

Cash Flow Statement

(Prepared under PRC accounting standards)

Year ended 31 December 2002

	2002 RMB	2001 RMB
1. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	13,476,413,558	11,414,107,480
Cash received relating to other operating activities	4,013,327	11,519,539
Sub-total of cash inflows	13,480,426,885	11,425,627,019
Cash paid for goods and services	(8,650,807,385)	(7,567,699,141)
Cash paid to and on behalf of employees	(1,488,456,503)	(1,300,645,251)
Cash paid for all taxes	(1,013,409,587)	(944,498,209)
Cash paid relating to other operating activities	(299,179,773)	(298,273,781)
Sub-total of cash outflows	(11,451,853,248)	(10,111,116,382)
Net cash flows from operating activities	2,028,573,637	1,314,510,637
2. Cash flows from investing activities:		
Cash received from sale of investments	201,600,000	5,368,000
Cash received from returns on investments	25,298,381	27,071,723
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	-	3,508,089
Sub-total of cash inflows	245,091,148	47,377,789
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	(2,128,760,174)	(910,786,662)
Increase in pledged deposits	(25,120,341)	-
Cash paid for acquisitions of investments	(100,100,000)	(108,596,000)
Sub-total of cash outflows	(2,253,980,515)	(1,019,382,662)
Net cash flows from investing activities	(2,008,889,367)	(972,004,873)
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	40,000,000	426,920,000
Sub-total of cash inflows	1,483,490,050	1,635,691,705
Cash repayments of borrowings	(1,611,769,189)	(2,042,487,794)
Cash paid for distribution of dividend or profits and for interests expenses	(225,258,748)	(256,077,444)
Cash paid relating to other financing activities	(36,949,489)	(13,384,480)
Sub-total of cash outflows	(1,873,977,426)	(2,311,949,718)
Net cash flows from financing activities	(390,487,376)	(676,258,013)
4. Effect of foreign exchange rate changes on cash	6,695,207	716,251
5. Net decrease in cash and cash equivalents	(364,107,899)	(333,035,998)

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	401,899,898	203,518,387
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	691,941	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	840,627,266	807,351,156
Amortisation of intangible assets	20,565,038	19,517,638
Increase/(decrease) in accrued charges	(48,620,866)	16,933,305
Loss on disposal of fixed assets, intangible assets and other long term assets	224,868,771	158,824,403
Financial expenses	76,762,702	128,269,403
Investment income	(25,558,604)	(2,441,727)
Decrease in inventories	106,228,503	185,717,280
Increase in receivables from operating activities	(386,748,014)	(680,671,753)
Increase in payables from operating activities	540,584,032	352,852,187
Net cash flows from operating activities	2,028,573,637	1,314,510,637
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	–
Investment income accounted for using the equity method	18,722,504	–
Fixed assets transferred to a subsidiary	2,781,984	–
3. Net decrease in cash and cash equivalents:		
Cash and balances with financial institutions at end of year	782,764,686	1,146,872,585
Less: Cash and balances with financial institutions at beginning of year	(1,146,872,585)	(1,479,908,583)
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	(364,107,899)	(333,035,998)

Company Representative:
Gu Jianguo
2 April 2003

Chief Accountant:
Su Jianguang
2 April 2003

Head of Accounting Department:
Guan Yagang
2 April 2003