



# Consolidated Statement of Cash Flows

For the year ended 31 December 2009

(Amounts in millions)

	Note	2009 RMB	2008 RMB
<b>Net cash from operating activities</b>	(a)	74,988	76,756
<b>Cash flows from investing activities</b>			
Capital expenditure		(40,311)	(46,652)
Purchase of investments		(23)	(92)
Lease prepayments		(94)	(120)
Proceeds from disposal of property, plant and equipment		393	620
Proceeds from disposal of lease prepayments		380	—
Proceeds from disposal of investments		735	111
Purchase of time deposits with maturity over three months		(442)	(397)
Maturity of time deposits with maturity over three months		397	222
Payment of purchase price for the acquisition of CDMA business, net of cash acquired		(4,290)	(29,511)
<b>Net cash used in investing activities</b>		(43,255)	(75,819)
<b>Cash flows from financing activities</b>			
Principal element of finance lease payments		(22)	(24)
Proceeds from bank and other loans		88,958	109,235
Proceeds from issuance of medium-term notes		29,906	19,787
Repayments of bank and other loans		(111,084)	(96,650)
Repayment of short-term commercial papers		(10,000)	—
Repayment of amount due to China Telecommunications Corporation in connection with the First Acquisition		—	(15,000)
Repayment of amount due to China Telecommunications Corporation in connection with the Second Acquisition		(15,150)	—
Payment of purchase price for the Fourth Acquisition		—	(5,557)
Payment of dividends		(6,493)	(6,167)
Net cash distributions to minority interests		(908)	(39)
<b>Net cash (used in)/generated from financing activities</b>		(24,793)	5,585
<b>Net increase in cash and cash equivalents</b>		6,940	6,522
<b>Cash and cash equivalents at 1 January</b>		27,866	21,427
<b>Effect of changes in foreign exchange rate</b>		(2)	(83)
<b>Cash and cash equivalents at 31 December</b>		34,804	27,866

The notes on pages 110 to 166 form part of these financial statements.

## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2009

(Amounts in millions)

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

	2009 RMB	2008 RMB
<b>Profit before taxation</b>	<b>19,175</b>	<b>186</b>
Adjustments for:		
Depreciation and amortisation	52,243	53,880
Impairment loss on property, plant and equipment	753	24,167
Impairment losses for doubtful debts	1,791	1,828
Impairment losses for inventory	108	—
Investment income	(791)	(5)
Share of profits of associates	(101)	(112)
Interest income	(282)	(430)
Interest expense	4,724	5,336
Unrealised foreign exchange (gain)/loss	(67)	170
Loss on retirement and disposal of property, plant and equipment	1,352	2,550
Operating profit before changes in working capital, net of effect of acquisition	<b>78,905</b>	<b>87,570</b>
Increase in accounts receivable	(1,906)	(1,439)
(Increase)/decrease in inventories	(175)	357
Increase in prepayments and other current assets	(78)	(1,155)
Decrease in other assets	1,290	1,309
Increase in accounts payable	2,178	3,745
Increase in accrued expenses and other payables	7,105	3,000
Decrease in deferred revenues	(2,982)	(4,042)
<b>Cash generated from operations</b>	<b>84,337</b>	<b>89,345</b>
Interest received	271	440
Interest paid	(5,053)	(5,055)
Investment income received	58	21
Income tax paid	(4,625)	(7,995)
<b>Net cash from operating activities</b>	<b>74,988</b>	<b>76,756</b>