

Consolidated Cash Flow Statement

for the year ended 31 December 2002 (Expressed in Renminbi)

Note	2002 RMB million	2001 RMB million
Operating activities		
Profit from ordinary activities before taxation	48,978	41,717
<i>Adjustment for:</i>		
— Depreciation of fixed assets	26,827	17,664
— Amortisation of goodwill	936	—
— Provision for interest in associates	—	30
— Profit on deemed disposal of a subsidiary	(255)	(54)
— Loss on disposal of fixed assets	205	275
— Write off of fixed assets	96	—
— Provision for doubtful accounts	1,749	1,737
— Amortisation of deferred expenses	43	39
— Interest income	(713)	(857)
— Interest expense and finance lease charges	1,852	1,740
— Dividend income	(25)	(43)
— Unrealised exchange loss, net	8	4
Operating profit before changes in working capital	79,701	62,252
Increase in inventories	(234)	(124)
Decrease in amount due from ultimate holding company	765	54
Increase in accounts receivable	(733)	(213)
(Increase)/decrease in other receivables	(234)	1,111
Decrease/(increase) in prepayments and other current assets	91	(282)
Increase/(decrease) in amount due to ultimate holding company	450	(437)
Increase in amount due to immediate holding company	402	—
Increase/(decrease) in accounts payable	4,915	(1,724)
Increase in accrued expenses and other payables	469	2,616
Increase in deferred revenue	2,370	583
Cash generated from operations	87,962	63,836
Tax paid		
— PRC income tax paid	(18,540)	(12,865)
Net cash from operating activities carried forward	69,422	50,971

The notes on pages 73 to 115 form part of these accounts.



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for the year ended 31 December 2002 (Expressed in Renminbi)

	Note	2002 RMB million	2001 RMB million
Net cash from operating activities brought forward		69,422	50,971
Investing activities			
Payment of amount due to immediate holding company in respect of acquisition of subsidiaries		—	(4,136)
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired)	(b)	(28,733)	—
Capital expenditure		(41,000)	(39,500)
Proceeds from disposal of fixed assets		411	204
Proceeds from issuance of shares to minority interest by subsidiary, net of expenses		412	69
Decrease/(increase) in deposits with banks		3,901	(2,766)
Interest received		867	867
Dividends received from associate		25	14
Net cash used in investing activities		(64,117)	(45,248)
Financing activities			
Proceeds from issue of shares, net of expenses		5,970	4
New bank and other loans		6,955	5,407
Repayments of bank and other loans		(12,232)	(17,897)
Capital elements of finance leases rental		(1,652)	(2,055)
Proceeds from issue of bonds		8,000	5,000
Expenses on issue of bonds		(53)	(55)
Interest paid		(1,539)	(2,008)
Net cash from/(used in) financing activities		5,449	(11,604)
Net increase/(decrease) in cash and cash equivalents		10,754	(5,881)
Cash and cash equivalents at beginning of year		21,821	27,702
Cash and cash equivalents at end of year	24	32,575	21,821



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Notes to the Consolidated Cash Flow Statement

(a) Acquisition of subsidiaries

	2002 RMB million
<i>Net assets acquired:</i>	
Fixed assets	43,665
Construction in progress	7,024
Deferred tax	619
Inventories	323
Amount due from ultimate holding company	1,544
Accounts receivable	1,206
Other receivables	344
Prepayments and other current assets	579
Cash and cash equivalents	5,339
Bank and other loans	(4,342)
Bills payable	(66)
Amount due to ultimate holding company	(526)
Accounts payable	(3,849)
Accrued expenses and other payables	(4,657)
Long-term bank and other loans	(11,285)
Taxation	(1,395)
Deferred revenue	(1,022)
	33,501
Goodwill arising on acquisition	37,458
	70,959
	33,501
Satisfied by: Cash consideration	49,248
Issue of ordinary shares	21,711
	70,959



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for the year ended 31 December 2002 (Expressed in Renminbi)

Notes to the Consolidated Cash Flow Statement (cont'd)

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

	2002 RMB million
Cash consideration	49,248
Cash and bank balances acquired	(5,339)
Amount due to immediate holding company	(15,176)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	28,733

(c) Significant non-cash transactions

The Group incurred payables of RMB10,270,000,000 (2001: RMB8,679,000,000) and RMB1,190,000,000 (2001: RMB1,337,000,000) to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 2002.

On 18 June and 1 July 2002, the Group issued new shares to Vodafone Holdings (Jersey) Limited at HK\$5,850,000,000 (equivalent to RMB6,205,000,000) and China Mobile Hong Kong (BVI) Limited ("CMHK (BVI)") at HK\$20,458,000,000 (equivalent to RMB21,711,000,000) respectively as part of the consideration for the acquisition of the entire issued share capital of Anhui Mobile (BVI) Limited ("Anhui Mobile BVI"), Jiangxi Mobile (BVI) Limited ("Jiangxi Mobile BVI"), Chongqing Mobile (BVI) Limited ("Chongqing Mobile BVI"), Sichuan Mobile (BVI) Limited ("Sichuan Mobile BVI"), Hubei Mobile (BVI) Limited ("Hubei Mobile BVI"), Hunan Mobile (BVI) Limited ("Hunan Mobile BVI"), Shaanxi Mobile (BVI) Limited ("Shaanxi Mobile BVI") and Shanxi Mobile Communication (BVI) Limited ("Shanxi Mobile BVI").

