

Consolidated Cash Flow Statement

For the year ended 31 December 2007
(Amounts in millions)

	Note	2007 RMB	2006 RMB (restated)
Net cash from operating activities	(a)	74,876	74,802
Cash flows from investing activities			
Capital expenditure		(46,189)	(50,491)
Purchase of investments		(72)	–
Lease prepayments		(259)	(82)
Proceeds from disposal of property, plant and equipment		322	361
Proceeds from disposal of investments		42	–
Purchase of time deposits with maturity over three months		(172)	(119)
Maturity of time deposits with maturity over three months		119	292
Net cash used in investing activities		(46,209)	(50,039)
Cash flows from financing activities			
Principal element of finance lease payments		(48)	(108)
Proceeds from bank and other loans		84,990	95,224
Repayments of bank and other loans		(104,836)	(100,233)
Repayment of amount due to China Telecom in connection with the First Acquisition		–	(10,000)
Payment of purchase price for the Third Acquisition		(1,408)	–
Payment of dividends		(6,273)	(6,283)
Distribution to China Telecom		(2,890)	–
Contribution from China Telecom		–	769
Net cash distributions to minority interests		(40)	(79)
Net cash used in financing activities		(30,505)	(20,710)
Net (decrease)/increase in cash and cash equivalents		(1,838)	4,053
Cash and cash equivalents at 1 January		22,326	18,571
Effect of changes in foreign exchange rate		(104)	(298)
Cash and cash equivalents at 31 December		20,384	22,326

The notes on pages 122 to 194 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2007

(Amounts in millions)

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

	2007 RMB	2006 RMB (restated)
Profit before taxation	30,251	34,083
Adjustments for:		
Depreciation and amortisation	52,257	51,301
Deficit on revaluation of property, plant and equipment	2,755	–
Impairment losses for bad and doubtful debts	1,390	1,236
Investment (income)/loss	(83)	25
Share of profits of associates	(212)	(61)
Interest income	(366)	(502)
Interest expense	4,771	5,092
Unrealised foreign exchange gains	(104)	(50)
Loss on retirement and disposal of property, plant and equipment and intangible assets	1,718	2,143
Operating profit before changes in working capital	92,377	93,267
Increase in accounts receivable	(2,081)	(818)
Decrease/(increase) in inventories	550	(511)
Decrease in prepayments and other current assets	(98)	6
Decrease in other non-current assets	1,487	1,522
(Decrease)/increase in accounts payable	(3,047)	141
Increase/(decrease) in accrued expenses and other payables	2,816	(1,246)
Decrease in deferred revenues	(5,271)	(6,985)
Cash generated from operations	86,733	85,376
Interest received	399	469
Interest paid	(5,206)	(5,401)
Investment income received	66	26
Income tax paid	(7,116)	(5,668)
Net cash from operating activities	74,876	74,802

The notes on pages 122 to 194 form part of these financial statements.