



FOCUS
AND INNOVATE
聚焦融合創新

中期報告
Interim Report
2024

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



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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CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2024, China Unicom fully implemented new development concepts, bravely assumed its roles as a leading contributor of digital information operations and services and a pioneer of digital technology integration and innovation, and advanced network innovation, technology innovation, and service innovation. It made steady progress in business development, continuously strengthened foundational capabilities, achieved breakthroughs in technological innovation, and made significant progress in high-quality development, thereby making new contributions to building a Cyber Superpower and Digital China.

CHEN ZHONGYUE

Chairman and Chief Executive Officer



OVERALL PERFORMANCE

In the first half of the year, the Company's operating revenue grew steadily, reaching RMB197.3 billion, representing a year-on-year growth of 2.9%. EBITDA¹ reached RMB55.0 billion, representing an increase of 2.7% year-on-year. Profit before income tax reached RMB16.9 billion, up by 10.4% year-on-year. The profit attributable to the equity shareholders of the Company reached RMB13.8 billion, growing 11.3% year-on-year and representing double-digit growth for 8 consecutive years, with profitability increasing year by year.

The Company focused on strengthening network-business synergy and undertook precise investment, resulting in effective control of capital expenditure. In the first half of the year, capital expenditure amounted to RMB23.9 billion, down by 13.4% year-on-year. The Company's capital structure continued to optimise, with interest-bearing debts² decreasing by 3.8% compared to the end of last year to RMB3.05 billion, and its liabilities-to-assets ratio declined to a healthy level of 45.5%.

The Company attaches great importance to shareholder returns. The Board resolved to distribute an interim dividend of RMB0.2481 per share (pre-tax), representing an increase of 22.2% year-on-year, significantly higher than the growth of basic earnings per share, continuously enhancing shareholder returns.

FOCUSING ON THE MAIN RESPONSIBILITIES AND BUSINESSES AND STRENGTHENING THE POSITIVE DEVELOPMENT TREND

The Company accelerated the expansion of its two main businesses, namely Connectivity and Communications³ and Computing and Digital Smart Applications⁴, continuously strengthened strategic execution, and enhanced its operational revenue generation capabilities with a focus on both quantity and quality. In the first half of the year, the Company's development structure was further optimised, and the quality of development gradually improved, achieving service revenue of RMB175.7 billion, representing a year-on-year increase of 2.7%.

Stable growth and quality enhancement in connectivity and communications business

In the first half of the year, the Connectivity and Communications (CC) business achieved a revenue of RMB125.1 billion, representing a year-on-year growth of 2.1%.

CHAIRMAN'S STATEMENT

The Company achieved both scale and value enhancement of connectivity subscribers. First, the number of connections grew steadily, recording net addition of nearly 80 million in the first half of the year and exceeding 1 billion in total. Within that, the number of mobile subscribers recorded net addition of over 6 million to reach approximately 340 million. The net addition was a five-year high for the same period. The number of IoT connections exceeded 560 million. The number of broadband subscribers continued to grow and reached 117 million. The number of integrated subscribers exceeded 80 million. Second, subscriber structure was further optimised, with 5G package subscriber penetration reaching more than 80% and the penetration rate of gigabit broadband subscribers exceeding 25%. Remarkable achievement was made in value operation, as the ARPU of integrated subscribers reached RMB103.

The Company insisted on expanding new scenarios and creating new value with new integration. First, in terms of business integration, the integration penetration rate continued to increase, with marked improvement in development quality. Second, in terms of product integration, for individual customers, the Company created several products with revenue exceeding a billion in RMB. The subscriber scale of featured products such as Unicom Cloud Drive and Video Ringtone steadily expanded. For household customers, leveraging full-home optical fibre broadband, the Company expanded featured services such as smart home, intelligent security, and UHD content, bringing new experiences of quality upgrades to customers. Our smart enterprise full-optical networking service had nearly 300,000 SME customers. Third, in terms of terminal integration, the cumulative terminal sales exceeded 25 million units in the first half of the year. Terminal sales in the first half of the year increased by 4.3% year-on-year, driving steady growth in operating revenue. We strengthened terminal operation and financial empowerment, effectively driving the integrated development of terminals and SIM numbers, with substantial improvement in terminal sales and Unicom SIM card penetration rate.

Expanded growth and enhanced efficiency in computing and digital smart applications business

Facing the transformation and upgrading needs of thousands of industries and the information consumption needs of thousands of households, the Company accelerated the deep integration of communication technology (CT), information technology (IT), data technology (DT), and operation technology (OT) with vertical industries and key scenarios, actively exploring new blue oceans in Computing and Digital Smart Applications (CDSA). In the first half of the year, CDSA business revenue reached RMB43.5 billion, representing a year-on-year increase of 6.6%.

Computing power business grew rapidly. In the first half of the year, Unicom Cloud⁵ revenue achieved RMB31.7 billion, growing 24.3% year-on-year. Breakthroughs were achieved in both computing power scale and product capability, maintaining a leading position in the industry. The Company built a series of government affairs clouds, enterprise clouds and medical clouds benchmark projects. We fully commenced the AI-oriented upgrade of data centres to drive the rapid growth of AIDC business. IDC revenue growth outperformed the industry. In particular, we seized the opportunities of intelligent computing development to launch five major intelligent computing products, providing scenario-based, professional, and differentiated intelligent computing services.

