



Consolidated Cash Flow Statement

For the year ended 31 December 2006

| | 2006 RMB | 2005 RMB |
|---|---------------------|---------------------|
| Operating activities | | |
| Profit before tax | 12,448,334 | 9,983,261 |
| Adjustments for: | | |
| Interest income | (1,070,344) | (564,753) |
| Share of result of an associate | 1,582,693 | 562,325 |
| Gain on disposal of available-for-sale investment | (1,000,000) | – |
| Dividend income | – | (1,680,000) |
| Depreciation of property, plant and equipment | 2,172,867 | 1,774,726 |
| Loss on disposal of property, plant and equipment | 35,024 | 5,000 |
| Amortisation of intangible assets | 3,498,032 | 913,685 |
| Reversal of impairment loss on trade receivables | (514,414) | (650,589) |
| Allowance for inventories | – | 102,191 |
| Share-based payment expenses | 2,254,901 | 1,268,354 |
| Operating cash flows before movements in working capital | 19,407,093 | 11,714,200 |
| Increase in inventories | (1,371,372) | (2,343,738) |
| Increase in amounts due from customers for contract work | (3,767,696) | (3,049,719) |
| (Increase) decrease in trade receivables | (12,132,512) | 1,419,865 |
| (Increase) decrease in note receivables | (16,963,953) | 648,000 |
| Decrease in prepayments, deposits and other receivables | 802,212 | 270,902 |
| (Increase) decrease in amount due from a related party | (950,000) | 3,559,739 |
| Increase in trade payables | 1,578,819 | 575,084 |
| Decrease in advances from customers, accrued charges and other payables | (1,251,924) | (3,972,000) |
| (Decrease) increase in note payables | (5,660,054) | 6,300,054 |
| Cash (used in) generated from operations | (20,309,387) | 15,122,387 |
| PRC enterprise income tax paid | (462,466) | (518,596) |
| Net cash (used in) generated from operating activities | (20,771,853) | 14,603,791 |
| Investing activities | | |
| Interest received | 1,070,344 | 564,753 |
| Decrease (increase) in non-current bank deposits | 2,438,280 | (2,438,280) |
| Proceeds from disposal of available-for-sale investment | 5,600,000 | – |
| Increase in bank deposits | (30,633,170) | (25,052,050) |
| Dividend received | – | 1,680,000 |
| Purchase of property, plant and equipment | (1,041,185) | (14,092,664) |
| Proceeds from disposal of property, plant and equipment | 21,479 | 1,700 |
| Addition of intangible assets | (4,882,534) | (4,887,612) |
| Investment in an associate | – | (8,100,000) |
| Net cash used in investing activities | (27,426,786) | (52,324,153) |

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For the year ended 31 December 2006

| | 2006 RMB | 2005 RMB |
|--|---------------------|---------------------|
| Financing activities | | |
| Dividend paid | (2,813,160) | (7,200,000) |
| Repurchase of shares | (2,009,340) | – |
| Proceeds from note receivables discounted | 16,963,953 | – |
| Net cash generated from (used in) financing activities | 12,141,453 | (7,200,000) |
| Net decrease in cash and cash equivalents | (36,057,186) | (44,920,362) |
| Cash and cash equivalents at beginning of the year | 46,033,036 | 90,953,398 |
| Cash and cash equivalents at end of the year, representing bank balances and cash | 9,975,850 | 46,033,036 |