

CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

for the six-month period ended 30 June 2005
(Amounts in millions)

	Note	Six-month periods ended 30 June	
		2005	2004
		RMB	RMB
Net cash from operating activities	(a)	36,864	35,517
Cash flows from investing activities			
Capital expenditure		(21,532)	(26,023)
Purchase of investments		(6)	(42)
Lease prepayments		(214)	(125)
Proceeds from disposal of property, plant and equipment		206	136
Increase in time deposits with maturity over three months		(276)	(45)
Maturity of time deposits with maturity over three months		335	168
Net cash used in investing activities		(21,487)	(25,931)
Cash flows from financing activities			
Capital element of finance lease payments		(78)	(30)
Proceeds from issue of shares, net of issuing expenses		—	12,702
Proceeds from bank and other loans		47,358	41,129
Repayments of bank and other loans		(54,713)	(42,083)
Payment of dividends		(5,208)	(4,833)
Cash contributions from minority interests		8	68
Cash payment for the acquisition of the Second Acquired Group		—	(12,650)
Cash contributions from China Telecom		—	100
Net cash used in financing activities		(12,633)	(5,597)
Net increase in cash and cash equivalents		2,744	3,989
Cash and cash equivalents at 1 January		13,465	12,721
Cash and cash equivalents at 30 June		16,209	16,710

The notes on pages 12 to 29 form part of these interim financial statements.



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for the six-month period ended 30 June 2005
(Amounts in millions)

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

	Six-month periods ended 30 June	
	2005	2004
	RMB	RMB
Profit before taxation	19,269	18,401
Adjustments for:		
Depreciation and amortisation	24,178	23,255
Provision for doubtful accounts	726	679
Investment loss	9	—
Share of profit from associates	(3)	(6)
Interest income	(112)	(109)
Interest expense	2,816	2,522
Unrealised foreign exchange gains	(179)	(56)
Loss on retirement and disposal of property, plant and equipment	117	65
Increase in accounts receivable	(2,899)	(2,914)
(Increase)/decrease in inventories	(119)	26
Decrease in prepayments and other current assets	88	16
Decrease in other non-current assets	601	169
Increase in accounts payable	232	878
Increase in accrued expenses and other payables	2,830	3,770
Decrease in deferred revenues	(4,403)	(4,726)
Cash generated from operations	43,151	41,970
Interest received	112	109
Interest paid	(3,460)	(3,125)
Investment income received	—	30
Income tax paid	(2,939)	(3,467)
Net cash from operating activities	36,864	35,517

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