

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019 (Amounts in millions)

	Notes	2019 RMB	2018 RMB
Net cash from operating activities	(a)	112,600	99,298
Cash flows used in investing activities			
Capital expenditure		(82,853)	(83,835)
Purchase of investments		(478)	(328)
Payments for right-of-use assets/lease prepayments		(310)	(20)
Proceeds from disposal of property, plant and equipment		2,514	1,866
Proceeds from disposal of right-of-use assets/lease prepayments		115	45
Proceeds from disposal of investments		296	96
Net cash outflow from disposal of a subsidiary		–	(1)
Purchase of short-term bank deposits		(5,119)	(7,726)
Maturity of short-term bank deposits		8,621	3,949
Net cash used in investing activities		(77,214)	(85,954)
Cash flows used in financing activities			
Repayments of principal of lease liabilities/finance lease obligations		(10,699)	(73)
Proceeds from bank and other loans		103,315	97,829
Repayments of bank and other loans		(120,107)	(106,923)
Payment of the acquisition price of the Eighth Acquisition (Note 1)		–	(87)
Payment of dividends		(8,891)	(7,568)
Distribution to non-controlling interests		(181)	(177)
Payment for the acquisition of non-controlling interests		(8)	(119)
Contribution from non-controlling interests		1,590	855
Reduction of capital by non-controlling interests		–	(20)
Net deposits with Finance Company	(b)	4,098	–
Increase in statutory reserve deposits placed by Finance Company	(b)	(405)	–
Net cash used in financing activities		(31,288)	(16,283)
Net increase/(decrease) in cash and cash equivalents		4,098	(2,939)
Cash and cash equivalents at 1 January		16,666	19,410
Effect of changes in foreign exchange rate		27	195
Cash and cash equivalents at 31 December		20,791	16,666

The notes on pages 187 to 272 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019 (Amounts in millions)

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

	2019 RMB	2018 RMB
Profit before taxation	27,034	28,148
Adjustment for:		
Depreciation and amortisation	88,145	75,493
Impairment losses for financial assets and other items, net of reversal	1,695	2,050
Write down of inventories, net of reversal	61	66
Investment income	(30)	(38)
Income from investments in associates	(1,573)	(2,104)
Interest income	(492)	(306)
Interest expense	4,090	3,093
Net foreign exchange loss/(gain)	41	(79)
Net loss on retirement and disposal of long-lived assets	2,710	1,757
Operating profit before changes in working capital	121,681	108,080
Increase in accounts receivable	(2,601)	(1,848)
Decrease in contract assets	4	170
Decrease/(increase) in inventories	1,891	(622)
Decrease/(increase) in prepayments and other current assets	1,134	(1,349)
Decrease in other assets	414	271
Decrease in accounts payable	(2,657)	(3,181)
Increase in accrued expenses and other payables	614	9,842
Decrease in contract liabilities	(1,412)	(6,414)
Decrease in deferred revenues	(90)	(138)
Cash generated from operations	118,978	104,811
Interest received	474	306
Interest paid	(4,200)	(3,094)
Investment income received	133	34
Income tax paid	(2,785)	(2,759)
Net cash from operating activities	112,600	99,298

(b) "Finance Company" refers to China Telecom Group Finance Co., Ltd., a subsidiary of the Company established on 8 January 2019, providing capital and financial management services to the member units of China Telecommunications Corporation.

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