

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005 (Expressed in Renminbi)

Note	2005 RMB million	2004 RMB million (restated)
<b>Operating activities</b>		
Profit before taxation	<b>78,264</b>	60,951
Adjustments for:		
— Depreciation of property, plant and equipment	<b>56,368</b>	44,186
— Amortization of land lease prepayments	<b>169</b>	134
— Amortization of goodwill	<b>—</b>	1,930
— Loss on disposal of property, plant and equipment	<b>411</b>	535
— Write off of property, plant and equipment	<b>5,645</b>	5,900
— Impairment loss for doubtful accounts	<b>2,968</b>	2,273
— Amortization of deferred expenses	<b>—</b>	47
— Interest income	<b>(1,615)</b>	(1,014)
— Interest expense	<b>1,346</b>	1,679
— Dividend income	<b>(51)</b>	(84)
— Equity-settled share-based payment expenses	<b>1,553</b>	255
— Unrealized exchange loss, net	<b>108</b>	24
<b>Operating profit before changes in working capital</b>	<b>145,166</b>	116,816
Decrease/(increase) in inventories	<b>134</b>	(106)
Increase in accounts receivable	<b>(3,037)</b>	(2,082)
Decrease in other receivables	<b>134</b>	377
Increase in prepayments and other current assets	<b>(609)</b>	(555)
Decrease in amount due from fellow subsidiaries	<b>—</b>	896
Decrease in amount due from ultimate holding company	<b>293</b>	662
Increase in accounts payable	<b>2,303</b>	2,707
Increase in bills payable	<b>11</b>	—
Increase in deferred revenue	<b>4,419</b>	2,724
Increase in accrued expenses and other payables	<b>7,670</b>	6,365
Decrease in amount due to fellow subsidiaries	<b>—</b>	(4,661)
Decrease in amount due to ultimate holding company	<b>(190)</b>	(1,257)
<b>Cash generated from operations</b>	<b>156,294</b>	121,886
Tax paid		
— PRC income tax paid	<b>(24,585)</b>	(18,107)
<b>Net cash generated from operating activities carried forward</b>	<b>131,709</b>	103,779

## CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

for the year ended 31 December 2005 (Expressed in Renminbi)

Note	2005 RMB million	2004 RMB million (restated)
<b>Net cash generated from operating activities brought forward</b>	<b>131,709</b>	103,779
<b>Investing activities</b>		
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired)	—	(12,238)
Capital expenditure	<b>(66,027)</b>	(58,367)
Land lease prepayments	<b>(1,079)</b>	(776)
Proceeds from disposal of property, plant and equipment	<b>132</b>	93
Increase in deposits with banks	<b>(21,661)</b>	(3,037)
Interest received	<b>1,468</b>	939
Dividends received	<b>51</b>	84
<b>Net cash used in investing activities</b>	<b>(87,116)</b>	(73,302)
<b>Financing activities</b>		
Proceeds from issue of shares under share option scheme	<b>3,422</b>	703
Redemption of convertible notes	<b>(5,611)</b>	—
Redemption of fixed rate notes	—	(4,978)
Repayments of bank and other loans	<b>(2,455)</b>	(9,783)
Capital elements of finance leases rentals paid	—	(10)
Interest paid	<b>(1,635)</b>	(2,040)
Dividends paid	<b>(18,894)</b>	(8,349)
<b>Net cash used in financing activities</b>	<b>(25,173)</b>	(24,457)
<b>Net increase in cash and cash equivalents</b>	<b>19,420</b>	6,020
<b>Cash and cash equivalents at beginning of year</b>	<b>45,149</b>	39,129
<b>Effect of changes in foreign exchange rate</b>	<b>(108)</b>	—
<b>Cash and cash equivalents at end of year</b>	<b>64,461</b>	45,149

### Notes to the consolidated cash flow statement

#### Significant non-cash transactions

The Group incurred payables of RMB28,176,000,000 (2004: RMB23,584,000,000) and RMB1,332,000,000 (2004: RMB1,660,000,000) to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 2005.

The notes on pages 65 to 121 form part of these financial statements.