

# Unaudited Condensed Interim Financial Report

## Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2002

(Expressed in thousands of RMB)

|   |      | Unaudited<br>For the six months ended<br>30 June |              |
|---|------|--|--------------|
|   | Note | 2002   | 2001         |
|   |      |  | (Note 18)    |
| <b>Cash generated from operations</b>                         | (a)  | <b>7,926,090</b>                                 | 6,648,661    |
| Interest received   |      | <b>411,743</b>                                   | 890,536      |
| Interest paid   |      | <b>(997,141)</b>                                 | (943,655)    |
| Dividends received  |      | <b>5,981</b>                                     | 19,504       |
| Dividends paid to minority owners of subsidiaries             |      | <b>(3,295)</b>                                   | —            |
| PRC income tax paid   |      | <b>(588,474)</b>                                 | (208,720)    |
| Net cash inflow from operating activities                     |      | <b>6,754,904</b>                                 | 6,406,326    |
| <b>Investing activities</b>                                   |      |  |              |
| Purchase of property, plant and equipment                     |      | <b>(9,995,704)</b>                               | (12,943,796) |
| Proceeds from disposal of property, plant and equipment       |      | <b>8,699</b>                                     | —            |
| Acquisition of minority interests                             |      | <b>(36,739)</b>                                  | (14,520)     |
| Decrease (increase) in short-term bank deposits               |      | <b>16,584,182</b>                                | (8,209,174)  |
| Purchase of trading securities                                |      | <b>(8,376)</b>                                   | (30,118)     |
| Proceeds from disposal of trading securities                  |      | <b>4,469</b>                                     | 83,895       |
| Purchase of investment securities                             |      | <b>—</b>   | (19,583)     |
| Proceeds from disposal of investment securities               |      | <b>3,835</b>                                     | —            |
| Addition of deferred expenditures                             |      | <b>(61,657)</b>                                  | (93,451)     |
| Net cash inflow from (used in) investing activities           |      | <b>6,498,709</b>                                 | (21,226,747) |
| <b>Financing activities</b>                                   |      |  |              |
| (Decrease) increase in amounts due to Unicom Group            |      | <b>(339,800)</b>                                 | 1,675,591    |
| Proceeds from short-term and long-term bank loans             |      | <b>4,707,103</b>                                 | 11,077,394   |
| Repayment of short-term and long-term bank loans              |      | <b>(20,278,454)</b>                              | (5,922,400)  |
| Net cash (used in) inflow from financing activities           |      | <b>(15,911,151)</b>                              | 6,830,585    |
| Net decrease in cash and cash equivalents                     |      | <b>(2,657,538)</b>                               | (7,989,836)  |
| Cash and cash equivalents at 1 January                        |      | <b>18,413,010</b>                                | 44,716,685   |
| Cash and cash equivalents at 30 June                          |      | <b>15,755,472</b>                                | 36,726,849   |
| <b>Analysis of the balances of cash and cash equivalents:</b> |      |  |              |
| Cash balance  |      | <b>5,515</b>                                     | 18,863       |
| Bank balance  |      | <b>15,749,957</b>                                | 36,707,986   |
|   |      | <b>15,755,472</b>                                | 36,726,849   |

## Unaudited Condensed Interim Financial Report

### Unaudited Condensed Consolidated Cash Flow Statement (Cont'd)

For the six months ended 30 June 2002

(Expressed in thousands of RMB)

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

|  | Unaudited<br>For the six months ended<br>30 June |             |
|--|--|-------------|
|  | 2002   | 2001        |
| Profit before taxation   | 2,982,978  | 3,031,397   |
| Adjustments for:   |  |             |
| Depreciation and amortisation  | 5,347,998  | 3,878,314   |
| Interest income  | (266,658)  | (1,289,206) |
| Interest expense   | 734,991  | 942,931     |
| Loss on disposal and provision for impairment in value of<br>property, plant and equipment | 70,241   | 72,656      |
| Provision for doubtful debts   | 526,752  | 330,147     |
| Share of losses from associated companies  | 1,312  | 806         |
| Dividends from investment securities   | (5,981)  | (19,504)    |
| Realised (gains) losses on trading securities  | (1,569)  | 10,657      |
| Unrealised (gains) losses on trading securities  | (15,117)   | 12,666      |
| Realised (gains) losses on investment securities   | (385)  | 619         |
| (Reversal of) provision for impairment in value of associated companies                    | (5,663)  | 1,219       |
| Additional provision for impairment in value of investment securities                      | 650  | 2,595       |
| Increase in accounts receivable  | (988,413)  | (763,058)   |
| Increase in inventories  | (276,362)  | (100,535)   |
| (Increase) decrease in prepayments and other current assets                                | (533,798)  | 440,383     |
| Decrease in amounts due from domestic carriers   | 53,538   | 30,319      |
| Decrease (increase) in amounts due from related parties                                    | 483,611  | (420,420)   |
| (Decrease) increase in payables and accrued liabilities                                    | (986,873)  | 568,360     |
| Increase in advances from customers  | 358,395  | 85,020      |
| Increase (decrease) in amounts due to domestic carriers                                    | 58,293   | (153,544)   |
| Increase (decrease) in amounts due to related parties                                      | 388,150  | (13,161)    |
| Cash generated from operations   | 7,926,090  | 6,648,661   |

(b) Supplemental information

Payables to equipment suppliers for construction-in-progress during the six months ended 30 June 2002 decreased by approximately RMB1,023 million (2001: Increased by RMB1,325 million).