

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	Year ended December 31,		
		2005 RMB'000	2004 RMB'000	2003 RMB'000
OPERATING ACTIVITIES				
Income for the year		2,881,937	3,154,570	1,387,208
Adjustments to reconcile income for the year to net cash from operating activities:				
Depreciation of property, plant and equipment		952,096	958,667	920,533
Amortization of prepaid lease		13,171	13,194	13,294
Amortization of goodwill		–	15,773	9,657
Release of negative goodwill to income		–	(27,620)	(27,620)
Amortization of mining rights		6,624	6,624	6,624
Recognition (utilization) of deferred tax asset		44,436	44,436	(65)
Recognition of deferred tax liability		78,739	67,540	–
Impairment loss on accounts receivables		–	49,104	80,272
Loss (gain) on disposal of property, plant and equipment		527	104,597	(6,872)
Gain on disposal of investments in securities		–	–	(1,424)
(Increase) decrease in assets:				
Bills and accounts receivable		(1,001,048)	(10,437)	(506,885)
Inventories		59,989	27,129	93,153
Prepayment for land subsidence, restoration, rehabilitation and environmental cost		(53,377)	–	–
Prepayments and other current assets		(17,261)	324,273	224,674
Amounts due from Parent Company and its subsidiary companies		213,871	(213,871)	–
Prepaid lease payment		(14,691)	–	–
Increase (decrease) in liabilities:				
Bills and accounts payable		19,379	50,673	(175,117)
Other payables and accrued expenses		157,833	(13,333)	569,651
Provision for land subsidence, restoration, rehabilitation and environmental costs		–	(178,361)	(2,194)
Amounts due to Parent Company and its subsidiary companies		479,067	(368,939)	58,794
Taxes payable		117,982	414,362	57,553
NET CASH FROM OPERATING ACTIVITIES		3,939,274	4,418,381	2,701,236

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

	NOTES	Year ended December 31,		
		2005 RMB'000	2004 RMB'000	2003 RMB'000
INVESTING ACTIVITIES				
Increase in term deposits		(1,326,335)	–	–
Purchase of property, plant and equipment		(1,315,431)	(743,022)	(1,317,856)
Decrease (increase) in other loans receivable		210,000	(750,000)	(100,000)
Acquisition of Heze	36	170,247	(574,000)	–
(Increase) decrease in restricted cash		(5,325)	(44,210)	34,240
Proceeds on disposal of property, plant and equipment		4,378	17,009	34,399
Acquisition of Southland	37	–	(136,302)	–
Acquisition of Yanmei Shipping	38	–	–	(11,186)
Proceeds on disposal of investments in securities		–	–	90,126
Acquisition of Railway Assets		–	(40,000)	(40,000)
Acquisition of investment in securities		–	(30,283)	–
NET CASH FLOW USED IN INVESTING ACTIVITIES		(2,262,466)	(2,300,808)	(1,310,277)
FINANCING ACTIVITIES				
Dividend paid		(799,240)	(470,680)	(298,480)
Repayments of bank borrowings		(200,000)	(200,000)	(600,000)
Repayment to Parent Company and its subsidiary companies in respect of consideration for acquisition of Jining III		(9,802)	(10,483)	(11,115)
Dividend paid to a minority shareholder of a subsidiary		(237)	(319)	(1,765)
Issues of shares, net of share issue expenses		–	1,756,875	–
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		(1,009,279)	1,075,393	(911,360)
NET INCREASE IN CASH AND CASH EQUIVALENTS		667,529	3,192,966	479,599
CASH AND CASH EQUIVALENTS, BEGINNING		5,216,738	2,023,772	1,544,173
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,314	–	–
CASH AND CASH EQUIVALENTS, ENDING, REPRESENTED BY BANK BALANCES AND CASH		5,885,581	5,216,738	2,023,772
Additional cash flow information:				
Cash paid during the year for				
Interest		24,199	34,157	56,838
Income taxes		1,296,879	992,424	530,222