

Notes to the Unaudited Interim Financial Statements

for the six-month period ended 30 June 2010

1. Principal activities

China Telecom Corporation Limited (the “Company”) and its subsidiaries (hereinafter, collectively referred to as the “Group”) offers a comprehensive range of wireline and mobile telecommunications services including wireline voice, mobile voice, Internet, managed data and leased line, value-added services, integrated information application services and other related services. The Group provides wireline telecommunications services and related services in Beijing Municipality, Shanghai Municipality, Guangdong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Hubei Province, Hunan Province, Hainan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region and Hong Kong Special Administrative Region of the People’s Republic of China (the “PRC”). Following the acquisition of Code Division Multiple Access (“CDMA”) mobile communication business in October 2008, the Group also provides nation-wide mobile telecommunications and related services in the mainland of the PRC and the Macau Special Administrative Region of the PRC. The Group also provides leased line and other related services in certain countries of the Asia Pacific, South America and North America regions.

The operations of the Group in the mainland PRC are subject to the supervision and regulation by the PRC government. The Ministry of Industry and Information Technology of the PRC (hereinafter “MIIT”), pursuant to the authority delegated to it by the PRC State Council, is responsible for formulating the telecommunications industry policies and regulations, including the regulation and setting of tariff levels for basic telecommunications services, such as wireline and mobile local and long distance telephony services, managed data services, leased line, roaming and interconnection arrangements.

2. Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim financial statements, which were authorised for issuance by the Board of Directors on 25 August 2010, reflect the unaudited financial position of the Group as at 30 June 2010 and the unaudited results of operations and cash flows of the Group for the six-month period then ended, which are not necessarily indicative of the results of operations and cash flows expected for the year ending 31 December 2010.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the adoption of Amendments to IAS 27 “Consolidated and separate financial statements” which has resulted in a change in the presentation of the financial statements. The term “minority interest” has been changed to “non-controlling interest” in these interim financial statements.

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

2. Basis of preparation (Continued)

The preparation of interim financial statements in conformity with IAS 34 “Interim financial reporting” requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

These interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. These interim financial statements have also been reviewed by the Company’s international auditor in accordance with Hong Kong Standards on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2009 that is included in these interim financial statements as being previously reported information does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 December 2009 are available from the Company’s registered office. The Company’s international auditor has expressed an unqualified opinion on those financial statements in their report dated 22 March 2010.

3. Segmental reporting

An operating segment is a component of an entity that engages in business activities from which revenues are earned and expenses are incurred, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the chief operating decision maker in order to allocate resource and assess performance of the segment. For the periods presented, management has determined that the Group has no operating segments as the Group is only engaged in an integrated telecommunications business. The Group’s assets located and operating revenues derived from activities outside the PRC are less than 1% of the Group’s assets and operating revenues, respectively. No geographical area information has been presented as such amount is immaterial.

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

4. Accounts receivable, net

Accounts receivable, net, are analysed as follows:

	Note	30 June 2010 RMB millions	31 December 2009 RMB millions
Third parties		20,663	17,767
China Telecom Group	(i)	985	917
Other state-controlled telecommunications operators in the PRC		1,005	827
		22,653	19,511
Less: Allowance for impairment of doubtful debts		(2,931)	(2,073)
		19,722	17,438

Note:

- (i) China Telecommunications Corporation together with its subsidiaries other than the Group are referred to as "China Telecom Group".

Amounts due from the provision of telecommunications services to customers are generally due within 30 days from the date of billing.

Ageing analysis of accounts receivable from telephone and Internet subscribers is as follows:

	30 June 2010 RMB millions	31 December 2009 RMB millions
Current, within 1 month	11,419	10,895
1 to 3 months	2,799	2,067
4 to 12 months	1,675	1,514
More than 12 months	1,170	499
	17,063	14,975
Less: Allowance for impairment of doubtful debts	(2,779)	(1,920)
	14,284	13,055

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

4. Accounts receivable, net (Continued)

Ageing analysis of accounts receivable from telecommunications operators and enterprise customers is as follows:

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Current, within 1 month	1,946	1,918
1 to 3 months	1,372	1,071
4 to 12 months	1,601	922
More than 12 months	671	625
	5,590	4,536
Less: Allowance for impairment of doubtful debts	(152)	(153)
	5,438	4,383

5. Cash and cash equivalents

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Cash at bank and in hand	23,629	27,235
Time deposits with original maturity within three months	2,696	7,569
	26,325	34,804

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

6. Short-term and long-term debt

Short-term debt comprises:

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Loans from state-controlled banks – unsecured	11,255	11,138
Other loans – unsecured	245	245
Loans from China Telecom Group – unsecured	23,167	40,267
Total short-term debt	34,667	51,650

The weighted average interest rate of the Group's total short-term debt as at 30 June 2010 is 4.0% (31 December 2009: 4.0%). As at 30 June 2010, the loans from state-controlled banks bear interest at rates ranging from 2.0% to 5.8% (31 December 2009: 2.0% to 7.5%) per annum and are repayable within one year; the loans from China Telecom Group bear interest at fixed rate of 3.9% (31 December 2009: 2.8% to 5.3%) per annum and are repayable within one year.

