

# Consolidated Cash Flow Statement

For the year ended 31 December 2002

	Note	2002 RMB'000	2001 RMB'000
<b>Net cash inflow from operations</b>	(a)	15,675,105	13,249,360
Interest received		599,506	2,605,507
Interest paid		(1,868,208)	(2,576,822)
Dividends received		24,978	22,864
Dividends paid to minority owners of subsidiaries		(31,902)	(29,377)
PRC income tax paid		(1,345,201)	(2,193,657)
Net cash inflow from operating activities		13,054,278	11,077,875
<b>Investing activities</b>			
Purchase of property, plant and equipment		(21,152,102)	(28,547,009)
Sale of property, plant and equipment		24,552	131,692
Purchase of minority interests		(257,337)	(18,537)
Decrease (increase) in short-term bank deposits		20,096,738	(17,083,008)
Purchase of Unicom New Century, net of cash acquired	(c)	(3,692,687)	—
Purchase of trading securities		(14,557)	—
Sale of trading securities		18,865	144,976
Purchase of investment in associated companies		(2,105)	—
Sale of investment securities		4,241	—
Purchase of investment securities		—	(21,426)
Sale of investment securities		35,300	5,139
Payment for other assets		(226,947)	(736,844)
Net cash outflow from investing activities		(5,166,039)	(46,125,017)
<b>Financing activities</b>			
(Decrease) increase in amounts due to Unicom Group		(1,393,434)	126,137
Proceeds from short-term bank loans		9,623,438	11,214,388
Proceeds from long-term bank loans		7,757,005	10,029,022
Repayment of short-term bank loans		(7,928,938)	(11,859,205)
Repayment of long-term bank loans		(19,925,822)	(766,875)
Net cash (outflow) inflow from financing activities		(11,867,751)	8,743,467
Net decrease in cash and cash equivalents		(3,979,512)	(26,303,675)
Cash and cash equivalents, beginning of year		18,413,010	44,716,685
Cash and cash equivalents, end of year		14,433,498	18,413,010
<b>Analysis of the balances of cash and cash equivalents:</b>			
Cash balance		5,942	21,991
Bank balance		14,427,556	18,391,019
		14,433,498	18,413,010

(a) The reconciliation of profit before taxation to net cash inflow from operations is as follows:

	2002 RMB'000	2001 RMB'000
Profit before taxation	6,303,166	5,462,588
Adjustments for:		
Depreciation and amortisation	11,255,724	8,262,296
Amortisation of deferred customer acquisition costs of contractual CDMA subscribers	1,385,424	—
Interest income	(470,282)	(2,096,972)
Interest expense	1,456,736	1,907,148
Loss on disposal of property, plant and equipment	82,467	54,475
Impairment loss of property, plant and equipment and goodwill	38,797	632,511
Provision for doubtful debts	971,989	540,954
Share of (profits) losses from associated companies	(553)	24,773
Dividends from investment securities	(24,978)	(22,864)
Realised gains on trading securities	(1,876)	(31,979)
Unrealised losses on trading securities	27,461	56,576
Realised gains on investment securities	(18,098)	(944)
Reversal of impairment loss of associated companies	—	(3,219)
Realised gains in associated companies	(1,251)	—
Additional provision (reversal) of impairment loss of investment securities	650	(12,490)
Operating profit before working capital changes	21,005,376	14,772,853
Increase in accounts receivable	(2,085,863)	(1,493,966)
Increase in inventories	(1,276,602)	(72,302)
Increase in other assets	(5,478,259)	—
(Increase)/decrease in prepayments and other current assets	(1,142,810)	187,565
Decrease in amounts due from domestic carriers	8,599	176,786
Decrease/(increase) in amounts due from related parties	280,216	(891,497)
Increase in payables and accrued liabilities	1,488,449	872,084
Increase in advances from customers	1,978,456	149,865
Increase/(decrease) in amounts due to domestic carriers	221,196	(534,599)
Increase in amounts due to related parties	676,347	82,571
Net cash inflow from operations	15,675,105	13,249,360

(b) Supplemental information:

As the payables to equipment suppliers for construction-in-progress decreased by approximately RMB2,201 million during 2002 (2001: increased by approximately RMB2,706 million), cash outflows for the purchase of property, plant and equipment for the year amounted to approximately RMB21,152 million (2001: RMB28,547 million).

(c) Acquisition of Unicom New Century:

	RMB'000
Net assets acquired:	
Property, plant and equipment, net	23,330,775
Other assets	1,799,357
Deferred tax assets	56,368
Current portion of deferred tax assets	251,255
Amounts due from related parties	809,526
Amounts due from domestic carriers	20,601
Prepayments and other current assets	714,396
Inventories	1,201,310
Accounts receivable, net	715,331
Cash and cash equivalents	1,107,313
Payables and accrued liabilities	(4,940,983)
Amounts due to Unicom Group	(778,109)
Amounts due to related parties	(649,896)
Amounts due to domestic carriers	(160,018)
Current portion of long-term bank loans	(2,668,782)
Long-term bank loans	(15,465,331)
Taxes payable	(215,734)
Advances from customers	(1,496,228)
Short-term loans from Unicom Group	(724,127)
Short-term bank loans	(363,000)
	2,544,024
Goodwill	2,365,197
Less: Direct costs of acquisition	(109,221)
Consideration paid	4,800,000
Analysis of the net outflow in respect of the acquisition of Unicom New Century:	
Cash consideration	4,800,000
Bank balances and cash in hand acquired	(1,107,313)
Net cash outflow in respect of the acquisition of Unicom New Century	3,692,687