



中国联通
China unicom

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Shifting Gears

動 能 轉 換 新 引 擎

中國聯合網絡通信(香港)股份有限公司

CHINA UNICOM (HONG KONG) LIMITED

股份代號 Stock Code : 762

中期報告 INTERIM REPORT 2023

STRENGTHEN AND SOLIDIFY,

PRESERVE AND INNOVATE,

INTEGRATE AND OPEN

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report may be viewed as “forward-looking statements”. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, we do not intend to update these forward-looking statements. Neither the Company nor the directors, employees or agents of the Company assume any liabilities in the event that any of the forward-looking statements does not materialise or turns out to be incorrect.

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BOARD'S STATEMENT

Dear Shareholders,

In the first half of 2023, the Company steadily advanced the deepening and implementation of its strategic planning system, actively coordinated current operations and long-term development, and achieved steady growth in operating results, strong momentum in innovation, and continuous enhancement of core functions, taking a more solid step towards the transformation into an innovative enterprise in digital technologies.

STEADY BUSINESS GROWTH DRIVEN BY STRATEGY

In the first half of the year, the Company's revenue and profit scale once again reached new highs since listing. Operating revenue reached RMB191.8 billion, up by 8.8% year-on-year. Service revenue reached RMB171.0 billion, up by 6.3% year-on-year. EBITDA¹ reached RMB53.6 billion, up by 4.1% year-on-year. The profit attributable to equity shareholders of the Company reached RMB12.4 billion, representing a year-on-year increase of 13.1% and a double-digit growth for the seventh consecutive year. In the first half of the year, the Company's return on equity² reached 3.6%. The foundation of the Company's high-quality steady and long-term development was further strengthened.

The Company continued to strengthen its network capabilities. In the first half of the year, capital expenditure reached RMB27.6 billion, which provided a solid network foundation for the high-quality development of the Company. Thanks to good cost control and improved operating efficiency in recent years, the Company's financial position remained consistently healthy. Liabilities-to-assets ratio remained at a reasonable level of 46%, and interest-bearing debts excluding lease liabilities decreased by 17% year-on-year. The Company's financial strength and ability to counter risks continued to strengthen.

The Company attached great importance to shareholders' return. After due consideration of the Company's robust business development, the Board resolved to distribute an interim dividend of RMB0.203 per share (pre-tax), up by 23% year-on-year, which is significantly higher than the 13% growth in basic earnings per share. Shareholders' return continues to enhance.

CAPTURING DIGITAL OPPORTUNITIES BY RIDING ON TRENDS

Facing the profound changes and huge opportunities brought by the in-depth integration of the digital and real economies, the Company coordinated foundational strengthening as well as innovative transformation, and actively promoted the synergetic development of both basic and innovative businesses. The new integration of mobile and broadband was building up momentum, and achieved steady growth in both scale and value. The Company focused on both the scale and quality of innovative businesses. The core competitiveness of digital products and solutions continued to improve. In the first half of the year, the Company's Industry Internet revenue reached RMB43.0 billion, accounting for more than a quarter of service revenue for the first time and becoming a key driver of the Company's revenue growth and structure optimisation.

Expanding the Growth Potential of Big Connectivity

We insisted on innovation-driven development, and actively embraced the new blue ocean of the digital economy, achieving rapid development in the five main businesses. In the first half of the year, the Company's Big Connectivity subscribers reached 928 million, with a net addition of over 66 million.

BOARD'S STATEMENT

Solid performance of basic businesses better underpinned overall results

Mobile business achieved dual improvement in both scale and value. The number of mobile subscribers exceeded 328 million, with a net addition of 5.34 million in the first half of the year, which was a new high during the same period in four years. 5G package subscriber penetration exceeded 70%, as subscriber structure was further optimised. The Company strengthened product supply capability. The number of active subscribers of Personal Digital Smart Living products, such as Video Ringtone, Unicom Assistant and Unicom Cloud Drive, exceeded 87 million, and revenue thereof increased by 90% year-on-year, driving mobile ARPU to increase. The innovative growth of broadband business further accelerated. The Company took advantage of “dual-gigabit” network upgrade to drive integrated development of subscribers. The number of fixed-line broadband billing subscribers reached 108 million. Net addition exceeded 4 million in the first half consecutively, with the integration penetration rate reaching 75%. In particular, the Company accelerated the promotion and application of Fibre to the Room (“FTTR”) which unleashed new potential for the sustainable growth and value enhancement of broadband business.

IoT business continued to grow rapidly

In the first half of the year, IoT business revenue reached RMB5.4 billion, representing a year-on-year growth rate of 24%, which instilled new vitality into Big Connectivity development. High-, mid- and low-speed access scenarios were all covered with integrated development of “terminals, network, cloud, AI and security”. The Company leveraged Gewu platform to empower industry breakthroughs, effectively driving faster development in industrial Internet, smart city, and ecological environmental protection.

Enhancing In-House R&D Capabilities in Big Computing

The Company's in-house R&D capabilities continued to improve. It has established a brand image of “secure, digital and intelligent cloud”, and developed the unique edges of “security and reliability, cloud-network integration, Big Data and AI integration, tailored customisation, and multi-cloud collaboration”. The Company continuously iterated and upgraded technological innovation, industrial empowerment, and ecological cooperation, so as to instil new momentum into the development of the digital economy. The Company continuously upgraded the foundational architecture of Unicom Cloud, and achieved a multi-modal cloud with a unified architecture. Based on China Unicom's multi-year experience in penetrating vertical industry markets, we have developed rich variety of scenario specific solutions based on seven scenario clouds to fully empower the digital transformation of industries. In the first half of 2023, Unicom Cloud³ achieved revenue of RMB25.5 billion, up by 36% year-on-year. It is expected to exceed RMB50.0 billion for the full year.

Maintaining Industry Leadership in Big Data

The Company fully leveraged its first-mover advantage in the industry in centralising data and unifying operations, combined with artificial intelligence and blockchain technology, to establish a comprehensive Big Data capability system. Based on 400PB of hyperscale data processing and trillion-grade real-time data processing capabilities, and with a view to unleashing the value of data factors, the Company deeply penetrated sectors such as digital government affairs, digital finance, smart tourism, industrial Internet, etc. Focusing on scenario demand, we enriched key industry applications to promote the deep integration of the digital and real economies, establishing the brand of “Unicom Service” for digital government affairs. In the first half of the year, the Company’s Big Data business achieved revenue of RMB2.9 billion, up by 54% year-on-year, with market share of over 50% for consecutive years.

Empowering Thousands of Industries with Big Application

The Company actively promoted the deep integration of next-generation digital technologies and the real economy. The cumulative number of 5G industry application projects exceeded 20,000, and has comprehensively covered 60 categories of the national economy. We promoted the transition of 5G applications from “show flats” to “commercial properties”. The cumulative number of customers served by 5G virtual private networks exceeded 5,800 and the contract value of 5G industry applications reached RMB6.2 billion. The Company continued to iterate 5G private network PLUS product system and carried out core technological to tackle key problems. The number of 5G factories exceeded 2,600 as 5G applications deepened. We completed trial verification of full-spectrum 5G RedCap in 8 major sectors, including manufacturing and power, which effectively promoted the integrated innovation of 5G and vertical industries, and led 5G applications in “lightweight”.

Rapid Growth in Big Security Revenue

The Company focused on the key directions such as network security, data security and information security, and strengthened the deployment of security business. We accelerated the scale replication of the “platform + product + service” model, and launched more than 80 products in the security cloud market to widely meet the security needs of the digital economy. Big Security revenue grew 178% year-on-year in the first half of the year, boosting the scale development of security business.

BOARD'S STATEMENT

STEADY ENHANCEMENT OF CORE COMPETITIVENESS WITH PERSEVERANCE

With a thriving digital economy, new technologies, new business formats and new models have been emerging. Rapid changes in the external environment pose high demands on corporate core competitiveness and sustainable development. In recent years, the Company has been boosting its foundational momentum and capabilities, and better leveraging technological innovation, industrial control and security support to lay a solid foundation for the steady and long-term development of the Company.

Continuous Enhancement in Network Capabilities

We accelerated the construction of four premium networks, namely 5G, broadband, government and enterprise, and computing power. The number of 5G mid-band base stations exceeded 1.15 million, with the scale and coverage on par with the industry. Our

broadband networks in cities, counties and towns are fully gigabit-ready. Its government and enterprise premium network fully covered 335 local networks in the country. The Company made great efforts to build a computing power base with abundant computing power, sufficient capacity, multi-cloud synergy and computing-network integration, and built a new IDC system to comprehensively undertake the national "Eastern Data and Western Computing" project. The number of cabinets exceeded 380,000. Unicom Cloud pool covered more than 200 cities. The average backbone network latency remained leading in the industry. The co-build co-share with China Telecom has been deepening. In addition to adding 150,000 5G co-build co-share base stations, the Company promoted a single 4G mid-band network, with the number of shared base stations exceeding 2 million and a sharing ratio of over 90%. We also actively promoted cross-sector co-build co-share of infrastructure such as poles and pipelines and made good progress.

Significant improvement in technological innovation

The Company continued to enhance its technological innovation capability, with R&D investment intensity reaching 2.94%, leading the industry. The number of patents granted reached 1,326, an increase of 70% year-on-year. The Company has actively promoted network technology innovation, created more than 10 innovative network products, and accumulated more than 100 network intelligent operation scenarios, driving production and operation to increase revenue and reduce costs. It highly emphasized on the development of next-generation artificial intelligence technology represented by large models, and made active deployment in the cutting-edge field of artificial intelligence, accelerating the enhancement of the Company's AI capability. In recent years, the Company's investment in technological innovation has gradually borne fruit. In the first half of the year, the Company won two first prizes from China Institute of Communications, a first prize from China Institute of Electronics, the National Patent Silver Award, the "Best Connected Health Mobile Innovation Award" from GSMA, and the "5G Industry Challenge Award" from AMO, etc. Strategic planning in emerging industries has further accelerated.

Deepening and Solidifying Reform and Strategic Cooperation

The Company steadily advanced the spin-off and listing of its subsidiary China Unicom Smart Connection Technology. China Information Technology Designing & Consulting Institute deeply pushed forward its reform, established a diverse board of directors, and explored in-depth cooperation with strategic investors in multiple aspects. It established China Unicom Strategic Cooperation Management System. So far, 137 group-level strategic cooperations have been established, effectively improving closed-loop execution capabilities and significantly facilitating the achievement of the Company's strategic goals.