Long-term debt comprises:

		30 June 2010	31 December 2009
	Note	RMB millions	RMB millions
Loans from state-controlled banks – unsecured	(i)	3,481	4,485
Other loans		1	1
Medium-term notes – unsecured	(ii)	49,810	49,769
Total long-term debt		53,292	54,255
Less: current portion		(10,768)	(1,487)
Non-current portion		42,524	52,768

Note:

- (i) The loans from state-controlled banks bear interest at rates ranging from 1.0% to 8.3% (31 December 2009: 1.0% to 8.3%) per annum with maturity through 2060.
- (ii) On 22 April 2008, the Company issued three-year, 10 billion RMB denominated medium-term note with annual interest rate of 5.30% per annum. On 23 October 2008, the Company issued five-year, 10 billion RMB denominated medium-term note with annual interest rate of 4.15% per annum. On 16 November 2009, the Company issued three-year, 10 billion RMB denominated medium-term note with annual interest rate of 3.65% per annum. On 28 December 2009, the Company issued two batches of five-year, 10 billion RMB denominated medium-term notes with annual interest rate of 4.61% per annum. All of the above medium-term notes are unsecured.

The Group's short-term and long-term debts do not contain any financial covenants. As at 30 June 2010, the Group's unutilised committed credit facilities amounted to RMB93,030 million (31 December 2009: RMB102,555 million).

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

7. Accounts payable

Accounts payable are analysed as follows:

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Third parties	27,736	26,402
China Telecom Group	8,061	7,526
Other state-controlled telecommunications operators in the PRC	554	393
	36,351	34,321

Amounts due to China Telecom Group are repayable in accordance with contractual terms which are similar to those terms offered by third parties.

Ageing analysis of accounts payable is as follows:

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Due within 1 month or on demand	11,220	11,321
Due after 1 month but within 3 months	7,877	7,472
Due after 3 months but within 6 months	7,639	5,641
Due after 6 months	9,615	9,887
	36,351	34,321

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

8. Deferred tax assets and liabilities

The components of deferred tax assets and deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the period are as follows:

	Assets		Liabilities		Net Balance	
	30 June	31 December	30 June	31 December	30 June	31 December
	2010	2009	2010	2009	2010	2009
	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions	RMB millions
<i>Current</i>						
Provisions and impairment losses, primarily for doubtful debts	1,125	931	-	-	1,125	931
<i>Non-current</i>						
Property, plant and equipment	4,444	5,145	(1,634)	(1,748)	2,810	3,397
Deferred revenues and installation costs	1,136	1,229	(686)	(732)	450	497
Land use rights	5,528	5,593	-	-	5,528	5,593
Available-for-sale equity securities	-	-	(106)	(133)	(106)	(133)
Deferred tax assets/(liabilities)	12,233	12,898	(2,426)	(2,613)	9,807	10,285

	Balance at	Recognised in	Balance at
	1 January	statement of	30 June
	2010	comprehensive	2010
	RMB millions	income	RMB millions
		RMB millions	
<i>Current</i>			
Provisions and impairment losses, primarily for doubtful debts	931	194	1,125
<i>Non-current</i>			
Property, plant and equipment	3,397	(587)	2,810
Deferred revenues and installation costs	497	(47)	450
Land use rights	5,593	(65)	5,528
Available-for-sale equity securities	(133)	27	(106)
Net deferred tax assets	10,285	(478)	9,807

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

9. Operating revenues

Operating revenues represent revenues from the provision of telecommunications services. The components of the Group's operating revenues are as follows:

	Note	Six-month periods ended 30 June	
		2010 RMB millions	2009 RMB millions
Wireline voice	(i)	32,915	41,060
Mobile voice	(ii)	14,102	9,051
Internet	(iii)	31,114	24,528
Value-added services	(iv)	10,849	10,347
Integrated information application services	(v)	7,153	5,928
Managed data and leased line	(vi)	6,066	5,528
Others	(vii)	5,353	6,112
Upfront connection fees	(viii)	265	592
		107,817	103,146

