

Consolidated Cash Flow Statement

For the year ended 31 December 2004
(Expressed in thousands of RMB)

	Note	2004	2003
Net cash inflow from operations	(a)	27,703,311	26,449,770
Interest received		106,365	204,025
Interest paid		(2,310,270)	(2,540,513)
Dividends received		—	2,573
Dividends paid to minority owners of subsidiaries		—	(4,689)
PRC income tax paid		(1,680,111)	(1,545,907)
Net cash inflow from operating activities		23,819,295	22,565,259
Investing activities			
Purchase of property, plant and equipment		(19,161,078)	(21,184,245)
Sale of property, plant and equipment		53,970	94,804
Decrease in short-term bank deposits		250,769	3,832,411
Purchase of Unicom New World, net of cash acquired		—	(2,326,449)
Payment of direct acquisition cost of Unicom New Century		(4,566)	(59,767)
Payment of direct acquisition cost of Unicom New World		(14,039)	—
Purchase of Unicom International, net of cash acquired		44,267	—
Sale of Guoxin Paging, net of cash disposed		450,000	1,259,159
Purchase of trading securities		—	(87,956)
Sale of trading securities		—	118,575
Purchase of investment in associated companies		—	(10,062)
Sale of investment in associated companies		—	853
Sale of investment securities		—	19,753
Purchase of other assets		(577,926)	(708,379)
Net cash outflow from investing activities		(18,958,603)	(19,051,303)
Financing activities			
Proceeds from exercise of share options		64,125	1,158
Decrease of short-term loans to Unicom Group		—	(724,127)
Proceeds from short-term bank loans		10,224,971	10,901,425
Proceeds from long-term bank loans		11,083,383	11,075,836
Repayment of short-term bank loans		(12,271,753)	(10,278,727)
Repayment of long-term bank loans		(17,245,641)	(18,497,783)
Dividends paid (Note 15(b))		(1,256,160)	(1,255,300)
Net cash outflow from financing activities		(9,401,075)	(8,777,518)
Net decrease in cash and cash equivalents		(4,540,383)	(5,263,562)
Cash and cash equivalents, beginning of year		9,169,936	14,433,498
Cash and cash equivalents, end of year		4,629,553	9,169,936
Analysis of the balances of cash and cash equivalents:			
Cash balances		4,756	4,610
Bank balances		4,650,708	9,215,326
Less: Restricted bank deposits	(i)	(25,911)	(50,000)
		4,629,553	9,169,936

Note (i) : As of 31 December 2004, approximately RMB26 million bank balances (2003: RMB50 million) 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:

	2004	2003
Profit before taxation	6,466,624	6,095,849
Adjustments for:		
Depreciation and amortisation	19,063,074	16,385,293
Amortisation of deferred customer acquisition costs of contractual CDMA subscribers	6,120,737	5,836,587
Interest income	(102,907)	(173,033)
Interest expense	1,668,467	1,919,375
Loss on sale of Guoxin Paging	—	663,279
Loss on disposal of property, plant and equipment	10,537	49,940
Additional provision for impairment loss of property, plant and equipment	—	528,048
Provision for doubtful debts	2,191,820	1,749,887
Share of losses from associated companies	—	2,275
Dividends from investment securities	—	(2,573)
Realised gains on trading securities	—	(12,045)
Unrealised gains on trading securities	—	(10,129)
Realised gains on investment securities	—	(13,268)
Operating profit before working capital changes	35,418,352	33,019,485
Increase in accounts receivable	(1,915,496)	(2,650,625)
(Increase)/decrease in inventories	(939,899)	1,263,299
Increase in other assets	(5,251,569)	(3,169,766)
Increase in prepayments and other current assets	(792,416)	(1,342,086)
Increase in amounts due from domestic carriers	(85,306)	(22,227)
Decrease in amounts due from related parties	70,516	553,354
Increase/(decrease) in payables and accrued liabilities	1,835,813	(35,732)
Increase/(decrease) in advances from customers	367,431	(55,497)
Increase/(decrease) in amounts due to domestic carriers	169,733	(161,937)
Decrease in amounts due to Unicom Group	(943,448)	(562,633)
Decrease in amounts due to related parties	(230,400)	(385,865)
Net cash inflow from operations	27,703,311	26,449,770

(b) Supplemental information:

Payables to equipment suppliers for construction-in-progress during 2004 decreased by approximately RMB775 million (2003: approximately RMB3, 234 million).