

# Consolidated Cash Flow Statement

for the year ended 31 December 1999

(Expressed in Renminbi)

	Note	1999 RMB million	1998 RMB million
<b>Net cash inflow from operating activities</b>	(a)	<u>21,662</u>	<u>13,567</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		934	1,815
Interest paid		<u>(445)</u>	<u>(352)</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>489</u>	<u>1,463</u>
<b>Taxation</b>			
Hong Kong profits tax refunded/(paid)		1	(11)
PRC income tax paid		<u>(2,479)</u>	<u>(1,575)</u>
<b>Tax paid</b>		<u>(2,478)</u>	<u>(1,586)</u>
<b>Investing activities</b>			
Payment for acquisition of minority interests		(15)	—
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired)	(c) and (d)	(18,187)	(24,114)
Capital expenditures		(11,708)	(11,040)
Proceeds from disposal of fixed assets		709	36
Decrease in amounts due from related parties		—	72
Increase in deposits with banks		<u>(6,916)</u>	<u>(1,311)</u>
<b>Net cash outflow from investing activities</b>		<u>(36,117)</u>	<u>(36,357)</u>
<b>Net cash outflow before financing activities</b>		<u>(16,444)</u>	<u>(22,913)</u>
<b>Financing activities</b>			
Proceeds from issue of shares, net of expenses	(e)	16,223	—
New bank and other loans	(e)	6,868	3,754
Repayments of bank and other loans	(e)	(9,653)	(3,207)
Proceeds from issue of fixed rates notes, net of discount	(e)	4,952	—
Expenses on issue of fixed rate notes		(53)	—
Decrease in amounts due to related parties	(e)	—	(222)
<b>Net cash inflow from financing activities</b>		<u>18,337</u>	<u>325</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		1,893	(22,588)
<b>Effect of changes in foreign exchange rates</b>		(25)	(1)
<b>Cash and cash equivalents at beginning of year</b>		<u>17,481</u>	<u>40,070</u>
<b>Cash and cash equivalents at end of year</b>	(b)	<u>19,349</u>	<u>17,481</u>

The notes on pages 53 to 80 form part of these accounts.

# Consolidated Cash Flow Statement (Cont'd)

for the year ended 31 December 1999

(Expressed in Renminbi)

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit from ordinary activities before taxation to net cash inflow from operating activities

	1999 RMB million	1998 RMB million
Profit from ordinary activities before taxation	6,444	9,387
Depreciation of fixed assets	7,411	4,598
Write-down and write-off of TACS network equipment	8,242	282
Loss on disposal of other fixed assets	1	59
Provision for doubtful accounts	771	558
Amortisation of deferred expenses	2	—
Interest income	(767)	(1,609)
Interest and finance lease charges	343	160
Unrealised exchange loss, net	25	1
(Increase)/decrease in inventories	(43)	49
Decrease in amount due from ultimate holding company	14	—
Increase in amounts due from related parties	(127)	(55)
Increase in accounts receivable	(2,167)	(1,080)
(Increase)/decrease in other receivables	(245)	392
Decrease/(increase) in prepaid expenses and other current assets	781	(932)
Decrease in amounts due to intermediate holding company	—	(31)
Increase in amount due to ultimate holding company	329	—
Increase in amounts due to related parties	426	579
Decrease in accounts payable	(36)	(117)
Increase in accrued expenses and other payables	523	922
(Decrease)/increase in deferred revenue	(265)	404
	<u>21,662</u>	<u>13,567</u>
Net cash inflow from operating activities	<u>21,662</u>	<u>13,567</u>

### (b) Analysis of the balances of cash and cash equivalents

	1999 RMB'000	1998 RMB'000
Deposits with banks with maturity period within three months when placed	6,986	7,538
Cash and bank balances	<u>12,363</u>	<u>9,943</u>
	<u>19,349</u>	<u>17,481</u>

# Consolidated Cash Flow Statement (Cont'd)

for the year ended 31 December 1999

(Expressed in Renminbi)

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (c) Acquisition of subsidiaries