The Company's data service is leading in the industry. In the first half of the year, data service revenue reached RMB3.2 billion, with a year-on-year growth of 8.6%. Based on large-scale data governance and service experience, **the Company actively leveraged the multiplier effect of data factors** to build government affairs big data platforms, economic operation platforms for multiple provinces and cities. **The Company actively participated in the market-oriented reform of data factors** by launching Trusted Data Resource Spaces and Unicom Data Network solutions, consolidating its data infrastructure, and collaborated with a number of partners such as local data exchanges and big data companies to actively promote public data operation model innovation.

The Company penetrated industry scenarios and customer ecology to drive double-digit growth in digital smart applications. In the first half of the year, digital smart application revenue reached RMB3.7 billion, representing an increase of 13.5% year-on-year. The Company actively assisted in new industrialisation. We built over 5,800 5G factories, served over 12,000 5G private network customers and implemented over 38,000 commercial projects, enhancing our brand influence in 5G+ industrial Internet. The Company actively promoted universal intelligent connectivity, with the number of standard object models on the Gewu platform reaching over a thousand, and the number of categories of connected devices exceeding ten thousand. We served over 100,000 enterprise customers. We maintained our dominant position in the factory installed IoT connection market.

The Company fully leveraged its role as Chain Chief to drive strong growth in the cybersecurity business. In the first half of the year, cybersecurity revenue reached RMB1.4 billion, increasing by 58.2% year-on-year. **The Company continuously enriched product offerings.** On the "Mogong" security operation service platform, over 200 cooperative products were launched, serving more than 200 government and large enterprise customers. **Leveraging the driving force of cooperation,** the "Security Hub" cloud market for industrial chain security attracted more than 100 partners and served over 10,000 small and medium-sized enterprises.

Accelerating international business

In recent years, the substantial increase in the number of Chinese enterprises going abroad and outbound tourists has brought valuable opportunities for the Company to enhance its internationalised market operation. Revenue from international business in the first half of the year amounted to RMB6.0 billion, representing a year-on-year increase of 8.4%, which was mainly attributable to the higher growth rate of revenue from outbound international roaming and international mobile business, as well as the rapid growth of revenue from major products, such as global smart network, high-bandwidth leased lines, Unicom Cloud and IoT. In particular, we achieved a breakthrough in international IoT connectivity capability, with revenue increasing by 93.4% year-on-year. In June this year, the Company held a conference on internationalised development in Hong Kong and a global partner conference in Shanghai to promote stronger domestic and overseas integration synergy, further accelerate the development of international business to take a bigger step, and make every effort to become stronger, better and bigger in serving the global development.

CHAIRMAN'S STATEMENT

THE FOUNDATION OF CAPABILITIES CONTINUED TO BE STRENGTHENED, ENHANCING CORE COMPETITIVENESS

Technological innovation capabilities significantly strengthened

The Company deeply implemented the strategy of strengthening the enterprise through technology, vigorously developing strategic emerging industries and future industries. Focusing on the three aspects of network, data, and intelligence, it stepped up R&D investment intensity. In the first half of the year, R&D investment increased by 13% year-on-year. We strengthened original and leading scientific and technological research, and formed a number of landmark achievements, such as Computing Power AI Network, Trusted Data Resource Space Platform, and UniAI, etc. In June this year, our "5G key technology and engineering application" project won the first prize of the 2023 National Science and Technology Progress Award.

In terms of network technology innovation, the Company focused on the next-generation Internet, and conducted research on lossless network technologies. We achieved the industry's first 3,000-kilometer wide-area lossless transmission, with terabytes of data transmitted within minutes, meeting the needs of high-speed data transmission. We launched the Computing Power AI Network (AINet) to achieve intelligent dispatch of computing power across the whole network, supporting the effective collaboration of training and inference and ensuring the security and reliability of the whole network. Focusing on new-generation wireless communication networks, we optimised network architectures, technical systems and operation modes, made breakthroughs in 5G-A key technologies, explored the development of 6G standards, and promoted innovative applications such as satellite Internet and low-altitude intelligent networks.

In terms of data technology innovation, we actively implemented the "Data Factors X" action plan, deeply cultivated original big data technologies, continuously improved data governance capabilities, and continuously strengthened data security operations. We published shared artificial intelligence datasets and built a mechanism for sharing data. The "Trusted Data Resource Space" platform was launched to provide reliable infrastructure for the circulation and utilisation of data factors.

In terms of intelligent technology innovation, the Company actively implemented "AI+" action plan, and accelerated the formation of technology-leading proprietary and controllable capabilities to promote the integration and development of artificial intelligence with various industries. To enhance our model capabilities, we iteratively upgraded the UniAI large model system, pushing the number of parameters from hundreds of billion to trillion. We accelerated model application and formed over 35 industry-specific large models, making initial progress in empowering areas such as urban governance, economic operations, information consumption, and industrial manufacturing.

Building a solid network foundation for a high-quality development

The Company continuously strengthened new infrastructure construction, focusing on three specific networks: “Internet network, computing network, and data network”. We adhered to network and business synergy and made precise investments. CAPEX in the first half of the year was RMB 23.9 billion. The scale of investments steadily declined and investment efficiency continued to rise, laying a solid foundation for the Company’s high-quality development.

