

Cash Flow Statement

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

	2003 RMB	2002 RMB
1. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	18,992,685,815	13,976,626,993
Cash received relating to other operating activities	10,766,160	4,013,327
Sub-total of cash inflows	19,003,451,975	13,980,640,320
Cash paid for goods and services	(12,228,550,471)	(8,684,787,346)
Cash paid to and on behalf of employees	(1,789,549,282)	(1,488,456,503)
Cash paid for all taxes	(1,407,061,767)	(1,013,409,587)
Cash paid relating to other operating activities	(350,504,445)	(299,179,773)
Sub-total of cash outflows	(15,775,665,965)	(11,485,833,209)
Net cash flows from operating activities	3,227,786,010	2,494,807,111
2. Cash flows from investing activities:		
Cash received from disposal of investments	11,942,106	201,600,000
Cash received from returns on investments	14,616,381	25,298,381
Net cash received from disposal of fixed assets, intangible assets and other long term assets	15,204,157	18,192,767
Cash received from retrieval of pledged deposits and overdue deposits	26,617,294	-
Sub-total of cash inflows	68,379,938	245,091,148
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	(5,614,855,420)	(2,594,993,648)
Cash paid for acquisitions of investments	(270,907,183)	(100,100,000)
Increase in pledged deposits	-	(25,120,341)
Sub-total of cash outflows	(5,885,762,603)	(2,720,213,989)
Net cash flows from investing activities	(5,817,382,665)	(2,475,122,841)

Cash Flow Statement (continued)

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

	2003 RMB	2002 RMB
3. Cash flows from financing activities:		
Cash received from borrowings	5,332,417,905	1,443,490,050
Cash received relating to other financing activities	55,980,000	40,000,000
Sub-total of cash inflows	5,388,397,905	1,483,490,050
Cash repayments of borrowings	(1,535,175,103)	(1,611,769,189)
Cash paid for distribution of dividend or profits and for interest expenses	(314,752,790)	(225,258,748)
Cash paid relating to other financing activities	(72,551,470)	(36,949,489)
Sub-total of cash outflows	(1,922,479,363)	(1,873,977,426)
Net cash flows from financing activities	3,465,918,542	(390,487,376)
4. Effect of foreign exchange rate changes on cash	15,814,271	6,695,207
5. Net increase/(decrease) in cash and cash equivalents	892,136,158	(364,107,899)

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	2,802,775,290	401,899,898
Add: Staff housing subsidies charged to retained profits	–	(72,779,744)
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)	691,941
Provision/(reversal) for impairment of fixed assets	(63,554,141)	236,247,100
Depreciation of fixed assets	1,043,600,468	840,627,266
Amortisation of intangible assets	20,565,038	20,565,038
Decrease in accrued charges	(79,308,392)	(48,620,866)
Loss on disposal of fixed assets, intangible assets and other long term assets, net	47,260,768	224,868,771
Financial expenses	147,512,212	76,762,702
Investment income	(10,229,968)	(25,558,604)
Decrease/(increase) in inventories	(688,693,362)	106,228,503
Decrease/(increase) in receivables from operating activities	(2,009,518,165)	79,485,460
Increase in payables from operating activities	2,003,468,484	540,584,032
Net cash flows from operating activities	3,227,786,010	2,494,807,111
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
Fixed assets transferred to a subsidiary	–	2,781,984
3. Net increase/(decrease) in cash and cash equivalents:		
Cash and balances with financial institutions at end of year	1,674,900,844	782,764,686
Less: Cash and balances with financial institutions at beginning of year	(782,764,686)	(1,146,872,585)
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	892,136,158	(364,107,899)

Company Representative:
Gu Jianguo
13 April 2004

Chief Accountant:
Su Jianguang
13 April 2004

Head of Accounting Department:
Guan Yagang
13 April 2004