Cash Flow Statement

Period from 7 July 2003 to 31 December 2003

Impairment loss on construction in progress		Notes	7 July to 31 December 2003 RMB million	Pro forma 2003 RMB million	Pro forma 2002 RMB million
Adjustments for: Depreciation	CASH FLOWS FROM OPERATING ACTIVITIES				
Adjustments for: Depreciation 7 680 1,560 1,432 1	Profit before tax		342	2,288	994
Impairment loss on construction in progress	Adjustments for:				
Impairment loss on construction in progress	Depreciation	7	680	1,560	1,432
Provision for doubtful accounts	•	7	21	21	_
Interest expense credited to policyholders' deposits		7	63	66	11
Net (gains) losses on trading and non-trading securities 5 (30) (260) (645)	Interest and dividend income	5	(389)	(690)	(648)
Nert (gains) flosses on trading and non-trading securities 5 3(30) (260) 645 Nert loss on disposal of fixed assers 7 6 7 113 Thrests expanse of bank and other financial costs 8 23 35 35 Decrease in premiums receivables and agents' balances 793 255 503 (Increase) (decrease in reinsurers' share of unearned premium reserves 1,132 1,074 (533) (Increase) (decrease in recinsurers' share of unearned premium reserves 1,132 1,074 (533) (Increase) (decrease in recinsurers' share of unearned premium reserves 1,132 1,074 (533) (Increase) (decrease in recinsurers' share of unearned premium reserves 1,132 1,074 (533) (Increase) (decrease in recinsurers share of unearned premium reserves 1,132 1,074 (1,052) 1,72 (Increase) (decrease) in reinsurance recoverable on unpaid losses 728 36 (2,278) (Increase) (decrease) in prepayments and other receivables 11 (165) 172 (Increase) (decrease) in unearned premium reserves (1,000) 2,369 1,282 (Increase) (decrease) in unearned premium reserves (2,690) 2,369 1,282 (Increase) in son all loss adjustment expense reserves 489 1,359 4,083 (Increase) in provision for premium deficiency (1) (2) 2 (Increase) in accrued insurance protection find 182 441 460 (Increase) in accrued insurance protection find 182 441 460 (Increase in accrued insurance protection find 182 441 460 (Increase in capital security fund (2,228) (688) — Cash (used in)/generated from operations (1,851) 7,576 5,961 (Net cash inflow/(outflow)) from operating activities (1,868) 7,559 5,145 CASH FLOWS FROM INVESTING ACTIVITIES Interest received 478 657 498 (Increase) 479 -	Interest expense credited to policyholders' deposits	4			54
Net loss on disposal of fixed assets		5			
Interest expense of bank and other financial costs 8 23 35 355 Decrease in premiums receivables and agents' balances 793 255 503 Clincrease/decrease in reinsurance recoverable on unpaid losses 1,132 1,074 (533) Clincrease/decrease in incinsurance recoverable on unpaid losses 728 36 (2,278) Clincrease/decrease in reinsurance recoverable on unpaid losses 718 36 (2,278) Clincrease/decrease in prepayments and other receivables 11 (165) 172 Clincrease/decrease in prepayments and other receivables 11 (165) 172 Clincrease/decrease in other non-current assets (11) (208) (359 (10,000 (2,					
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(Increase)/decrease in receivables from reinsurers (193) 255 127 (Increase)/decrease in reinsurance recoverable on unpaid losses 728 36 (2,278) (Increase)/decrease in reinsurance recoverables 11 (165) 172 (Increase) in deferred acquisition costs (1) (208) (359 (Increase)/decrease in other non-current assets (52) 34 30 Increase/decrease) in unearned premium reserves (2,690) 2,369 1,282 Increase (decrease) in unearned premium reserves 489 1,359 4,083 Increase (decrease) in provision for premium deficiency (1) (2) 2 Increase (decrease) in payables to reinsurers (331) (325) 373 Increase in accrued insurance protection fund 182 441 460 Decrease in capital security fund (2,228) (688) — Increase in capital security fund (2,228) (688) — Cash (used in)/generated from operations (1,851) 7,576 5,961 PRC income tax paid (17) (17) (816					· -
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Increase in deferred acquisition costs	•			-	
(Increase)/decrease in other non-current assets (52) 34 30 Increase/(decrease) in unearned premium reserves (2,690) 2,369 1,282 Increase in loss and loss adjustment expense reserves 489 1,359 4,083 Increase/(decrease) in provision for premium deficiency (1) (2) 2 Increase/(decrease) in payables to reinsurers (331) (325) 373 Increase in accrued insurance protection fund 182 441 460 Decrease in other liabilities and accruals (471) (9) (537 Increase in capital security fund (2,228) (688) — Cash (used in)/generated from operations (1,851) 7,576 5,961 PRC income tax paid (17) (17) (17) (816 Net cash inflow/(outflow) from operating activities (1,868) 7,559 5,145 CASH FLOWS FROM INVESTING ACTIVITIES Interest received 478 657 498 Dividends received from trading and non-trading securities 12 42 126 Cash received in connection with the Reorganisation	* * *				
Increase (decrease) in unearned premium reserves	•				
Increase in loss and loss adjustment expense reserves					_
Increase/(decrease) in provision for premium deficiency					
Increase/(decrease) in payables to reinsurers			•	*	· · · · · · · · · · · · · · · · · · ·
