

Consolidated Cash Flow Statement

for the period from 3 September 1997
(date of incorporation) to 31 December 1997
(Expressed in Renminbi)

	Note	1997 RMB'000	(Note 1) Proforma combined 1996 RMB'000
Net cash inflows from operating activities	(a)	<u>8,825,543</u>	<u>6,418,422</u>
Returns on investments and servicing of finance			
Interest received		413,958	72,648
Interest paid		(268,424)	(205,844)
Distributions		<u>(221,812)</u>	<u>(1,304,655)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(76,278)</u>	<u>(1,437,851)</u>
Taxation			
PRC income tax paid		<u>(546,216)</u>	<u>(767,258)</u>
Investing activities			
Capital expenditures		(5,806,798)	(5,510,931)
Investment in associated companies		(30,430)	—
Proceeds from disposal of fixed assets		12,591	26,991
Decrease in amounts due from related parties		<u>497,551</u>	<u>220,353</u>
Net cash outflow from investing activities		<u>(5,327,086)</u>	<u>(5,263,587)</u>
Net cash inflow/(outflow) before financing activities		<u>2,875,963</u>	<u>(1,050,274)</u>
Financing activities			
Proceeds from issue of shares, net of expenses	(d)	33,570,231	—
Proceeds from bank and other loans	(d)	710,139	1,189,404
Repayments of bank and other loans	(d)	(523,853)	(520,094)
Increase in amounts due to related parties	(d)	216,237	1,315
Minority interest contribution		—	3,300
Proceeds from capital contribution		<u>245,700</u>	<u>225,000</u>
Net cash inflow from financing activities		<u>34,218,454</u>	<u>898,925</u>
Increase/(decrease) in cash and cash equivalents	(b)	37,094,417	(151,349)
Cash and cash equivalents at beginning of year		<u>2,976,240</u>	<u>3,127,589</u>
Cash and cash equivalents at end of year	(c)	<u>40,070,657</u>	<u>2,976,240</u>

Consolidated Cash Flow Statement (cont'd)

for the period from 3 September 1997
(date of incorporation) to 31 December 1997
(Expressed in Renminbi)

Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit before tax and minority interests to net cash inflows from operating activities

	1997 RMB'000	(Note 1) Proforma combined 1996 RMB'000
Profit before tax and minority interests	5,953,325	4,940,759
Depreciation of fixed assets	2,680,538	1,424,306
Provision for doubtful accounts	449,124	227,430
Loss/(gain) on disposal of fixed assets	12,668	(72)
Interest income	(656,607)	(72,648)
Interest expense	175,335	167,144
Unrealised exchange gain, net	(1,497)	(2,407)
Decrease/(increase) in inventories	157,309	(17,864)
Increase in accounts receivable	(953,693)	(507,512)
Increase in other receivables	(29,161)	(71,218)
Increase in prepaid expenses and other current assets	(85,992)	(8,230)
Increase in amounts due to intermediate holding company	31,613	—
(Decrease)/increase in accounts payable	(7,175)	149,548
Decrease in accrued expenses and other payables	(54,500)	(9,421)
Increase in deferred revenue	1,154,256	198,607
Net cash inflows from operating activities	<u>8,825,543</u>	<u>6,418,422</u>

(b) Increase in cash and cash equivalents

Increase in cash and cash equivalents of RMB37,094,417,000 for the year ended 31 December 1997 includes RMB34,656,469,000 which relates to the increase in cash and cash equivalents for the period from 3 September 1997 to 31 December 1997.

Consolidated Cash Flow Statement (cont'd)

for the period from 3 September 1997
(date of incorporation) to 31 December 1997
(Expressed in Renminbi)

Notes to the Consolidated Cash Flow Statement (cont'd)**(c) Analysis of the balances of cash and cash equivalents**

	1997	(Note 1) Proforma combined 1996
	RMB'000	RMB'000
Deposits with banks maturing within three months	33,912,852	—
Cash and bank balances	<u>6,157,805</u>	<u>2,976,240</u>
	<u>40,070,657</u>	<u>2,976,240</u>

(d) Analysis of changes in financing during the year

	Share capital	Share premium	Minority interests	Bank and other loans	Amounts due to related parties
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 1997	480,322	—	7,358	3,450,700	5,549
Effect of Group restructuring	484,649	17,368,794	—	—	—
Proceeds from issue of shares	296,448	34,330,114	—	—	—
Expenses incurred in connection with the issue of shares	—	(1,056,331)	—	—	—
Share of reserves by minority shareholders	—	—	6,925	—	—
Proceeds from new loans	—	—	—	710,139	—
Repayments of loans	—	—	—	(523,853)	—
Loan from ultimate holding company	—	—	—	1,382,395	—
Advance during the year	—	—	—	—	216,237
Effect of changes in foreign exchange rates	—	—	—	(1,497)	—
Balance at 31 December 1997	<u>1,261,419</u>	<u>50,642,577</u>	<u>14,283</u>	<u>5,017,884</u>	<u>221,786</u>

Consolidated Cash Flow Statement (cont'd)

for the period from 3 September 1997
(date of incorporation) to 31 December 1997
(Expressed in Renminbi)

Notes to the Consolidated Cash Flow Statement (cont'd)**(e) Significant non-cash transactions**

The Group incurred payables of RMB1,529,934,000 from equipment suppliers and a loan of RMB1,382,395,000 from its ultimate holding company for additions of construction in progress during the year ended 31 December 1997.

In addition, the Group incurred loans of RMB266,976,000 from equipment suppliers for additions of construction in progress during the year ended 31 December 1996.