

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2004

(Expressed in thousands of RMB)

	Note	Unaudited	
		Six months ended 30 June	
		2004	2003
Net cash inflow from operations	(a)	15,005,635	13,425,596
Interest received		46,629	125,200
Interest paid		(1,229,839)	(1,348,929)
Dividends received		—	2,531
Dividends paid to minority owners of subsidiaries		—	(1,732)
PRC income tax paid		(827,092)	(899,729)
Net cash inflow from operating activities		12,995,333	11,302,937
Investing activities			
Purchase of property, plant and equipment		(8,926,442)	(10,744,473)
Sale of property, plant and equipment		23,734	8,049
Decrease in short-term bank deposits		248,903	3,120,438
Payment of direct acquisition cost of Unicom New Century		(4,566)	(42,029)
Payment of direct acquisition cost of Unicom New World		(11,234)	—
Sale of Guoxin Paging		450,000	—
Purchase of trading securities		—	(83,857)
Sale of trading securities		—	79,055
Sale of investment securities		—	6,048
Purchase of other assets		(181,334)	(156,758)
Net cash outflow from investing activities		(8,400,939)	(7,813,527)
Financing activities			
Proceeds from exercise of share options		56,970	—
Decrease of payables to Unicom Group		—	(724,127)
Proceeds from short-term bank loans		4,304,937	4,793,366
Proceeds from long-term bank loans		7,656,613	3,505,447
Repayment of short-term bank loans		(6,278,329)	(3,874,500)
Repayment of long-term bank loans		(9,700,078)	(10,158,616)
Dividends paid (Note 11(a))		(1,256,160)	(1,255,300)
Net cash outflow from financing activities		(5,216,047)	(7,713,730)
Net decrease in cash and cash equivalents		(621,653)	(4,224,320)
Cash and cash equivalents, beginning of period		9,169,936	14,433,498
Cash and cash equivalents, end of period		8,548,283	10,209,178
Analysis of the balances of cash and cash equivalents:			
Cash balances		5,408	5,547
Bank balances		8,592,033	10,203,631
Less: Restricted bank deposit	(i)	(49,158)	—
		8,548,283	10,209,178

Note (i): As of 30 June 2004, approximately RMB49.2 million bank balances (31 December 2003: RMB50.0 million) was restricted by the bank to secure for long-term bank loans.

Unaudited Condensed Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2004

(Expressed in thousands of RMB)

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

	Unaudited	
	Six months ended 30 June	
	2004	2003
Profit before taxation	4,072,333	3,353,695
Adjustments for:		
Depreciation and amortisation	9,248,386	8,179,435
Amortisation of deferred customer acquisition costs of contractual CDMA subscribers	3,051,251	3,104,225
Interest income	(44,337)	(104,909)
Interest expense	954,700	1,004,362
Loss on disposal of property, plant and equipment	4,480	46,011
Provision for impairment loss of property, plant and equipment	—	535,068
Provision for doubtful debts	1,245,075	854,954
Dividends from investment securities	—	(2,531)
Realised gains on trading securities	—	(7,902)
Unrealised gains on trading securities	—	(14,489)
Realised gains on investment securities	—	(3,345)
Operating profit before working capital changes	18,531,888	16,944,574
Increase in accounts receivable	(1,851,407)	(893,224)
Decrease in inventories	145,624	1,353,268
Increase in other assets	(1,587,572)	(2,539,986)
Increase in prepayments and other current assets	(372,036)	(864,649)
Decrease/(increase) in amounts due from domestic carriers	3,788	(62,098)
(Increase)/decrease in amounts due from related parties	(280,186)	71,663
Increase/(decrease) in payables and accrued liabilities	593,071	(561,372)
Decrease in advances from customers	(322,198)	(677,140)
Increase in amounts due to domestic carriers	215,193	43,118
(Decrease)/increase in amounts due to related parties	(70,530)	611,442
Net cash inflow from operations	15,005,635	13,425,596

(b) Supplemental information:

Payables to equipment suppliers for construction-in-progress during the six months ended 30 June 2004 decreased by approximately RMB1,441 million (2003: RMB2,603 million).