	1999 RMB million	1998 RMB million
<b>Net assets acquired:</b>		
Fixed assets	11,186	7,443
Construction in progress	1,060	1,488
Interest in an associate	16	—
Deferred tax assets	3	1
Inventories	63	73
Amount due from ultimate holding company	106	—
Amounts due from related parties	1,286	233
Accounts receivable	1,079	367
Other receivables	145	137
Prepaid expenses and other current assets	181	9
Cash and bank balances	2,081	6
Bank and other loans	(1,267)	(683)
Bills payable	(310)	—
Amount due to ultimate holding company	(335)	—
Amounts due to related parties	(674)	(4)
Accounts payable	(1,121)	(333)
Accrued expenses and other payables	(796)	(158)
Taxation	(249)	—
Long-term bank and other loans	(1,766)	(81)
Obligation under finance lease	(175)	—
	<u>10,513</u>	<u>8,498</u>
Goodwill arising on acquisition	<u>42,440</u>	<u>15,622</u>
	<u><u>52,953</u></u>	<u><u>24,120</u></u>
Satisfied by: Cash paid	20,268	24,120
Issue of ordinary shares	<u>32,685</u>	—
	<u><u>52,953</u></u>	<u><u>24,120</u></u>

The subsidiaries acquired during the year ended 31 December 1999 contributed RMB1,439,000,000 to the Group's net operating cash flows, paid RMB44,000,000 in respect of the net returns on investments and servicing of finance, and utilised RMB657,000,000 for investing activities and RMB717,000,000 for financing activities.

The subsidiaries acquired during the year ended 31 December 1998 contributed RMB1,340,000,000 to the Group's net operating cash flows, paid RMB44,000,000 in respect of the net returns on investments and servicing of finance, utilised RMB2,533,000,000 for investing activities and contributed RMB2,208,000,000 for financing activities.

# Consolidated Cash Flow Statement (Cont'd)

for the year ended 31 December 1999

(Expressed in Renminbi)

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

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

	1999 RMB million	1998 RMB million
Cash consideration	20,268	24,120
Cash and bank balances acquired	<u>(2,081)</u>	<u>(6)</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u><u>18,187</u></u>	<u><u>24,114</u></u>

### (e) Analysis of changes in financing during the year

	Bank and other loans RMB million	Amounts due to related parties RMB million
Balance at 1 January 1998	5,017	222
Acquired on acquisition of subsidiaries	<u>764</u>	<u>4</u>
	5,781	226
<b>Changes in financing:</b>		
Cash flows from financing	3,754	(222)
Repayments of bank and other loans	<u>(3,207)</u>	<u>—</u>
	6,328	4
<b>Operating activities:</b>		
Payables for additions of construction in progress	—	13
Increase in amounts due to related parties included under operating activities	<u>—</u>	<u>579</u>
Balance at 31 December 1998	<u><u>6,328</u></u>	<u><u>596</u></u>

# Consolidated Cash Flow Statement (Cont'd)

for the year ended 31 December 1999

(Expressed in Renminbi)

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (e) Analysis of changes in financing during the year (Cont'd)

	Share capital (including share premium) RMB million	Bank and other loans RMB million	Fixed rates notes RMB million
Balance at 1 January 1999	51,904	6,328	—
Acquired on acquisition of subsidiaries	<u>—</u>	<u>3,033</u>	<u>—</u>
	51,904	9,361	—
<b>Changes in financing:</b>			
Cash flows from financing	16,223	6,868	4,952
Repayments of bank and other loans	<u>—</u>	<u>(9,653)</u>	<u>—</u>
	68,127	6,576	4,952
<b>Non-cash transaction:</b>			
Issue of shares as consideration for acquisition of subsidiaries	<u>32,685</u>	<u>—</u>	<u>—</u>
Balance at 31 December 1999	<u><u>100,812</u></u>	<u><u>6,576</u></u>	<u><u>4,952</u></u>

### (f) Significant non-cash transactions

The Group incurred payables of RMB3,374,000,000 and RMB1,486,000,000 to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 1999.

The Group incurred payables of RMB3,977,000,000 and RMB13,000,000 to equipment suppliers and related parties respectively for additions of construction in progress during the year ended 31 December 1998.

In November 1999, the Group issued new shares to China Telecom Hong Kong (BVI) Limited ("CTHK (BVI)") at HK\$30,684,000,000 (RMB equivalent of 32,685,000,000) as part of the consideration for the acquisition of Fujian Mobile (BVI) Limited ("Fujian Mobile BVI"), Henan Mobile (BVI) Limited ("Henan Mobile BVI") and Hainan Mobile (BVI) Limited ("Hainan Mobile BVI").