

Consolidated Statement of Cash Flows (Unaudited)

For the six-month period ended 30 June 2009

(Amounts in millions)

	Note	Six-month periods ended 30 June	
		2009 RMB	2008 RMB
Net cash from operating activities	(a)	39,155	40,010
Cash flows from investing activities			
Capital expenditure		(19,655)	(20,126)
Purchase of investments		—	(34)
Lease prepayments		(3)	(79)
Proceeds from disposal of property, plant and equipment		95	156
Proceeds from disposal of investments		24	8
Proceeds from disposal of lease prepayments		55	—
Purchase of time deposits with original maturity over three months		(1,635)	(203)
Maturity of time deposits with original maturity over three months		397	222
Payment for the purchase price of the acquisition of CDMA business		(1,939)	—
Net cash used in investing activities		(22,661)	(20,056)
Cash flows from financing activities			
Capital element of finance lease payments		(1)	(22)
Proceeds from issuance of medium-term note, net of issuing costs		—	9,912
Proceeds from bank and other loans		38,547	35,218
Repayments of bank and other loans		(40,270)	(51,031)
Repayment of amount due to China Telecommunications Corporation in connection with the Second Acquisition		(15,150)	—
Payment of dividends		(6,493)	(6,167)
Net cash distributions to minority interests		(26)	(8)
Net cash used in financing activities		(23,393)	(12,098)
Net (decrease)/increase in cash and cash equivalents		(6,899)	7,856
Cash and cash equivalents at 1 January		27,866	21,427
Effect of changes in foreign exchange rate		(1)	(79)
Cash and cash equivalents at 30 June		20,966	29,204

The notes on pages 15 to 32 form part of these interim financial statements.

Consolidated Statement of Cash Flows (Unaudited) (Continued)

For the six-month period ended 30 June 2009
(Amounts in millions)

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

	Six-month periods ended 30 June	
	2009 RMB	2008 RMB
Profit before taxation	12,126	16,493
Adjustments for:		
Depreciation and amortisation	26,029	26,544
Impairment losses for doubtful debts	1,085	793
Investment (income)/loss	(50)	4
Share of profits from associates	(25)	(34)
Interest income	(134)	(217)
Interest expense	2,525	2,512
Unrealised foreign exchange gains	(123)	(32)
Loss on retirement and disposal of property, plant and equipment	1,145	1,492
Operating profit before changes in working capital	42,578	47,555
Increase in accounts receivable	(3,016)	(2,179)
(Increase)/decrease in inventories	(534)	568
Increase in prepayments and other current assets	(18)	(502)
Decrease in other assets	664	715
Increase in accounts payable	1,360	277
Increase in accrued expenses and other payables	4,485	2,139
Decrease in deferred revenues	(1,200)	(2,082)
Cash generated from operations	44,319	46,491
Interest received	130	214
Interest paid	(2,507)	(1,827)
Investment income received	1	—
Income tax paid	(2,788)	(4,868)
Net cash from operating activities	39,155	40,010

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