BOARD'S STATEMENT

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

In recent years, the Company has shouldered its responsibilities as a central SOE in such major missions as Cyber Superpower, Digital China, technological innovation and rural revitalization. We made outstanding contributions in the communication support during major events as well as emergency communication, promoting the integration of corporate development into the sustainable development cycle of the economy, society and environment. The Company adhered to the concept of green development and supported achieve carbon peaking and carbon neutrality. The PUE of new-built large IDCs was less than 1.3. We built a digital village platform which served more than 250,000 administrative villages, and assisted people with communication barriers using 5G + AI. The Company addressed shareholder concerns, and actively conveyed the new development and new value of the Company to the market.

The Company continued to improve its governance mechanism, enhance its execution, strengthen risk management and internal control to provide solid support for the sustainable and healthy development of the Company. The Company attained a number of accolades, including being ranked 267th in the Fortune Global 500 for the year 2023, being ranked 277th in the Forbes Global 2000, being voted as "Asia's Most Honored Telecom Company" by Institutional Investor for the eighth consecutive year, and being voted as "Best Overall Company in China – Gold" in "Asia's Best Managed Companies Poll 2023" organised by FinanceAsia.

OUTLOOK

In the second half of the year, the Company will promote the synergetic development of both basic and innovative businesses. It will focus on improving its core competitiveness and core functions, and strive to achieve steady growth of service revenue, double-digit growth in net profit, and continuous improvement in ROE for the full year, so as to create greater value for shareholders, customers and the society, and make new and greater contributions to Chinese style modernisation via China Unicom's high-quality development.

Finally, the Board would like to express its sincere gratitude to all shareholders, customers and all sectors of society for their long-term care and support to the Company, and to all employees for their continuous efforts and contributions.

**The Board of Directors of
China Unicom (Hong Kong) Limited**

Hong Kong, 9 August 2023

Note 1: EBITDA represents profit for the period before finance costs, interest income, share of net profit of associates, share of net profit of joint ventures, other income – net, income tax expenses, depreciation and amortisation. As the telecommunications business is a capital-intensive industry, capital expenditure and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like the Company. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 2: Return on equity = the profit attributable to equity shareholders of the Company in the period/ average balance of equity attributable to equity shareholders of the Company at the beginning and end of the period.

Note 3: Unicom Cloud revenue represents revenue generated from cloud resources, cloud platform, cloud services, cloud integration, cloud interconnection, cloud security, etc. by integrating innovative solutions.

FINANCIAL OVERVIEW

I. OVERVIEW

In the first half of 2023, the Company steadily advanced the deepening and implementation of its strategic planning system, total revenue was RMB191.83 billion, up by 8.8% year-on-year. Service revenue reached RMB171.04 billion in the first half of 2023, up by 6.3% year-on-year. Net profit¹ was RMB12.39 billion in the first half of 2023, up by RMB1.43 billion year-on-year.

In the first half of 2023, the Company's net cash flow from operating activities was RMB38.29 billion. Capital expenditure was RMB27.59 billion in the first half of 2023. Liabilities-to-assets ratio was 46.4% as at 30 June 2023.

II. REVENUE

In the first half of 2023, the Company's revenue was RMB191.83 billion, up by 8.8% year-on-year, of which, service revenue was RMB171.04 billion, up by 6.3% year-on-year due to continuous optimisation of the revenue mix.

The table below sets forth the composition of service revenue, and the percentage contribution of each service to total service revenue for the first half of 2023 and 2022:

(RMB in billions)	First half of 2023		First half of 2022	
	Total amount	As a percentage of service revenue	Total amount	As a percentage of service revenue
Service revenue	171.04	100.00%	160.97	100.00%
Include: Basic business	128.07	74.88%	124.03	77.05%
Industry Internet business	42.97	25.12%	36.94	22.95%

1. Basic business

In the first half of 2023, service revenue from basic business was RMB128.07 billion, up by 3.3% year-on-year.

2. Industry Internet business

In the first half of 2023, service revenue from Industry Internet business was RMB42.97 billion, up by 16.3% year-on-year.

III. OPERATING COSTS

In the first half of 2023, total operating costs were RMB180.70 billion, up by 8.4% year-on-year.

The table below sets forth the items of the operating costs and their respective percentage of the revenue for the first half of 2023 and 2022:

(RMB in billions)	First half of 2023		First half of 2022	
	Total amount	As a percentage of revenue	Total amount	As a percentage of revenue
Operating costs	180.70	94.2%	166.75	94.6%
Include: Interconnection charges	5.60	2.9%	5.31	3.0%
Depreciation and amortisation	42.42	22.1%	41.90	23.8%
Network, operation and support expenses	29.17	15.2%	26.84	15.2%
Employee benefit expenses	32.25	16.8%	32.48	18.4%
Costs of telecommunications products sold	20.27	10.6%	14.57	8.3%
Selling and marketing expenses	17.32	9.0%	16.06	9.1%
Cost of new ICT business	22.23	11.6%	17.30	9.8%
General, administrative and other operating expenses	11.44	6.0%	12.29	7.0%

FINANCIAL OVERVIEW

1. Interconnection charges

Interconnection charges were RMB5.60 billion in the first half of 2023, up by 5.5% year-on-year and, as a percentage of revenue, decreased from 3.0% in the first half of 2022 to 2.9% in the first half of 2023.

2. Depreciation and amortisation

Depreciation and amortisation charges were RMB42.42 billion in the first half of 2023, up by 1.2% year-on-year and, as a percentage of revenue, decreased from 23.8% in the first half of 2022 to 22.1% in the first half of 2023.

3. Network, operation and support expenses

The Company expanded the scale of the basic network and relevant infrastructure. Network, operation and support expenses were RMB29.17 billion in the first half of 2023, up by 8.7% year-on-year and, as a percentage of revenue were basically unchanged at 15.2%.

4. Employee benefit expenses

The Company ongoing effort in incentive mechanism reforms, strengthened performance-based compensation and optimised the human resources efficiency. Employee benefit expenses were RMB32.25 billion in the first half of 2023, down by 0.7% year-on-year and, as a percentage of revenue, decreased from 18.4% in the first half of 2022 to 16.8% in first half of 2023.

5. Cost of telecommunications products sold

Costs of telecommunications products sold were RMB20.27 billion and revenue from sales of telecommunications products were RMB20.79 billion in the first half of 2023. Gross profits on sales of telecommunications products were RMB0.52 billion.

6. Selling and marketing expenses

The Company appropriately increased selling and marketing expenses to enhance market attractiveness. Selling and marketing expenses were RMB17.32 billion in the first half of 2023, up by 7.9% year-on-year and, as a percentage of revenue, decreased from 9.1% in the first half of 2022 to 9.0% in the first half of 2023.

7. Cost of new ICT business²

The Company seized the growth opportunities of the digital economy and continued to develop the Industry Internet business. Cost of new ICT business were RMB22.23 billion in the first half of 2023, up by 28.6% year-on-year and, as a percentage of revenue, increased from 9.8% in the first half of 2022 to 11.6% in the first half of 2023.

8. General, administrative and other operating expenses

General, administrative and other operating expenses were RMB11.44 billion in the first half of 2023, down by 6.9% year-on-year, and, as a percentage of revenue, decreased from 7.0% in the first half of 2022 to 6.0% in the first half of 2023.

IV. EARNINGS

(RMB in billions)	First half of 2023	First half of 2022	Change
Operating profits	11.13	9.51	17.0%
Net finance income	0.11	0.21	-48.1%
Share of net profit of associates	1.21	1.04	17.2%
Share of net profit of joint ventures	0.93	0.92	1.5%
Other income-net	1.94	1.74	11.4%
Profit before income tax	15.32	13.42	14.2%
Income tax expenses	2.82	2.42	16.5%
Net profit ¹	12.39	10.96	13.1%

1. Profit before income tax

In the first half of 2023, the Company benefited from continuous enhancement in growth quality and profitability, profit before income tax was RMB15.32 billion, up by 14.2% year-on-year.

2. Income tax expenses

In the first half of 2023, the Company's income tax expenses was RMB2.82 billion and the effective tax rate was 18.4%.

3. Net profit¹

In the first half of 2023, the Company's net profit was RMB12.39 billion, up by RMB1.43 billion year-on-year. Basic earnings per share was RMB0.405, up by 13.1% year-on-year.

V. EBITDA³

In the first half of 2023, the Company's EBITDA was RMB53.55 billion, up by 4.1% year-on-year. EBITDA as a percentage of service revenue was 31.3%.

FINANCIAL OVERVIEW

VI. CAPITAL EXPENDITURE AND CASH FLOW

In the first half of 2023, capital expenditure of the Company totaled RMB27.59 billion, which emphasised on the construction of four premium networks, namely 5G, broadband, government and enterprise, and computing power. In the first half of 2023, the Company's net cash flow from operating activities was RMB38.29 billion. Free cash flow⁴ was RMB10.70 billion after the deduction of the capital expenditure.

The table below sets forth the major items of the capital expenditure in the first half of 2023:

(RMB in billions)	First half of 2023	
	Total amount	As percentage
Total	27.59	100.0%
Include: Mobile network	7.68	27.8%
Household internet and fixed-line voice	4.30	15.6%
Government, enterprise and innovative business	6.23	22.6%
Transmission network, infrastructure and others	9.38	34.0%

VII. ASSETS AND LIABILITIES

The Company's total assets increased from RMB642.66 billion as at 31 December 2022 to RMB659.33 billion as at 30 June 2023. Total liabilities increased from RMB299.13 billion as at 31 December 2022 to RMB305.68 billion as at 30 June 2023. The liabilities-to-assets ratio enhanced from 46.5% as at 31 December 2022 to 46.4% as at 30 June 2023. The debt-to-capitalisation ratio decreased from 14.3% as at 31 December 2022 to 13.2% as at 30 June 2023. The net debt-to-capitalisation ratio was 0.4% as at 30 June 2023.

Note 1: Net profit represented profit attribute to equity shareholders of the Company.

Note 2: Cost of new ICT business excluded IDC business costs.

