

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014 (Amounts in millions)

	Note	2014 RMB	2013 RMB
<b>Net cash from operating activities</b>	(a)	<b>96,405</b>	88,351
<b>Cash flows used in investing activities</b>			
Capital expenditure		<b>(80,273)</b>	(70,921)
Lease prepayments		<b>(184)</b>	(111)
Purchase of investments		<b>(2,990)</b>	–
Proceeds from disposal of property, plant and equipment		<b>710</b>	1,538
Proceeds from disposal of lease prepayments		<b>121</b>	360
Net cash inflow from disposal of a subsidiary		<b>–</b>	512
Purchase of short-term bank deposits		<b>(2,566)</b>	(2,750)
Maturity of short-term bank deposits		<b>3,474</b>	3,193
Payment for the payable to China Telecommunications Corporation related to the Mobile Network Acquisition (as defined in Note 16)		<b>–</b>	(14,269)
Payment for the first installment of the Mobile Network Acquisition		<b>–</b>	(25,500)
<b>Net cash used in investing activities</b>		<b>(81,708)</b>	(107,948)
<b>Cash flows (used in)/from financing activities</b>			
Principal element of finance lease payments		<b>(1)</b>	(2)
Proceeds from bank and other loans		<b>53,022</b>	54,983
Repayment of bank and other loans		<b>(56,819)</b>	(44,053)
Payment of dividends		<b>(6,198)</b>	(5,433)
Payment of the acquisition price of the Seventh Acquisition	(b)	<b>(278)</b>	–
Net cash (distributions to)/contributions from non-controlling interests		<b>(53)</b>	142
<b>Net cash (used in)/from financing activities</b>		<b>(10,327)</b>	5,637
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,370</b>	(13,960)
<b>Cash and cash equivalents at 1 January</b>		<b>16,070</b>	30,099
<b>Effect of changes in foreign exchange rate</b>		<b>(4)</b>	(69)
<b>Cash and cash equivalents at 31 December</b>		<b>20,436</b>	16,070

The notes on pages 128 to 193 form part of these financial statements.

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for the year ended 31 December 2014 (Amounts in millions)

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

	2014 RMB	2013 RMB
<b>Profit before taxation</b>	<b>23,257</b>	23,088
Adjustments for:		
Depreciation and amortisation	<b>66,345</b>	69,083
Impairment losses for doubtful debts	<b>2,084</b>	1,744
Write down of inventories	<b>151</b>	360
Investment income	<b>(6)</b>	(670)
Share of profits of associates	<b>(34)</b>	(103)
Interest income	<b>(304)</b>	(361)
Interest expense	<b>5,650</b>	5,511
Unrealised foreign exchange (gain)/loss	<b>(55)</b>	3
Loss/(gain) on retirement and disposal of property, plant and equipment	<b>2,287</b>	(1,021)
<b>Operating profit before changes in working capital</b>	<b>99,375</b>	97,634
Increase in accounts receivable	<b>(3,594)</b>	(3,156)
Decrease/(increase) in inventories	<b>2,280</b>	(955)
Increase in prepayments and other current assets	<b>(2,359)</b>	(1,077)
(Increase)/decrease in other assets	<b>(2)</b>	294
Increase in accounts payable	<b>6,473</b>	3,210
Increase in accrued expenses and other payables	<b>6,571</b>	3,148
Decrease in deferred revenues	<b>(573)</b>	(1,014)
<b>Cash generated from operations</b>	<b>108,171</b>	98,084
Interest received	<b>305</b>	358
Interest paid	<b>(5,693)</b>	(5,573)
Investment income received	<b>29</b>	21
Income tax paid	<b>(6,407)</b>	(4,539)
<b>Net cash from operating activities</b>	<b>96,405</b>	88,351

- (b) The Seventh Acquisition represents the acquisition of the 100% equity interest in China Telecom (Europe) Limited, 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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