In terms of Internet network, the Company firstly continuously improved the coverage of its mobile Internet network. In the first half of the year, the number of 5G mid-band base stations exceeded 1.31 million and that of low-band base stations reached 780,000. The number of 4G mid-band base stations exceeded 2 million. Network core competitiveness was further strengthened. Key 5G-A technologies such as RedCap and carrier aggregation were commercially deployed in over 100 cities. Secondly, the Company accelerated the construction of high-speed broadband Internet network. It promoted the penetration and quality improvement of gigabit networks, with the proportion of 10GPON ports reaching 79%, leading the industry. The Company conducted 50GPON technical pilot projects to promote the construction of 10-gigabit cities.

In terms of computing network, we improved the integrated deployment across cloud, network and edge. We built intelligent computing centres with over 10,000 AI accelerators in Shanghai and Hohhot, etc, achieving total intelligent computing power of 10 EFLOPS. We deployed over 20 large computing centre parks, fully covering the hubs and nodes in “Eastern Data and Western Computing”. We accelerated the construction of the “New Eight Vertical and Eight Horizontal” national backbone network and deployed ultra-high-speed interconnection channels between computing centres, creating a high-throughput, high-performance and highly intelligent computing power AI network.

In terms of data network, the Company leveraged its ubiquitous connectivity edge and took advantage of its carrier network capability with flexible bandwidth from 10M to 400G, the Company has created a data service network with highly elastic bandwidth, ultra-low latency, flexible networking, and classified transmission for the circulation and application of data. Unicom Blockchain transactions per second (TPS) exceeded 100,000, ranking among the top in the industry.

CHAIRMAN'S STATEMENT

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

China Unicom continues to be guided by the new development concepts of innovation, coordination, green, openness and sharing, and takes practical actions to implement the construction of a Cyber Superpower and Digital China. China Unicom has built a sustainable development system to contribute its strength to enhancing the comprehensive value creation capability for the economy, society, and environment. We insisted on transparent and efficient communication with the market, engaging with over 1,000 investors via multiple events in the first half of the year, and conducted multiple overseas roadshows, thereby actively conveying the Company's new image and new values to the domestic and international markets. We adhered to green development and deepened co-build co-share. In the first half of the year, greenhouse gas emissions were reduced by approximately 6.78 million tonnes⁶. Network energy efficiency improved, with the comprehensive energy consumption per unit of telecommunications business volume decreasing by 6%⁷. We promoted the deep integration of digital technology and ecological environment to help build a beautiful China. We continuously supported rural revitalisation. The "Digital Village" service platform covered more than 250,000 administrative villages. We fulfilled social responsibilities in major events such as flood control and rescue, demonstrating its responsibility as a central SOE. We continuously improved corporate governance, and deepened integrated development with strategic investors.

The Company received multiple accolades, including ranking 279th in the Fortune Global 500 for the year 2024, being voted as "Asia's Most Honoured Telecom Company" by Institutional Investor for nine consecutive years, and being voted as the "China's Best Managed Company (Gold)" in "Asia's Best Managed Companies Poll 2024" organised by FinanceAsia.

OUTLOOK

Today, we are in the midst of a new round of technological revolution led by artificial intelligence, and the future of the intelligent era has already arrived. China Unicom adheres to preserving integrity and innovation, continues to strengthen the construction of new infrastructure, promotes the integration and innovation of digital technologies, builds industry-leading digital intelligence capabilities and products, drives industrial innovation with computing network innovation and digital intelligence innovation, and continuously improves management and operating services, in an effort to become a world-class technology service enterprise with global competitiveness. Today's China Unicom has a more solid foundation for development, stronger development momentum and more abundant

development vigour. Looking to the full year, the Company is confident in achieving steady growth in operating revenue, double-digit profit growth, and stabilising capital expenditure within RMB65 billion.

Last but not least, on behalf of the Board, I would like to express my 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 continued efforts and contributions!

Chen Zhongyue

Chairman and Chief Executive Officer

Hong Kong, 15 August 2024

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: Interest-bearing debts exclude lease liabilities.

Note 3: The Connectivity and Communications (CC) business includes six major segments: mobile connectivity, broadband connectivity, TV connectivity, leased line connectivity, communications service, and information service.

Note 4: The Computing and Digital Smart Applications (CDSA) business includes six major segments: Unicom Cloud, data centres, system integration, data services, digital smart applications, and cybersecurity.

Note 5: Unicom Cloud revenue represents revenue generated from cloud resources, cloud platform, cloud services, cloud integration, cloud interconnection, cloud security, etc. by integrating innovative solutions.

Note 6: Calculated according to the green and low-carbon coefficients for ICT industry.

Note 7: Calculated according to the green and low-carbon coefficients for ICT industry, comparing 1H2024 vs FY2023.

FINANCIAL OVERVIEW

I. OVERVIEW

In the first half of 2024, the Company fully implemented the new development philosophy, bravely acting as the role of the leading contributor of digital information operation and services and the pioneer of digital technology integration and innovation, deeply promote network innovation, technological innovation and service innovation, and business development was steadily progressing. Total revenue was RMB197.34 billion, up by 2.9% year-on-year. Profit attributable to equity shareholders of the Company was RMB13.79 billion, up by 11.3% year-on-year.

