

Consolidated Statement of Cash Flows (Unaudited)

for the six-month period ended 30 June 2014
(Amounts in millions)

	Note	Six-month period ended 30 June	
		2014 RMB	2013 RMB (restated)
Net cash from operating activities	(a)	43,985	42,076
Cash flows used in investing activities			
Capital expenditure		(31,751)	(31,906)
Lease prepayments		(40)	(66)
Proceeds from disposal of property, plant and equipment		131	639
Proceeds from disposal of lease prepayments		6	212
Net cash inflow from disposal of subsidiaries		–	459
Purchase of time deposits with original maturity over three months		(1,526)	(1,388)
Maturity of time deposits with original maturity over three months		1,614	2,730
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)
Net cash used in investing activities		(31,566)	(69,089)
Cash flows (used in)/from financing activities			
Principal element of finance lease payments		–	(2)
Proceeds from bank and other loans		11,541	35,345
Repayments of bank and other loans		(22,785)	(18,209)
Payment of dividends		(105)	(94)
Payment for the acquisition price of the Seventh Acquisition	(b)	(278)	–
Net cash distributions to non-controlling interests		(1)	(5)
Net cash (used in)/from financing activities		(11,628)	17,035
Net increase/(decrease) in cash and cash equivalents		791	(9,978)
Cash and cash equivalents at 1 January		16,070	30,099
Effect of changes in foreign exchange rate		30	(52)
Cash and cash equivalents at 30 June		16,891	20,069

The notes on pages 15 to 33 form part of these interim financial statements.

Consolidated Statement of Cash Flows (Unaudited) (Continued)

for the six-month period ended 30 June 2014
(Amounts in millions)

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

	Six-month period ended 30 June	
	2014 RMB	2013 RMB (restated)
Profit before taxation	15,035	13,516
Adjustments for:		
Depreciation and amortisation	32,776	34,701
Impairment losses for doubtful debts	1,587	1,103
Write down of inventories	97	139
Investment income	(2)	(673)
Share of profits of associates	(7)	(27)
Interest income	(130)	(179)
Interest expense	2,859	2,820
Unrealised foreign exchange loss/(gain)	7	(28)
Loss/(gain) on disposal of property, plant and equipment	1,377	(183)
Operating profit before changes in working capital	53,599	51,189
Increase in accounts receivable	(8,765)	(6,800)
Decrease/(increase) in inventories	476	(1,512)
Increase in prepayments and other current assets	(1,784)	(1,492)
(Increase)/decrease in other assets	(141)	304
Increase/(decrease) in accounts payable	754	(1,003)
Increase in accrued expenses and other payables	5,714	3,950
Decrease in deferred revenues	(325)	(516)
Cash generated from operations	49,528	44,120
Interest received	142	180
Interest paid	(2,467)	(680)
Income tax paid	(3,218)	(1,544)
Net cash from operating activities	43,985	42,076

- (b) The Seventh Acquisition represents the acquisition of the 100% equity interest in China Telecom (Europe) Limited (“CT Europe” or the “Seventh Acquired Company”), a wholly owned subsidiary of China Telecommunications Corporation, by China Telecom Global Limited (“CT Global”, a subsidiary of the Company) from China Telecommunications Corporation on 31 December 2013.

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