

Consolidated Statement of Cash Flows (Unaudited)

for the six-month period ended 30 June 2010

(Amounts in millions)

	Note	Six-month periods ended 30 June	
		2010 RMB	2009 RMB
Net cash from operating activities	(a)	39,091	39,155
Cash flows from investing activities			
Capital expenditure		(17,518)	(19,655)
Lease prepayments		(13)	(3)
Proceeds from disposal of property, plant and equipment		143	95
Proceeds from disposal of investments		7	24
Proceeds from disposal of lease prepayments		85	55
Purchase of time deposits with original maturity over three months		(1,259)	(1,635)
Maturity of time deposits with original maturity over three months		442	397
Payment for the purchase price of the acquisition of CDMA business		(5,374)	(1,939)
Net cash used in investing activities		(23,487)	(22,661)
Cash flows from financing activities			
Capital element of finance lease payments		–	(1)
Proceeds from bank and other loans		43,390	38,547
Repayments of bank and other loans		(61,336)	(40,270)
Repayment of amount due to China Telecommunications Corporation in connection with the Second Acquisition	(b)	–	(15,150)
Payment of dividends		(5,608)	(6,493)
Distribution to China Telecommunications Corporation		(534)	–
Net cash distributions to non-controlling interests		(8)	(26)
Net cash used in financing activities		(24,096)	(23,393)
Net decrease in cash and cash equivalents		(8,492)	(6,899)
Cash and cash equivalents at 1 January		34,804	27,866
Effect of changes in foreign exchange rate		13	(1)
Cash and cash equivalents at 30 June		26,325	20,966

The notes on pages 14 to 31 form part of these interim financial statements.

Consolidated Statement of Cash Flows (Unaudited) (Continued)

for the six-month period ended 30 June 2010

(Amounts in millions)

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

	Six-month periods	
	ended 30 June	
	2010	2009
	RMB	RMB
Profit before taxation	12,002	12,126
Adjustments for:		
Depreciation and amortisation	25,839	26,029
Impairment losses for doubtful debts	940	1,085
Write down of inventory	19	–
Investment income	(9)	(50)
Share of profits from associates	(28)	(25)
Interest income	(139)	(134)
Interest expense	2,035	2,525
Unrealised foreign exchange gains	(41)	(123)
Loss on retirement and disposal of property, plant and equipment	919	1,145
Operating profit before changes in working capital	41,537	42,578
Increase in accounts receivable	(3,208)	(3,016)
Decrease/(increase) in inventories	38	(534)
Increase in prepayments and other current assets	(297)	(18)
Decrease in other assets	532	664
Increase in accounts payable	1,608	1,360
Increase in accrued expenses and other payables	3,979	4,485
Decrease in deferred revenues	(1,201)	(1,200)
Cash generated from operations	42,988	44,319
Interest received	149	130
Interest paid	(1,502)	(2,507)
Investment income received	–	1
Income tax paid	(2,544)	(2,788)
Net cash from operating activities	39,091	39,155

- (b) Second Acquisition represented the acquisition of the entire equity interests in Hubei Telecom Company Limited, Hunan Telecom Company Limited, Hainan Telecom Company Limited, Guizhou Telecom Company Limited, Yunnan Telecom Company Limited, Shaanxi Telecom Company Limited, Gansu Telecom Company Limited, Qinghai Telecom Company Limited, Ningxia Telecom Company Limited and Xinjiang Telecom Company Limited by the Company on 30 June 2004.

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