In the first half of 2024, the Company's net cash flow from operating activities was RMB29.29 billion. Capital expenditure was RMB23.90 billion. Liabilities-to-assets ratio was 45.5% as at 30 June 2024, kept within reasonable range.

II. REVENUE

In the first half of 2024, the Company's revenue steadily improved, it reached RMB197.34 billion, up by 2.9% year-on-year, of which, service revenue was RMB175.66 billion, up by 2.7% year-on-year due to continuous optimisation of the revenue mix.

The table below sets forth the Company's service revenue of the two main types of business for the first half of 2024 and 2023:

(RMB in billions)	First half of 2024		First half of 2023	
	Total amount	Mix proportion	Total amount	Mix proportion
Connectivity and Communications business revenue ¹	125.06	74.2%	122.55	75.0%
Computing and Digital Smart Applications business revenue ¹	43.54	25.8%	40.83	25.0%

1. Connectivity and Communications business revenue

In the first half of 2024, revenue from Connectivity and Communications business was RMB125.06 billion, up by 2.1% year-on-year.

2. Computing and Digital Smart Applications business revenue

In the first half of 2024, revenue from Computing and Digital Smart Applications business was RMB43.54 billion, up by 6.6% year-on-year.

III. OPERATING COSTS

In the first half of 2024, total operating costs amounted to RMB184.69 billion, up by 2.2% year-on-year.

The table below sets forth the items of the operating costs and the changes in their respective percentage of the revenue for the first half of 2024 and 2023:

(RMB in billions)	First half of 2024		First half of 2023	
	Total amount	As a percentage of revenue	Total amount	As a percentage of revenue
Operating costs	184.69	93.6%	180.70	94.2%
Include: Interconnection charges	5.48	2.8%	5.60	2.9%
Depreciation and amortisation	42.36	21.5%	42.42	22.1%
Network, operation and support expenses	30.45	15.4%	29.17	15.2%
Employee benefit expenses	28.71	14.5%	32.25	16.8%
Costs of telecommunications products sold	21.15	10.7%	20.27	10.6%
Selling and marketing expenses	17.73	9.0%	17.32	9.0%
General and administrative expenses	2.29	1.2%	2.37	1.2%
Other operating expenses	36.52	18.5%	31.30	16.3%

FINANCIAL OVERVIEW

1. Interconnection charges

The interconnection charges were RMB5.48 billion in the first half of 2024, down by 2.2% year-on-year and, as a percentage of revenue, decreased from 2.9% in the first half 2023 to 2.8% in the first half of 2024.

2. Depreciation and amortisation

Mainly benefiting from the Company's precision investment, network "co-build co-share" and optimisation work in recent years, depreciation and amortisation charges were RMB42.36 billion in the first half of 2024, down by 0.1% year-on-year and, as a percentage of revenue, decreased from 22.1% in the first half of 2023 to 21.5% in the first half of 2024.

3. Network, operation and support expenses

Due to reasons such as the expansion of the Company's network sharing scale, the Company's network, operation and support expenses were RMB30.45 billion in the first half of 2024, up by 4.4% year-on-year and, as a percentage of revenue, increased from 15.2% in the first half of 2023 to 15.4% in the first half of 2024.

4. Employee benefit expenses

The Company's employee benefit expenses were RMB28.71 billion in the first half of 2024, down by 11.0% year-on-year and, as a percentage of revenue, decreased from 16.8% in the first half of 2023 to 14.5% in the first half of 2024.

5. Cost of telecommunications products sold

Costs of telecommunications products sold were RMB21.15 billion and revenue from sales of telecommunications products were RMB21.68 billion in the first half of 2024. Gross profits on sales of telecommunications products was RMB0.53 billion.

6. Selling and marketing expenses

The Company continuously enhanced selling and market expenses' quality and efficiency and simultaneously increased investment to ensure market attractiveness, selling and marketing expenses were RMB17.73 billion in the first half of 2024, up by 2.4% year-on-year and, as a percentage of revenue was basically the same as 9.0%.

7. General and administrative expenses

General and administrative expenses were RMB2.29 billion in the first half of 2024, down by 3.4% year-on-year and, as a percentage of revenue was basically the same as 1.2%.

8. Other operating expenses

The Company's other operating expenses were RMB36.52 billion in the first half of 2024, up by 16.7% year-on-year and, as a percentage of revenue, increased from 16.3% in the first half of 2023 to 18.5% in the first half of 2024.

IV. EARNINGS

(RMB in billions)	First half of	First half of	Change
	2024	2023	
	Total amount	Total amount	
Operating profits	12.65	11.13	13.7%
Net interest (expenses)/income	(0.04)	0.11	-139.8%
Share of net profit of associates	1.31	1.21	7.7%
Share of net profit of joint ventures	0.84	0.93	-9.1%
Other income-net	2.16	1.94	11.3%
Profit before income tax	16.92	15.32	10.4%
Income tax expenses	3.08	2.82	9.3%
Profit for the period	13.84	12.50	10.7%
Include: the profit attributable to equity shareholders of the Company	13.79	12.39	11.3%

1. Profit before income tax

In the first half of 2024, the Company continuously enhanced its profitability, profit before income tax was RMB16.92 billion, up by 10.4% year-on-year.

