

## 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
<b>Net cash from operating activities</b>	(a)	<b>36,864</b>	35,517
<b>Cash flows from investing activities</b>			
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
<b>Net cash used in investing activities</b>		<b>(21,487)</b>	(25,931)
<b>Cash flows from financing activities</b>			
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
<b>Net cash used in financing activities</b>		<b>(12,633)</b>	(5,597)
<b>Net increase in cash and cash equivalents</b>		<b>2,744</b>	3,989
<b>Cash and cash equivalents at 1 January</b>		<b>13,465</b>	12,721
<b>Cash and cash equivalents at 30 June</b>		<b>16,209</b>	16,710

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

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

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