

Notes to the Cash Flow Statement

For the year ended 31 December 2004
(Prepared under PRC Accounting Rules and Regulations)

(a) Reconciliation of net profit to cash flows from operating activities

	2004 RMB'000
Net profit	3,971,265
Depreciation	1,602,629
Provision for impairment losses	34,345
Provision for bad debts	(13,481)
Provision for inventories	(16,250)
Amortisation of goodwill	13,448
Loss on disposal of fixed assets	9,361
Financial expenses	259,672
Investment income	(256,832)
Deferred tax assets	(15,301)
Increase in inventories	(209,833)
Increase in operating receivables	(703,948)
Decrease in operating payables	(342,108)
Net cash flows from operating activities	4,332,967

(b) Net decrease in cash and cash equivalents

	2004 RMB'000
Cash at the end of the year	1,163,399
Less: Cash at the beginning of the year	(1,398,250)
Net decrease in cash and cash equivalents	(234,851)

Approved by the Board of Directors on 23 March 2005.

Lu Yiping
Chairman

Rong Guangdao
Vice chairman and President

Han Zhihao
Director and Chief Financial Officer

The notes on pages 135 to 175 form part of these financial statements.