

# Consolidated Cash Flow Statement

for the year ended 31 December 2008

(Expressed in Renminbi)

	Note	2008 RMB million	2007 RMB million
<b>Operating activities</b>			
Profit before taxation		149,743	129,238
Adjustments for:			
— Depreciation of property, plant and equipment	15(a)	71,509	67,354
— Amortization of other intangible assets	5	204	258
— Amortization of land lease prepayments		279	322
— Gain on disposal of property, plant and equipment	5	(8)	(11)
— Write-off of property, plant and equipment	5	3,250	2,788
— Impairment loss for doubtful accounts	5	4,385	3,872
— Interest income		(6,002)	(4,015)
— Finance costs	8	1,550	1,825
— Dividend income from unlisted securities	7	(15)	(31)
— Equity-settled share-based payment expenses	4	222	806
— Unrealized exchange loss, net	7	32	22
<b>Operating profit before changes in working capital</b>		<b>225,149</b>	<b>202,428</b>
Increase in inventories		(199)	(288)
Increase in accounts receivable		(4,309)	(3,679)
Decrease/(increase) in other receivables		270	(320)
Increase in prepayments and other current assets		(1,961)	(1,067)
(Increase)/decrease in amount due from ultimate holding company		(31)	227
Increase in accounts payable		3,245	796
Increase/(decrease) in bills payable		4	(46)
Increase in deferred revenue		2,314	1,606
Increase in accrued expenses and other payables		10,344	4,730
Decrease in amount due to ultimate holding company		(20)	(103)
<b>Cash generated from operations</b>		<b>234,806</b>	<b>204,284</b>
Tax paid			
— Hong Kong profits tax paid		(96)	(12)
— PRC enterprise income tax paid		(41,063)	(35,660)
<b>Net cash generated from operating activities carried forward</b>		<b>193,647</b>	<b>168,612</b>

# Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2008  
(Expressed in Renminbi)

	Note	2008 RMB million	2007 RMB million
<b>Net cash generated from operating activities brought forward</b>		<b>193,647</b>	168,612
<b>Investing activities</b>			
Capital expenditure		(120,816)	(98,523)
Land lease prepayments		(1,998)	(1,028)
Payment for purchase of other intangible assets		(37)	(28)
Proceeds from disposal of property, plant and equipment		22	20
Increase in deposits with banks		(21,148)	(27,391)
Interest received		4,943	3,880
Payment for investment in jointly controlled entity		(7)	–
Dividends received from unlisted securities	7	15	31
<b>Net cash used in investing activities</b>		<b>(139,026)</b>	(123,039)
<b>Financing activities</b>			
Proceeds from issuance of shares under share option scheme	37(c)(ii)	465	1,614
Redemption of bonds		–	(3,000)
Interest paid		(1,569)	(1,802)
Dividends paid to the Company's equity shareholders	13	(44,560)	(34,088)
Dividends paid to minority interest	37(a)	(20)	–
<b>Net cash used in financing activities</b>		<b>(45,684)</b>	(37,276)
<b>Net increase in cash and cash equivalents</b>		<b>8,937</b>	8,297
<b>Cash and cash equivalents at beginning of year</b>		<b>78,859</b>	71,167
<b>Effect of changes in foreign exchange rate</b>		<b>(370)</b>	(605)
<b>Cash and cash equivalents at end of year</b>	29	<b>87,426</b>	78,859

## Notes to the consolidated cash flow statement

### Significant non-cash transactions

The Group incurred payables of RMB42,933,000,000 (2007: RMB39,006,000,000) and RMB2,084,000,000 (2007: RMB1,830,000,000) to equipment suppliers and banks respectively for additions of construction in progress during the year ended 31 December 2008.

The notes on pages 76 to 141 form part of these financial statements.