

Consolidated Cash Flow Statement

(Prepared under PRC accounting standards)

Year ended 31 December 2002

	Note V	2002 RMB	2001 RMB
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		14,129,953,324	11,724,883,415
Refunds of taxes		40,554,100	34,071,117
Cash received relating to other operating activities		5,462,394	13,534,476
Sub-total of cash inflows		14,175,969,818	11,772,489,008
Cash paid for goods and services		(8,766,548,666)	(7,833,806,222)
Cash paid to and on behalf of employees		(1,492,757,778)	(1,302,578,013)
Cash paid for all taxes		(1,015,152,233)	(944,558,442)
Cash paid relating to other operating activities	42	(311,855,811)	(305,326,924)
Sub-total of cash outflows		(11,586,314,488)	(10,386,269,601)
Net cash flows from operating activities		2,589,655,330	1,386,219,407
2. Cash flows from investing activities:			
Cash received from sale of investments		201,600,000	5,368,000
Cash received from returns on investments		25,986,288	27,683,813
Net cash received from disposal of fixed assets, intangible assets and other long term assets		18,192,767	11,429,977
Cash received from retrieval of pledged deposits and overdue deposits		4,840,444	39,373,748
Sub-total of cash inflows		250,619,499	83,855,538
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets		(2,597,465,042)	(920,594,565)
Increase in pledged deposit		(27,796,240)	-
Cash paid for acquisitions of investments		(100,100,000)	(108,596,000)
Sub-total of cash outflows		(2,725,361,282)	(1,029,190,565)
Net cash flows from investing activities		(2,474,741,783)	(945,335,027)
3. Cash flows from financing activities:			
Cash received from borrowings		1,443,490,050	1,208,771,705
Cash received relating to other financing activities	43	40,000,000	426,920,000
Sub-total of cash inflows		1,483,490,050	1,635,691,705
Cash repayments of borrowings		(1,612,676,204)	(2,064,417,234)
Cash paid for distribution of dividend or profits and for interests expenses		(225,270,125)	(256,077,444)
Cash paid relating to other financing activities		(36,949,489)	(13,384,480)
Sub-total of cash outflows		(1,874,895,818)	(2,333,879,158)
Net cash flows from financing activities		(391,405,768)	(698,187,453)
4. Effect of foreign exchange rate changes on cash		5,332,645	(153,374)
5. Net decrease in cash and cash equivalents		(271,159,576)	(257,456,447)

The accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement (continued)

(Prepared under PRC accounting standards)

Year ended 31 December 2002

Supplementary information	2002 RMB	2001 RMB
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	384,440,901	208,396,492
Add: Staff housing subsidies charged to retained profits	(72,779,744)	(84,567,947)
Provision for bad debts	41,360,000	95,550,000
Provision for inventories	72,445,614	–
Provision for impairment of investments	491,941	1,771,790
Provision for impairment of fixed assets	236,247,100	104,886,515
Provision for impairment of construction in progress	–	7,000,000
Depreciation of fixed assets	841,948,405	810,690,139
Amortisation of intangible assets	20,565,038	19,517,638
Increase/(decrease) in accrued charges	(48,564,058)	34,669,668
Loss on disposal of fixed assets, intangible assets and other long term assets	222,086,787	158,828,614
Financial expenses	80,124,140	127,657,313
Investment income	(6,836,100)	(2,441,727)
Decrease in inventories	61,550,708	244,242,633
Decrease/(increase) in receivables from operating activities	119,139,856	(687,817,975)
Increase in payables from operating activities	637,434,742	347,836,254
Net cash flows from operating activities	2,589,655,330	1,386,219,407
2. Investing and financing activities that do not involve cash receipts and payments:		
VAT payables set-off against amount due from Magang (Group) Holding Company Limited	235,320,525	–
3. Net decrease in cash and cash equivalents:		
Cash and balances with financial institutions at end of year	1,000,526,413	1,271,685,989
Less: Cash and balances with financial institutions at beginning of year	(1,271,685,989)	(1,529,142,436)
Add: Balance of cash equivalents at end of year	–	–
Less: Balance of cash equivalents at beginning of year	–	–
Net decrease in cash and cash equivalents	(271,159,576)	(257,456,447)

Company Representative:
Gu Jianguo
2 April 2003

Chief Accountant:
Su Jiangan
2 April 2003

Head of Accounting Department:
Guan Yagang
2 April 2003