

Consolidated Statement of Cash Flows (Unaudited)

for the six-month period ended 30 June 2020 (Amounts in million)

	Notes	Six-month period ended 30 June	
		2020 RMB	2019 RMB
Net cash from operating activities	(a)	65,286	53,027
Cash flows used in investing activities			
Capital expenditure		(31,118)	(32,863)
Purchase of investments		(21)	(210)
Payments for right-of-use assets		(82)	(89)
Proceeds from disposal of property, plant and equipment		264	606
Proceeds from disposal of right-of-use assets		1	24
Proceeds from disposal of investments		36	—
Purchase of short-term bank deposits		(2,712)	(1,481)
Maturity of short-term bank deposits		3,988	4,788
Net cash used in investing activities		(29,644)	(29,225)
Cash flows used in financing activities			
Repayments of principal of lease liabilities		(4,964)	(3,862)
Proceeds from bank and other loans		32,755	50,677
Repayments of bank and other loans		(62,320)	(69,742)
Contribution from non-controlling interests		—	1,590
Net deposits received by Finance Company	(b)	204	297
Increase in statutory reserve deposits placed by Finance Company	(b)	(196)	(83)
Net cash used in financing activities		(34,521)	(21,123)
Net increase in cash and cash equivalents		1,121	2,679
Cash and cash equivalents at 1 January		20,791	16,666
Effect of changes in foreign exchange rate		31	11
Cash and cash equivalents at 30 June		21,943	19,356

The notes on pages 19 to 39 form part of these interim financial statements.

Consolidated Statement of Cash Flows (Unaudited)

for the six-month period ended 30 June 2020 (Amounts in million)

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

	Six-month period ended 30 June	
	2020 RMB	2019 RMB
Profit before taxation	18,246	18,518
Adjustment for:		
Depreciation and amortisation	44,176	43,343
Impairment losses for financial assets and other items, net of reversal	1,715	1,664
Write down of inventories, net of reversal	2	(71)
Investment income	(53)	(26)
Share of profits of associates	(787)	(605)
Interest income	(280)	(210)
Interest expense	1,848	2,246
Net foreign exchange loss	4	21
Net loss on retirement and disposal of long-lived assets	2,112	956
Operating profit before changes in working capital	66,983	65,836
Increase in accounts receivable	(12,672)	(12,701)
Increase in contract assets	(327)	(637)
(Increase)/decrease in inventories	(183)	1,367
Decrease in prepayments and other current assets	593	94
Decrease in other assets	237	325
Increase/(decrease) in accounts payable	6,146	(672)
Increase in accrued expenses and other payables	9,353	8,554
Decrease in contract liabilities	(2,943)	(5,407)
Decrease in deferred revenues	(30)	(47)
Cash generated from operations	67,157	56,712
Interest received	290	199
Interest paid	(1,972)	(2,189)
Investment income received	576	109
Income tax paid	(765)	(1,804)
Net cash from operating activities	65,286	53,027

(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.

The notes on pages 19 to 39 form part of these interim financial statements.