



CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

for the six-month period ended 30 June 2006
(Amounts in millions)

	Note	Six-month periods ended 30 June	
		2006 RMB	2005 RMB
Net cash from operating activities	(a)	41,161	36,864
Cash flows from investing activities			
Capital expenditure		(22,567)	(21,532)
Purchase of investments		–	(6)
Lease prepayments		(28)	(214)
Proceeds from disposal of property, plant and equipment		188	206
Increase in time deposits with maturity over three months		(145)	(276)
Maturity of time deposits with maturity over three months		292	335
Net cash used in investing activities		(22,260)	(21,487)
Cash flows from financing activities			
Capital element of finance lease payments		(55)	(78)
Proceeds from bank and other loans		57,501	47,358
Repayments of bank and other loans		(54,153)	(54,713)
Repayment of amount due to China Telecom in connection with the First Acquisition		(10,000)	–
Payment of dividends		(5,844)	(5,208)
Net cash (distributions to)/contributions from minority interests		(19)	8
Net cash used in financing activities		(12,570)	(12,633)
Net increase in cash and cash equivalents		6,331	2,744
Cash and cash equivalents at 1 January		15,121	13,465
Cash and cash equivalents at 30 June		21,452	16,209

The notes on pages 12 to 25 form part of these interim financial statements.



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

	Six-month periods ended 30 June	
	2006 RMB	2005 RMB
Profit before taxation	18,627	19,269
Adjustments for:		
Depreciation and amortisation	25,479	24,178
Impairment losses for bad and doubtful debts	708	726
Investment losses	20	9
Share of profit from associates	(7)	(3)
Interest income	(133)	(112)
Interest expense	2,663	2,816
Unrealised foreign exchange losses/(gains)	15	(179)
Loss on retirement and disposal of property, plant and equipment	286	117
Operating profit before changes in working capital	47,658	46,821
Increase in accounts receivable	(1,247)	(2,899)
Increase in inventories	(167)	(119)
(Increase)/decrease in prepayments and other current assets	(306)	88
Decrease in other assets	518	601
Increase in accounts payable	1,805	232
Increase in accrued expenses and other payables	2,695	2,830
Decrease in deferred revenues	(3,474)	(4,403)
Cash generated from operations	47,482	43,151
Interest received	133	112
Interest paid	(2,933)	(3,460)
Income tax paid	(3,521)	(2,939)
Net cash from operating activities	41,161	36,864

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