

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2001 (expressed in Renminbi)

	Note	2001 RMB million	2000 RMB million
<b>Net cash inflows from operating activities</b>	(a)	<b>63,890</b>	<b>41,401</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		867	994
Interest paid		(2,008)	(863)
Dividend received from associate		14	—
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		<b>(1,127)</b>	<b>131</b>
<b>Taxation</b>			
PRC income tax paid		(12,865)	(5,952)
<b>Tax paid</b>		<b>(12,865)</b>	<b>(5,952)</b>
<b>Investing activities</b>			
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)		—	(67,299)
Capital expenditure		(39,500)	(21,964)
Proceeds from disposal of fixed assets		204	264
Increase in deposits with banks		(2,766)	(3,881)
<b>Net cash outflow from investing activities</b>		<b>(46,198)</b>	<b>(92,880)</b>
<b>Net cash inflow/(outflow) before financing activities</b>		<b>3,700</b>	<b>(57,300)</b>
<b>Financing activities</b>			
Proceeds from issue of shares, net of expenses	(c)	4	55,812
New bank and other loans	(c)	5,407	12,736
Repayments of bank and other loans	(c)	(17,897)	(8,130)
Capital elements of finance leases rental	(c)	(2,055)	(362)
Proceeds from issue of convertible notes	(c)	—	5,708
Expenses on issue of convertible notes		—	(128)
Proceeds from issue of bonds	(c)	5,000	—
Expenses on issue of bonds		(55)	—
Increase in amounts due to minority interests	(c)	15	17
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(9,581)</b>	<b>65,653</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(5,881)</b>	<b>8,353</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>27,702</b>	<b>19,349</b>
<b>Cash and cash equivalents at end of year</b>	(b)	<b>21,821</b>	<b>27,702</b>

The notes on pages 66 to 100 form part of these accounts.

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for the year ended 31 December 2001 (expressed in Renminbi)

## Notes to the consolidated cash flow statement

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

	2001 RMB million	2000 RMB million
Profit from ordinary activities before taxation	41,717	26,393
Depreciation of fixed assets	17,664	9,759
Write-down and write-off of analog network equipment	—	1,525
Provision for interest in associates	30	—
Loss on disposal of fixed assets	275	126
Provision for doubtful accounts	1,737	1,346
Amortisation of deferred expenses	39	15
Interest income	(857)	(1,006)
Interest expense and finance lease charges	1,740	824
Dividend income	(43)	(26)
Unrealised exchange loss/(gain), net	4	(2)
Increase in inventories	(124)	(408)
Decrease in amount due from ultimate holding company	54	409
Decrease in amounts due from related parties	—	1,700
Increase in accounts receivable	(213)	(985)
Decrease in other receivables	1,111	54
Increase in prepayments and other current assets	(282)	(262)
(Decrease)/increase in amount due to ultimate holding company	(437)	14
Decrease in amounts due to related parties	—	(1,696)
(Decrease)/increase in accounts payable	(1,724)	1,179
Increase in accrued expenses and other payables	2,616	1,319
Increase in deferred revenue	583	1,123
<b>Net cash inflows from operating activities</b>	<b>63,890</b>	<b>41,401</b>

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

	2001 RMB million	2000 RMB million
Deposits with banks maturing within three months when placed	3,818	6,457
Cash and bank balances	18,003	21,245
	<b>21,821</b>	<b>27,702</b>

## Notes to the consolidated cash flow statement (cont'd)

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

	Share capital (including share premium) RMB million	Bank and other loans RMB million	Obligations under finance leases RMB million	Convertible notes RMB million	Bonds RMB million	Minority interests RMB million
Balance at 1 January 2000	100,812	6,576	175	—	—	—
Acquired on acquisition of subsidiaries	—	11,762	3,011	—	—	—
	100,812	18,338	3,186	—	—	—
Inception of finance lease contracts	—	—	35	—	—	—
Changes in financing:						
Cash flows from financing	55,812	12,736	—	5,708	—	17
Repayments of bank and other loans	—	(8,130)	—	—	—	—
Repayments of capital elements of finance leases	—	—	(362)	—	—	—
	156,624	22,944	2,859	5,708	—	17
Non-cash transaction:						
Issue of shares as consideration for acquisition of subsidiaries	192,369	—	—	—	—	—
Balance at 31 December 2000	348,993	22,944	2,859	5,708	—	17
Balance at 1 January 2001	348,993	22,944	2,859	5,708	—	17
Inception of finance lease contracts	—	—	916	—	—	—
Effect of foreign exchange difference	—	4	—	—	—	—
Changes in financing:						
Cash flows from financing	4	5,407	—	—	5,000	15
Repayments of bank and other loans	—	(17,897)	—	—	—	—
Repayments of capital elements of finance leases	—	—	(2,055)	—	—	—
Balance at 31 December 2001	348,997	10,458	1,720	5,708	5,000	32

### (d) Significant non-cash transactions

The Group incurred payables of RMB8,679,000,000 (2000: RMB5,555,000,000) and RMB1,337,000,000 (2000: RMB1,005,000,000) to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 2001.