

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2000 (expressed in Renminbi)

	Note	2000 RMB million	1999 RMB million
Net cash inflows from operating activities	(a)	41,401	21,662
Returns on investments and servicing of finance			
Interest received		994	934
Interest paid		(863)	(445)
Net cash inflow from returns on investments and servicing of finance		131	489
Taxation			
Hong Kong profits tax refunded		—	1
PRC income tax paid		(5,952)	(2,479)
Tax paid		(5,952)	(2,478)
Investing activities			
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired) (c) and (d)		(67,299)	(18,187)
Payment for acquisition of minority interests		—	(15)
Capital expenditure		(21,964)	(11,708)
Proceeds from disposal of fixed assets		264	709
Increase in deposits with banks		(3,881)	(6,916)
Net cash outflow from investing activities		(92,880)	(36,117)
Net cash outflow before financing activities		(57,300)	(16,444)
Financing activities			
Proceeds from issue of shares, net of expenses	(e)	55,812	16,223
New bank and other loans	(e)	12,736	6,868
Repayments of bank and other loans	(e)	(8,130)	(9,653)
Capital elements of finance leases rental	(e)	(362)	—
Proceeds from issue of fixed rate notes, net of discount		—	4,952
Expenses on issue of fixed rate notes		—	(53)
Proceeds from issue of convertible notes	(e)	5,708	—
Expenses on issue of convertible notes		(128)	—
Increase in amounts due to minority interests	(e)	17	—
Net cash inflow from financing activities		65,653	18,337
Increase in cash and cash equivalents		8,353	1,893
Effect of changes in foreign exchange rates		—	(25)
Cash and cash equivalents at beginning of year		19,349	17,481
Cash and cash equivalents at end of year	(b)	27,702	19,349

The notes on pages 66 to 99 form part of these accounts.

Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit from ordinary activities before taxation to net cash inflows from operating activities

	2000 RMB million	1999 RMB million
Profit from ordinary activities before taxation	26,393	6,444
Depreciation of fixed assets	9,759	7,411
Write-down and write-off of analog network equipment	1,525	8,242
Loss on disposal of fixed assets	126	1
Provision for doubtful accounts	1,346	771
Amortisation of deferred expenses	15	2
Interest income	(1,006)	(767)
Interest expense and finance lease charges	824	343
Dividend income	(26)	—
Unrealised exchange (gain)/loss, net	(2)	25
Increase in inventories	(408)	(43)
Decrease in amount due from ultimate holding company	409	14
Decrease/(increase) in amounts due from related parties	1,700	(127)
Increase in accounts receivable	(985)	(2,167)
Decrease/(increase) in other receivables	54	(245)
(Increase)/decrease in prepayments and other current assets	(262)	781
Increase in amount due to ultimate holding company	14	329
(Decrease)/increase in amounts due to related parties	(1,696)	426
Increase/(decrease) in accounts payable	1,179	(36)
Increase in accrued expenses and other payables	1,319	523
Increase/(decrease) in deferred revenue	1,123	(265)
Net cash inflows from operating activities	41,401	21,662

(b) Analysis of the balances of cash and cash equivalents

	2000 RMB million	1999 RMB million
Deposits with banks maturing within three months when placed	6,457	6,986
Cash and bank balances	21,245	12,363
	27,702	19,349

(c) **Acquisition of subsidiaries**

	2000	1999
	RMB million	RMB million
Net assets acquired:		
Fixed assets	37,391	11,186
Construction in progress	5,104	1,060
Interest in an associate	—	16
Investment securities	35	—
Deferred tax assets	723	3
Inventories	213	63
Amount due from ultimate holding company	874	106
Amounts due from related parties	—	1,286
Accounts receivable	2,656	1,079
Other receivables	1,790	145
Prepayments and other current assets	510	181
Deposits with banks	96	—
Cash and bank balances	7,681	2,081
Bank and other loans	(4,241)	(1,267)
Bills payable	(57)	(310)
Obligation under finance lease - current portion	(1,706)	—
Amount due to ultimate holding company	—	(335)
Amounts due to related parties	—	(674)
Accounts payable	(4,926)	(1,121)
Accrued expenses and other payables	(2,897)	(796)
Taxation	(1,436)	(249)
Long-term bank and other loans	(7,521)	(1,766)
Obligation under finance lease - long term portion	(1,305)	(175)
Deferred revenue	(1,039)	—
	31,945	10,513
Goodwill arising on acquisition	239,540	42,440
	271,485	52,953
Satisfied by: Cash consideration	79,116	20,268
Issue of ordinary shares	192,369	32,685
	271,485	52,953

