

CONSOLIDATED STATEMENT OF CASH FLOWfor the year ended 31 December 2005
(Amounts in millions)

	Note	2005 RMB	2004 RMB
Net cash from operating activities	(a)	68,359	66,078
Cash flows from investing activities			
Capital expenditure		(52,083)	(56,446)
Purchase of investments		–	(42)
Lease prepayments		(386)	(444)
Proceeds from disposal of investments		–	42
Proceeds from disposal of property, plant and equipment		552	379
Purchase of time deposits with maturity over three months		(292)	(325)
Maturity of time deposits with maturity over three months		315	483
Net cash used in investing activities		(51,894)	(56,353)
Cash flows from financing activities			
Proceeds from issue of shares, net of issuing expenses		–	12,702
Capital element of finance lease payments		(156)	(50)
Proceeds from bank and other loans		95,538	77,120
Repayments of bank and other loans		(94,584)	(81,070)
Repayment of amount due to China Telecom in connection with the First Acquisition		(10,000)	–
Payment of dividends		(5,596)	(5,224)
Net cash (distributions to)/contributions from minority interests		(11)	91
Cash payment for the acquisition of the Second Acquired Group		–	(12,650)
Cash contributions from China Telecom		–	100
Net cash used in financing activities		(14,809)	(8,981)
Net increase in cash and cash equivalents		1,656	744
Cash and cash equivalents at 1 January		13,456	12,721
Cash and cash equivalents at 31 December		15,121	13,465

The notes on pages 81 to 122 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOW** (continued)for the year ended 31 December 2005
(Amounts in millions)**(a) Reconciliation of profit before taxation to net cash from operating activities**

	2005	2004
	RMB	RMB
Profit before taxation	34,114	33,263
Adjustments for:		
Depreciation and amortisation	49,652	47,170
Deficit on revaluation of property, plant and equipment	–	1,262
Impairment losses for bad and doubtful debts	1,274	1,121
Investment loss/(income)	7	(6)
Share of profit from associates	(62)	(29)
Interest income	(243)	(231)
Interest expense	5,701	5,367
Unrealised foreign exchange (gains)/losses	(390)	152
Loss on retirement and disposal of property, plant and equipment	1,741	873
Impairment losses on property, plant and equipment	163	88
Operating profit before changes in working capital	91,957	89,030
Increase in accounts receivable	(3,495)	(2,091)
Decrease in inventories	65	486
Decrease in prepayments and other current assets	483	481
Decrease in other non-current assets	806	297
(Decrease)/increase in accounts payable	(253)	55
(Decrease)/increase in accrued expenses and other payables	(637)	1,517
Decrease in deferred revenues	(9,063)	(9,830)
Cash generated from operations	79,863	79,945
Interest received	243	231
Interest paid	(6,772)	(6,824)
Investment income received	36	43
Income tax paid	(5,011)	(7,317)
Net cash from operating activities	68,359	66,078