

Company Cash Flow Statement (continued)

(Prepared under PRC accounting standards)

Year ended 31 December 2004

	Note V	2004 RMB	2003 RMB
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		33,165,191,425	18,992,685,815
Cash received relating to other operating activities		<u>6,641,442</u>	<u>10,766,160</u>
Sub-total of cash inflows		<u>33,171,832,867</u>	<u>19,003,451,975</u>
Cash paid for goods and services		(21,688,440,835)	(12,228,550,471)
Cash paid to and on behalf of employees		(2,005,943,925)	(1,789,549,282)
Cash paid for all taxes		(2,160,714,244)	(1,407,061,767)
Cash paid relating to other operating activities		<u>(877,400,798)</u>	<u>(350,504,445)</u>
Sub-total of cash outflows		<u>(26,732,499,802)</u>	<u>(15,775,665,965)</u>
Net cash flows from operating activities		<u>6,439,333,065</u>	<u>3,227,786,010</u>
2. Cash flows from investing activities:			
Cash received from disposal of investments		2,660,000	11,942,106
Cash received from returns on investments		24,313,677	14,616,381
Net cash received from disposal of fixed assets, intangible assets and other long term assets		32,333,303	15,204,157
Cash received from retrieval of pledged deposits and overdue deposits		<u>43,287,158</u>	<u>26,617,294</u>
Sub-total of cash inflows		<u>102,594,138</u>	<u>68,379,938</u>
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets		(4,306,765,307)	(5,614,855,420)
Cash paid for acquisitions of investments		(4,400,000)	(270,907,183)
Cash paid for acquisition of a subsidiary	46	<u>(21,478,316)</u>	<u>–</u>
Sub-total of cash outflows		<u>(4,332,643,623)</u>	<u>(5,885,762,603)</u>
Net cash flows from investing activities		<u>(4,230,049,485)</u>	<u>(5,817,382,665)</u>

The accompanying note form an integral part of the financial statements.

Company Cash Flow Statement (continued)

(Prepared under PRC accounting standards)

Year ended 31 December 2004

	2004 RMB	2003 RMB
3. Cash flows from financing activities:		
Cash received from borrowings	1,683,950,905	5,332,417,905
Cash received relating to other financing activities	–	55,980,000
Sub-total of cash inflows	1,683,950,905	5,388,397,905
Cash repayments of borrowings	(2,158,608,025)	(1,535,175,103)
Cash paid for distribution of dividend or profits and for interest expenses	(1,608,673,683)	(314,752,790)
Cash paid relating to other financing activities	(35,391,603)	(72,551,470)
Sub-total of cash outflows	(3,802,673,311)	(1,922,479,363)
Net cash flows from financing activities	(2,118,722,406)	3,465,918,542
4. Effect of foreign exchange rate changes on cash	(9,248,260)	15,814,271
5. Net increase in cash and cash equivalents	81,312,914	892,136,158

Company Cash Flow Statement (continued)

(Prepared under PRC accounting standards)

Year ended 31 December 2004

	2004 RMB	2003 RMB
Supplementary information		
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,573,507,015	2,802,775,290
Add: Provision/(reversal of provision) for bad debts	(18,249,258)	9,570,000
Provision for inventories	10,401,537	6,601,509
Reversal of impairment provision for investments	–	(2,263,731)
Reversal of impairment provision for fixed assets	(15,411,808)	(63,554,141)
Depreciation of fixed assets	1,783,861,084	1,043,600,468
Amortisation of intangible assets	20,565,038	20,565,038
Decrease in accrued charges	(24,728,131)	(79,308,392)
Loss on disposal of fixed assets, intangible assets and other long term assets, net	11,078,414	47,260,768
Financial expenses	408,041,465	147,512,212
Investment income	(74,511,553)	(10,229,968)
Increase in inventories	(2,362,646,935)	(688,693,362)
Decrease/(increase) in receivables from operating activities	508,040,399	(2,009,518,165)
Increase in payables from operating activities	2,619,385,798	2,003,468,484
Net cash flows from operating activities	6,439,333,065	3,227,786,010
2. Investing and financing activities that do not involve cash receipts and payments:		
	–	–
3. Net increase in cash and cash equivalents:		
Cash and balances with financial institutions at end of year	1,756,213,758	1,674,900,844
Less: Cash and balances with financial institutions at beginning of year	(1,674,900,844)	(782,764,686)
Add: Balance of cash equivalents at end of year	–	–
Less: Balance of cash equivalents at beginning of year	–	–
Net increase in cash and cash equivalents	81,312,914	892,136,158

Company Representative:

Gu Jianguo

25 April 2005

Chief Accountant:

Su Jianguo

25 April 2005

Head of Accounting Department:

Guan Yagang

25 April 2005