

# Consolidated Statement of Cash Flows (Unaudited)

for the six-month period ended 30 June 2013

(Amounts in millions)

|  | Note | Six-month period ended 30 June |             |
|--|------|--------------------------------|-------------|
|  |      | 2013<br>RMB                    | 2012<br>RMB |
| <b>Net cash from operating activities</b>  | (a)  | <b>42,092</b>                  | 36,540      |
| <b>Cash flows from investing activities</b>  |      |                                |             |
| Capital expenditure  |      | (31,897)                       | (22,984)    |
| Lease prepayments  |      | (66)                           | (23)        |
| Proceeds from disposal of property, plant and equipment  |      | 639                            | 759         |
| Proceeds from disposal of lease prepayments  |      | 212                            | 18          |
| Net cash inflow/(outflow) from disposal of subsidiaries  | 2    | 459                            | (116)       |
| Purchase of time deposits with original maturity over three months   |      | (1,388)                        | (5,199)     |
| Maturity of time deposits with original maturity over three months   |      | 2,730                          | 1,804       |
| Payment for the payable to China Telecommunications Corporation related to the Mobile Network Acquisition (as defined in Note 7) |      | (14,269)                       | –           |
| Payment for the first installment of the Mobile Network Acquisition  |      | (25,500)                       | –           |
| <b>Net cash used in investing activities</b>   |      | <b>(69,080)</b>                | (25,741)    |
| <b>Cash flows from financing activities</b>  |      |                                |             |
| Principal element of finance lease payments  |      | (2)                            | –           |
| Proceeds from bank and other loans   |      | 35,345                         | 5,760       |
| Repayments of bank and other loans   |      | (18,209)                       | (10,796)    |
| Payment of dividends   |      | (94)                           | –           |
| Payment for the acquisition price of the Sixth Acquisition   | (b)  | –                              | (48)        |
| Net cash distributions to non-controlling interests  |      | (5)                            | (3)         |
| <b>Net cash generated from/(used in) financing activities</b>  |      | <b>17,035</b>                  | (5,087)     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  |      | <b>(9,953)</b>                 | 5,712       |
| <b>Cash and cash equivalents at 1 January</b>  |      | <b>29,982</b>                  | 27,372      |
| <b>Effect of changes in foreign exchange rate</b>  |      | <b>(47)</b>                    | (11)        |
| <b>Cash and cash equivalents at 30 June</b>  |      | <b>19,982</b>                  | 33,073      |

The notes on pages 14 to 34 form part of these interim financial statements.



## Consolidated Statement of Cash Flows (Unaudited) (Continued)

for the six-month period ended 30 June 2013  
(Amounts in millions)

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

|   | Six-month period ended 30 June |             |
|---|--------------------------------|-------------|
|   | 2013<br>RMB                    | 2012<br>RMB |
| <b>Profit before taxation</b>                             | <b>13,506</b>                  | 11,669      |
| Adjustments for:  |                                |             |
| Depreciation and amortisation                             | <b>34,693</b>                  | 24,540      |
| Impairment losses for doubtful debts                      | <b>1,103</b>                   | 922         |
| Write down of inventories                                 | <b>139</b>                     | 247         |
| Investment income   | <b>(673)</b>                   | (79)        |
| Share of profits from associates                          | <b>(27)</b>                    | (11)        |
| Interest income   | <b>(178)</b>                   | (216)       |
| Interest expense  | <b>2,820</b>                   | 1,111       |
| Unrealised foreign exchange gain                          | <b>(27)</b>                    | (22)        |
| Gain on disposal of property, plant and equipment         | <b>(183)</b>                   | (570)       |
| <b>Operating profit before changes in working capital</b> | <b>51,173</b>                  | 37,591      |
| Increase in accounts receivable                           | <b>(6,771)</b>                 | (5,364)     |
| Increase in inventories                                   | <b>(1,512)</b>                 | (3)         |
| Increase in prepayments and other current assets          | <b>(1,494)</b>                 | (783)       |
| Decrease in other assets                                  | <b>304</b>                     | 377         |
| (Decrease)/increase in accounts payable                   | <b>(988)</b>                   | 3,134       |
| Increase in accrued expenses and other payables           | <b>3,940</b>                   | 5,386       |
| Decrease in deferred revenues                             | <b>(516)</b>                   | (739)       |
| <b>Cash generated from operations</b>                     | <b>44,136</b>                  | 39,599      |
| Interest received   | <b>180</b>                     | 227         |
| Interest paid   | <b>(680)</b>                   | (297)       |
| Investment income received                                | <b>–</b>                       | 7           |
| Income tax paid   | <b>(1,544)</b>                 | (2,996)     |
| <b>Net cash from operating activities</b>                 | <b>42,092</b>                  | 36,540      |

(b) The Sixth Acquisition represents the acquisition of the digital trunking business (the “Sixth Acquired Business”) from Besttone Holding Co., Ltd. by the Company on 30 April 2012.

The notes on pages 14 to 34 form part of these interim financial statements.

