

Consolidated Cash Flow Statement

(Prepared under PRC accounting standards)
Year ended 31 December 2003

	Note V	2003 RMB	2002 RMB
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		19,344,064,687	14,129,953,324
Refunds of taxes		14,958,514	40,554,100
Cash received relating to other operating activities		12,245,668	5,462,394
Sub-total of cash inflows		19,371,268,869	14,175,969,818
Cash paid for goods and services		(12,216,842,152)	(8,766,548,666)
Cash paid to and on behalf of employees		(1,811,311,109)	(1,492,757,778)
Cash paid for all taxes		(1,411,526,206)	(1,015,152,233)
Cash paid relating to other operating activities	43	(362,902,031)	(311,855,811)
Sub-total of cash outflows		(15,802,581,498)	(11,586,314,488)
Net cash flows from operating activities		3,568,687,371	2,589,655,330
2. Cash flows from investing activities:			
Cash received from disposal of investments		5,420,000	201,600,000
Cash received from returns on investments		15,528,014	25,986,288
Net cash received from disposal of fixed assets, intangible assets and other long term assets		15,560,995	18,192,767
Cash received from retrieval of pledged deposits and overdue deposits		27,827,136	4,840,444
Sub-total of cash inflows		64,336,145	250,619,499
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets		(5,623,975,201)	(2,597,465,042)
Cash paid for acquisitions of investments		(156,976,000)	(100,100,000)
Increase in pledged deposits		–	(27,796,240)
Cash paid relating to other investing activities		(2,039,146)	–
Sub-total of cash outflows		(5,782,990,347)	(2,725,361,282)
Net cash flows from investing activities		(5,718,654,202)	(2,474,741,783)

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 2003

	Note V	2003 RMB	2002 RMB
3. Cash flows from financing activities:			
Cash received from investments by others		32,755,594	—
Cash received from borrowings		5,332,417,905	1,443,490,050
Cash received relating to other financing activities	44	55,980,000	40,000,000
Sub-total of cash inflows		5,421,153,499	1,483,490,050
Cash repayments of borrowings		(1,536,331,591)	(1,612,676,204)
Cash paid for distribution of dividend or profits and for interest expenses		(315,195,264)	(225,270,125)
Cash paid relating to other financing activities		(72,551,470)	(36,949,489)
Sub-total of cash outflows		(1,924,078,325)	(1,874,895,818)
Net cash flows from financing activities		3,497,075,174	(391,405,768)
4. Effect of foreign exchange rate changes on cash		23,994,213	5,332,645
5. Net increase/(decrease) in cash and cash equivalents		1,371,102,556	(271,159,576)

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 2003

	2003 RMB	2002 RMB
Supplementary information		
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,792,971,074	384,440,901
Add: Staff housing subsidies charged to retained profits	–	(72,779,744)
Minority interests	1,173,345	–
Provision for bad debts	9,570,000	41,360,000
Provision for inventories	6,601,509	72,445,614
Provision/(reversal) for impairment of investments	(2,263,731)	491,941
Provision/(reversal) for impairment of fixed assets	(63,554,141)	236,247,100
Depreciation of fixed assets	1,046,450,168	841,948,405
Amortisation of intangible assets	20,756,836	20,565,038
Decrease in accrued charges	(79,341,778)	(48,564,058)
Loss on disposal of fixed assets, intangible assets and other long term assets, net	47,260,768	222,086,787
Financial expenses	142,291,605	80,124,140
Investment loss/(income)	10,629,765	(6,836,100)
Decrease/(increase) in inventories	(743,169,495)	61,550,708
Decrease/(increase) in receivables from operating activities	(2,036,009,519)	119,139,856
Increase in payables from operating activities	2,415,320,965	637,434,742
Net cash flows from operating activities	3,568,687,371	2,589,655,330
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 increase/(decrease) in cash and cash equivalents:		
Cash and balances with financial institutions at end of year	2,371,628,969	1,000,526,413
Less: Cash and balances with financial institutions at beginning of year	(1,000,526,413)	(1,271,685,989)
Add: Balance of cash equivalents at end of year	–	–
Less: Balance of cash equivalents at beginning of year	–	–
Net increase/(decrease) in cash and cash equivalents	1,371,102,556	(271,159,576)

Company Representative:
Gu Jianguo
13 April 2004

Chief Accountant:
Su Jianguang
13 April 2004

Head of Accounting Department:
Guan Yagang
13 April 2004