

# Consolidated Cash Flow Statement

For the year ended 31 December 2008  
(Amounts in millions)

	Note	2008 RMB	2007 RMB (restated)
<b>Net cash from operating activities</b>	(a)	76,756	75,783
<b>Cash flows from investing activities</b>			
Capital expenditure		(46,652)	(46,847)
Purchase of investments		(92)	(72)
Lease prepayments		(120)	(260)
Proceeds from disposal of property, plant and equipment		620	362
Proceeds from disposal of investments		111	42
Purchase of time deposits with maturity over three months		(397)	(222)
Maturity of time deposits with maturity over three months		222	379
Payment of purchase price for the acquisition of CDMA business, net of cash acquired	5	(29,511)	—
<b>Net cash used in investing activities</b>		(75,819)	(46,618)
<b>Cash flows from financing activities</b>			
Principal element of finance lease payments		(24)	(48)
Proceeds from bank and other loans		109,235	84,990
Proceeds from issuance of medium-term notes		19,787	—
Repayments of bank and other loans		(96,650)	(105,037)
Repayment of loan in connection with the First Acquisition		(15,000)	—
Payment of purchase price for the Third Acquisition		—	(1,408)
Payment of purchase price for the Fourth Acquisition		(5,557)	—
Payment of dividends		(6,167)	(6,273)
Distribution to China Telecom		—	(2,931)
Net cash distributions to minority interests		(39)	(40)
<b>Net cash generated from/(used in) financing activities</b>		5,585	(30,747)
<b>Net increase/(decrease) in cash and cash equivalents</b>		6,522	(1,582)
<b>Cash and cash equivalents at 1 January</b>		21,427	23,113
Effect of changes in foreign exchange rate		(83)	(104)
<b>Cash and cash equivalents at 31 December</b>		27,866	21,427

The notes on pages 98 to 154 form part of these financial statements.

## Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2008  
(Amounts in millions)

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

	2008 RMB	2007 RMB <i>(restated)</i>
<b>Profit before taxation</b>	<b>186</b>	30,996
Adjustments for:		
Depreciation and amortisation	53,880	52,607
Impairment loss on property, plant and equipment	24,167	—
Deficit on revaluation of property, plant and equipment	—	2,755
Impairment losses for bad and doubtful debts	1,828	1,386
Investment income	(5)	(83)
Share of profits of associates	(112)	(215)
Interest income	(430)	(380)
Interest expense	5,336	4,772
Unrealised foreign exchange loss/(gains)	170	(104)
Loss on retirement and disposal of property, plant and equipment	2,550	1,697
Operating profit before changes in working capital, net of effect of acquisition	<b>87,570</b>	93,431
Increase in accounts receivable	(1,439)	(1,965)
Decrease in inventories	357	550
Increase in prepayments and other current assets	(1,155)	(205)
Decrease in other non-current assets	1,309	1,486
Increase/(decrease) in accounts payable	3,745	(3,010)
Increase in accrued expenses and other payables	3,000	2,803
Decrease in deferred revenues	(4,042)	(5,279)
<b>Cash generated from operations</b>	<b>89,345</b>	87,811
Interest received	440	402
Interest paid	(5,055)	(5,206)
Investment income received	21	66
Income tax paid	(7,995)	(7,290)
<b>Net cash from operating activities</b>	<b>76,756</b>	75,783