

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 December 2003

(Amounts in millions)

	Note	2003 RMB	2002 RMB
Cash flows from operating activities	(a)	46,884	52,158
Cash flows from investing activities			
Capital expenditure		(41,825)	(45,807)
Purchase of investments		(60)	(179)
Lease prepayments		(75)	(377)
Proceeds from disposal of investments		52	—
Proceeds from disposal of property, plant and equipment		203	105
Purchase of time deposits with maturity over three months		(426)	(1,339)
Maturity of time deposits with maturity over three months		1,350	537
Net cash used in investing activities		(40,781)	(47,060)
Cash flows from financing activities			
Proceeds from initial public offering, net of issuing expenses		—	10,659
Capital element of finance lease payments		(111)	(525)
Proceeds from bank debt		59,983	61,982
Repayments of bank debt		(62,705)	(63,078)
Payment of dividend		(673)	—
Cash distributions to minority interests		(27)	(14)
Cash payment for the acquisition of the Acquired Group		(11,000)	—
Cash contributions from China Telecom		60	1,284
Cash distributions to China Telecom		(196)	(4,418)
Net cash (used in)/from financing activities		(14,669)	5,890
Net (decrease)/increase in cash and cash equivalents		(8,566)	10,988
Cash and cash equivalents at beginning of year		18,685	7,697
Cash and cash equivalents at end of year		10,119	18,685

The notes on pages 73 to 121 form part of these financial statements.

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for the year ended 31 December 2003

(Amounts in millions)

(a) Reconciliation of profit before taxation and minority interests to cash flows from operating activities

	2003 RMB	2002 RMB
Profit before taxation and minority interests	30,675	9,263
Adjustments for:		
Depreciation and amortisation	32,921	33,005
Deficit on revaluation of property, plant and equipment	—	14,690
Provision for doubtful accounts	670	625
Investment income	(7)	(63)
Share of profit from associates	(34)	(37)
Interest income	(276)	(174)
Interest expense	2,890	3,201
Unrealised foreign exchange losses	314	288
Loss on retirement and disposal of property, plant and equipment	424	1,662
Increase in accounts receivable	(1,799)	(1,147)
(Increase)/decrease in inventories	(577)	484
Decrease in prepayments and other current assets	131	1,887
Increase in other non-current assets	(38)	(903)
(Decrease)/increase in accounts payable	(695)	271
Decrease in accrued expenses and other payables	(1,304)	(9)
Decrease in deferred revenues	(7,347)	(7,251)
Cash generated from operations	55,948	55,792
Interest received	276	174
Interest paid	(2,896)	(3,234)
Investment income received	17	92
Income tax paid	(6,461)	(666)
Cash flows from operating activities	46,884	52,158

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