2. Income tax expenses

In the first half of 2024, the Company's income tax expenses was RMB3.08 billion and the effective tax rate was 18.2%.

3. The profit attributable to equity shareholders of the Company

In the first half of 2024, the profit attributable to equity shareholders of the Company was RMB13.79 billion, up by 11.3% year-on-year. Basic earnings per share was RMB0.451, up by 11.3% year-on-year.

V. EBITDA²

In the first half of 2024, the Company's EBITDA was RMB55.01 billion, up by 2.7% year-on-year. EBITDA as a percentage of service revenue was basically the same as 31.3%.

FINANCIAL OVERVIEW

VI. CAPITAL EXPENDITURE AND CASH FLOW

In the first half of 2024, the Company fully strengthened network industry collaboration and precision investment, achieved an effective control in capital expenditure. Capital expenditure of the Company totaled RMB23.90 billion. In the first half of 2024, the Company's net cash flow from operating activities was RMB29.29 billion. Free cash flow³ was RMB5.39 billion after the deduction of the capital expenditure for the period.

VII. BALANCE SHEET

The Company's total assets increased from RMB661.05 billion as at 31 December 2023 to RMB667.74 billion as at 30 June 2024. Total liabilities decreased from RMB307.15 billion as at 31 December 2023 to RMB303.67 billion as at 30 June 2024. The liabilities-to-assets ratio was 45.5% as at 30 June 2024, down by 1.0 percentage points compared with 31 December 2023. The debt-to-capitalisation ratio decreased from 11.6% as at 31 December 2023 to 10.8% as at 30 June 2024. The net debt-to-capitalisation ratio was -0.4% as at 30 June 2024.

Note 1: Connectivity and Communications business revenue is the sum of relevant amounts in various types of service revenue, including voice usage and monthly fees RMB10.31 billion, broadband and mobile data services RMB77.23 billion, data and internet application services RMB8.43 billion, other value-added services RMB15.19 billion, transmission lines usage and associated services RMB12.42 billion and other services RMB1.48 billion. Computing and Digital Smart Applications business revenue consists of service revenue related to data and internet application services RMB43.54 billion. In addition to the above two business revenue, other business service revenue was RMB7.06 billion. Details of the disaggregation of service revenue, please refer to Note 5 of the unaudited condensed consolidated financial statements.

Note 2: 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 expense, 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 3: 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 2024

(All amounts in Renminbi ("RMB") millions, except per share data)

	Note	Six months ended 30 June	
		2024	2023
Revenue	5	197,341	191,833
Interconnection charges		(5,481)	(5,604)
Depreciation and amortisation		(42,361)	(42,418)
Network, operation and support expenses	6	(30,448)	(29,167)
Employee benefit expenses	7	(28,711)	(32,250)
Costs of telecommunications products sold	8	(21,153)	(20,272)
Other operating expenses	9	(56,537)	(50,994)
Finance costs	10	(913)	(896)
Interest income		870	1,004
Share of net profit of associates		1,307	1,213
Share of net profit of joint ventures		846	931
Other income – net	11	2,159	1,940
Profit before income tax		16,919	15,320
Income tax expenses	12	(3,083)	(2,820)
Profit for the period		13,836	12,500
Profit attributable to:			
Equity shareholders of the Company		13,793	12,391
Non-controlling interests		43	109
Profit for the period		13,836	12,500
Earnings per share for profit attributable to equity shareholders of the Company during the period:			
Basic earnings per share (RMB)	13	0.45	0.40
Diluted earnings per share (RMB)	13	0.45	0.40

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 2024

(All amounts in RMB millions)

	Six months ended 30 June	
	2024	2023
Profit for the period	13,836	12,500
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)	194	288
Tax effect on changes in fair value of financial assets measured at FVOCI (non-recycling)	(4)	(4)
Changes in fair value of financial assets measured at FVOCI, net of tax (non-recycling)	190	284
Items that may be reclassified subsequently to statement of income:		
Changes in fair value of financial assets measured at FVOCI, net of tax (recycling)	13	35
Currency translation differences	23	183
	36	218
Other comprehensive income for the period, net of tax	226	502
Total comprehensive income for the period	14,062	13,002
Total comprehensive income attributable to:		
Equity shareholders of the Company	14,012	12,886
Non-controlling interests	50	116
Total comprehensive income for the period	14,062	13,002

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 2024
(All amounts in RMB millions)

	Note	30 June 2024	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	14	348,616	355,995
Right-of-use assets	15	49,952	52,608
Goodwill		2,771	2,771
Interest in associates		44,178	44,188
Interest in joint ventures		11,084	10,240
Deferred income tax assets	12	2,667	817
Contract assets		64	86
Contract costs		8,684	8,493
Amounts due from related parties	31	67	–
Financial assets measured at fair value	16	4,790	5,217
Other assets	17	21,026	22,535
		493,899	502,950
Current assets			
Inventories		4,204	2,217
Contract assets		302	279
Accounts receivable	18	57,572	38,692
Prepayments and other current assets	19	20,635	26,208
Amounts due from ultimate holding company	31	6,615	4,610
Amounts due from related parties	31	1,064	588
Amounts due from domestic carriers		3,983	2,267
Financial assets measured at fair value	16	18,558	24,428
Short-term bank deposits and restricted deposits		15,069	11,079
Cash and cash equivalents	20	45,839	47,733
		173,841	158,101
Total assets		667,740	661,051

