

SHANDA INTERACTIVE ENTERTAINMENT LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended
December 31,

	2001	2002	2003	2003
	RMB	RMB	RMB	US\$ (Note 2c)
Cash flows from operating activities:				
Net income	3,235,560	139,287,530	272,850,169	32,966,058
Adjustments for:				
Share-based compensation costs	—	—	18,158,982	2,193,988
Depreciation and amortization of property, equipment and software	340,364	4,257,174	19,363,189	2,339,482
Amortization of intangible assets	360,152	2,028,233	11,672,308	1,410,261
Investment income	—	(22,396)	(6,551,259)	(791,530)
Interest income on loan receivable	—	—	(1,752,083)	(211,689)
Minority interests	(4,780,771)	—	(3,640,950)	(439,904)
Decrease (increase) in accounts receivable	1,652,960	—	(6,199,809)	(749,068)
Increase in due from related parties	(500,000)	(250,000)	(2,114,691)	(255,499)
Increase in deferred licensing fees and related costs	(768,998)	(32,453,014)	(19,920,207)	(2,406,781)
Increase in prepayments and other current assets	(1,478,275)	(5,339,782)	(7,075,010)	(854,810)
Increase in deferred tax assets	(645,933)	(14,391,887)	(7,049,837)	(851,769)
Increase in upfront licensing fees paid	(2,488,140)	(12,019,981)	(38,061,203)	(4,598,596)
Increase in other long-term deposits	—	(323,874)	(2,025,066)	(244,671)
Increase in accounts payable	2,336,532	8,432,528	13,067,772	1,578,862
Increase (decrease) in licensing fees payable	1,375,478	72,557,338	(26,881,371)	(3,247,837)
Increase (decrease) in taxes payable	899,342	49,104,674	(37,453,196)	(4,525,136)
Increase in deferred revenue	2,574,197	108,633,873	86,272,373	10,423,523
(Decrease) increase in other payables and accruals	(1,352,911)	9,638,637	15,695,509	1,896,349
Net cash provided by operating activities	759,557	329,139,053	278,355,620	33,631,233
Cash flows from investing activities:				
(Increase) decrease of short-term investments	—	(120,000,000)	120,000,000	14,498,532
Purchase of marketable securities	(9,800)	(5,000,000)	(1,829,473,857)	(221,039,044)
Proceeds from disposal of marketable securities	—	22,396	1,829,431,841	221,033,968
Increase in loan receivable	—	—	(55,870,000)	(6,750,275)
Purchase of property, equipment and software	(2,248,990)	(33,669,587)	(76,876,035)	(9,288,247)
Purchase of intangible assets	(884,200)	—	(1,327,199)	(160,354)
Net cash paid for purchase of VIE subsidiaries	(1,250,000)	(1,242,980)	(5,538,055)	(669,114)
Proceeds from disposal of a VIE subsidiary	—	—	1,593,000	192,468
Investment in equity securities	—	—	(3,455,125)	(417,452)
Increase in cash arising from consolidation	6,644,049	—	—	—
Net cash provided by (used in) investing activities	2,251,059	(159,890,171)	(21,515,430)	(2,599,518)
Cash flows from financing activities:				
Increase in group equity	1,500,000	—	—	—
Cash injection in VIE subsidiaries by minority shareholders	—	—	6,356,435	767,992
Proceeds from issuance of Series A and Series A-1 Convertible Preferred Shares, net of issuance costs of RMB7,724,490	—	—	240,585,510	29,067,806
Dividends to ordinary shareholders	—	—	(2,125,000)	(256,745)
Deemed capital distribution to the founders of Heng Kang	—	—	(24,831,000)	(3,000,109)
Deemed capital distribution from deconsolidation of Heng Kang	—	—	(54,943,653)	(6,638,353)
Net cash provided by financing activities	1,500,000	—	165,042,292	19,940,591
Net increase in cash and cash equivalents	4,510,616	169,248,882	421,882,482	50,972,306
Cash, beginning of year	3,280,465	7,791,081	177,039,963	21,390,163
Cash, end of year	7,791,081	177,039,963	598,922,445	72,362,469
Supplemental disclosure of cash flow information:				
Cash paid during the year for income tax	85,552	4,626,576	55,238,262	6,673,948
Supplemental disclosure of non-cash investing and financing activities:				
Accrual related to purchase of property, equipment, and software	1,073,589	2,755,081	14,828,993	1,791,655
Accounts payable assumed by founders of Heng Kang upon deconsolidation	—	—	26,555,201	3,208,274
Dividends distributed for settlement of subscription receivables (Note 11)	—	—	8,277,000	1,000,036
Dividends distributed for reinvestment in Shanda Networking (Note 11)	—	—	8,500,000	1,026,979