Note 3: EBITDA represents profit for the period before finance costs, interest income, shares of net profit of associates, share of net profit of joint ventures, other income-net, income tax expenses, depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like the Company. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 4: Free cash flow represents operating cash flow less capital expenditure. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

For The Six Months Ended 30 June 2023
(All amounts in Renminbi (“RMB”) millions, except per share data)

		Six months ended 30 June	
	Note	2023	2022
Revenue	5	191,833	176,261
Interconnection charges		(5,604)	(5,313)
Depreciation and amortisation		(42,418)	(41,899)
Network, operation and support expenses	6	(29,167)	(26,844)
Employee benefit expenses	7	(32,250)	(32,477)
Costs of telecommunications products sold	8	(20,272)	(14,569)
Other operating expenses	9	(50,994)	(45,646)
Finance costs	10	(896)	(525)
Interest income		1,004	733
Share of net profit of associates		1,213	1,035
Share of net profit of joint ventures		931	918
Other income — net	11	1,940	1,742
Profit before income tax		15,320	13,416
Income tax expenses	12	(2,820)	(2,420)
Profit for the period		12,500	10,996
Profit attributable to:			
Equity shareholders of the Company		12,391	10,957
Non-controlling interests		109	39
Profit for the period		12,500	10,996
Earnings per share for profit attributable to equity shareholders of the Company during the period:			
Basic earnings per share (RMB)	13	0.40	0.36
Diluted earnings per share (RMB)	13	0.40	0.36

The notes on pages 22 to 52 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2023

(All amounts in RMB millions)

	Six months ended 30 June	
	2023	2022
Profit for the period	12,500	10,996
Other comprehensive income		
Items that will not be reclassified to statement of income:		
Changes in fair value of financial assets measured at fair value through other comprehensive income ("FVOCI") (non-recycling)	288	418
Tax effect on changes in fair value of financial assets measured at FVOCI (non-recycling)	(4)	(2)
Changes in fair value of financial assets measured at FVOCI, net of tax (non-recycling)	284	416
Items that may be reclassified subsequently to statement of income:		
Changes in fair value of financial assets measured at FVOCI, net of tax (recycling)	35	(4)
Currency translation differences	183	188
	218	184
Other comprehensive income for the period, net of tax	502	600
Total comprehensive income for the period	13,002	11,596
Total comprehensive income attributable to:		
Equity shareholders of the Company	12,886	11,557
Non-controlling interests	116	39
Total comprehensive income for the period	13,002	11,596

The notes on pages 22 to 52 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2023
(All amounts in RMB millions)

	Note	30 June 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	14	346,445	352,433
Right-of-use assets	15	55,157	59,227
Goodwill		2,771	2,771
Interest in associates		42,195	42,469
Interest in joint ventures		9,365	8,582
Deferred income tax assets	12	1,505	469
Contract assets		88	61
Contract costs		7,224	5,857
Financial assets measured at fair value	16	4,771	4,109
Other assets	17	20,726	20,442
		490,247	496,420
Current assets			
Inventories		3,843	1,882
Contract assets		276	271
Accounts receivable	18	46,690	26,331
Prepayments and other current assets	19	25,668	21,155
Amounts due from ultimate holding company	33	4,615	4,606
Amounts due from related parties	33	546	465
Amounts due from domestic carriers		3,262	1,944
Financial assets measured at fair value	16	19,597	19,593
Short-term bank deposits and restricted deposits		12,230	14,699
Cash and cash equivalents	20	52,355	55,297
		169,082	146,243
Total assets		659,329	642,663

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2023

(All amounts in RMB millions)

	Note	30 June 2023	31 December 2022
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	21	254,056	254,056
Reserves		(14,562)	(15,234)
Retained profits			
— Proposed 2023 interim dividend	22	6,211	—
— Proposed 2022 final dividend	22	—	3,335
— Others		105,642	99,462
		351,347	341,619
Non-controlling interests		2,302	1,917
Total equity		353,649	343,536
LIABILITIES			
Non-current liabilities			
Long-term bank loans	23	1,364	1,528
Lease liabilities		33,571	36,429
Deferred income tax liabilities	12	144	950
Deferred revenue		8,263	7,832
Amounts due to ultimate holding company		300	300
Other obligations		935	1,218
		44,577	48,257

	Note	30 June 2023	31 December 2022
Current liabilities			
Short-term bank loans	26	531	331
Commercial papers	27	5,070	5,025
Current portion of long-term bank loans	23	353	368
Lease liabilities		11,668	12,495
Accounts payable and accrued liabilities	28	160,677	154,838
Bills payable		6,901	5,811
Taxes payable		3,701	2,197
Amounts due to ultimate holding company	33	777	1,759
Amounts due to related parties	33	23,422	18,326
Amounts due to domestic carriers		3,024	2,125
Current portion of other obligations		2,494	2,493
Contract liabilities		42,246	44,714
Advances from customers		239	388
		261,103	250,870
Total liabilities		305,680	299,127
Total equity and liabilities		659,329	642,663
Net current liabilities		(92,021)	(104,627)
Total assets less current liabilities		398,226	391,793

The notes on pages 22 to 52 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2023

(All amounts in RMB millions)

	Note	Attributable to equity shareholders of the Company					Retained profits	Total	Non-controlling interests	Total equity
		Share capital	General risk reserve	Investment revaluation reserve	Statutory reserves	Other reserves				
Balance at 1 January 2022		254,056	987	(9,302)	32,815	(41,728)	95,509	332,337	1,096	333,433
Total comprehensive income for the period		—	—	416	—	184	10,957	11,557	39	11,596
Share of associates' other reserves		—	—	—	—	(3)	—	(3)	—	(3)
Dividends relating to 2021 final	22	—	—	—	—	—	(2,937)	(2,937)	—	(2,937)
Capital contribution relating to share-based payment borne by A Share Company (as defined in Note 1)	31	—	—	—	—	7	—	7	—	7
Others		—	—	—	—	—	—	—	(5)	(5)
Balance at 30 June 2022		254,056	987	(8,886)	32,815	(41,540)	103,529	340,961	1,130	342,091
Balance at 1 January 2023		254,056	987	(9,464)	34,286	(41,043)	102,797	341,619	1,917	343,536
Total comprehensive income for the period		—	—	280	—	215	12,391	12,886	116	13,002
Contribution from non-controlling interests		—	—	—	—	45	—	45	269	314
Share of associates' other reserves		—	—	—	—	(10)	—	(10)	—	(10)
Dividends relating to 2022 final	22	—	—	—	—	—	(3,335)	(3,335)	—	(3,335)
Capital contribution relating to share-based payment borne by A Share Company	31	—	—	—	—	142	—	142	—	142
Balance at 30 June 2023		254,056	987	(9,184)	34,286	(40,651)	111,853	351,347	2,302	353,649

The notes on pages 22 to 52 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2023
(All amounts in RMB millions)

	Six months ended 30 June	
	2023	2022
Cash flows from operating activities		
Cash generated from operations	41,269	43,977
Income tax paid	(2,982)	(1,806)
Net cash inflow from operating activities	38,287	42,171
Cash flows from investing activities		
Purchase of property, plant and equipment, right-of-use assets and other assets	(33,218)	(31,003)
Other cash flows arising from investing activities	(2,039)	12,957
Net cash outflow from investing activities	(35,257)	(18,046)
Cash flows from financing activities		
Capital element of lease rentals paid	(6,089)	(6,285)
Dividends paid to equity shareholders of the Company	(669)	(2,937)
Other cash flows arising from financing activities	582	(4,732)
Net cash outflow from financing activities	(6,176)	(13,954)
Net (decrease)/increase in cash and cash equivalents	(3,146)	10,171
Cash and cash equivalents, beginning of period	55,297	34,280
Effect of changes in foreign exchange rate	204	214
Cash and cash equivalents, end of period	52,355	44,665

The notes on pages 22 to 52 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

China Unicom (Hong Kong) Limited (the “Company”) was incorporated as a limited liability company in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) on 8 February 2000. The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are the provision of comprehensive telecommunications services. The Company and its subsidiaries are hereinafter referred to as the “Group”. The address of the Company’s registered office is 75th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 22 June 2000.

The substantial shareholders of the Company are China Unicom (BVI) Limited (“Unicom BVI”) and China Unicom Group Corporation (BVI) Limited (“Unicom Group BVI”). The majority of equity interests in Unicom BVI is owned by China United Network Communications Limited (hereinafter referred to as “A Share Company”), a joint stock company incorporated in the PRC on 31 December 2001, with its A shares listed on the Shanghai Stock Exchange on 9 October 2002.

The directors of the Company consider Unicom BVI and China United Network Communications Group Company Limited (a state-owned enterprise established in the PRC, hereinafter referred to as “Unicom Group”) as the immediate holding company and ultimate holding company, respectively.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure requirements of the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” and Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have not been audited, but have been reviewed by the Company’s Audit Committee. They have also been reviewed by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022. The Group’s policies on financial risk management, including management of market risk, credit risk and liquidity risk, as well as capital risk management, were set out in the financial statements included in the Company’s 2022 Annual Report and there have been no significant changes in any financial risk management policies for the six months ended 30 June 2023.

2. BASIS OF PREPARATION (Continued)

The financial information relating to the year ended 31 December 2022 that is included in these unaudited condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

(a) Going Concern Assumption

As at 30 June 2023, current liabilities of the Group exceeded current assets by approximately RMB92.0 billion (31 December 2022: approximately RMB104.6 billion). Considering the current economic conditions and taking into account of the Group's expected capital expenditures in the foreseeable future, management has comprehensively considered the Group's available sources of funds as follows:

- The Group's continuous net cash inflow from operating activities;
- Approximately RMB256.4 billion of revolving banking facilities of which approximately RMB246.9 billion was unutilised as at 30 June 2023; and
- Other available sources of financing from domestic banks and other financial institutions in view of the Group's good credit history.

In addition, the Group believes that it has the ability to raise funds from the short, medium and long-term perspectives and maintain reasonable financing costs through appropriate financing portfolio.

Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations. As a result, the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 have been prepared on a going concern basis.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values.

Other than the changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

The HKICPA has issued the following new and amendments to HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17), “Insurance Contracts”
- Amendments to HKAS 8, “Definition of Accounting Estimates”
- Amendments to HKAS 12, “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
- Amendments to HKAS 12, “International Tax Reform — Pillar Two Model Rules”

The application of the new and amendments to HKFRSs in the current interim period has had no material effect on how the Group’s results and financial positions for the current or prior periods have been prepared or presented in these unaudited condensed consolidated interim financial statements.

4. SEGMENT INFORMATION

The Executive Directors of the Company have been identified as the Chief Operating Decision Maker (the “CODM”). Operating segments are identified on the basis of internal reports that the CODM reviews regularly in allocating resources to segments and in assessing their performances.

The CODM makes resources allocation decisions based on internal management functions and assesses the Group’s business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group primarily operates in Mainland China and accordingly, no geographic information is presented. No revenue from a single customer accounted for 10 percent or more of the Group’s revenue in all periods presented.