Increase in accrued insurance protection fund 182 441 460 Decrease in other liabilities and accruals (471) (9) (537 Increase in capital security fund (2,228) (688) — Cash (used in)/generated from operations (1,851) 7,576 5,961 PRC income tax paid (17) (17) (17) (816 Net cash inflow/(outflow) from operating activities (1,868) 7,559 5,145 CASH FLOWS FROM INVESTING ACTIVITIES Interest received 478 657 498 Dividends received from trading and non-trading securities 12 42 126 Cash received in connection with the Reorganisation 34 17,797 — — Payment for capital expenditures (573) (1,696) (1,372 Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868 Proceeds from sales of trading and non-trading securities (10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months (13,389) (15,318) (4,427 Maturity of deposits with banks with original maturity of more than three months (11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417 Order					
Decrease in other liabilities and accruals					
Cash (used in)/generated from operations					
Cash (used in)/generated from operations (1,851) 7,576 5,961 PRC income tax paid (17) (17) (816 Net cash inflow/(outflow) from operating activities (1,868) 7,559 5,145 CASH FLOWS FROM INVESTING ACTIVITIES 8 657 498 Dividends received from trading and non-trading securities 12 42 126 Cash received in connection with the Reorganisation 34 17,797 — — Payment for capital expenditures (573) (1,696) (1,372 Proceeds from disposal of fixed assets — 7 303 Power for purchases of trading and non-trading securities (12,661) (16,511) (13,868) Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222)					(53/)
PRC income tax paid (17) (17) (816 Net cash inflow/(outflow) from operating activities (1,868) 7,559 5,145 CASH FLOWS FROM INVESTING ACTIVITIES Interest received 478 657 498 Dividends received from trading and non-trading securities 12 42 126 Cash received in connection with the Reorganisation 34 17,797 — — Payment for capital expenditures (573) (1,696) (1,372 Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868) Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)	Increase in capital security fund		(2,228)	(688)	
Net cash inflow/(outflow) from operating activities (1,868) 7,559 5,145 CASH FLOWS FROM INVESTING ACTIVITIES Interest received 478 657 498 Dividends received from trading and non-trading securities 12 42 126 Cash received in connection with the Reorganisation 34 17,797 — — Payment for capital expenditures (573) (1,696) (1,372) Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868) Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)	Cash (used in)/generated from operations		(1,851)	7,576	5,961
CASH FLOWS FROM INVESTING ACTIVITIES Interest received 478 657 498 Dividends received from trading and non-trading securities 12 42 126 Cash received in connection with the Reorganisation 34 17,797 — — Payment for capital expenditures (573) (1,696) (1,372 Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868 Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427 Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)	PRC income tax paid		(17)	(17)	(816)
Interest received Dividends received from trading and non-trading securities 12 42 126 Cash received in connection with the Reorganisation 34 17,797 — — Payment for capital expenditures (573) (1,696) (1,372 Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868 Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427 Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417	Net cash inflow/(outflow) from operating activities		(1,868)	7,559	5,145
Dividends received from trading and non-trading securities Cash received in connection with the Reorganisation 34 17,797 — Payment for capital expenditures (573) (1,696) (1,372 Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868 Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427 Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities	CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received in connection with the Reorganisation 34 17,797 — — — — — — — — — — — — — — — — — —	Interest received		478	657	498
Payment for capital expenditures (573) (1,696) (1,372 Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868 Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)	Dividends received from trading and non-trading securities		12	42	126
Payment for capital expenditures (573) (1,696) (1,372 Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868 Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)	Cash received in connection with the Reorganisation	34	17,797	_	_
Proceeds from disposal of fixed assets — 7 303 Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868 Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)	Payment for capital expenditures			(1,696)	(1,372)
Payment for purchases of trading and non-trading securities (12,661) (16,511) (13,868 Proceeds from sales of trading and non-trading securities 10,051 12,555 6,125 Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)			_	7	303
Proceeds from sales of trading and non-trading securities Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)			(12,661)	(16,511)	(13,868)
Placement of deposits with banks with original maturity of more than three months and other balances with banks (13,389) (15,318) (4,427) (15,318) (4,427) (15,318) (10,051	12,555	
more than three months and other balances with banks (13,389) (15,318) (4,427) Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417)			,		
Maturity of deposits with banks with original maturity of more than three months 11,171 11,042 5,198 Net cash inflow/(outflow) from investing activities 12,886 (9,222) (7,417			(13,389)	(15,318)	(4,427)
		months			5,198
Net cash inflow/(outflow) before financing activities carried forward 11,018 (1,663) (2.272	Net cash inflow/(outflow) from investing activities		12,886	(9,222)	(7,417)
	Net cash inflow/(outflow) before financing activities carried forward		11,018	(1,663)	(2,272)

