

Cash Flow Statement

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
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		342	2,288	994
Adjustments for:				
Depreciation	7	680	1,560	1,432
Impairment loss on construction in progress	7	21	21	—
Provision for doubtful accounts	7	63	66	11
Interest and dividend income	5	(389)	(690)	(648)
Interest expense credited to policyholders' deposits	4	65	123	54
Net (gains)/losses on trading and non-trading securities	5	(30)	(260)	645
Net loss on disposal of fixed assets	7	6	7	113
Interest expense 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 receivables from reinsurers		(193)	255	127
(Increase)/decrease in reinsurance recoverable on unpaid losses		728	36	(2,278)
(Increase)/decrease in prepayments and other receivables		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 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)	(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)
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				
	Notes	31 December 2003 RMB million	Pro forma 31 December 2002 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 with original maturity less than 3 months	15	3,116	2,357	
		18,004	11,629	