5. REVENUE

Revenue from telecommunications services are subject to value-added tax ("VAT") at VAT rates applicable to various telecommunications services. The VAT rates for basic telecommunications services and value-added telecommunications services are 9% and 6%, respectively, while VAT rate for sales of telecommunications products is 13%. Basic telecommunications services include business activities for the provision of voice services, and transmission lines usage and associated services etc. Value-added telecommunications services include business activities for the provision of short message service and multimedia message service, broadband and mobile data services, and data and internet application services etc. VAT is excluded from the revenue.

Disaggregation of revenue by major services and products:

	Six months ended 30 June	
	2023	2022
Voice usage and monthly fees	10,724	10,620
Broadband and mobile data services	78,000	78,335
Data and internet application services	47,752	40,371
Other value-added services	14,660	12,799
Interconnection fees	6,404	6,322
Transmission lines usage and associated services	11,144	10,071
Other services	2,361	2,453
Total service revenue	171,045	160,971
Sales of telecommunications products	20,788	15,290
Total	191,833	176,261
Include: Revenue from contracts with customers within the scope of HKFRS 15	191,215	175,641
Revenue from other sources	618	620

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

6. NETWORK, OPERATION AND SUPPORT EXPENSES

	Note	Six months ended 30 June	
		2023	2022
Repairs and maintenance		5,471	5,636
Power and water charges		7,343	7,212
Charges for use of network, premises, equipment and facilities	(i)	9,633	7,426
Charges for use of tower assets	(ii)	5,553	5,463
Others		1,167	1,107
		29,167	26,844

- (i) During the six months ended 30 June 2023 and 2022, charges for use of network, premises, equipment and facilities mainly included the non-lease components charges and charges relating to short-term leases, leases of low-value assets and variable lease payments which are recorded in profit or loss as incurred.
- (ii) During the six months ended 30 June 2023 and 2022, charges for use of tower assets included the non-lease components charges (maintenance service, certain ancillary facilities usage and other related support services charges) and variable lease payments which are recorded in profit or loss as incurred.

7. EMPLOYEE BENEFIT EXPENSES

	Note	Six months ended 30 June	
		2023	2022
Salaries and wages		23,847	24,936
Contributions to defined contribution pension schemes		4,422	4,027
Contributions to medical insurance		1,676	1,521
Contributions to housing fund		2,157	1,968
Other housing benefits		6	18
Share-based compensation	31	142	7
		32,250	32,477

8. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

	Six months ended 30 June	
	2023	2022
Handsets and other telecommunications products	20,032	14,285
Others	240	284
	20,272	14,569

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

9. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2023	2022
Impairment losses under expected credit loss, net of reversal	3,244	3,287
Write-down of inventories	104	250
Commission and other service expenses	12,742	11,884
Advertising and promotion expenses	813	1,072
Internet access terminal maintenance expenses	1,227	1,088
Customer retention costs	1,607	1,444
Property management fee	1,357	1,306
Office and administrative expenses	768	544
Transportation expense	332	569
Miscellaneous taxes and fees	738	703
Service technical support expenses	25,828	20,309
Repairs and maintenance expenses	163	202
(Gains)/losses on disposal of property, plant and equipment	(85)	1,180
Others	2,156	1,808
	50,994	45,646

10. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
Finance costs:		
— Interest on corporate bonds, promissory notes and commercial papers	43	70
— Interest on lease liabilities	881	434
— Interest on related party loans	23	16
— Interest on bank loans and others	69	68
— Less: Amount capitalised in construction-in-progress ("CIP")	(11)	(18)
Total interest expense	1,005	570
Net exchange gain	(133)	(69)
Others	24	24
	896	525

11. OTHER INCOME — NET

	Six months ended 30 June	
	2023	2022
Dividend from financial assets measured at FVOCI (non-recycling)	74	67
Government grants	344	275
Additional deduction for VAT	1,029	1,035
Investment income from debt securities measured at FVOCI (recycling)	204	280
Fair value gains on financial assets measured at fair value through profit or loss ("FVPL")	109	8
Others	180	77
	1,940	1,742

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

12. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2022: 16.5%) on the estimated assessable profits for the six months ended 30 June 2023. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2023 at the rates of taxation prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries operate mainly in Mainland China and the applicable statutory enterprise income tax rate is 25% (for the six months ended 30 June 2022: 25%). Taxation for certain subsidiaries in Mainland China was calculated at a preferential tax rate of 15% (for the six months ended 30 June 2022: 15%).

	Six months ended 30 June	
	2023	2022
Provision for income tax on estimated taxable profits for the period		
— Hong Kong	41	38
— Mainland China and other jurisdictions	4,648	3,088
Over provision in respect of prior years	(12)	(15)
	4,677	3,111
Deferred taxation	(1,857)	(691)
Income tax expenses	2,820	2,420

Reconciliation between actual income tax expenses and accounting profit at PRC statutory tax rate:

	Note	Six months ended 30 June	
		2023	2022
Profit before income tax		15,320	13,416
Expected income tax expenses at PRC statutory tax rate of 25%		3,830	3,354
Impact of different tax rate outside Mainland China		(35)	(24)
Tax effect of preferential tax rate	(i)	(202)	(190)
Additional deduction for qualified research and development costs	(i)	(610)	(372)
Tax effect of non-deductible expenses		345	145
Tax effect of non-taxable income from share of net profit of joint ventures		(233)	(230)
Tax effect of non-taxable income from share of net profit of associates	(ii)	(271)	(226)
Over provision in respect of prior years		(12)	(15)
Tax effect of unused tax losses not recognised, net of utilisation	(iii)	8	(22)
Actual tax expenses		2,820	2,420

12. TAXATION (Continued)

- (i) According to the PRC enterprise income tax law and its relevant regulations, entities that are qualified as High and New Technology Enterprise under the tax law are entitled to a preferential income tax rate of 15% (for the six months ended 30 June 2022: 15%). Certain subsidiaries of the Group obtained the approval of High and New Technology Enterprise and were entitled to a preferential income tax rate of 15% (for the six months ended 30 June 2022: 15%), and certain research and development costs of the Group's Mainland China subsidiaries are qualified for 100% (for the six months ended 30 June 2022: 75%) additional deduction for tax purpose.
- (ii) Adjustment to investment in associates represents the tax effect on share of net profit of associates, net of reversal of deferred tax assets on unrealised profit from transactions with China Tower Corporation Limited ("Tower Company").
- (iii) As at 30 June 2023, the Group did not recognise deferred tax assets in respect of tax losses amounting to approximately RMB479 million (31 December 2022: approximately RMB446 million), since it is not probable that future taxable profits will be available against which the deferred tax asset can be utilised. The tax losses can be carried forward for five or ten years from the year incurred and hence will be expired by the year of 2023 to 2033.

As at 30 June 2023, the Group did not recognise deferred tax assets in respect of fair value changes on financial assets measured at FVOCI (non-recycling) amounting to approximately RMB9,586 million (31 December 2022: approximately RMB9,852 million), since it is not probable that the related tax benefit will be realised.

The movement of the net deferred tax assets/(liabilities) is as follows:

	Six months ended 30 June	
	2023	2022
Net deferred tax assets after offsetting:		
— Balance at 1 January	469	271
— Deferred tax credited to statement of income	1,043	395
— Deferred tax (charged)/credited to other comprehensive income	(7)	1
— Balance at 30 June	1,505	667
Net deferred tax liabilities after offsetting:		
— Balance at 1 January	(950)	(417)
— Deferred tax credited to statement of income	814	296
— Deferred tax charged to other comprehensive income	(8)	(1)
— Balance at 30 June	(144)	(122)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

13. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2023 and 2022 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the periods.

Diluted earnings per share for the six months ended 30 June 2023 and 2022 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the periods, after adjusting for the effects of dilutive potential ordinary shares. There were no dilutive potential ordinary shares for the six months ended 30 June 2023 and 2022.

The following table sets forth the computation of basic and diluted earnings per share:

	Six months ended 30 June	
	2023	2022
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share	12,391	10,957
Denominator (in millions):		
Number of ordinary shares outstanding used in computing basic/diluted earnings per share	30,598	30,598
Basic/Diluted earnings per share (in RMB)	0.40	0.36

14. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the six months ended 30 June 2023 and 2022 are as follows:

	Six months ended 30 June 2023					CIP	Total
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements			
Cost:							
Beginning of period	79,284	827,720	19,655	3,093	48,580	978,332	
Additions	50	125	133	88	27,099	27,495	
Transfer from CIP	877	19,439	311	146	(20,773)	-	
Transfer to other assets	-	-	-	-	(2,554)	(2,554)	
Disposals	(64)	(8,603)	(210)	(133)	-	(9,010)	
End of period	80,147	838,681	19,889	3,194	52,352	994,263	
Accumulated depreciation and impairment:							
Beginning of period	(43,973)	(564,878)	(14,597)	(2,351)	(100)	(625,899)	
Charge for the period	(1,305)	(28,224)	(649)	(169)	-	(30,347)	
Disposals	49	8,057	205	117	-	8,428	
End of period	(45,229)	(585,045)	(15,041)	(2,403)	(100)	(647,818)	
Net book value:							
End of period	34,918	253,636	4,848	791	52,252	346,445	
Beginning of period	35,311	262,842	5,058	742	48,480	352,433	

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of property, plant and equipment for the six months ended 30 June 2023 and 2022 are as follows: (Continued)

	Six months ended 30 June 2022					CIP	Total
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements			
Cost:							
Beginning of period	78,179	831,045	19,825	3,336	43,411	975,796	
Additions	50	171	52	137	27,978	28,388	
Transfer from CIP	905	16,362	425	84	(17,776)	-	
Transfer to other assets	-	-	-	-	(2,678)	(2,678)	
Disposals	(73)	(51,970)	(447)	(97)	-	(52,587)	
End of period	79,061	795,608	19,855	3,460	50,935	948,919	
Accumulated depreciation and impairment:							
Beginning of period	(41,674)	(561,526)	(15,008)	(2,418)	(139)	(620,765)	
Charge for the period	(1,442)	(28,914)	(663)	(189)	-	(31,208)	
Disposals	66	50,078	422	97	-	50,663	
End of period	(43,050)	(540,362)	(15,249)	(2,510)	(139)	(601,310)	
Net book value:							
End of period	36,011	255,246	4,606	950	50,796	347,609	
Beginning of period	36,505	269,519	4,817	918	43,272	355,031	

15. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into a number of lease agreements for use of buildings, telecommunications equipment and land use rights, and therefore recognised the additions to right-of-use assets of RMB5,418 million (for the six months ended 30 June 2022: RMB4,342 million).

