

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004
(Amounts in thousands)

	Note	<u>2004</u> RMB	<u>2003</u> RMB
Cash flows from operating activities			
Cash generated from operations	(a)	4,652,759	1,926,959
Interest paid		(72,330)	(152,424)
Income tax paid		<u>(1,379,765)</u>	<u>(157,939)</u>
Net cash from operating activities		<u>3,200,664</u>	<u>1,616,596</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(445,999)	(356,334)
Interest received		4,147	2,391
Proceeds from disposal of property, plant and equipment		<u>1,524</u>	<u>5,344</u>
Net cash used in investing activities		<u>(440,328)</u>	<u>(348,599)</u>
Cash flows from financing activities			
Proceeds from bank loans		802,080	2,765,665
Repayments of bank loans		(2,673,484)	(3,784,850)
Repayments of loans from parent companies and fellow subsidiaries		(100,000)	(280,000)
Dividend paid		<u>(168,700)</u>	<u>-</u>
Net cash used in financing activities		<u>(2,140,104)</u>	<u>(1,299,185)</u>
Net increase/(decrease) in cash and cash equivalents		620,232	(31,188)
Cash and cash equivalents at beginning of year		<u>231,447</u>	<u>262,635</u>
Cash and cash equivalents at end of year		<u>851,679</u>	<u>231,447</u>

The notes on pages 42 to 67 form part of these financial statements.

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004
(Amounts in thousands)

(a) Reconciliation of profit from ordinary activities before taxation to cash generated from operations:

	<u>2004</u>	<u>2003</u>
	<u>RMB</u>	<u>RMB</u>
Profit from ordinary activities before taxation	4,257,254	877,107
Adjustments for:		
Depreciation	931,603	890,779
Loss on disposal of property, plant and equipment, net	47,482	18,984
Interest income	(4,147)	(2,391)
Interest expense	69,730	142,824
(Increase)/decrease in trade and bills receivables	(441,810)	95,082
Increase in inventories	(193,304)	(26,209)
Decrease in prepayments and other current assets	59,036	105,282
Decrease in trade and bills payables	(184,117)	(80,385)
Increase/(decrease) in accruals and other payables	<u>111,032</u>	<u>(94,114)</u>
Cash generated from operations	<u>4,652,759</u>	<u>1,926,959</u>

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