Note:

- (i) Represent the aggregate amount of monthly fees, local usage fees, domestic long distance usage fees, international, Hong Kong, Macau and Taiwan long distance usage fees, interconnections fees and upfront installation fees charged to customers for the provision of wireline telephony services.
- (ii) Represent the aggregate amount of monthly fees, local usage fees, domestic long distance usage fees, international, Hong Kong, Macau and Taiwan long distance usage fees and interconnections fees charged to customers for the provision of mobile telephony services.
- (iii) Represent amounts charged to customers for the provision of Internet access services.
- (iv) Represent the aggregate amount of fees charged to customers for the provision of value-added services, which comprise primarily caller ID services, short messaging services, back ring tone services (Colour Ring Tone), Internet data centre and IP-Virtual Private Network services.
- (v) Represent primarily the aggregate amount of fees charged to customers for system integration and consulting services and Best Tone information services, which comprise hotline enquiry and booking services.
- (vi) Represent primarily the aggregate amount of fees charged to customers for the provision of managed data transmission services and lease income from other domestic telecommunications operators and enterprise customers for the usage of the Group's telecommunications networks and equipment.
- (vii) Represent primarily revenue from sale, rental and repairs and maintenance of equipment.
- (viii) Represent the amortised amount of the upfront fees received for initial activation of wireline services.

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

10. Personnel expenses

Personnel expenses are attributable to the following functions:

	Six-month periods ended 30 June	
	2010 RMB millions	2009 RMB millions
Network operations and support	11,098	10,362
Selling, general and administrative	6,098	5,989
	17,196	16,351

11. Other operating expenses

Other operating expenses consist of:

	Note	Six-month periods ended 30 June	
		2010 RMB millions	2009 RMB millions
Interconnection charges	(i)	5,293	4,602
Cost of goods sold	(ii)	3,087	4,090
Donations		6	12
Others		12	15
		8,398	8,719

Note:

- (i) Interconnection charges represent amounts incurred for the use of other domestic and foreign telecommunications operators' networks for delivery of voice and data traffic that originate from the Group's wireline and mobile telecommunications networks.
- (ii) Cost of goods sold primarily represents cost of telecommunications equipment.

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

12. Net finance costs

Net finance costs comprise:

	Six-month periods ended 30 June	
	2010 RMB millions	2009 RMB millions
Interest expense incurred	2,172	2,710
Less: Interest expense capitalised*	(137)	(185)
Net interest expense	2,035	2,525
Interest income	(139)	(134)
Foreign exchange losses	69	16
Foreign exchange gains	(110)	(139)
	1,855	2,268
*Interest expense was capitalised in construction in progress at the following rates per annum	1.3% – 4.6%	1.3% – 4.9%

13. Income tax

Income tax in the profit or loss comprises:

	Six-month periods ended 30 June	
	2010 RMB millions	2009 RMB millions
Provision for PRC income tax	2,353	2,321
Provision for income tax in other tax jurisdictions	27	25
Deferred taxation	505	725
	2,885	3,071

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

13. Income tax (Continued)

A reconciliation of the expected tax with the actual tax expense is as follows:

	Note	Six-month periods ended 30 June	
		2010 RMB millions	2009 RMB millions
Profit before taxation		12,002	12,126
Expected income tax expense at statutory tax rate of 25%	(i)	3,001	3,032
Differential tax rate on mainland PRC subsidiaries' and branches' income	(i)	(333)	(286)
Differential tax rate on other subsidiaries' income	(ii)	(10)	(15)
Non-deductible expenses	(iii)	458	682
Non-taxable income	(iv)	(227)	(340)
Other tax benefits		(4)	(2)
Actual tax expense		2,885	3,071

Note:

- (i) The provision for mainland PRC current income tax is based on a statutory rate of 25% of the assessable income of the Company, its mainland PRC subsidiaries and branches as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries and branches which are taxed at preferential rates of 15% or 22%.
- (ii) Income tax provisions of the Company's subsidiaries in Hong Kong and Macau Special Administrative Regions of the PRC, and in other countries are based on the subsidiaries' assessable income and income tax rates applicable in the respective tax jurisdictions which range from 12% to 35%.
- (iii) Amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purposes.
- (iv) Amounts primarily represent miscellaneous incomes which are not subject to income tax.

14. Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on 25 May 2010, a final dividend of RMB0.074514 (equivalent to HK\$0.085) per share totalling approximately RMB6,031 million in respect of the year ended 31 December 2009 was declared and of which RMB5,608 million was paid on 30 June 2010.

