

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2003

(Expressed in thousands of RMB)

	Note	Unaudited Six months ended 30 June 2003	2002
Net cash inflow from operations	(a)	13,425,596	7,926,090
Interest received		125,200	411,743
Interest paid		(1,348,929)	(997,141)
Dividends received		2,531	5,981
Dividends paid to minority owners of subsidiaries		(1,732)	(3,295)
PRC income tax paid		(899,729)	(588,474)
Net cash inflow from operating activities		11,302,937	6,754,904
Investing activities			
Purchase of property, plant and equipment		(10,744,473)	(9,995,704)
Sale of property, plant and equipment		8,049	8,699
Purchase of minority interests		—	(36,739)
Decrease in short-term bank deposits		3,120,438	16,584,182
Payment of acquisition cost of Unicom New Century		(42,029)	—
Purchase of trading securities		(83,857)	(8,376)
Sale of trading securities		79,055	4,469
Sale of investment securities		6,048	3,835
Purchase of other assets		(156,758)	(61,657)
Net cash (outflow) inflow from investing activities		(7,813,527)	6,498,709
Financing activities			
Decrease of payables to Unicom Group		(724,127)	(339,800)
Proceeds from short-term bank loans		4,793,366	2,433,646
Proceeds from long-term bank loans		3,505,447	2,273,457
Repayment of short-term bank loans		(3,874,500)	(4,547,125)
Repayment of long-term bank loans		(10,158,616)	(15,731,329)
2002 final dividends paid (Note 11(a))		(1,255,300)	—
Net cash outflow from financing activities		(7,713,730)	(15,911,151)
Net decrease in cash and cash equivalents		(4,224,320)	(2,657,538)
Cash and cash equivalents, beginning of period		14,433,498	18,413,010
Cash and cash equivalents, end of period		10,209,178	15,755,472
Analysis of the balances of cash and cash equivalents:			
Cash balance		5,547	5,515
Bank balance		10,203,631	15,749,957
		10,209,178	15,755,472

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

	Unaudited Six months ended 30 June	
	2003	2002
Profit before taxation	3,353,695	2,982,978
Adjustments for:		
Depreciation and amortisation	8,179,435	5,347,998
Amortisation of deferred customer acquisition costs of contractual CDMA subscribers	3,104,225	65,796
Interest income	(104,909)	(266,658)
Interest expense	1,004,362	734,991
Loss on disposal of property, plant and equipment	46,011	70,241
Provision for impairment of property, plant and equipment	535,068	—
Provision for doubtful debts	854,954	526,752
Share of losses from associated companies	—	1,312
Dividends from investment securities	(2,531)	(5,981)
Realised gains on trading securities	(7,902)	(1,569)
Unrealised gains on trading securities	(14,489)	(15,117)
Realised gains on investment securities	(3,345)	(385)
Reversal of impairment loss of associated companies	—	(5,663)
Provision of impairment loss of investment securities	—	650
Operating profit before working capital changes	16,944,574	9,435,345
Increase in accounts receivable	(893,224)	(988,413)
Decrease/(increase) in inventories	1,353,268	(276,362)
Increase in other assets	(2,539,986)	(586,182)
Increase in prepayments and other current assets	(864,649)	(533,798)
(Increase)/decrease in amounts due from domestic carriers	(62,098)	53,538
Decrease in amounts due from related parties	71,663	483,611
Decrease in payables and accrued liabilities	(561,372)	(466,487)
(Decrease)/increase in advances from customers	(677,140)	358,395
Increase in amounts due to domestic carriers	43,118	58,293
Increase in amounts due to related parties	611,442	388,150
Net cash inflow from operations	13,425,596	7,926,090

(b) Supplemental information:

Payables to equipment suppliers for construction-in-progress during the six months ended 30 June 2003 decreased by approximately RMB2,603 million (2002: RMB1,023 million).