

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003 (Expressed in Renminbi)

	Note	2003 RMB million	2002 RMB million
Operating activities			
Profit from ordinary activities before taxation		52,959	48,978
Adjustment for:			
— Depreciation of fixed assets		36,611	26,827
— Amortisation of goodwill		1,850	936
— Profit on deemed disposal of a subsidiary		—	(255)
— Loss on disposal of fixed assets		795	205
— Write off of fixed assets		669	96
— Provision for doubtful accounts		2,006	1,749
— Amortisation of deferred expenses		47	43
— Interest income		(807)	(713)
— Interest expense and finance lease charges		2,099	1,852
— Dividend income		(48)	(25)
— Unrealised exchange loss, net		47	8
Operating profit before changes in working capital		96,228	79,701
Increase in inventories		(464)	(234)
Decrease in amount due from ultimate holding company		520	765
Increase in accounts receivable		(1,968)	(733)
Increase in other receivables		(259)	(234)
(Increase)/decrease in prepayments and other current assets		(69)	91
Increase in amount due to ultimate holding company		135	450
(Decrease)/increase in amount due to immediate holding company		(355)	402
Increase in accounts payable		940	4,915
Increase in accrued expenses and other payables		6,246	469
Increase in deferred revenue		2,535	2,370
Cash generated from operations		103,489	87,962
Tax paid			
— PRC income tax paid		(17,955)	(18,540)
Net cash from operating activities carried forward		85,534	69,422

The notes on pages 74 to 112 form part of these financial statements.

	Note	2003 RMB million	2002 RMB million
Net cash from operating activities brought forward		85,534	69,422
Investing activities			
Payment of amount due to immediate holding company in respect of acquisition of subsidiaries		(5,200)	—
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired)		—	(28,733)
Capital expenditure		(43,871)	(41,000)
Proceeds from disposal of fixed assets		233	411
Proceeds from issuance of shares to minority interest by subsidiary, net of expenses		—	412
(Increase)/decrease in deposits with banks		(6,158)	3,901
Interest received		656	867
Dividends received		48	25
Net cash used in investing activities		(54,292)	(64,117)
Financing activities			
Proceeds from issue of shares, net of expenses		—	5,970
New bank and other loans		760	6,955
Repayments of bank and other loans		(12,790)	(12,232)
Capital elements of finance leases rental		—	(1,652)
Proceeds from issue of bonds		—	8,000
Expenses on issue of bonds		—	(53)
Interest paid		(2,640)	(1,539)
Dividend paid		(10,018)	—
Net cash (used in)/from financing activities		(24,688)	5,449
Net increase in cash and cash equivalents		6,554	10,754
Cash and cash equivalents at beginning of year		32,575	21,821
Cash and cash equivalents at end of year	25	39,129	32,575

The notes on pages 74 to 112 form part of these financial statements.

Notes to the consolidated cash flow statement

(Expressed in Renminbi)

(a) Significant non-cash transactions

The Group incurred payables of RMB17,235,000,000 (2002: RMB10,270,000,000) and RMB2,059,000,000 (2002: RMB1,190,000,000) to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 2003.