Pursuant to the shareholders' approval at the Annual General Meeting held on 26 May 2009, a final dividend of RMB0.074963 (equivalent to HK\$0.085) per share totalling approximately RMB6,067 million in respect of the year ended 31 December 2008 was declared and paid on 30 June 2009.

The Board of Directors has resolved not to pay an interim dividend for the year ending 31 December 2010.

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

15. Basic earnings per share

The calculation of basic earnings per share for the six-month periods ended 30 June 2010 and 2009 is based on the profit attributable to equity holders of the Company of RMB9,076 million and RMB9,004 million, respectively, divided by 80,932,368,321 shares in issue.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for the periods presented.

16. Capital commitments

As at 30 June 2010 and 31 December 2009, the Group had capital commitments as follows:

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Authorised and contracted for		
Property	360	376
Telecommunications network plant and equipment	4,610	4,166
	4,970	4,542
Authorised but not contracted for		
Property	1,020	739
Telecommunications network plant and equipment	6,059	4,364
	7,079	5,103

17. Related party transactions

Companies are considered to be related if one company has the ability, directly or indirectly, to control or jointly control the other company or have significant influence over the other company in making financial and operating decisions. Companies are also considered to be related if they are subject to common control.

(a) Transactions with China Telecom Group

The Group is a part of companies under China Telecommunications Corporation, a company owned by the PRC government, and has significant transactions and relationships with members of China Telecom Group.

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

17. Related party transactions (Continued)

(a) Transactions with China Telecom Group (Continued)

The principal transactions with China Telecom Group which were carried out in the ordinary course of business are as follows:

	Note	Six-month periods ended 30 June	
		2010 RMB millions	2009 RMB millions
Purchases of telecommunications equipment and materials	(i)	812	760
Sales of telecommunications equipment and materials	(i)	390	384
Construction and engineering services	(ii)	2,600	2,511
Provision of IT services	(iii)	152	49
Receiving IT services	(iii)	170	162
Receiving community services	(iv)	971	1,067
Receiving ancillary services	(v)	3,234	2,717
Operating lease expenses	(vi)	192	176
Net transaction amount of centralised services	(vii)	206	241
Interconnection revenues	(viii)	28	34
Interconnection charges	(viii)	292	329
Interest on amounts due to and loans from			
China Telecom Group	(ix)	606	1,539
CDMA network capacity lease fee	(x)	6,365	3,583
Reimbursement of capacity maintenance related costs of			
CDMA network	(xi)	463	273

Note:

- (i) Represent the amount of telecommunications equipment and materials purchased from/sold to China Telecom Group and commission paid and payable for procurement services provided by China Telecom Group.
- (ii) Represent construction and engineering as well as design and supervisory services provided by China Telecom Group.
- (iii) Represent IT services provided by and received by China Telecom Group.
- (iv) Represent amounts paid and payable to China Telecom Group in respect of cultural, educational, hygiene and other community services.
- (v) Represent amounts paid and payable to China Telecom Group in respect of ancillary services such as repairs and maintenance of telecommunications equipment and facilities and certain customer services.
- (vi) Represent net amounts paid and payable to China Telecom Group for leases of business premises and inter-provincial transmission optic fibres.
- (vii) Represent net amount shared between the Company and China Telecom Group for costs associated with centralised services. The amounts for the periods ended 30 June 2010 and 30 June 2009 represent amounts received or receivable for the net amount of centralised services.

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

17. Related party transactions (Continued)

(a) Transactions with China Telecom Group (Continued)

- (viii) Represent amounts charged from/to China Telecom Group for interconnection of local and domestic long distance calls.
- (ix) Represent interest paid and payable to China Telecom Group with respect to the amounts due to and loans from China Telecom Group (Note 6).
- (x) Represent amounts paid and payable to China Telecom Group for lease of CDMA mobile communication network capacity ("CDMA network").
- (xi) Represent amounts shared between the Company and China Telecom Group for the capacity maintenance related costs in connection with the CDMA network capacity used by the Company.

Amounts due from/to China Telecom Group included in the following balances are summarised as follows:

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Accounts receivable	985	917
Prepayments and other current assets	793	935
Total amounts due from China Telecom Group	1,778	1,852
Accounts payable	8,061	7,526
Accrued expenses and other payables	681	1,694
Short-term debt	23,167	40,267
Total amounts due to China Telecom Group	31,909	49,487

Amounts due from/to China Telecom Group, other than short-term debt and long-term debt, bear no interest, are unsecured and are repayable in accordance with contractual terms which are similar to those terms offered by third parties. The terms and conditions associated with short-term debt and long-term debt payable to China Telecom Group are set out in Note 6.

