

## CONSOLIDATED CASH FLOW STATEMENT

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

Note	2003 RMB million	2002 RMB million
<b>Operating activities</b>		
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
<b>Operating profit before changes in working capital</b>	<b>96,228</b>	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
<b>Cash generated from operations</b>	<b>103,489</b>	87,962
Tax paid		
— PRC income tax paid	(17,955)	(18,540)
<b>Net cash from operating activities carried forward</b>	<b>85,534</b>	69,422

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

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