

# CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six-month period ended 30 June 2007  
(Amounts in millions)

	Note	Six-month periods ended 30 June	
		2007 RMB	2006 RMB (restated)
<b>Net cash from operating activities</b>	(a)	<b>36,571</b>	41,270
<b>Cash flows from investing activities</b>			
Capital expenditure		(21,390)	(22,570)
Lease prepayments		(121)	(80)
Proceeds from disposal of property, plant and equipment		198	240
Purchase of time deposits with maturity over three months		(145)	(145)
Maturity of time deposits with maturity over three months		119	292
<b>Net cash used in investing activities</b>		<b>(21,339)</b>	(22,263)
<b>Cash flows from financing activities</b>			
Capital element of finance lease payments		(48)	(55)
Proceeds from bank and other loans		51,097	57,501
Repayments of bank and other loans		(62,385)	(54,193)
Repayment of amount due to China Telecom in connection with the First Acquisition		—	(10,000)
Payment of dividends		(6,269)	(5,844)
Distribution to China Telecom		(2,890)	—
Contribution from China Telecom		—	272
Net cash distributions to minority interests		(14)	(19)
<b>Net cash used in financing activities</b>		<b>(20,509)</b>	(12,338)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,277)</b>	6,669
<b>Cash and cash equivalents at 1 January</b>		<b>22,326</b>	18,571
<b>Effect of changes in foreign exchange rate</b>		<b>(58)</b>	(98)
<b>Cash and cash equivalents at 30 June</b>		<b>16,991</b>	25,142

The notes on pages 14 to 30 form part of these interim financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) (Continued)

for the six-month period ended 30 June 2007  
(Amounts in millions)

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

	Six-month periods ended 30 June	
	2007 RMB	2006 RMB (restated)
<b>Profit before taxation</b>	<b>18,269</b>	18,700
Adjustments for:		
Depreciation and amortisation	<b>25,933</b>	25,494
Impairment losses for bad and doubtful debts	<b>655</b>	708
Investment losses	<b>—</b>	20
Share of profit from associates	<b>(7)</b>	(7)
Interest income	<b>(204)</b>	(227)
Interest expense	<b>2,388</b>	2,663
Unrealised foreign exchange (gains)/losses	<b>(66)</b>	15
Loss on retirement and disposal of property, plant and equipment	<b>723</b>	288
<b>Operating profit before changes in working capital</b>	<b>47,691</b>	47,654
Increase in accounts receivable	<b>(3,607)</b>	(1,099)
Decrease/(increase) in inventories	<b>291</b>	(236)
Increase in prepayments and other current assets	<b>(418)</b>	(308)
Decrease in other assets	<b>380</b>	519
(Decrease)/increase in accounts payable	<b>(202)</b>	1,749
Increase in accrued expenses and other payables	<b>2,268</b>	2,695
Decrease in deferred revenues	<b>(2,815)</b>	(3,474)
<b>Cash generated from operations</b>	<b>43,588</b>	47,500
Interest received	<b>204</b>	227
Interest paid	<b>(2,640)</b>	(2,933)
Investment income received	<b>6</b>	—
Income tax paid	<b>(4,587)</b>	(3,524)
<b>Net cash from operating activities</b>	<b>36,571</b>	41,270

The notes on pages 14 to 30 form part of these interim financial statements.