

Consolidated Cash Flow Statement

For the year ended 31 December 2006

(All amounts in RMB thousands)

	Note	Year ended 31 December	
		2006	2005
Cash flows from operating activities			
Cash generated from operations	(a)	38,522,310	33,974,778
Interest received		248,924	95,731
Interest paid		(1,206,933)	(1,792,398)
Tax paid		(2,113,144)	(1,474,423)
Net cash generated from operating activities		35,451,157	30,803,688
Cash flows from investing activities			
Purchase of property, plant and equipment		(16,744,789)	(16,643,005)
Proceeds from sale of property, plant and equipment		59,341	91,851
Decrease in short-term bank deposits		86,637	379,568
Purchase of other assets		(738,500)	(576,755)
Net cash used in investing activities		(17,337,311)	(16,748,341)
Cash flows from financing activities			
Proceeds from exercise of share options		535,299	52,134
Proceeds from minority interest of a subsidiary in respect of share capital contribution		—	2,500
Proceeds from short-term bonds		6,949,700	9,690,800
Proceeds from short-term bank loans		2,143,000	12,532,071
Proceeds from long-term bank loans		1,345,050	5,798,657
Proceeds from issuance of convertible bonds		7,993,500	—
Repayment of short-term bonds		(9,731,800)	—
Repayment of short-term bank loans		(8,905,858)	(20,104,146)
Repayment of long-term bank loans		(10,348,059)	(19,928,416)
Dividends paid	31	(1,384,146)	(1,256,924)
Net cash used in financing activities		(11,403,314)	(13,213,324)
Net increase in cash and cash equivalents		6,710,532	842,023
Cash and cash equivalents, beginning of year		5,471,576	4,629,553
Cash and cash equivalents, end of year	14	12,182,108	5,471,576
Analysis of the balances of cash and cash equivalents:			
Cash balances		4,458	9,319
Bank balances		12,177,650	5,462,257
		12,182,108	5,471,576

- (a) The reconciliation of profit before income tax to cash generated from operations was as follows:

	Year ended 31 December	
	2006	2005
Profit before income tax	6,495,816	7,101,697
Adjustments for:		
Depreciation and amortisation	22,422,812	20,368,181
Amortisation of customer acquisition costs of contractual CDMA subscribers	4,205,253	5,947,631
Interest income	(259,040)	(96,196)
Interest expense	454,742	1,060,271
Loss on disposal of property, plant and equipment	144,644	25,134
Share-based compensation costs	146,294	108,417
Provision for doubtful debts	1,741,765	1,498,510
Unrealised loss on changes in fair value of derivative component of convertible bonds	2,396,592	—
Changes in working capital:		
Increase in accounts receivable	(612,679)	(816,959)
(Increase)/decrease in inventories	(226,090)	1,006,820
Increase in other assets	(1,748,235)	(2,738,580)
Increase in prepayments and other current assets	(451,215)	(477,665)
(Increase)/decrease in amounts due from Domestic Carriers	(36)	131,434
Decrease in amounts due from Unicom Group	—	61,401
Decrease/(increase) in amounts due from related parties	215,983	(191,483)
Increase in payables and accrued liabilities	2,354,762	604,410
Increase in advances from customers	2,101,147	851,629
Decrease in deferred revenue	(1,104,848)	(492,261)
Increase/(decrease) in amounts due to Domestic Carriers	28,969	(126,568)
Increase in amounts due to Unicom Group	6,987	38,094
Increase in amounts due to related parties	208,687	110,861
Cash generated from operations	38,522,310	33,974,778

- (b) Supplemental information:

Payables to equipment suppliers for construction-in-progress during 2006 increased by approximately RMB5.0 billion (2005: increased by approximately RMB633 million).

The notes on pages 84 to 170 are an integral part of these consolidated financial statements.