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	Note	30 June 2023	31 December 2022
Non-current portion:			
Equity securities measured at FVOCI (non-recycling)	(i)	2,135	1,847
Financial assets measured at FVPL	(ii)	1,138	1,130
Debt securities measured at FVOCI (recycling)	(iii)	1,498	1,132
		4,771	4,109
Current portion:			
Financial assets measured at FVPL	(ii)	2,941	2,955
Debt securities measured at FVOCI (recycling)	(iii)	16,656	16,638
		19,597	19,593
		24,368	23,702

(i) Equity securities measured at FVOCI (non-recycling):

	Note	30 June 2023	31 December 2022
Listed in the PRC		147	120
Listed outside the PRC	29	1,879	1,613
Unlisted		109	114
		2,135	1,847

(ii) Financial assets measured at FVPL represent certain equity investments, investments in monetary funds and wealth management products.

(iii) Debt securities measured at FVOCI (recycling) represent certain debt investments issued by banks and the investments held within a business model whose objective is achieved by both the collection of contractual cash flows and sale.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

17. OTHER ASSETS

	Note	30 June 2023	31 December 2022
Intangible assets		16,157	16,469
Prepaid services charges for transmission lines and electricity cables and other services		1,932	2,049
VAT recoverable	(i)	258	186
Others		2,379	1,738
		20,726	20,442

(i) VAT recoverable includes input VAT and prepaid VAT which are expected to be deducted beyond one year. VAT recoverable which is expected to be deducted within one year is included in "Prepayments and other current assets". See Note 19(i).

18. ACCOUNTS RECEIVABLE

	30 June 2023	31 December 2022
Accounts receivable	64,286	40,769
Less: Credit loss allowance	(17,596)	(14,438)
	46,690	26,331

The aging analysis of accounts receivable, based on the billing date and net of credit loss allowance, is as follows:

	30 June 2023	31 December 2022
Within one month	15,283	10,609
More than one month to three months	10,403	5,135
More than three months to one year	16,851	9,070
More than one year	4,153	1,517
	46,690	26,331

18. ACCOUNTS RECEIVABLE (Continued)

The normal credit period granted by the Group to individual subscribers and general corporate customers is thirty days from the date of billing unless they meet certain specified credit assessment criteria. For major corporate customers, the credit period granted by the Group is based on the service contract terms, normally not exceeding one year.

There is no significant concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers.

19. PREPAYMENTS AND OTHER CURRENT ASSETS

The nature of prepayments and other current assets, net of credit loss allowance, are as follows:

	Note	30 June 2023	31 December 2022
Prepaid services charges for transmission lines and electricity cables and other services		3,713	3,962
Prepaid power and water charges		632	778
Deposits and prepayments		3,624	4,628
VAT recoverable	(i)	8,076	8,285
Prepaid enterprise income tax		4	70
Financial assets held under resale agreements	(ii)	4,912	–
Others		4,707	3,432
		25,668	21,155

(i) VAT recoverable includes the input VAT and prepaid VAT that are expected to be deducted within one year.

(ii) Financial assets held under resale agreements are transactions where Unicom Group Finance Company Limited ("Finance Company") acquires financial assets which will be resold at a predetermined price at a future date under resale agreements.

Prepayments and other current assets are expected to be recovered or recognised as expenses within one year.

As at 30 June 2023 and 31 December 2022, there was no significant impairment for the prepayments and other current assets.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents refer to all cash on hand and demand deposits, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

21. SHARE CAPITAL

Issued and fully paid:	Number of shares millions	Share capital
At 1 January 2022, at 31 December 2022 and at 30 June 2023	30,598	254,056

22. DIVIDENDS

At the annual general meeting held on 19 May 2023, the shareholders of the Company approved the payment of a final dividend of RMB0.109 per ordinary share for the year ended 31 December 2022, totalling approximately RMB3,335 million (for the six months ended 30 June 2022: final dividend for the year ended 31 December 2021 of RMB0.096 per ordinary share, totalling approximately RMB2,937 million) which has been reflected as a reduction of retained profits for the six months ended 30 June 2023 and was fully paid by July 2023.

At a meeting held on 9 August 2023, the Board of Directors of the Company declared 2023 interim dividend of RMB0.203 per ordinary share to the shareholders totalling approximately RMB6,211 million (for the six months ended 30 June 2022: 2022 interim dividend of RMB0.165 per ordinary share to the shareholders totalling approximately RMB5,049 million).

Pursuant to the PRC enterprise income tax law, a 10% withholding income tax is levied on dividends declared on or after 1 January 2008 by foreign investment enterprises to their foreign enterprise shareholders unless the enterprise investor is deemed as a PRC Tax Resident Enterprise ("TRE"). On 11 November 2010, the Company obtained an approval from State Taxation Administration of the PRC, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 30 June 2023 and 31 December 2022, the Company's subsidiaries in the PRC did not accrue for withholding tax on dividends distributed to the Company and there has been no deferred tax liability accrued in the Group's unaudited condensed consolidated interim financial statements for the undistributed profits of the Company's subsidiaries in the PRC.

For the Company's non-PRC TRE shareholders (including HKSCC Nominees Limited), the Company would distribute dividends after deducting the amount of enterprise income tax payable by these non-PRC TRE shareholders thereon and reclassify the related dividend payable to withholding tax payable upon the declaration of such dividends. The requirement to withhold tax does not apply to the Company's shareholders appearing as individuals in its share register.

23. LONG-TERM BANK LOANS

		30 June 2023	31 December 2022
	Interest rates and final maturity		
RMB denominated bank loans	Fixed interest rates ranging from 1.08% to 2.50% (31 December 2022: 1.08% to 1.20%) per annum with maturity through 2036 (31 December 2022: maturity through 2036)	1,542	1,714
United States dollars ("US dollars") denominated bank loans	Fixed interest rate is Nil (31 December 2022: Nil to 1.55%) per annum with maturity through 2039 (31 December 2022: maturity through 2039)	165	171
European dollars ("Euro") denominated bank loans	Fixed interest rates ranging from 1.10% to 1.50% (31 December 2022: 1.10% to 2.50%) per annum with maturity through 2034 (31 December 2022: maturity through 2034)	10	11
Sub-total		1,717	1,896
Less: Current portion		(353)	(368)
		1,364	1,528

As at 30 June 2023, long-term bank loans of approximately RMB36 million (31 December 2022: approximately RMB42 million) were guaranteed by third parties.

The repayment schedule of the long-term bank loans is as follows:

	30 June 2023	31 December 2022
Balances due:		
— No later than one year	353	368
— More than one year and no later than two years	312	354
— More than two years and no later than five years	668	691
— More than five years	384	483
	1,717	1,896
Less: Portion classified as current liabilities	(353)	(368)
	1,364	1,528

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24. PROMISSORY NOTE

On 18 November 2019, China United Network Communications Corporation Limited (“CUCL”), issued tranche one of 2019 promissory notes in an amount of RMB1 billion, with a maturity period of 3 years from the date of issue which carried interest at 3.39% per annum, and was fully repaid in November 2022.

25. CORPORATE BONDS

On 19 June 2019, CUCL issued RMB2 billion 3-year corporate bonds, bearing interest at 3.67% per annum, which were fully repaid in June 2022.

26. SHORT-TERM BANK LOANS

Interest rates and final maturity		30 June 2023	31 December 2022
RMB denominated bank loans	Fixed interest rates ranging from 1.65% to 2.75% (31 December 2022: ranging from 1.65% to 2.00%) per annum with maturity through 2024 (31 December 2022: maturity through 2023)	531	331

27. COMMERCIAL PAPERS

On 23 June 2021, CUCL issued tranche one of 2021 super short term commercial papers in an amount of RMB2 billion, with a maturity period of 270 days from the date of issue which carried interest at 2.80% per annum, and was fully repaid in March 2022.

On 27 July 2021, CUCL issued tranche two of 2021 super short term commercial papers in an amount of RMB3 billion, with a maturity period of 180 days from the date of issue which carried interest at 2.23% per annum, and was fully repaid in January 2022.

On 27 July 2021, CUCL issued tranche three of 2021 super short term commercial papers in an amount of RMB1.8 billion, with a maturity period of 180 days from the date of issue which carried interest at 2.23% per annum, and was fully repaid in January 2022.

On 2 September 2022, CUCL issued tranche one of 2022 short term commercial papers in an amount of RMB5 billion, with a maturity period of 365 days from the date of issue and which carried interest at 1.73% per annum.

28. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2023	31 December 2022
Payables to contractors and equipment suppliers	85,020	85,475
Payables to telecommunications products suppliers	6,071	3,966
Customer/contractor deposits	5,029	4,975
Repair and maintenance expense payables	6,650	6,808
Salary and welfare payables	14,938	12,379
Amounts due to technical support services and other service providers/content providers	9,562	8,402
VAT received from customers in advance	2,086	2,311
Accrued expenses	20,466	20,177
Others	10,855	10,345
	160,677	154,838

The aging analysis of accounts payable and accrued liabilities based on the billing date is as follows:

	30 June 2023	31 December 2022
Less than six months	137,975	131,253
Six months to one year	7,790	8,018
More than one year	14,912	15,567
	160,677	154,838

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29. MUTUAL INVESTMENT OF THE COMPANY AND TELEFÓNICA S.A. (“TELEFÓNICA”) IN EACH OTHER

On 6 September 2009, the Company announced that in order to strengthen the cooperation between the Company and Telefónica, the parties entered into a strategic alliance agreement and a subscription agreement, pursuant to which each party conditionally agreed to invest an equivalent of US dollars 1 billion in each other through an acquisition of each other’s shares.

On 23 January 2011, the Company entered into an agreement to enhance the strategic alliance with Telefónica that: (a) Telefónica would purchase ordinary shares of the Company for a consideration of US dollars 500 million through acquisition from third parties; and (b) the Company would acquire from Telefónica 21,827,499 ordinary shares of Telefónica held in treasury (“Telefónica Treasury Shares”) for an aggregate purchase price of Euro374,559,882.84. On 25 January 2011, the Company completed the purchase of Telefónica Treasury Shares in accordance with the strategic agreement. During 2011, Telefónica completed its investment of US dollars 500 million in the Company.

On 14 May 2012, Telefónica declared a dividend. The Company chose to implement it by means of a scrip dividend and received 1,646,269 ordinary shares of approximately RMB146 million.

As at 30 June 2023, the related financial assets measured at FVOCI amounted to approximately RMB1,879 million (31 December 2022: approximately RMB1,613 million). For the six months ended 30 June 2023, the increase in fair value of the financial assets measured at FVOCI was approximately RMB266 million (for the six months ended 30 June 2022: increase of approximately RMB402 million), has been recorded in the unaudited condensed consolidated statement of comprehensive income.