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

(All amounts in RMB millions)

	Note	30 June 2024	31 December 2023
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	21	254,056	254,056
Reserves		(12,501)	(12,912)
Retained profits			
— Proposed 2024 interim dividend	22	7,591	—
— Proposed 2023 final dividend	22	—	4,088
— Others		112,444	106,242
		361,590	351,474
Non-controlling interests		2,481	2,424
Total equity		364,071	353,898
LIABILITIES			
Non-current liabilities			
Long-term bank loans	23	1,117	1,252
Lease liabilities		27,942	30,617
Deferred income tax liabilities	12	169	600
Deferred revenue		8,718	9,212
Amounts due to ultimate holding company	31	885	881
Other obligations		948	939
		39,779	43,501

	Note	30 June 2024	31 December 2023
Current liabilities			
Short-term bank loans	24	691	681
Current portion of long-term bank loans	23	351	354
Lease liabilities		13,095	12,640
Accounts payable and accrued liabilities	26	160,349	161,279
Bills payable		7,417	6,275
Taxes payable		4,505	3,547
Amounts due to ultimate holding company	31	1,252	1,033
Amounts due to related parties	31	28,849	25,924
Amounts due to domestic carriers		4,325	2,959
Current portion of other obligations		2,493	2,493
Contract liabilities		40,314	46,179
Advances from customers		249	288
		263,890	263,652
Total liabilities		303,669	307,153
Total equity and liabilities		667,740	661,051
Net current liabilities		(90,049)	(105,551)
Total assets less current liabilities		403,850	397,399

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 2024

(All amounts in RMB millions)

	Note	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
		Share capital	General risk reserve	Investment revaluation reserve	Statutory reserves	Other reserves	Retained profits			
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	29	-	-	-	-	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
Balance at 1 January 2024		254,056	987	(9,277)	35,933	(40,555)	110,330	351,474	2,424	353,898
Total comprehensive income for the period		-	-	184	-	35	13,793	14,012	50	14,062
Contribution from non-controlling interests		-	-	-	-	1	-	1	7	8
Share of associates' other reserves		-	-	-	-	14	-	14	-	14
Dividends relating to 2023 final	22	-	-	-	-	-	(4,088)	(4,088)	-	(4,088)
Capital contribution relating to share-based payment borne by A Share Company	29	-	-	-	-	141	-	141	-	141
Others		-	-	-	-	36	-	36	-	36
Balance at 30 June 2024		254,056	987	(9,093)	35,933	(40,328)	120,035	361,590	2,481	364,071

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 2024

(All amounts in RMB millions)

	Six months ended 30 June	
	2024	2023
Cash flows from operating activities		
Cash generated from operations	33,274	41,269
Income tax paid	(3,985)	(2,982)
Net cash inflow from operating activities	29,289	38,287
Cash flows from investing activities		
Purchase of property, plant and equipment, right-of-use assets and other assets	(32,084)	(33,218)
Other cash flows arising from investing activities	9,330	(2,039)
Net cash outflow from investing activities	(22,754)	(35,257)
Cash flows from financing activities		
Capital element of lease rentals paid	(6,351)	(6,089)
Dividends paid to equity shareholders of the Company	(820)	(669)
Other cash flows arising from financing activities	(1,281)	582
Net cash outflow from financing activities	(8,452)	(6,176)
Net decrease in cash and cash equivalents	(1,917)	(3,146)
Cash and cash equivalents, beginning of period	47,733	55,297
Effect of changes in foreign exchange rate	23	204
Cash and cash equivalents, end of period	45,839	52,355

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 2024

(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 2024 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 34 (“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 2024 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 2023. 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 2023 Annual Report and there have been no significant changes in any financial risk management policies for the six months ended 30 June 2024.

2. BASIS OF PREPARATION (Continued)

The financial information relating to the year ended 31 December 2023 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 2023 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 2024, current liabilities of the Group exceeded current assets by approximately RMB90.0 billion (31 December 2023: approximately RMB105.6 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 RMB250.9 billion of revolving banking facilities of which approximately RMB240.6 billion was unutilised as at 30 June 2024; 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 2024 have been prepared on a going concern basis.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(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 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 2023.

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

- Amendments to HKFRS 16, “Lease Liability in a Sale and Leaseback”
- Amendments to HKAS 1, “Classification of Liabilities as Current or Non-current” and related amendments to Hong Kong Interpretation 5 (2020)
- Amendments to HKAS 1, “Non-current Liabilities with Covenants”
- Amendments to HKAS 7 and HKFRS 7, “Supplier Finance Arrangements”

The application of the 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 services and products:

	Six months ended 30 June	
	2024	2023
Voice usage and monthly fees	10,308	10,724
Broadband and mobile data services	77,225	78,000
Data and internet application services	51,971	47,752
Other value-added services	15,193	14,660
Interconnection fees	6,224	6,404
Transmission lines usage and associated services	12,422	11,144
Other services	2,313	2,361
Total service revenue	175,656	171,045
Sales of telecommunications products	21,685	20,788
Total	197,341	191,833
Include: Revenue from contracts with customers within the scope of HKFRS 15	196,735	191,215
Revenue from other sources	606	618

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(All amounts in RMB millions unless otherwise stated)

6. NETWORK, OPERATION AND SUPPORT EXPENSES

	Note	Six months ended 30 June	
		2024	2023
Repairs and maintenance		5,303	5,471
Power and water charges		7,217	7,343
Charges for use of network, premises, equipment and facilities	(i)	11,333	9,633
Charges for use of tower assets	(ii)	5,351	5,553
Others		1,244	1,167
		30,448	29,167

(i) During the six months ended 30 June 2024 and 2023, 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 2024 and 2023, 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. For related party transactions with China Tower Corporation Limited ("Tower Company"), see Note 31.3.

