

## CASH FLOW STATEMENT (Under PRC GAAP)

For the year ended December 31, 2004

|  | NOTES | The Group              |                        | The Company            |                        |
|--|-------|------------------------|------------------------|------------------------|------------------------|
|  |       | 2004<br>RMB            | 2003<br>RMB            | 2004<br>RMB            | 2003<br>RMB            |
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>                            |       |                        |                        |                        |                        |
| Cash received from sales of goods or rendering of services             |       | 13,189,914,376         | 9,384,648,816          | 13,188,950,880         | 9,364,599,916          |
| Taxes refunded   |       | 275,624,031            | 66,971,847             | 275,624,031            | 66,971,847             |
| Other cash received relating to operating activities                   | 42    | 814,026,402            | 891,392,452            | 817,320,029            | 887,375,392            |
| Sub-total of cash inflows  |       | 14,279,564,809         | 10,343,013,115         | 14,281,894,940         | 10,318,947,155         |
| Cash paid for goods and services                                       |       | 3,039,788,508          | 2,502,187,312          | 3,054,325,824          | 2,484,814,422          |
| Cash paid to and on behalf of employees                                |       | 1,702,043,503          | 1,505,769,853          | 1,700,453,371          | 1,505,483,554          |
| Taxes and surcharges paid  |       | 2,030,649,428          | 923,678,945            | 2,029,066,507          | 921,249,924            |
| Other cash paid relating to operating activities                       | 43    | 3,080,837,523          | 2,663,316,624          | 3,088,729,670          | 2,661,116,906          |
| Sub-total of cash outflows   |       | 9,853,318,962          | 7,594,952,734          | 9,872,575,372          | 7,572,664,806          |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>                         |       | <b>4,426,245,847</b>   | <b>2,748,060,381</b>   | <b>4,409,319,568</b>   | <b>2,746,282,349</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>                            |       |                        |                        |                        |                        |
| Cash received from the returns of investments                          |       | 600,000,000            | 88,702,100             | 600,000,000            | 88,702,100             |
| Net cash received from return on investment                            |       | 26,291,107             | 10,416,971             | 26,291,107             | 12,358,990             |
| Cash received from disposal of fixed assets and other long-term assets |       | 17,008,924             | 34,398,163             | 16,967,165             | 34,398,163             |
| Decrease in restricted cash  |       | –                      | 34,239,354             | –                      | 34,239,354             |
| Sub-total of cash inflows  |       | 643,300,031            | 167,756,588            | 643,258,272            | 169,698,607            |
| Cash paid to acquire fixed assets and other long-term assets           |       | 783,022,445            | 1,357,857,178          | 779,522,963            | 1,357,849,378          |
| Cash paid for investments  |       | 1,954,283,009          | 100,000,000            | 2,350,282,380          | 100,000,000            |
| Net cash paid for acquisition of a subsidiary                          |       | –                      | 11,185,513             | –                      | 11,691,884             |
| Cash paid for acquisition of Southland Assets                          | 44    | 136,301,992            | –                      | –                      | –                      |
| Increase in restricted cash  |       | 44,209,988             | –                      | 7,355,552              | –                      |
| Sub-total of cash outflows   |       | 2,917,817,434          | 1,469,042,691          | 3,137,160,895          | 1,469,541,262          |
| <b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>                      |       | <b>(2,274,517,403)</b> | <b>(1,301,286,103)</b> | <b>(2,493,902,623)</b> | <b>(1,299,842,655)</b> |

