

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,		
	2004 RMB'000	2003 RMB'000	2002 RMB'000
OPERATING ACTIVITIES			
Income before minority interest	3,154,570	1,387,208	1,225,064
Adjustments to reconcile income before minority interest to net cash from operating activities:			
Depreciation of property, plant and equipment and land use rights	971,861	933,827	851,119
Amortization of goodwill	15,773	9,657	777
Release of negative goodwill to income	(27,620)	(27,620)	(27,620)
Amortization of mining rights	6,624	6,624	6,624
Utilization (recognition) of deferred tax asset	44,436	(65)	(1,386)
Recognition of deferred tax liability	67,540	–	–
Allowance for doubtful debts	49,104	80,272	66,204
Loss (gain) on disposal of property, plant and equipment	104,597	(6,872)	1,093
Gain on disposal of investments in securities	–	(1,424)	(2,209)
(Increase) decrease in assets (net of acquisitions):			
Bills and accounts receivable	(10,437)	(506,885)	(168,695)
Inventories	27,129	93,153	(93,818)
Prepayments and other current assets	324,273	224,674	229,701
Amounts due from Parent Company and its subsidiary companies	(213,871)	–	–
Taxes receivable	–	–	21,674
Increase (decrease) in liabilities (net of acquisitions):			
Bills and accounts payable	50,673	(175,117)	(56,492)
Other payables and accrued expenses	(13,333)	569,651	90,973
Provision for land subsidence, restoration, rehabilitation and environmental costs	(178,361)	(2,194)	(43,419)
Amounts due to Parent Company and its subsidiary companies	(368,939)	58,794	84,048
Taxes payable	414,362	57,553	56,074
NET CASH FROM OPERATING ACTIVITIES	4,418,381	2,701,236	2,239,712

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

	NOTES	Year ended December 31,		
		2004 RMB'000	2003 RMB'000	2002 RMB'000
INVESTING ACTIVITIES				
Increase in other loans receivable		(750,000)	(100,000)	–
Purchase of property, plant and equipment		(743,022)	(1,317,856)	(842,471)
Deposit made on investments		(574,000)	–	(30,138)
Acquisition of Southland	35	(136,302)	–	–
(Increase) decrease in restricted cash		(44,210)	34,240	(21,761)
Acquisition of Railway Assets	37	(40,000)	(40,000)	(1,282,445)
Acquisition of investment in securities		(30,283)	–	(88,702)
Proceeds on disposal of property, plant and equipment		17,009	34,399	47,800
Acquisition of Yanmei Shipping	36	–	(11,186)	–
Proceeds on disposal of investments in securities		–	90,126	52,206
NET CASH FLOW USED IN INVESTING ACTIVITIES		(2,300,808)	(1,310,277)	(2,165,511)
FINANCING ACTIVITIES				
Issues of shares, net of share issue expenses		1,756,875	–	–
Dividend paid		(470,680)	(298,480)	(287,000)
Repayments of bank borrowings		(200,000)	(600,000)	(400,000)
Repayment to Parent Company and its subsidiary companies in respect of consideration for acquisition of Jining III		(10,483)	(11,115)	(567,242)
Dividend paid to a minority shareholder of a subsidiary		(319)	(1,765)	(592)
Bank borrowings raised		–	–	1,600,000
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		1,075,393	(911,360)	345,166
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,192,966	479,599	419,367
CASH AND CASH EQUIVALENTS, BEGINNING		2,023,772	1,544,173	1,124,806
CASH AND CASH EQUIVALENTS, ENDING, REPRESENTED BY BANK BALANCES AND CASH		5,216,738	2,023,772	1,544,173
Additional cash flow information:				
Cash paid during the year for				
Interest		34,157	56,838	147,361
Income taxes		992,424	530,222	446,786