As at 30 June 2010 and 31 December 2009, no material allowance for impairment of doubtful debts was recognised in respect of amounts due from China Telecom Group.

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

17. Related party transactions (Continued)

(b) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group.

Key management personnel compensation of the Group is summarised as follows:

	Six-month periods ended 30 June	
	2010 RMB thousands	2009 RMB thousands
Short-term employee benefits	4,024	4,177
Post-employment benefits	360	344
	4,384	4,521

The above remuneration is included in personnel expenses.

(c) Contributions to post-employment benefit plans

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 18% to 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The Group's contributions for the six-month period ended 30 June 2010 were RMB1,562 million (six-month period ended 30 June 2009: RMB1,466 million).

The amount payable for contributions to defined contribution retirement plans as at 30 June 2010 was RMB241 million (31 December 2009: RMB235 million).

(d) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the State through government authorities, agencies, affiliations and other organisations (collectively referred to as "state-controlled entities").

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

17. Related party transactions (Continued)

(d) Transactions with other state-controlled entities in the PRC (Continued)

Apart from transactions with parent company and its affiliates, the Group has transactions with other state-controlled entities which include but are not limited to the following:

- sales and purchases of goods, properties and other assets
- rendering and receiving services
- lease of assets
- depositing and borrowing money
- use of public utilities

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not state-controlled. The Group prices its telecommunications services and products based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are state-controlled entities or not.

Having considered the transactions potentially affected by related party relationships, the entity's pricing strategy, procurement policies and approval processes, and the information that would be necessary for an understanding of the potential effect of the related party relationships on the financial statements, the directors are of the opinion that the following related party transactions require disclosure of numeric details:

(i) Transactions with other state-controlled telecommunications operators in the PRC

The Group's telecommunications networks interconnect with the networks of other state-controlled telecommunications operators. The Group also leases telecommunications networks to these operators in the normal course of business. The interconnection and leased line charges are regulated by the MIIT. The extent of the Group's interconnection and leased line transactions with other state-controlled telecommunications operators in the PRC is summarised as follows:

	Six-month periods ended 30 June	
	2010 RMB millions	2009 RMB millions
Interconnection revenues	5,240	5,587
Interconnection charges	4,206	3,388
Leased line revenues	463	288

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

17. Related party transactions (Continued)

(d) Transactions with other state-controlled entities in the PRC (Continued)

(i) Transactions with other state-controlled telecommunications operators in the PRC (Continued)

Amounts due from/to other state-controlled telecommunications operators in the PRC included in the following balances are summarised as follows:

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Accounts receivable	1,005	827
Prepayments and other current assets	241	240
Total amounts due from other state-controlled telecommunications operators in the PRC	1,246	1,067
Accounts payable	554	393
Accrued expenses and other payables	83	5,484
Total amounts due to other state-controlled telecommunications operators in the PRC	637	5,877

Amounts due from/to other state-controlled telecommunications operators in the PRC bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

As at 30 June 2010 and 31 December 2009, there were no material allowance for impairment of doubtful debts in respect of amounts due from other state-controlled telecommunications operators in the PRC.

(ii) Transactions with state-controlled banks

The Group deposits its cash balances primarily with several state-controlled banks in the PRC and obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of these bank deposits and loans are regulated by the People's Bank of China. The Group's interest income earned from deposits with and interest expenses incurred on loans from state-controlled banks in the PRC are as follows:

	Six-month periods ended 30 June	
	2010	2009
	RMB millions	RMB millions
Interest income	138	134
Interest expense	458	468

Notes to the Unaudited Interim Financial Statements (Continued)

for the six-month period ended 30 June 2010

17. Related party transactions (Continued)**(d) Transactions with other state-controlled entities in the PRC (Continued)****(ii) Transactions with state-controlled banks (Continued)**

The amounts of cash deposited with and loans from state-controlled banks in the PRC are summarised as follows:

	30 June 2010	31 December 2009
	RMB millions	RMB millions
Cash at bank	23,378	26,867
Time deposits with original maturity within three months	2,696	7,569
Time deposits with original maturity over three months	1,259	442
Total deposits with state-controlled banks in the PRC	27,333	34,878
Short-term loans	11,255	11,138
Long-term loans	3,481	4,485
Total loans from state-controlled banks in the PRC	14,736	15,623

Further details of the interest rates and repayment terms of loans from state-controlled banks are set out in Note 6.

The directors believe the above information provides meaningful disclosure of related party transactions.