7. EMPLOYEE BENEFIT EXPENSES

	Note	Six months ended 30 June	
		2024	2023
Salaries and wages		20,053	23,847
Contributions to defined contribution pension schemes		4,687	4,422
Contributions to medical insurance		1,538	1,676
Contributions to housing fund		2,285	2,157
Other housing benefits		7	6
Share-based compensation	29	141	142
		28,711	32,250

8. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

	Six months ended 30 June	
	2024	2023
Handsets and other telecommunications products	20,822	20,032
Others	331	240
	21,153	20,272

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(All amounts in RMB millions unless otherwise stated)

9. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2024	2023
Impairment losses under expected credit loss, net of reversal	7,235	3,244
Write-down of inventories	145	104
Commission and other service expenses	12,998	12,742
Advertising and promotion expenses	760	813
Internet access terminal maintenance expenses	1,369	1,227
Customer retention costs	1,514	1,607
Property management fee	1,355	1,357
Office and administrative expenses	720	768
Transportation expense	326	332
Miscellaneous taxes and fees	803	738
Service technical support expenses	27,474	25,828
Repairs and maintenance expenses	152	163
Others	1,686	2,071
	56,537	50,994

10. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
Finance costs:		
— Interest on commercial papers	–	43
— Interest on lease liabilities	816	881
— Interest on related party loans	67	73
— Interest on bank loans and others	25	19
— Less: Amount capitalised in construction-in-progress (“CIP”)	(1)	(11)
Total interest expense	907	1,005
Net exchange gain	(1)	(133)
Others	7	24
	913	896

11. OTHER INCOME — NET

	Six months ended 30 June	
	2024	2023
Dividends from financial assets measured at FVOCI (non-recycling)	75	74
Government grants	661	344
Additional deduction for VAT	224	1,029
Investment income from debt securities measured at FVOCI (recycling)	260	204
Fair value (losses)/gains on financial assets measured at fair value through profit or loss (“FVPL”)	(7)	110
Gains/(losses) on disposal of financial assets measured at FVPL	13	(1)
Others	933	180
	2,159	1,940

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(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 2023: 16.5%) on the estimated assessable profits for the six months ended 30 June 2024. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2024 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 2023: 25%). Taxation for certain subsidiaries in Mainland China was calculated at a preferential tax rate of 15% (for the six months ended 30 June 2023: 15%).

	Six months ended 30 June	
	2024	2023
Provision for estimated assessable profits for the period		
— Hong Kong profits tax	38	41
— Mainland China and other jurisdictions income tax	5,228	4,648
Under/(over) tax provision in respect of prior years	72	(12)
	5,338	4,677
Deferred taxation	(2,255)	(1,857)
Income tax expenses	3,083	2,820

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

	Note	Six months ended 30 June	
		2024	2023
Profit before income tax		16,919	15,320
Expected income tax expenses at PRC statutory tax rate of 25%		4,230	3,830
Impact of different tax rate outside Mainland China		(45)	(35)
Tax effect of preferential tax rate	(i)	(279)	(202)
Additional deduction for qualified research and development costs	(i)	(731)	(610)
Tax effect of non-deductible expenses		254	345
Tax effect of non-taxable income from share of net profit of joint ventures		(211)	(233)
Tax effect of non-taxable income from share of net profit of associates	(ii)	(294)	(271)
Under/(over) provision in respect of prior years		72	(12)
Tax effect of unused tax losses not recognised, net of utilisation	(iii)	87	8
Income tax expenses		3,083	2,820

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 2023: 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 2023: 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 2023: 100%) 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 Tower Company.
- (iii) As at 30 June 2024, the Group did not recognise deferred tax assets in respect of tax losses amounting to approximately RMB681 million (31 December 2023: approximately RMB334 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 2024 to 2034.

As at 30 June 2024, 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 RMB9,517 million (31 December 2023: approximately RMB9,682 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	
	2024	2023
Net deferred tax assets after offsetting:		
— Balance at 1 January	817	469
— Deferred tax credited to statement of income	1,813	1,043
— Deferred tax credited/(charged) to other comprehensive income	2	(7)
— Deferred tax credited to reserves	35	—
— Balance at 30 June	2,667	1,505
Net deferred tax liabilities after offsetting:		
— Balance at 1 January	(600)	(950)
— Deferred tax credited to statement of income	442	814
— Deferred tax charged to other comprehensive income	(11)	(8)
— Balance at 30 June	(169)	(144)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(All amounts in RMB millions unless otherwise stated)

13. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2024 and 2023 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 2024 and 2023 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 2024 and 2023.

