

Consolidated Statement of Cash Flows (Unaudited)

for the six-month period ended 30 June 2019
(Amounts in millions)

	Notes	Six-month period ended 30 June	
		2019 RMB	2018 RMB
Net cash from operating activities	(a)	53,027	50,689
Cash flows used in investing activities			
Capital expenditure		(32,863)	(32,764)
Purchase of investments		(210)	(317)
Payments for right-of-use assets/lease prepayments		(89)	(6)
Proceeds from disposal of property, plant and equipment		606	642
Proceeds from disposal of right-of-use assets/lease prepayments		24	14
Proceeds from disposal of investments		—	91
Purchase of short-term bank deposits		(1,481)	(2,839)
Maturity of short-term bank deposits		4,788	2,954
Net cash used in investing activities		(29,225)	(32,225)
Cash flows used in financing activities			
Repayments of principal of lease liabilities/finance lease obligations		(3,862)	(46)
Proceeds from bank and other loans		50,677	28,531
Repayments of bank and other loans		(69,742)	(49,792)
Payment of the acquisition price of the Eighth Acquisition		—	(87)
Payment for the acquisition of non-controlling interests		—	(119)
Contribution from non-controlling interests		1,590	—
Net deposits with Finance Company	(b)	297	—
Increase in statutory reserve deposits placed by Finance Company	(b)	(83)	—
Net cash used in financing activities		(21,123)	(21,513)
Net increase/(decrease) in cash and cash equivalents		2,679	(3,049)
Cash and cash equivalents at 1 January		16,666	19,410
Effect of changes in foreign exchange rate		11	36
Cash and cash equivalents at 30 June		19,356	16,397

The notes on pages 19 to 43 form part of these interim financial statements.

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for the six-month period ended 30 June 2019
(Amounts in millions)

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

	Six-month period ended 30 June	
	2019 RMB	2018 RMB
Profit before taxation	18,518	18,159
Adjustment for:		
Depreciation and amortisation	43,343	36,701
Impairment losses for financial assets and other items, net of reversal	1,664	1,561
Write down of inventories, net of reversal	(71)	4
Investment income	(26)	(39)
Share of profits of associates	(605)	(477)
Interest income	(210)	(145)
Interest expense	2,246	1,665
Net foreign exchange loss/(gain)	21	(6)
Net loss on retirement and disposal of long-lived assets	956	1,643
Operating profit before changes in working capital	65,836	59,066
Increase in accounts receivable	(12,701)	(12,062)
Increase in contract assets	(637)	(140)
Decrease in inventories	1,367	311
Decrease in prepayments and other current assets	94	890
Decrease in other assets	325	320
Decrease in accounts payable	(672)	(212)
Increase in accrued expenses and other payables	8,554	11,247
Decrease in contract liabilities	(5,407)	(5,367)
Decrease in deferred revenues	(47)	(71)
Cash generated from operations	56,712	53,982
Interest received	199	141
Interest paid	(2,189)	(1,692)
Investment income received	109	4
Income tax paid	(1,804)	(1,746)
Net cash from operating activities	53,027	50,689

- (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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