

# CASH FLOW STATEMENTS

(Prepared under PRC GAAP)

For the year ended 31 December 2004

(All amounts in RMB'000 unless otherwise stated)

[English Translation for Reference Only]

| Items   | 2004              |                   |
|---|-------------------|-------------------|
|   | Group             | Company           |
| <b>1. Cash flows from operating activities</b>                                  |                   |                   |
| Cash received from sale of goods or rendering services                          | 23,200,614        | 21,978,079        |
| Cash received from taxes returned   | 369,663           | 29,444            |
| Cash received relating to other operating activities                            | 184,514           | 100,510           |
| <b>Sub-total of cash inflow</b>   | <b>23,754,791</b> | <b>22,108,033</b> |
| Cash paid for goods and services  | 15,560,704        | 16,082,179        |
| Cash paid to and on behalf of employees   | 2,278,869         | 1,367,834         |
| Payments of taxes and levies  | 1,490,169         | 705,936           |
| Cash paid relating to other operating activities                                | 2,780,430         | 2,498,971         |
| <b>Sub-total of cash outflow</b>  | <b>22,110,172</b> | <b>20,654,920</b> |
| <b>Net cash flows from operating activities</b>                                 | <b>1,644,619</b>  | <b>1,453,113</b>  |
| <b>2. Cash flows from investing activities</b>                                  |                   |                   |
| Cash received from disinvestment  | 95,213            | -                 |
| Cash received from gains of investment  | 2,619             | 2,516             |
| Net cash received from disposal of fixed, intangible and other long-term assets | 990               | 136               |
| <b>Sub-total of cash inflow</b>   | <b>98,822</b>     | <b>2,652</b>      |
| Cash paid to acquire fixed, intangible and other long-term assets               | 542,178           | 423,726           |
| Cash paid from investment   | 122,976           | 225,645           |
| Cash paid relating to other investing activities                                | 85                | -                 |
| <b>Sub-total of cash outflow</b>  | <b>665,239</b>    | <b>649,371</b>    |
| <b>Net cash flow from investing activities</b>                                  | <b>(566,417)</b>  | <b>(646,719)</b>  |
| <b>3. Cash flows from financing activities</b>                                  |                   |                   |
| Cash received from shareholders' investment                                     | 3,540,417         | 3,504,747         |
| Cash received from borrowings   | 2,775,971         | 1,286,924         |
| Cash received relating to other financing activities                            | 31,112            | 30,859            |
| <b>Sub-total of cash inflow</b>   | <b>6,347,500</b>  | <b>4,822,530</b>  |
| Cash repayments of amounts borrowed   | 3,237,824         | 1,593,483         |
| Cash payments for distribution of dividends and interest expenses               | 344,042           | 310,361           |
| Cash payments for decrease of registered capital                                | -                 | -                 |
| Cash paid relating to other financing activities                                | 33,227            | 32,500            |
| <b>Sub-total of cash outflow</b>  | <b>3,615,093</b>  | <b>1,936,344</b>  |
| <b>Net cash flow from financing activities</b>                                  | <b>2,732,407</b>  | <b>2,886,186</b>  |
| <b>4. Effect of foreign exchange rate changes on cash</b>                       | <b>2,592</b>      | <b>1,476</b>      |
| <b>5. Net increase in cash and cash equivalents</b>                             | <b>3,813,201</b>  | <b>3,694,056</b>  |

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| Items  | 2004             |                  |
|--|------------------|------------------|
|  | Group            | Company          |
| <b>1. INVESTING AND FINANCING ACTIVITIES NOT INVOLVED IN CASH</b>              |                  |                  |
| Capital converted from liabilities   | -                | -                |
| Convertible bond maturity within 1 year  | -                | -                |
| Financial leased fixed assets  | -                | -                |
| <b>2. Reconciliation of net profit to cash flows from operating activities</b> |                  |                  |
| Net profit   | 1,008,870        | 1,162,283        |
| Add: Minority interest   | 202,011          | -                |
| Provision for assets impairment  | 1,166,771        | 1,136,149        |
| Depreciation of fixed assets   | 307,691          | 207,105          |
| Amortization of intangible assets  | 53,928           | 35,204           |
| Amortization of long-term prepaid expenses                                     | 6,359            | 3,852            |
| Decrease in prepaid expenses   | 2,011            | 990              |
| Increase in accrued expenses   | (54,963)         | (72,421)         |
| Losses on disposal of fixed, intangible and other long-term assets             | 84               | (136)            |
| Losses on retirement of fixed assets   | 43,785           | 40,338           |
| Finance expense  | 151,182          | 129,822          |
| Losses on investment   | 9,367            | (1,162,936)      |
| Deferred taxes creditor  | (38,211)         | (10,005)         |
| Decrease in inventories  | (419,693)        | 1,060,307        |
| Decrease in operating receivable items   | (1,483,439)      | (2,972,220)      |
| Increase in operating payable items  | 688,866          | 1,894,781        |
| Others   | -                | -                |
| <b>Net cash flows from operating activities</b>                                | <b>1,644,619</b> | <b>1,453,113</b> |
| <b>3. Net increase in cash and cash equivalents</b>                            |                  |                  |
| Cash at end of year  | 7,598,223        | 6,463,165        |
| Less: Cash at beginning of year  | 3,785,022        | 2,769,109        |
| Add: Cash equivalents at end of year   | -                | -                |
| Less: Cash equivalents at beginning of year                                    | -                | -                |
| <b>Net increase in cash and cash equivalents</b>                               | <b>3,813,201</b> | <b>3,694,056</b> |

Legal  
representative:  
**Hou Weigui**

Person in charge of  
accounting function:  
**Wei Zaisheng**

Person in charge of  
accounting department:  
**Yu Yong**

(The accompanying notes form an integral part of these financial statements.)