30. EQUITY-SETTLED SHARE OPTION SCHEMES

On 16 April 2014, the Company adopted a share option scheme (the “2014 Share Option Scheme”). The 2014 Share Option Scheme is valid and effective for a period of 10 years commencing on 22 April 2014 and will expire on 22 April 2024. No share options had been granted since adoption of the 2014 Share Option Scheme.

No options are outstanding as at 30 June 2023 and 31 December 2022.

31. RESTRICTED A-SHARE INCENTIVE SCHEME

The Phase I Restricted A-Share Incentive Scheme

Pursuant to the share incentive scheme (Phase I) of A Share Company (the “Phase I Restricted A-Share Incentive Scheme”), not more than 848 million restricted shares of A Share Company (the “Phase I Restricted Shares”) were approved for granting to the core employees of the Group, the first batch granted Phase I Restricted Shares of 793,861,000 and second batch granted Phase I Restricted Shares of 13,156,000 were subscribed by the participants, including certain core employees of the Company’s subsidiaries on 21 March 2018 and 1 February 2019 (the “Grant Dates”), respectively, with a subscription price of RMB3.79 per share. The fair value of the Phase I Restricted Shares granted under the respective Grant Dates is RMB2.34 and RMB1.57 per share, respectively, as determined based on the difference between the market price of A Share Company of RMB6.13 per share and RMB5.36 per share at the respective Grant Dates, and the subscription price of RMB3.79 per share.

The Phase I Restricted Shares are subject to various lock-up periods (the “Lock-Up Period”) of approximately 2 years, 3 years and 4 years, respectively, immediately from the Grant Dates. During the Lock-Up Period, these shares are not transferrable, nor subject to any guarantee or indemnity. The Phase I Restricted Shares shall be unlocked (or repurchased and cancelled by A Share Company) separately in three tranches in proportion of 40%, 30% and 30% of the total number of the Phase I Restricted Shares granted upon the expiry of each of the Lock-Up Period.

Subject to fulfilment of all service and performance conditions under the Phase I Restricted A-Share Incentive Scheme which include the achievement of certain revenue and profit targets of A Share Company, the participants’ individual performance appraisal, etc. (collectively referred to as “vesting conditions”), the restriction over the Phase I Restricted Shares will be removed after the expiry of the corresponding Lock-Up Period for each tranche and the participants will be fully entitled to these incentive shares. If the vesting conditions are not fulfilled and hence the Phase I Restricted Shares cannot be unlocked, A Share Company shall repurchase the Phase I Restricted Shares based on the respective subscription price from the participants.

Pursuant to the Phase I Restricted A-Share Incentive Scheme, the third Lock-Up Period of approximately 4 years for the second batch have expired during the current period. With the fulfilment of the vesting conditions, the Phase I Restricted Shares of 3,240,375 (for the six months ended 30 June 2022: 206,767,725) in aggregate were approved for unlocking after the expiry of the Lock-Up Period by the Board of Directors of A Share Company during the current period.

For the six months ended 30 June 2023, none of the Phase I Restricted Shares (for the six months ended 30 June 2022: 3,261,600) were forfeited.

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31. RESTRICTED A-SHARE INCENTIVE SCHEME (Continued)

The Phase II Restricted A-Share Incentive Scheme

Pursuant to the share incentive scheme (Phase II) of A Share Company (the “Phase II Restricted A-Share Incentive Scheme”), approximately 838 million restricted shares of A Share Company (the “Phase II Restricted Shares”) were approved for granting to the core employees of the Group, the granted Phase II Restricted Shares of 838,340,000 were subscribed by the participants, including certain core employees of the Company’s subsidiaries on 1 November 2022 (the “Grant Date”), with a subscription price of RMB2.48 per share. The fair value of the Phase II Restricted Shares granted under the Grant Date is RMB0.93 per share, as determined based on the difference between the market price of A Share Company of RMB3.41 per share at the Grant Date, and the subscription price of RMB2.48 per share.

The Phase II Restricted Shares are subject to various Lock-Up Periods of approximately 2 years, 3 years and 4 years, respectively, immediately from the Grant Date. During the Lock-Up Period, these shares are not transferrable, nor subject to any guarantee or indemnity. The Phase II Restricted Shares shall be unlocked (or repurchased and cancelled by A Share Company) separately in three tranches in proportion of 40%, 30% and 30% of the total number of the Phase II Restricted Shares granted upon the expiry of each of the Lock-Up Period.

Subject to fulfilment of all service and performance conditions under the Phase II Restricted A-Share Incentive Scheme which include the achievement of certain revenue and profit targets of A Share Company, the participants’ individual performance appraisal, etc., the restriction over the Phase II Restricted Shares will be removed after the expiry of the corresponding Lock-Up Period for each tranche and the participants will be fully entitled to these incentive shares. If the vesting conditions are not fulfilled and hence the Phase II Restricted Shares cannot be unlocked, A Share Company shall repurchase the Phase II Restricted Shares based on the lower of the subscription price from the participants and the market price at the time of repurchase.

For the six months ended 30 June 2023, the Group recognised share-based payment expenses and other reserves of RMB142 million under the Phase I and Phase II Restricted A-Share Incentive Schemes (for the six months ended 30 June 2022: RMB7 million).

32. FAIR VALUE ESTIMATION

Financial assets of the Group mainly include cash and cash equivalents, short-term bank deposits and restricted deposits, accounts receivable, the financial assets included in prepayments and other current assets, amounts due from ultimate holding company, related parties and domestic carriers, financial assets measured at fair value and certain other assets. Financial liabilities of the Group mainly include short-term bank loans, financial liabilities included in accounts payable and accrued liabilities, bills payable, commercial papers, corporate bonds, promissory notes, long-term bank loans, other obligations and amounts due to ultimate holding company, related parties and domestic carriers.

(a) Financial assets measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 valuation: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuation: observable inputs which fail to meet level 1, and not using significant unobservable inputs for which market data are not available.
- Level 3 valuation: fair value measured using significant unobservable inputs.

The following table presents the Group's assets that are measured at fair value as at 30 June 2023:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement:				
Equity securities measured at FVOCI (non-recycling)	2,026	–	109	2,135
Financial assets measured at FVPL	2,769	61	1,249	4,079
Debt securities measured at FVOCI (recycling)	18,154	–	–	18,154
Total	22,949	61	1,358	24,368

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For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

32. FAIR VALUE ESTIMATION (Continued)

(a) Financial assets measured at fair value (Continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2022:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement:				
Equity securities measured at FVOCI (non-recycling)	1,733	–	114	1,847
Financial assets measured at FVPL	2,805	40	1,240	4,085
Debt securities measured at FVOCI (recycling)	17,770	–	–	17,770
Total	22,308	40	1,354	23,702

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 and comprise primarily equity securities of Telefónica, debt securities issued by banks which are classified as financial assets measured at FVOCI and certain equity investments, investments in monetary funds that are classified as financial assets measured at FVPL.

During the six months ended 30 June 2023 and 2022, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

32. FAIR VALUE ESTIMATION (Continued)

(b) Fair value of financial instruments carried at other than fair value

Except as detailed in the following table, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2023 and 31 December 2022 due to the nature or short maturity of those instruments.

	Carrying	Fair value	Fair value measurements			Carrying	Fair value
	amounts	as at	as at 30 June 2023 categorised into			amounts	as at
	as at	as at	Level 1	Level 2	Level 3	as at	as at
	30 June	30 June				31 December	31 December
	2023	2023				2022	2022
Non-current portion of long-term bank loans	1,364	1,430	-	1,430	-	1,528	1,571
Non-current portion of amounts due to ultimate holding company	300	287	-	287	-	300	291

The fair value of the non-current portion of long-term bank loans and non-current portion of amounts due to ultimate holding company are based on the expected cash flows of principal and interests payment discounted at market rates ranging from 0.57% to 4.20% (31 December 2022: 0.57% to 4.35%) per annum as at 30 June 2023.

33. MATERIAL RELATED PARTY TRANSACTIONS

Unicom Group is a state-owned enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. Neither Unicom Group nor the PRC government publishes financial statements available for public use.

The PRC government controls a significant portion of the productive assets and entities in the PRC. The Group provides telecommunications services as part of its retail transactions, thus, is likely to have extensive transactions with the employees of other state-owned entities, including their key management personnel and their close family members. These transactions are carried out on commercial terms that are consistently applied to all customers.

Management considers certain state-owned enterprises have material transactions with the Group in its ordinary course of business, which include but not limited to 1) rendering and receiving telecommunications services, including interconnection revenue/charges; 2) sharing certain telecommunications network infrastructure; 3) purchasing of goods, including use of public utilities; and 4) placing of bank deposits and borrowing money. The Group's telecommunications network depends, in large part, on interconnection with the network and on transmission lines service provided by other domestic carriers. These transactions are mainly carried out on terms comparable to those conducted with third parties or standards promulgated by relevant government authorities and have been reflected in the financial statements. Amounts due from domestic carriers are all derived from contracts with customers.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

33. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Management believes that meaningful information relating to related party transactions has been disclosed below.

33.1 Connected transactions with Unicom Group and its subsidiaries other than the Group (“Unicom Group and its subsidiaries”)

(a) Recurring transactions

The following is a summary of significant recurring transactions carried out by the Group with Unicom Group and its subsidiaries. In the directors’ opinion, these transactions were carried out in the ordinary course of business.

	Note	Six months ended 30 June	
		2023	2022
Transactions with Unicom Group and its subsidiaries:			
Charges for value-added telecommunications services	(i)	7	80
Rental charges for short-term property leasing and related services charges	(i)	517	510
Charges for use of telecommunications resources and related services	(i)	104	110
Charges for engineering design and construction services and IT services	(i)	81	56
Charges for shared services	(i)	40	39
Charges for materials procurement services	(i)	3	7
Charges for ancillary telecommunications services	(i)	94	4
Charges for comprehensive support services	(i)	353	222
Income from comprehensive support services	(i)	29	42
Lending by Finance Company to Unicom Group and its subsidiaries	(i)	3,100	8,500
Repayment of loans lending by Finance Company to Unicom Group and its subsidiaries	(i)	3,100	8,500
Fee and interest income from lending services	(i)	68	169
Net deposits with Finance Company	(i)	(1,149)	(2,394)
Interest expenses on the deposits in Finance Company	(i)	50	40
Interest expenses on unsecured entrusted loan	(i)	23	16

33. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

33.1 Connected transactions with Unicom Group and its subsidiaries other than the Group (“Unicom Group and its subsidiaries”) (Continued)

(a) Recurring transactions (Continued)

- (i) On 21 October 2019, CUCL and Unicom Group entered into the “2020–2022 Comprehensive Services Agreement” to renew certain continuing connected transactions. “2020–2022 Comprehensive Services Agreement” has a term of three years commencing on 1 January 2020 and expired on 31 December 2022.

