

Consolidated Cash Flow Statement

For the year ended 31st December, 1997
(Amounts expressed in thousands of Renmibi)

	1997 (Note 1)	1996 (Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	337,509	4,626
Adjustments for:		
Share of results of an associated company	(8,116)	(559)
Depreciation of fixed assets and amortisation of pre-operating expenses	153,564	27,714
Unrealised foreign exchange gain	(188)	(354)
Interest income	(84,451)	(1,068)
Interest expenses	176,657	52,424
(Increase) decrease in prepayments and other receivables	(7,368)	31,702
Increase in inventories and supplies	(4,972)	(6,998)
Decrease (increase) in due from related companies	4,766	(2,771)
(Decrease) increase in taxes payable, accruals and other payables	(43,871)	52,737
Cash generated from operations	523,530	157,453
Interest paid	(187,722)	(270,224)
Income tax paid	(1,033)	—
Net cash generated from (used in) operating activities	334,775	(112,771)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets (Note (a))	(2,513,789)	(1,203,334)
Increase in pre-operating expenses	—	(31,951)
Increase in investment in an associated company	—	(23,200)
Interest received	57,433	1,068
Net cash used in investing activities	(2,456,356)	(1,257,417)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 1997
(Amounts expressed in thousands of Renmibi)

	1997 (Note 1)	1996 (Note 1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in short-term bank loans	505,000	163,300
Increase in due to Jiangsu Communications Investment Corporation	13,000	595,500
Increase in long-term loans	—	640,350
Repayment of long-term loans	(623,236)	(282,350)
Increase in long-term debentures	200,000	151,608
Repayment of long-term debentures	(133,050)	—
Capital contributed by the minority shareholder	115,588	—
Net proceeds from issuance of "H" shares	3,925,910	—
Net cash from financing activities	4,003,212	1,268,408
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,881,631	(101,780)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	135,469	237,249
CASH AND CASH EQUIVALENTS, END OF YEAR	2,017,100	135,469
Supplemental Cash Flow Information:		
(a) Acquisition of fixed assets		
Acquisition of fixed assets	2,345,298	1,793,939
Add: Payables on construction project, beginning of year	381,762	72,357
Due to a related company, beginning of year	11,472	12,905
Less: Payables on construction project, end of year	(219,594)	(381,762)
Due to a related company, end of year	(5,149)	(11,472)
Interest capitalised	—	(282,633)
Cash paid for acquisition of fixed assets	2,513,789	1,203,334

(b) Non-cash Investing and Financing Activities

The injection of land use rights of RMB 1,716,088,000, and other capitalisation of Shareholder's loan and advances of RMB 2,424,200,000 are not reflected in investing activities and financing activities respectively in the consolidated cash flow statement (see Note 16), as these are non-cash activities.

The accompanying notes form an integral part of these consolidated financial statements.