

# Consolidated Cash Flow Statement

For the year ended 31 December 2005

(All amounts in RMB thousands)

		Year ended 31 December	
		2005	2004 Restated (Note 2.2)
	Note		
<b>Cash flows from operating activities</b>	(a)	<b>33,974,778</b>	<b>27,703,311</b>
Interest received		95,731	106,365
Interest paid		(1,792,398)	(2,310,270)
PRC income tax paid		(1,474,423)	(1,680,111)
Net cash generated from operating activities		30,803,688	23,819,295
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(16,643,005)	(18,939,138)
Proceeds from sale of property, plant and equipment		91,851	53,970
Decrease in short-term bank deposits		379,568	250,769
Payment of direct acquisition cost of Unicom New Century		—	(4,566)
Payment of direct acquisition cost of Unicom New World		—	(14,039)
Purchase of Unicom International, net of cash acquired		—	44,267
Proceeds from sales of Guoxin paging		—	450,000
Purchase of other assets		(576,755)	(799,866)
Net cash used in investing activities		(16,748,341)	(18,958,603)
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options		52,134	64,125
Proceeds from minority interest of a subsidiary in respect of share capital contribution		2,500	—
Proceeds from short-term bonds		9,690,800	—
Proceeds from short-term bank loans		12,532,071	10,224,971
Proceeds from long-term bank loans		5,798,657	11,083,383
Repayment of short-term bank loans		(20,104,146)	(12,271,753)
Repayment of long-term bank loans		(19,928,416)	(17,245,641)
Dividends paid (Note 30)		(1,256,924)	(1,256,160)
Net cash used in financing activities		(13,213,324)	(9,401,075)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>842,023</b>	<b>(4,540,383)</b>
Cash and cash equivalents, beginning of the year		4,629,553	9,169,936
<b>Cash and cash equivalents, end of the year</b>	13	<b>5,471,576</b>	<b>4,629,553</b>
<b>Analysis of the balances of cash and cash equivalents:</b>			
Cash balances		9,319	4,756
Bank balances		5,462,257	4,650,708
Less: Restricted bank deposits	(i)	—	(25,911)
		5,471,576	4,629,553

Note (i): As at 31 December 2005, no bank balances (2004: RMB26 million) was restricted by the bank to secure long-term bank loans.

(a) The reconciliation of profit for the year to net cash inflow from operations was as follows:

	Year ended 31 December	
	2005	2004 Restated (Note 2.2)
Profit for the year	4,931,286	4,493,451
Adjustments for:		
Income tax	2,170,411	1,977,141
Depreciation and amortisation	20,368,181	19,011,074
Amortisation of capitalised customer acquisition costs of contractual CDMA subscribers	5,947,631	6,120,737
Interest income	(96,196)	(102,907)
Interest expense	1,060,271	1,668,467
Loss on disposal of property, plant and equipment	25,134	10,537
Share-based compensation costs	108,417	88,957
Provision for doubtful debts	1,498,510	2,191,820
Changes in working capital:		
Increase in accounts receivable	(816,959)	(1,915,496)
Decrease/(increase) in inventories	1,006,820	(939,899)
Increase in other assets	(2,738,580)	(5,536,980)
Increase in prepayments and other current assets	(477,665)	(792,416)
Decrease/(increase) in amounts due from Domestic Carriers	131,434	(85,306)
Decrease in amounts due from Unicom Group	61,401	—
(Increase)/decrease in amounts due from related parties	(191,483)	70,516
Increase in payables and accrued liabilities	604,410	1,835,813
Increase in advances from customers	851,629	367,431
(Decrease)/increase in deferred revenue	(492,261)	244,486
(Decrease)/increase in amounts due to Domestic Carriers	(126,568)	169,733
Increase/(decrease) in amounts due to Unicom Group	38,094	(943,448)
Increase/(decrease) in amounts due to related parties	110,861	(230,400)
Cash flow from operating activities	33,974,778	27,703,311

(b) Supplemental information:

Payables to equipment suppliers for construction-in-progress during 2005 increased by approximately RMB633 million (2004: decreased by approximately RMB775 million).

The notes on pages 80 to 171 are an integral part of these consolidated financial statements.