On 28 October 2022, CUCL and Unicom Group entered into the “2023-2025 Comprehensive Services Agreement”, and Finance Company and Unicom Group entered into the “2023-2025 Financial Services Agreement”. Pursuant to the “2023-2025 Comprehensive Services Agreement”, CUCL and Unicom Group agreed to provide services to each other or by one to the other, including (i) use of telecommunications resources; (ii) property leasing; (iii) value-added telecommunications services; (iv) materials procurement services; (v) engineering design and construction services and IT services; (vi) ancillary telecommunications services; (vii) comprehensive support services and (viii) shared services. Pursuant to the “2023-2025 Financial Services Agreement”, Finance Company agreed to provide financial services to Unicom Group.

(b) Amounts due from Unicom Group and its subsidiaries

Amounts due from Unicom Group as at 30 June 2023 included loans from Finance Company to Unicom Group of RMB4,600 million in total with respective floating interest rate of Loan Prime Rate (“LPR”) published by the National Interbank Funding Center (“NIFC”) (31 December 2022: RMB4,600 million with respective floating interest rate of LPR published by the NIFC).

(c) Amounts due to Unicom Group and its subsidiaries

Amount due to Unicom Group and its subsidiaries as at 30 June 2023 included a balance of deposits received by Finance Company from Unicom Group and its subsidiaries of RMB5,572 million (31 December 2022: RMB6,721 million) with interest rates ranging from 0.42% to 2.75% per annum for saving and deposits of different terms.

Amount due to Unicom Group and its subsidiaries as at 30 June 2023 included unsecured entrusted loan from A Share Company of RMB742 million (31 December 2022: RMB742 million) with a maturity period of 5 years and interest rate at 4.28% per annum, unsecured entrusted loans from Unicom Group of RMB300 million (31 December 2022: RMB300 million) with a maturity period of 3 years and interest rate at 2.90% per annum and unsecured entrusted loans from Unicom Group of RMB171 million (31 December 2022: RMB171 million) with a maturity period of 1 year and interest rate at 2.90% per annum.

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For The Six Months Ended 30 June 2023

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33. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

33.2 Connected transactions with associates and joint ventures of Unicom Group and its subsidiaries

The Group has entered into transactions with associates and joint ventures of Unicom Group and its subsidiaries based on terms comparable to terms of transactions entered with other entities. In the directors' opinion, these transactions were carried out in the ordinary course of business.

	Six months ended 30 June	
	2023	2022
Transactions with associates and joint ventures of Unicom Group and its subsidiaries:		
Charges for value-added telecommunications services	72	38
Rental charges for short-term property leasing and related services charges	–	4
Charges for use of telecommunications resources and related services	1	5
Charges for engineering design and construction services and IT services	1,335	681
Charges for materials procurement services	13	66
Charges for ancillary telecommunications services	1,584	1,479
Charges for comprehensive support services	531	448
Income from comprehensive support services	74	20

33.3 Principal transactions with associates and joint ventures of the Group

The following is a summary of principal transactions entered into by the Group with the associates and joint ventures of the Group. In the directors' opinion, these transactions were carried out in the ordinary course of business.

	Note	Six months ended 30 June	
		2023	2022
Transactions with associates and joint ventures of the Group:			
Revenue from engineering design and construction services	(i)	172	153
Related costs for use of tower assets	(ii)	9,917	9,549
Additions of right-of-use assets	(ii)	3,032	1,099
Revenue from value-added telecommunications services		190	133
Charges for value-added telecommunications services		240	144
Charges for materials procurement services		2	15
Net deposits with Finance Company		(13)	(22)

33. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

33.3 Principal transactions with associates and joint ventures of the Group (Continued)

(i) **Engineering design and construction services**

The Group provided engineering design and construction services to Tower Company.

(ii) **Lease of the tower assets and other related services**

On 8 July 2016, CUCL and Tower Company entered into a framework agreement to confirm the pricing and related arrangements in relation to the usage of certain telecommunications towers and related assets (the "Agreement"). The Agreement finalised terms including assets categories, pricing basis for usage charges, and relevant service period etc. Provincial service agreements and detailed lease confirmation for specified towers have been signed subsequently.

On 31 January 2018, after further arm's length negotiations and discussions, CUCL and Tower Company agreed on certain supplementary provisions based on the Agreement dated 8 July 2016, which mainly relate to a reduction in cost-plus margin of Tower Company which forms the benchmark for pricing and an increase in co-tenancy discount rates offered to the Group regarding towers under co-sharing arrangements. The new terms applicable to the leased tower portfolio as confirmed by both parties are effective from 1 January 2018 for a period of five years.

On 13 December 2022, the Board of Directors of the Company approved CUCL and Tower Company to sign the Commercial Pricing Agreement and the Service Agreement, and the material terms of the Commercial Pricing Agreement and the Service Agreement have been agreed and finalised, in which CUCL leases assets and receives services provided by Tower Company, including tower products, indoor distribution system products, transmission products and service products. The agreements further reduced the products pricing and increased the co-tenancy discount rates offered to the Group. The term of each of the Commercial Pricing Agreement and the Service Agreement is five years, effective from 1 January 2023 to 31 December 2027.

Based on HKFRS 16, "Leases", the minimum amount of lease payments payable by the Group under the terms of the arrangement in connection with its use of telecommunications towers and related assets had resulted in recognition of lease liabilities with the balance of RMB34,783 million and right-of-use assets with the carrying amounts of RMB33,648 million as at 30 June 2023 (31 December 2022: RMB37,814 million and RMB37,617 million, respectively). Related costs for use of tower assets include the depreciation of right-of-use assets of RMB3,694 million (for the six months ended 30 June 2022: RMB3,875 million), interest expense of RMB658 million (for the six months ended 30 June 2022: RMB211 million), and variable lease payments and other related service charges of RMB5,565 million (for the six months ended 30 June 2022: RMB5,463 million) in its unaudited condensed consolidated statement of income for the six months ended 30 June 2023.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2023

(All amounts in RMB millions unless otherwise stated)

33. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

33.3 Principal transactions with associates and joint ventures of the Group (Continued)

(ii) Lease of the tower assets and other related services (Continued)

The outstanding balances with the associates and joint ventures of the Group are summarised as follows:

	Note	30 June 2023	31 December 2022
Amounts due from related parties		294	221
Amounts due to related parties	(iii)	11,168	8,826

(iii) Amounts due to Tower Company

The related accounts payable and bills payable balance (exclude lease liabilities) to Tower Company included in the balance of amounts due to related parties as at 30 June 2023 was RMB 10,879 million (31 December 2022: RMB8,522 million). Except as mentioned in Note 33.3(ii), amounts due from/to Tower Company are unsecured, interest-free, repayable on demand/on contract terms with Tower Company as described above.

34. CONTINGENCIES AND COMMITMENTS

34.1 Capital commitments

As at 30 June 2023 and 31 December 2022, the Group had capital commitments, mainly in relation to the construction of telecommunications network, as follows:

	30 June 2023			31 December 2022
	Land and buildings	Equipment	Total	Total
Authorised and contracted for	4,038	29,480	33,518	33,598
Authorised but not contracted for	5,829	38,085	43,914	43,446
	9,867	67,565	77,432	77,044

34.2 Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities and no material financial guarantees issued.

35. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Board of Directors declared an interim dividend. For details, please refer to Note 22.

36. APPROVAL OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 9 August 2023.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Deloitte.

To the Board of Directors of China Unicom (Hong Kong) Limited
(incorporated in Hong Kong with limited liability)

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INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of China Unicom (Hong Kong) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 15 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof, and to be in compliance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9 August 2023

OTHER INFORMATION

SHARE SCHEME OF THE COMPANY

Pursuant to a resolution passed at the annual general meeting held on 16 April 2014, the Company adopted a new share option scheme (the “2014 Share Option Scheme”). The purpose of the 2014 Share Option Scheme was to recognise the contribution that certain individuals have made to the Company, to attract and retain the best available personnel and to promote the success of the Company. The 2014 Share Option Scheme is valid and effective for a period of 10 years commencing on 22 April 2014 and will expire on 22 April 2024. Following the expiry of the 2014 Share Option Scheme, no further share option can be granted under the 2014 Share Option Scheme, but the provisions of the 2014 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2014 Share Option Scheme.

No share options had been granted since adoption of the 2014 Share Option Scheme and up to and including 30 June 2023. As at 1 January 2023 and 30 June 2023, 1,777,437,107 options were available for grant under the scheme mandate limit, being the maximum aggregate number of shares in respect of which share options may be granted under the 2014 Share Option Scheme.

DIRECTORS’, CHIEF EXECUTIVES’ AND EMPLOYEES’ INTERESTS UNDER THE SHARE SCHEME OF THE COMPANY

During the six months ended 30 June 2023 and as at 30 June 2023, none of the Directors of the Company or chief executives or employees of the Company had any interests under any share scheme of the Company.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of Directors and chief executives of the Company in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Hong Kong Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”), were as follows:

Long Positions in the Shares and Underlying Shares of the Company

Name of Director	Capacity	Ordinary Shares Held	Percentage of Issued Shares
Chung Shui Ming Timpson	Beneficial owner (Personal)	6,000	0.00%

Save as disclosed in the foregoing, as at 30 June 2023, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Furthermore, save as disclosed in the foregoing, during the six months ended 30 June 2023, none of the Directors or chief executives (including their spouses and children under the age of 18) of the Company had any interests in or was granted any right to subscribe in any shares, underlying shares, or debentures of the Company or any of its associated corporations, or had exercised any such rights.

