummation of the Restructuring (note 2(a))	–	(8,299)
<b>Net cash inflow from financing activities</b>	<b>72,213</b>	94,743
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(15,399)</b>	28,087
<b>Cash and cash equivalents</b>		
<b>Beginning of year</b>	<b>42,616</b>	14,529
<b>End of year</b>	<b>27,217</b>	42,616
Supplemental cash flow information		
Income tax paid	<b>168</b>	8
Interest paid	–	7