

# Consolidated Cash Flow Statement

For the year ended 31 December 2003

(Expressed in thousands of RMB)	Note	2003	2002
<b>Net cash inflow from operations</b>	(a)	26,449,770	15,675,105
Interest received		204,025	599,506
Interest paid		(2,540,513)	(1,868,208)
Dividends received		2,573	24,978
Dividends paid to minority owners of subsidiaries		(4,689)	(31,902)
PRC income tax paid		(1,545,907)	(1,345,201)
Net cash inflow from operating activities		22,565,259	13,054,278
<b>Investing activities</b>			
Purchase of property, plant and equipment		(21,184,245)	(21,152,102)
Sale of property, plant and equipment		94,804	24,552
Purchase of minority interests		–	(257,337)
Decrease in short-term bank deposits		3,832,411	20,096,738
Purchase of Unicom New Century, net of cash acquired		–	(3,692,687)
Payment of direct acquisition cost of Unicom New Century		(59,767)	–
Purchase of Unicom New World, net of cash acquired	4(b)	(2,326,449)	–
Purchase of trading securities		(87,956)	(14,557)
Sale of trading securities		118,575	18,865
Purchase of investment in associated companies		(10,062)	(2,105)
Sale of investment in associated companies		853	4,241
Sale of investment securities		19,753	35,300
Sale of Guoxin Paging, net of cash disposed	5	1,259,159	–
Purchase of other assets		(708,379)	(226,947)
Net cash outflow from investing activities		(19,051,303)	(5,166,039)
<b>Financing activities</b>			
Proceeds from exercise of share options		1,158	–
Decrease of payables to Unicom Group		(724,127)	(1,393,434)
Proceeds from short-term bank loans		10,901,425	9,623,438
Proceeds from long-term bank loans		11,075,836	7,757,005
Repayment of short-term bank loans		(10,278,727)	(7,928,938)
Repayment of long-term bank loans		(18,497,783)	(19,925,822)
Dividends paid (Note 15(b))		(1,255,300)	–
Net cash outflow from financing activities		(8,777,518)	(11,867,751)
Net decrease in cash and cash equivalents		(5,263,562)	(3,979,512)
Cash and cash equivalents, beginning of year		14,433,498	18,413,010
Cash and cash equivalents, end of year		9,169,936	14,433,498
<b>Analysis of the balances of cash and cash equivalents:</b>			
Cash balances		4,610	5,942
Bank balances		9,215,326	14,427,556
Less: Restricted bank deposits	(i)	(50,000)	–
		9,169,936	14,433,498

Note (i): As of 31 December 2003, approximately RMB50 million bank balances (2002: Nil) was restricted by the bank to secure for long-term bank loans.

(a) The reconciliation of profit before taxation to net cash inflow from operations was as follows:

(Expressed in thousands of RMB)	2003	2002
Profit before taxation	6,095,849	6,303,166
Adjustments for:		
Depreciation and amortisation	16,385,293	11,255,724
Amortisation of deferred customer acquisition costs of contractual CDMA subscribers	5,836,587	1,385,424
Interest income	(173,033)	(470,282)
Interest expense	1,919,375	1,456,736
Loss on sale of Guoxin Paging	663,279	–
Loss on disposal of property, plant and equipment	49,940	82,467
Provision for impairment loss of property, plant and equipment and goodwill	528,048	38,797
Provision for doubtful debts	1,749,887	971,989
Share of losses/(profits) from associated companies	2,275	(553)
Dividends from investment securities	(2,573)	(24,978)
Realised gains on trading securities	(12,045)	(1,876)
Unrealised (gains)/ losses on trading securities	(10,129)	27,461
Realised gains on investment securities	(13,268)	(18,098)
Realised gains in associated companies	–	(1,251)
Provision of impairment loss of investment securities	–	650
Operating profit before working capital changes	33,019,485	21,005,376
Increase in accounts receivable	(2,650,625)	(2,085,863)
Decrease/(increase) in inventories	1,263,299	(1,276,602)
Increase in other assets	(3,169,766)	(5,478,259)
Increase in prepayments and other current assets	(1,342,086)	(1,142,810)
(Increase)/decrease in amounts due from domestic carriers	(22,227)	8,599
Decrease in amounts due from related parties	553,354	280,216
(Decrease)/increase in payables and accrued liabilities	(35,732)	1,488,449
(Decrease)/increase in advances from customers	(55,497)	1,978,456
(Decrease)/increase in amounts due to domestic carriers	(161,937)	221,196
(Decrease)/increase in amounts due to related parties	(948,498)	676,347
Net cash inflow from operations	26,449,770	15,675,105

(b) Supplemental information:

Payables to equipment suppliers for construction-in-progress during 2003 decreased by approximately RMB3,234 million (2002: approximately RMB2,201 million).