**CASH FLOW STATEMENT (Under PRC GAAP) (Cont'd)**

At December 31, 2004

| NOTES  | The Group            |                      | The Company          |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2004<br>RMB          | 2003<br>RMB          | 2004<br>RMB          | 2003<br>RMB          |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>              |                      |                      |                      |                      |
| Cash received from issue of share capital                | 1,756,875,383        | –                    | 1,756,875,383        | –                    |
| Sub-total of cash inflows                                | 1,756,875,383        | –                    | 1,756,875,383        | –                    |
| Repayments of borrowings                                 | 200,000,000          | 600,000,000          | 200,000,000          | 600,000,000          |
| Cash paid for acquisition of Jining III                  | 13,247,800           | 13,247,800           | 13,247,800           | 13,247,800           |
| Dividends paid   | 470,680,000          | 298,480,000          | 470,680,000          | 298,480,000          |
| Dividends paid to minority shareholder of a subsidiary   | 318,608              | 1,765,539            | –                    | –                    |
| Cash paid for interest expenses                          | 31,392,000           | 53,682,000           | 31,392,000           | 53,682,000           |
| Sub-total of cash outflows                               | 715,638,408          | 967,175,339          | 715,319,800          | 965,409,800          |
| <b>NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b> | <b>1,041,236,975</b> | <b>(967,175,339)</b> | <b>1,041,555,583</b> | <b>(965,409,800)</b> |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH</b>   | <b>–</b>             | <b>–</b>             | <b>–</b>             | <b>–</b>             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>         | <b>3,192,965,419</b> | <b>479,598,939</b>   | <b>2,956,972,528</b> | <b>481,029,894</b>   |

**CASH FLOW STATEMENT (Under PRC GAAP) (Cont'd)**

At December 31, 2004

| NOTES   | The Group            |                      | The Company          |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2004<br>RMB          | 2003<br>RMB          | 2004<br>RMB          | 2003<br>RMB          |
| <b>SUPPLEMENTAL INFORMATION:</b>  |                      |                      |                      |                      |
| <b>RECONCILIATION OF NET PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES:</b> |                      |                      |                      |                      |
| Net profit  | 2,707,784,846        | 1,105,364,647        | 2,707,784,846        | 1,105,364,647        |
| Add: Minority interest  | 252,676              | 522,072              | –                    | –                    |
| Impairment losses on assets   | 49,104,445           | 80,271,568           | 49,104,445           | 80,271,568           |
| Depreciation of fixed assets  | 979,265,775          | 933,708,954          | 977,965,985          | 933,584,803          |
| Provision for Wei Jian Fei  | 234,878,898          | 259,673,766          | 234,878,898          | 259,673,766          |
| Provision for Work Safety Expense   | 204,668,160          | –                    | 204,668,160          | –                    |
| Provision for Reform and Specific Development Fund                              | 96,668,980           | –                    | 96,668,980           | –                    |
| Amortization of intangible assets and other assets                              | 33,697,987           | 28,797,933           | 33,697,987           | 28,797,933           |
| Losses (gains) on disposal of fixed assets and other long-term assets           | 104,597,336          | (6,871,511)          | 104,585,195          | (6,871,511)          |
| Decrease in deferred expenses   | 38,001,760           | 15,914,457           | 38,783,285           | 15,914,457           |
| Financial expenses  | 31,392,000           | 53,682,000           | 31,392,000           | 53,682,000           |
| Gain arising from investments   | (25,174,956)         | (10,416,971)         | (25,556,243)         | (10,991,229)         |
| Decrease in inventories   | 16,600,171           | 75,804,726           | 22,252,239           | 72,866,711           |
| Increase in receivables under operating activities                              | (3,029,399)          | (292,674,819)        | (9,104,537)          | (304,976,022)        |
| Increase (Decrease) in payables under operating activities                      | (42,462,832)         | 504,283,559          | (57,801,672)         | 518,965,226          |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>                                  | <b>4,426,245,847</b> | <b>2,748,060,381</b> | <b>4,409,319,568</b> | <b>2,746,282,349</b> |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS:</b>                               |                      |                      |                      |                      |
| Cash at the end of the year 45/48 (3)   | 5,216,737,490        | 2,023,772,071        | 4,978,639,784        | 2,021,667,256        |
| Less: Cash at the beginning of the year   | 2,023,772,071        | 1,544,173,132        | 2,021,667,256        | 1,540,637,362        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                | <b>3,192,965,419</b> | <b>479,598,939</b>   | <b>2,956,972,528</b> | <b>481,029,894</b>   |

The accompanying notes are part of the financial statements.