

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006 (Expressed in Renminbi)

Note	2006 RMB million	2005 RMB million
<b>Operating activities</b>		
Profit before taxation	96,908	78,264
Adjustments for:		
– Depreciation of property, plant and equipment	64,574	56,368
– Amortization of land lease prepayments	176	169
– Amortization of other intangible assets	203	—
– Loss on disposal of property, plant and equipment	46	411
– Write-off of property, plant and equipment	2,857	5,645
– Impairment loss for doubtful accounts	3,852	2,968
– Interest income	(2,604)	(1,615)
– Interest expense	1,510	1,346
– Dividend income	(39)	(51)
– Equity-settled share-based payment expenses	2,264	1,553
– Unrealized exchange loss, net	212	108
<b>Operating profit before changes in working capital</b>	<b>169,959</b>	<b>145,166</b>
(Increase)/decrease in inventories	(626)	134
Increase in accounts receivable	(4,310)	(3,037)
(Increase)/decrease in other receivables	(313)	134
Increase in prepayments and other current assets	(1,030)	(609)
(Increase)/decrease in amount due from ultimate holding company	(242)	293
Increase in accounts payable	6,556	2,303
(Decrease)/increase in bills payable	(3)	11
Increase in deferred revenue	4,455	4,419
Increase in accrued expenses and other payables	6,033	7,670
Decrease in amount due to ultimate holding company	(140)	(190)
<b>Cash generated from operations</b>	<b>180,339</b>	<b>156,294</b>
Tax paid		
– Hong Kong profits tax paid	(21)	—
– PRC enterprise income tax paid	(30,972)	(24,585)
<b>Net cash generated from operating activities</b>	<b>149,346</b>	<b>131,709</b>
<b>Investing activities</b>		
Payment for acquisition of a subsidiary (net of cash and cash equivalents acquired)	(b) (3,410)	—
Capital expenditure	(76,969)	(66,027)
Land lease prepayments	(597)	(1,079)
Payment for purchase of other intangible assets	(45)	—
Proceeds from disposal of property, plant and equipment	80	132
Increase in deposits with banks	(40,369)	(21,661)
Interest received	2,430	1,468
Dividends received	39	51
<b>Net cash used in investing activities</b>	<b>(118,841)</b>	<b>(87,116)</b>
<b>Financing activities</b>		
Proceeds from issue of shares under share option scheme	4,093	3,422
Redemption of convertible notes	—	(5,611)
Repayments of bank and other loans	(104)	(2,455)
Interest paid	(1,414)	(1,635)
Dividends paid	(26,162)	(18,894)
<b>Net cash used in financing activities</b>	<b>(23,587)</b>	<b>(25,173)</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,918</b>	<b>19,420</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>64,461</b>	<b>45,149</b>
<b>Effect of changes in foreign exchange rate</b>	<b>(212)</b>	<b>(108)</b>
<b>Cash and cash equivalents at end of year</b>	<b>71,167</b>	<b>64,461</b>

## CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

for the year ended 31 December 2006 (Expressed in Renminbi)

### NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Acquisition of a subsidiary

	2006 RMB million
<b>Net assets acquired</b>	
Property, plant and equipment	1,146
Construction in progress	9
Land lease prepayments	11
Other intangible assets	859
Inventories	17
Accounts receivable	91
Other receivables	103
Cash and cash equivalents	178
Bills payable	(44)
Accounts payable	(96)
Other payables	(96)
Interest-bearing borrowings	(104)
Deferred tax liabilities	(80)
	1,994
Goodwill arising on acquisition	1,594
	3,588
Satisfied by: Cash consideration	3,588

#### (b) Analysis of net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	2006 RMB million
Cash consideration	3,588
Cash and bank balances acquired	(178)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	3,410

#### (c) Significant non-cash transactions

The Group incurred payables of RMB36,851,000,000 (2005: RMB28,176,000,000) and RMB2,143,000,000 (2005: RMB1,332,000,000) to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 2006.

The notes on pages 64 to 117 form part of these financial statements.