

# CONSOLIDATED STATEMENT OF CASH FLOW ►►►

*For the year ended 31 December 2004*

*(Amounts in millions)*

	Note	2004 RMB	2003 RMB
<b>Cash flows from operating activities</b>	(a)	<b>66,078</b>	<b>58,392</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(56,446)	(57,692)
Purchase of investments		(42)	(485)
Lease prepayments		(444)	(355)
Proceeds from disposal of investments		42	52
Proceeds from disposal of property, plant and equipment		379	348
Purchase of time deposits with maturity over three months		(325)	(466)
Maturity of time deposits with maturity over three months		483	1,504
<b>Net cash used in investing activities</b>		<b>(56,353)</b>	<b>(57,094)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of issuing expenses		12,702	—
Capital element of finance lease payments		(50)	(210)
Proceeds from bank and other loans		77,120	83,472
Repayments of bank and other loans		(81,070)	(86,147)
Payment of dividends		(5,224)	(673)
Cash contributions from/(distributions to) minority interests		91	(27)
Cash payment for the acquisition of the First Acquired Group		—	(11,000)
Cash payment for the acquisition of the Second Acquired Group		(12,650)	—
Cash contributions from China Telecom		100	3,461
Cash distributions to China Telecom		—	(196)
<b>Net cash used in financing activities</b>		<b>(8,981)</b>	<b>(11,320)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>744</b>	<b>(10,022)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>12,721</b>	<b>22,743</b>
<b>Cash and cash equivalents at end of year</b>		<b>13,465</b>	<b>12,721</b>

The notes on pages 79 to 127 form part of these financial statements.

## ▶▶▶ CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2004

(Amounts in millions)

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

	2004 RMB	2003 RMB
<b>Profit before taxation and minority interests</b>	<b>33,263</b>	<b>14,407</b>
Adjustments for:		
Depreciation and amortisation	47,170	46,597
Deficit on revaluation of property, plant and equipment	1,262	14,832
Provision for doubtful accounts	1,121	1,037
Investment (income)/loss	(6)	42
Share of profit from associates	(29)	(35)
Interest income	(231)	(331)
Interest expense	5,367	3,340
Unrealised foreign exchange losses	152	495
Loss on retirement and disposal of property, plant and equipment and impairment loss	961	1,628
Increase in accounts receivable	(2,091)	(2,383)
Decrease/(increase) in inventories	486	(687)
Decrease in prepayments and other current assets	481	116
Decrease in other non-current assets	297	12
Increase/(decrease) in accounts payable	55	(335)
Increase in accrued expenses and other payables	1,517	34
Decrease in deferred revenues	(9,830)	(9,320)
<b>Cash generated from operations</b>	<b>79,945</b>	<b>69,449</b>
Interest received	231	331
Interest paid	(6,824)	(4,944)
Investment income received	43	17
Income tax paid	(7,317)	(6,461)
<b>Cash flows from operating activities</b>	<b>66,078</b>	<b>58,392</b>

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