

# CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

for the six-month period ended 30 June 2004  
(Amounts in millions)

	Note	Six-month periods ended 30 June	
		2004	2003
		RMB	RMB
<b>Net cash from operating activities</b>	(a)	<b>35,517</b>	29,558
<b>Cash flows from investing activities</b>			
Capital expenditure		(26,023)	(24,161)
Purchase of investments		(42)	(73)
Lease prepayments		(125)	(28)
Proceeds from disposal of property, plant and equipment		136	49
Increase in time deposits with maturity over three months		(45)	(294)
Maturity of time deposits with maturity over three months		168	1,262
<b>Net cash used in investing activities</b>		<b>(25,931)</b>	(23,245)
<b>Cash flows from financing activities</b>			
Capital element of finance lease payments		(30)	(35)
Proceeds from issue of shares, net of issuing expenses		12,702	—
Proceeds from bank and other loans		41,129	48,119
Repayments of bank and other loans		(42,083)	(52,424)
Payment of dividends		(4,833)	—
Cash contributions from minority interests		68	18
Cash payment for the acquisition of the Second Acquired Group		(12,650)	—
Cash contributions from China Telecom		100	292
Cash distributions to China Telecom		—	(224)
<b>Net cash used in financing activities</b>		<b>(5,597)</b>	(4,254)
<b>Net increase in cash and cash equivalents</b>		<b>3,989</b>	2,059
<b>Cash and cash equivalents at 1 January</b>		<b>12,721</b>	22,743
<b>Cash and cash equivalents at 30 June</b>		<b>16,710</b>	24,802

The notes on pages 15 to 30 form part of these interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED) — (CONTINUED)

for the six-month period ended 30 June 2004  
(Amounts in millions)

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

	Six-month periods ended 30 June	
	2004	2003
	RMB	RMB
<b>Profit before taxation and minority interests</b>	<b>18,401</b>	16,415
Adjustments for:		
Depreciation and amortisation	<b>23,255</b>	22,666
Provision for doubtful accounts	<b>679</b>	733
Investment loss	<b>—</b>	85
Share of profit from associates	<b>(6)</b>	—
Interest income	<b>(109)</b>	(151)
Interest expense	<b>2,522</b>	1,820
Unrealised foreign exchange (gains)/losses	<b>(56)</b>	41
Loss on retirement and disposal of property, plant and equipment	<b>65</b>	967
Increase in accounts receivable	<b>(2,914)</b>	(3,702)
Decrease/(increase) in inventories	<b>26</b>	(271)
Decrease/(increase) in prepayments and other current assets	<b>16</b>	(108)
Decrease/(increase) in other non-current assets	<b>169</b>	(2)
Increase/(decrease) in accounts payable	<b>878</b>	(456)
Increase in accrued expenses and other payables	<b>3,770</b>	3,311
Decrease in deferred revenues	<b>(4,726)</b>	(4,862)
<b>Cash generated from operations</b>	<b>41,970</b>	36,486
Interest received	<b>109</b>	151
Interest paid	<b>(3,125)</b>	(2,572)
Investment income received	<b>30</b>	13
Income tax paid	<b>(3,467)</b>	(4,520)
<b>Net cash from operating activities</b>	<b>35,517</b>	29,558

The notes on pages 15 to 30 form part of these interim financial statements.