

Consolidated Cash Flow Statement

for the year ended 31 December 2012

(Expressed in Renminbi)

| | Note | 2012 RMB million | 2011 RMB million |
|---|------|---------------------|---------------------|
| Operating activities | | | |
| Profit before taxation | | 171,300 | 166,582 |
| Adjustments for: | | | |
| – Depreciation of property, plant and equipment | | 100,848 | 97,113 |
| – Amortization of other intangible assets | 5 | 68 | 54 |
| – Amortization of land lease prepayments | | 346 | 325 |
| – Loss on disposal of property, plant and equipment | 5 | 1 | 3 |
| – Write-off of property, plant and equipment | 5 | 2,818 | 5,853 |
| – Impairment loss of doubtful accounts | 5 | 4,504 | 3,548 |
| – Impairment loss of inventories | 5 | 313 | 87 |
| – Interest income | | (12,661) | (8,413) |
| – Finance costs | 8 | 390 | 565 |
| – Dividend income from unlisted securities | 7 | (11) | (13) |
| – Share of profit of associates | | (5,685) | (4,306) |
| – Share of loss of jointly controlled entity | | 1 | 1 |
| – Unrealized exchange (gain)/loss, net | 7 | (17) | 9 |
| Operating cashflow before changes in working capital | | 262,215 | 261,408 |
| Decrease/(increase) in inventories | | 436 | (3,492) |
| Increase in accounts receivable | | (7,063) | (4,865) |
| Decrease/(increase) in other receivables | | 82 | (258) |
| Increase in prepayments and other current assets | | (3,403) | (2,613) |
| Decrease in amount due from ultimate holding company | | 68 | 123 |
| Increase in accounts payable | | 5,443 | 651 |
| Increase in bills payable | | 20 | 614 |
| Increase in deferred revenue | | 6,308 | 8,277 |
| Increase in accrued expenses and other payables | | 11,432 | 6,719 |
| (Decrease)/increase in amount due to ultimate holding company | | (246) | 270 |
| Cash generated from operations | | 275,292 | 266,834 |
| Tax paid | | | |
| – Hong Kong profits tax paid | | (100) | (134) |
| – PRC enterprise income tax paid | | (44,483) | (39,944) |
| Net cash generated from operating activities carried forward | | 230,709 | 226,756 |

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2012

(Expressed in Renminbi)

| | Note | 2012 RMB million | 2011 RMB million |
|--|-----------|---------------------|---------------------|
| Net cash generated from operating activities brought forward | | 230,709 | 226,756 |
| Investing activities | | | |
| Capital expenditure | | (123,232) | (123,331) |
| Land lease prepayments | | (1,792) | (1,083) |
| Acquisition of other intangible assets | | (174) | (85) |
| Proceeds from disposal of property, plant and equipment | | 6 | 123 |
| Increase in bank deposits | | (85,310) | (41,884) |
| Increase in restricted bank deposits | | (5,264) | – |
| Trust loan granted | | – | (14,000) |
| Cash receipt from repayment of trust loan | | 14,000 | 2,700 |
| Interest received | | 9,459 | 7,593 |
| Proceeds from acquisition of a subsidiary (net of cash and cash equivalents acquired) | | – | 140 |
| Dividends received from an associate | 37(c) | 1,120 | 458 |
| Dividends received from unlisted securities | | 11 | 13 |
| Net cash used in investing activities | | (191,176) | (169,356) |
| Financing activities | | | |
| Proceeds from issuance of shares under share option scheme | 36(c)(ii) | 531 | 136 |
| Capital injection from non-controlling interests of a subsidiary | | 400 | – |
| Interest paid | | (403) | (651) |
| Dividends paid to the Company's equity shareholders | 36(b) | (55,425) | (52,575) |
| Repayments of bonds and other loans | | – | (5,330) |
| Net cash used in financing activities | | (54,897) | (58,420) |
| Net decrease in cash and cash equivalents | | (15,364) | (1,020) |
| Cash and cash equivalents at beginning of year | | 86,259 | 87,543 |
| Effect of changes in foreign exchange rate | | 11 | (264) |
| Cash and cash equivalents at end of year | 28 | 70,906 | 86,259 |

Significant non-cash transactions

The Group recorded payables of RMB54,816,000,000 (2011: RMB60,357,000,000) and RMB409,000,000 (2011: RMB835,000,000) to equipment suppliers and banks respectively as at 31 December 2012 for additions of construction in progress during the year then ended.

The notes on pages 81 to 150 form part of these financial statements.