Cash Flow Statement (Continued)

Period from 7 July 2003 to 31 December 2003

	Notes	7 July to 31 December 2003 RMB million	Pro forma 2003 RMB million	Pro forma 2002 RMB million
Net cash inflow/(outflow) before financing activities brought forward		11,018	(1,663)	(2,272)
CASH FLOWS FROM FINANCING ACTIVITIES				
Securities sold under agreements to repurchase		300	300	1,500
Securities purchased under agreements to resell		(2,100)	(1,500)	(400)
Increase in policyholders' deposits		1,204	1,668	2,987
Subordinated loan borrowed		2,000	2,000	_
Issue of H Shares		6,024	6,024	_
Expenses related to share issues		(414)	(414)	_
Interest expense to banks and other finance costs		(23)	(35)	(35)
Special dividend paid to the ultimate holding company		(5)	(5)	_
Cash and cash equivalents distributed				
in connection with the Reorganisation		_	_	(1,317)
NET CASH INFLOW FROM FINANCING ACTIVITIES		6,986	8,038	2,735
NET INCREASE IN CASH AND CASH EQUIVALENTS		18,004	6,375	463
Cash and cash equivalents at beginning of period/year			11,629	11,166
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	15	18,004	18,004	11,629
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			,	,,
in the color of the color in the color age.				Pro forma
		3	1 December 2003	31 December 2002
	Notes		RMB million	RMB million
Cash at banks	15		11,529	8,900
Cash in hand	15		32	27
Securities purchased under resale agreements				
with original maturity less than 3 months	15		3,327	345
Deposits with bank and other financial institutions			Í	
with original maturity less than 3 months	15		3,116	2,357
			18,004	11,629