The subsidiaries acquired during the year ended 31 December 2000 contributed RMB4,257,000,000 to the Group's net operating cash flows, paid RMB183,000,000 in respect of the net returns on investments and servicing of finance, and utilised RMB2,899,000,000 for investing activities and RMB454,000,000 for financing activities.

The subsidiaries acquired during the year ended 31 December 1999 contributed RMB1,439,000,000 to the Group's net operating cash flows, paid RMB44,000,000 in respect of the net returns on investments and servicing of finance, and utilised RMB657,000,000 for investing activities and RMB717,000,000 for financing activities.

(d) **Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries**

	2000	1999
	RMB million	RMB million
Cash consideration	79,116	20,268
Cash and bank balances acquired	(7,681)	(2,081)
Amount due to immediate holding company	(4,136)	—
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	67,299	18,187

(e) **Analysis of changes in financing during the year**

	Share capital (including share premium)	Bank and other loans	Fixed rate notes
	RMB million	RMB million	RMB million
Balance at 1 January 1999	51,904	6,328	—
Acquired on acquisition of subsidiaries	—	3,033	—
	51,904	9,361	—
Changes in financing:			
Cash flows from financing	16,223	6,868	4,952
Repayments of bank and other loans	—	(9,653)	—
	68,127	6,576	4,952
Non-cash transaction:			
Issue of shares as consideration for acquisition of subsidiaries	32,685	—	—
Balance at 31 December 1999	100,812	6,576	4,952

	Share capital (including share premium) RMB million	Bank and other loans RMB million	Obligations under finance leases RMB million	Convertible notes RMB million	Minority interests RMB million
Balance at 1 January 2000	100,812	6,576	175	—	—
Acquired on acquisition of subsidiaries	—	11,762	3,011	—	—
	100,812	18,338	3,186	—	—
Inception of finance lease contracts	—	—	35	—	—
Changes in financing:					
Cash flows from financing	55,812	12,736	—	5,708	17
Repayments of bank and other loans	—	(8,130)	—	—	—
Repayments of capital elements of finance leases	—	—	(362)	—	—
	156,624	22,944	2,859	5,708	17
Non-cash transaction:					
Issue of shares as consideration for acquisition of subsidiaries	192,369	—	—	—	—
Balance at 31 December 2000	348,993	22,944	2,859	5,708	17

(f) Significant non-cash transactions

The Group incurred payables of RMB5,555,000,000 and RMB1,005,000,000 to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 2000.

The Group incurred payables of RMB3,374,000,000 and RMB1,486,000,000 to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 1999.

In November 2000, the Group issued new shares to China Mobile Hong Kong (BVI) Limited (“CMHK BVI”) at HK\$181,412,000,000 (equivalent to RMB192,369,000,000) as part of the consideration for the acquisition of Beijing Mobile (BVI) Limited (“Beijing Mobile BVI”), Shanghai Mobile (BVI) Limited (“Shanghai Mobile BVI”), Tianjin Mobile (BVI) Limited (“Tianjin Mobile BVI”), Hebei Mobile (BVI) Limited (“Hebei Mobile BVI”), Liaoning Mobile (BVI) Limited (“Liaoning Mobile BVI”), Shandong Mobile (BVI) Limited (“Shandong Mobile BVI”), and Guangxi Mobile (BVI) Limited (“Guangxi Mobile BVI”).

In November 1999, the Group issued new shares to CMHK BVI (formerly China Telecom Hong Kong (BVI) Limited) at HK\$30,684,000,000 (equivalent to RMB32,685,000,000) as part of the consideration for the acquisition of Fujian Mobile (BVI) Limited (“Fujian Mobile BVI”), Henan Mobile (BVI) Limited (“Henan Mobile BVI”) and Hainan Mobile (BVI) Limited (“Hainan Mobile BVI”).