

Consolidated Cash Flow Statement

for the year ended 31 December 2006
(Amounts in millions)

	Note	2006 RMB	2005 RMB
Net cash from operating activities	(a)	74,506	68,359
Cash flows from investing activities			
Capital expenditure		(50,447)	(52,083)
Lease prepayments		(83)	(386)
Proceeds from disposal of property, plant and equipment		360	552
Purchase of time deposits with maturity over three months		(119)	(292)
Maturity of time deposits with maturity over three months		292	315
Net cash used in investing activities		(49,997)	(51,894)
Cash flows from financing activities			
Principal element of finance lease payments		(108)	(156)
Proceeds from bank and other loans		95,164	95,538
Repayments of bank and other loans		(100,133)	(94,584)
Repayment of amount due to China Telecom in connection with the First Acquisition		(10,000)	(10,000)
Payment of dividends		(6,283)	(5,596)
Net cash distributions to minority interests		(79)	(11)
Net cash used in financing activities		(21,439)	(14,809)
Net increase in cash and cash equivalents		3,070	1,656
Cash and cash equivalents at 1 January		15,121	13,465
Cash and cash equivalents at 31 December		18,191	15,121

The notes on pages 92 to 139 form part of these financial statements.

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for the year ended 31 December 2006
(Amounts in millions)

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

	2006 RMB	2005 RMB
Profit before taxation	33,979	34,114
Adjustments for:		
Depreciation and amortisation	51,272	49,652
Impairment losses for bad and doubtful debts	1,232	1,274
Investment loss	25	7
Share of profit from associates	(61)	(62)
Interest income	(326)	(243)
Interest expense	5,079	5,701
Unrealised foreign exchange gains	(50)	(390)
Loss on retirement and disposal of property, plant and equipment	2,110	1,741
Impairment losses on property, plant and equipment	-	163
Operating profit before changes in working capital	93,260	91,957
Increase in accounts receivable	(905)	(3,495)
(Increase)/decrease in inventories	(316)	65
Decrease in prepayments and other current assets	31	483
Decrease in other non-current assets	1,478	806
Increase/(decrease) in accounts payable	70	(253)
Decrease in accrued expenses and other payables	(1,437)	(637)
Decrease in deferred revenues	(6,985)	(9,063)
Cash generated from operations	85,196	79,863
Interest received	326	243
Interest paid	(5,388)	(6,772)
Investment income received	26	36
Income tax paid	(5,654)	(5,011)
Net cash from operating activities	74,506	68,359

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