MATERIAL INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the following persons (other than disclosed under the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures”) had the following interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO:

Long Positions in the Shares and Underlying Shares of the Company

Name of Shareholders	Ordinary Shares Held		Percentage of Issued Shares
	Directly	Indirectly	
(i) China United Network Communications Group Company Limited (“Unicom Group”) ^{1,2}	—	24,683,896,309	80.67%
(ii) China United Network Communications Limited (“Unicom A Share Company”) ¹	—	16,376,043,282	53.52%
(iii) China Unicom (BVI) Limited (“Unicom BVI”) ¹	16,376,043,282	—	53.52%
(iv) China Unicom Group Corporation (BVI) Limited (“Unicom Group BVI”) ^{2,3}	8,082,130,236	225,722,791	27.15%

Notes:

1. Unicom Group and Unicom A Share Company directly or indirectly control one-third or more of the voting rights in the shareholders’ meetings of Unicom BVI, and in accordance with the SFO, the interests of Unicom BVI are deemed to be, and have therefore been included in, the respective interests of Unicom Group and Unicom A Share Company.
2. Unicom Group BVI is a wholly-owned subsidiary of Unicom Group. In accordance with the SFO, the interests of Unicom Group BVI are deemed to be, and have therefore been included in, the interests of Unicom Group.
3. Unicom Group BVI holds 8,082,130,236 shares (representing 26.41% of the total issued shares) of the Company directly. In addition, Unicom Group BVI is also interested in 225,722,791 shares (representing 0.74% of the total issued shares) of the Company under the SFO, in which Unicom Group BVI had a pre-emptive right.

Apart from the foregoing, as at 30 June 2023, no person had any interests or short position in the shares or underlying shares in the Company as recorded in the register required to be kept under Section 336 of the SFO.

Please also refer to Note 21 to the unaudited condensed consolidated interim financial statements for details of the share capital of the Company.

REPURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company’s listed shares.

OTHER INFORMATION

CHANGES OF DIRECTORS' INFORMATION

Changes in Directors' major offices since the publication of the Company's 2022 annual report are set out below:

- Mr. Liu Lihong has resigned as the Chairman and Chief Executive Officer of the Company.
- Mrs. Law Fan Chiu Fun Fanny no longer served as an Independent Non-Executive Director of CLP Holdings Limited.

Save as stated above, no other information on the Directors of the Company is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors are available on the website of the Company (www.chinaunicom.com.hk).

AUDIT COMMITTEE

The Audit Committee, together with the management and the auditor of the Company, Deloitte Touche Tohmatsu, have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including the review of interim financial information for the six months ended 30 June 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintain high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company's business. The Company has complied with the code provisions in the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules for the six months ended 30 June 2023 except the following:

The roles and responsibilities of the Chairman and the Chief Executive Officer of the Company were performed by the same individual for the six months ended 30 June 2023. The Company considers that, as all major decisions are made by the Board and relevant Board Committees after discussion, through supervision by the Board and the independent non-executive Directors together with effective internal control mechanism, the Company has achieved a balance of power and authority. In addition, the same individual performing the roles of the Chairman and the Chief Executive Officer can enhance the Company's efficiency in decision-making and execution, effectively capturing business opportunities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by directors. Further to the specific enquiries made by the Company to the directors, all directors have confirmed their compliance with the Model Code for the six months ended 30 June 2023.

COMPLIANCE WITH APPENDIX 16 OF THE LISTING RULES

According to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed herein, the Company confirmed that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2022 annual report.

CLOSURE OF REGISTER OF MEMBERS

The Board of Directors of the Company declared an interim dividend for 2023 (pre-tax) (the "2023 Interim Dividend") of RMB0.203 per share (equivalent to HK\$0.22213 per share, the relevant exchange rate was the mid-rate of RMB to Hong Kong dollars (RMB0.91388 equivalent to HK\$1.00) as announced by the People's Bank of China on 7 August 2023 (being the second business day prior to the Board declared the 2023 Interim Dividend) to shareholders of the Company (the "Shareholders").

For the purpose of ascertaining the Shareholders' rights to be entitled to the 2023 Interim Dividend, the register of members of the Company will be closed. Details of such closures are set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. of 5 September 2023
Closure of register of members	6 September 2023
Interim Dividend Record date	6 September 2023

During the above closure period, no transfer of shares of the Company will be registered. In order to be entitled to the 2023 Interim Dividend, Shareholders who have not registered the transfer documents are required that all transfers, accompanied by the relevant certificates, must be lodged with the Company's Share Registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by no later than the aforementioned latest time. The 2023 Interim Dividend is expected to be paid in Hong Kong dollars on or about 25 September 2023 to those members registered in the Company's register of members as at 6 September 2023 (the "Interim Dividend Record Date").

OTHER INFORMATION

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISES IN RESPECT OF 2023 INTERIM DIVIDEND

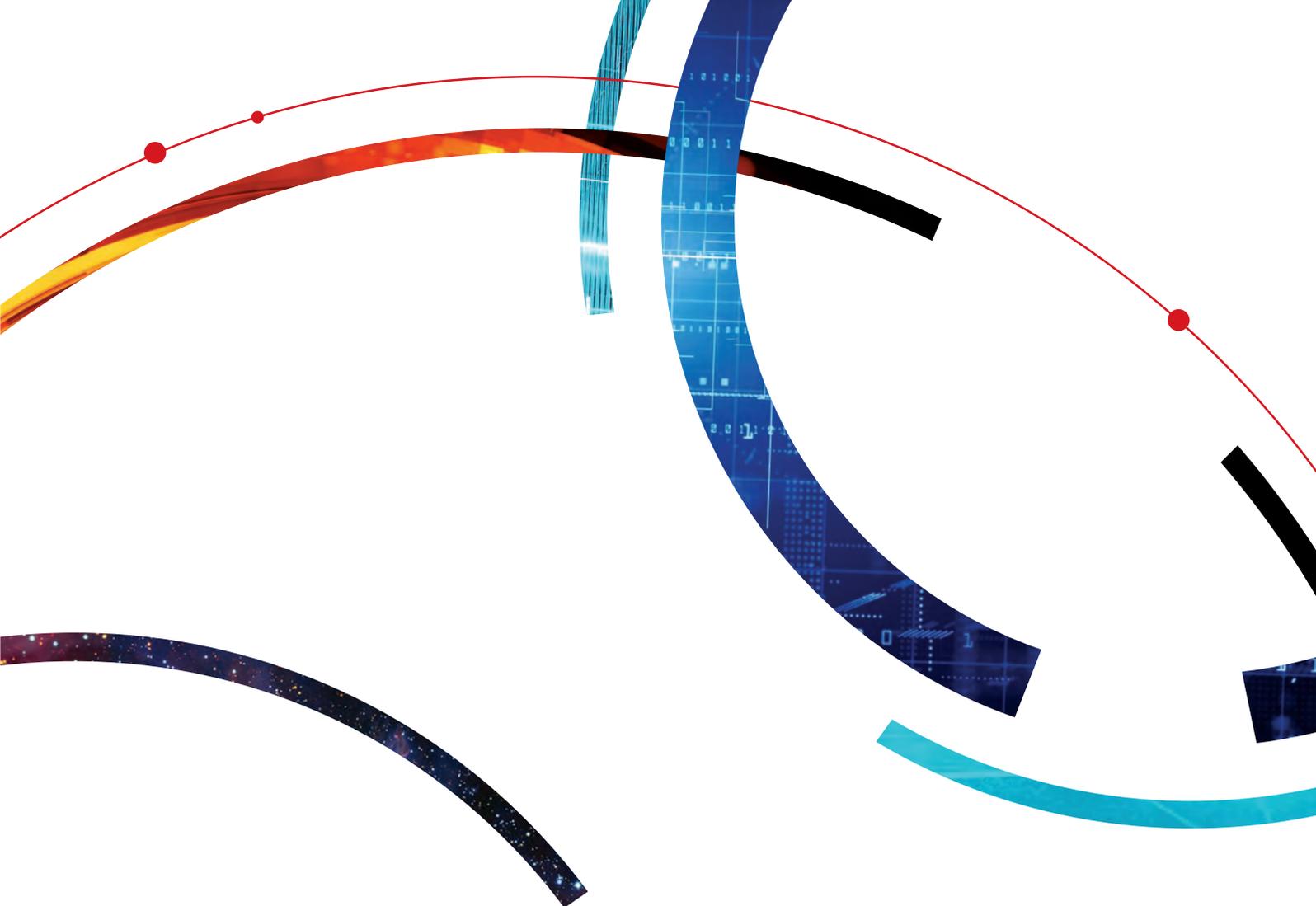
Pursuant to (i) the “Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management” (the “Notice”) issued by the State Taxation Administration of the People’s Republic of China (the “STA”); (ii) the “Enterprise Income Tax Law of the People’s Republic of China” (the “Enterprise Income Tax Law”) and the “Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China” (the “Implementation Rules”); and (iii) information obtained from the STA, the Company is required to withhold and pay enterprise income tax when it pays the 2023 Interim Dividend to its non-resident enterprise shareholders. The enterprise income tax is 10% on the amount of dividend paid to non-resident enterprise shareholders (the “Enterprise Income Tax”), and the withholding and payment obligation lies with the Company.

As a result of the foregoing, in respect of any shareholders whose names appear on the Company’s register of members on the Interim Dividend Record Date and who are not individuals (including HKSCC Nominees Limited, other custodians, corporate nominees and trustees such as securities companies and banks, and other entities or organisations), the Company will distribute the 2023 Interim Dividend payable to them after deducting the amount of Enterprise Income Tax payable on such dividend. Investors who invest in the shares in the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited through the Shanghai Stock Exchange or Shenzhen Stock Exchange (the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect investors) are investors who hold shares through HKSCC Nominees Limited, and in accordance with the above requirements, the Company will pay to HKSCC Nominees Limited the amount of the 2023 Interim Dividend after deducting the amount of Enterprise Income Tax payable on such dividend.

In respect of any shareholders whose names appear on the Company’s register of members on the Interim Dividend Record Date and who are individual shareholders, there will be no deduction of Enterprise Income Tax from the dividend that such shareholder is entitled to.

Shareholders who are not individual shareholders listed on the Company’s register of members and who (i) are resident enterprises of the People’s Republic of China (the “PRC”) (as defined in the Enterprise Income Tax Law), or (ii) are enterprises deemed to be resident enterprises of the PRC in accordance with the Notice, and who, in each case, do not desire to have the Company withhold Enterprise Income Tax from their 2023 Interim Dividend, should lodge with the Company’s Share Registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, at or before 4:30 p.m. of 5 September 2023, and present the documents from such shareholder’s governing tax authority within the territory of the PRC confirming that the Company is not required to withhold and pay Enterprise Income Tax in respect of the dividend that such shareholder is entitled to.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the Enterprise Income Tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government agencies and adhere strictly to the information set out in the Company’s register of members on the Interim Dividend Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims, arising from any delay in, or inaccurate determination of, the status of the shareholders, or any disputes over the mechanism of withholding and payment of Enterprise Income Tax.



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中國聯合網絡通信(香港)股份有限公司
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