

Consolidated Cash Flow Statement (Unaudited)

for the six-month period ended 30 June 2008

(Amounts in millions)

	Note	Six-month periods ended 30 June	
		2008 RMB	2007 RMB (restated)
Net cash from operating activities	(a)	40,010	37,574
Cash flows from investing activities			
Capital expenditure		(20,126)	(22,454)
Purchase of investments		(34)	–
Lease prepayments		(79)	(121)
Proceeds from disposal of property, plant and equipment		156	432
Proceeds from disposal of investments		8	–
Purchase of time deposits with maturity over three months		(203)	(195)
Maturity of time deposits with maturity over three months		222	379
Net cash used in investing activities		(20,056)	(21,959)
Cash flows from financing activities			
Capital element of finance lease payments		(22)	(48)
Proceeds from issuance of medium-term note, net of issuing costs		9,912	–
Proceeds from bank and other loans		35,218	51,108
Repayments of bank and other loans		(51,031)	(62,387)
Payment of dividends		(6,167)	(6,273)
Distribution to China Telecom		–	(2,897)
Net cash distributions to minority interests		(8)	(14)
Net cash used in financing activities		(12,098)	(20,511)
Net increase/(decrease) in cash and cash equivalents		7,856	(4,896)
Cash and cash equivalents at 1 January		21,427	23,113
Effect of changes in foreign exchange rate		(79)	(58)
Cash and cash equivalents at 30 June		29,204	18,159

The notes on pages 15 to 33 form part of these interim financial statements.

Consolidated Cash Flow Statement (Unaudited) (Continued)

for the six-month period ended 30 June 2008
(Amounts in millions)

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

	Six-month periods ended 30 June	
	2008 RMB	2007 RMB (restated)
Profit before taxation	16,493	18,681
Adjustments for:		
Depreciation and amortisation	26,544	26,089
Impairment losses for doubtful debts	793	666
Investment losses	4	–
Share of profit from associates	(34)	(9)
Interest income	(217)	(212)
Interest expense	2,512	2,388
Unrealised foreign exchange gains	(32)	(77)
Loss on retirement and disposal of property, plant and equipment and intangible assets	1,492	742
Operating profit before changes in working capital	47,555	48,268
Increase in accounts receivable	(2,179)	(3,609)
Decrease in inventories	568	291
Increase in prepayments and other current assets	(502)	(406)
Decrease in other assets	715	805
Increase/(decrease) in accounts payable	277	(170)
Increase in accrued expenses and other payables	2,139	2,533
Decrease in deferred revenues	(2,082)	(2,843)
Cash generated from operations	46,491	44,869
Interest received	214	214
Interest paid	(1,827)	(2,640)
Investment income received	–	13
Income tax paid	(4,868)	(4,882)
Net cash from operating activities	40,010	37,574

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