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

	Six months ended 30 June	
	2024	2023
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share	13,793	12,391
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)	0.45	0.40

14. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June 2024					Total
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	
Cost:						
Beginning of period	80,983	841,919	19,949	3,212	50,377	996,440
Additions	222	135	115	41	23,648	24,161
Transfer from CIP	1,263	21,213	314	113	(22,903)	–
Transfer to other assets	–	–	–	–	(2,145)	(2,145)
Disposals	(38)	(7,531)	(374)	(59)	–	(8,002)
End of period	82,430	855,736	20,004	3,307	48,977	1,010,454
Accumulated depreciation and impairment:						
Beginning of period	(46,190)	(576,818)	(14,995)	(2,345)	(97)	(640,445)
Charge for the period	(1,340)	(26,861)	(641)	(154)	–	(28,996)
Disposals	32	7,149	363	59	–	7,603
End of period	(47,498)	(596,530)	(15,273)	(2,440)	(97)	(661,838)
Net book value:						
End of period	34,932	259,206	4,731	867	48,880	348,616
Beginning of period	34,793	265,101	4,954	867	50,280	355,995

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

(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 2024 and 2023 are as follows: (Continued)

	Six months ended 30 June 2023					Total
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	
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

15. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, 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 RMB4,929 million (for the six months ended 30 June 2023: RMB5,418 million).

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	Note	30 June 2024	31 December 2023
Non-current portion:			
Equity securities measured at FVOCI (non-recycling)	(i)	2,236	2,042
Financial assets measured at FVPL	(ii)	1,145	1,158
Debt securities measured at FVOCI (recycling)	(iii)	1,409	2,017
		4,790	5,217
Current portion:			
Financial assets measured at FVPL	(ii)	2,928	2,608
Debt securities measured at FVOCI (recycling)	(iii)	15,630	21,820
		18,558	24,428
		23,348	29,645

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

	Note	30 June 2024	31 December 2023
Listed in the PRC		190	146
Listed outside the PRC	27	1,948	1,783
Unlisted		98	113
		2,236	2,042

(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 2024

(All amounts in RMB millions unless otherwise stated)

17. OTHER ASSETS

	Note	30 June 2024	31 December 2023
Intangible assets		16,995	18,265
Prepaid services charges for transmission lines and electricity cables and other services		1,240	1,601
VAT recoverable	(i)	398	405
Capital bonds		436	433
Others		1,957	1,831
		21,026	22,535

(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 2024	31 December 2023
Accounts receivable	83,492	57,349
Less: Credit loss allowance	(25,920)	(18,657)
	57,572	38,692

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

	30 June 2024	31 December 2023
Within one month	17,293	12,429
More than one month but not more than three months	11,672	7,524
More than three months but not more than one year	22,442	15,024
More than one year	6,165	3,715
	57,572	38,692

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 2024	31 December 2023
Prepaid services charges for transmission lines and electricity cables and other services		3,420	3,247
Prepaid power and water charges		579	638
Deposits and prepayments		3,161	3,615
VAT recoverable	(i)	9,122	10,111
Prepaid enterprise income tax		40	35
Financial assets held under resale agreements	(ii)	–	5,005
Others		4,313	3,557
		20,635	26,208

(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 2024 and 31 December 2023, 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.

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21. SHARE CAPITAL

Issued and fully paid:	Number of shares millions	Share capital
At 1 January 2023, at 31 December 2023 and at 30 June 2024	30,598	254,056

22. DIVIDENDS

At the annual general meeting held on 30 May 2024, the shareholders of the Company approved the payment of a final dividend of RMB0.1336 per ordinary share for the year ended 31 December 2023, totalling approximately RMB4,088 million (for the six months ended 30 June 2023: final dividend of RMB0.109 per ordinary share for the year ended 31 December 2022, totalling approximately RMB3,335 million) which has been reflected as a reduction of retained profits for the six months ended 30 June 2024.

At a meeting held on 15 August 2024, the Board of Directors of the Company declared 2024 interim dividend of RMB0.2481 per ordinary share to the shareholders totalling approximately RMB7,591 million (for the six months ended 30 June 2023: 2023 interim dividend of RMB0.203 per ordinary share to the shareholders totalling approximately RMB6,211 million).

Pursuant to the PRC enterprise income tax law, a 10% withholding enterprise 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 the 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 2024 and 31 December 2023, the Company's subsidiaries in the PRC did not accrue for withholding enterprise income 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 enterprise income 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

	Interest rates and final maturity	30 June 2024	31 December 2023
RMB denominated bank loans	Fixed interest rates ranging from 1.08% to 2.40% (31 December 2023: 1.08% to 2.40%) per annum with maturity through 2036 (31 December 2023: maturity through 2036)	1,322	1,443
United States dollars (“US dollars”) denominated bank loans	Fixed interest rate is Nil (31 December 2023: Nil) per annum with maturity through 2039 (31 December 2023: maturity through 2039)	146	153
European dollars (“Euro”) denominated bank loans	Fixed interest rates ranging from 1.10% to 1.50% (31 December 2023: 1.10% to 1.50%) per annum with maturity through 2024 (31 December 2023: maturity through 2034)	–	10
Sub-total		1,468	1,606
Less: Current portion		(351)	(354)
		1,117	1,252

As at 30 June 2024, long-term bank loans of approximately RMB32 million (31 December 2023: approximately RMB33 million) were guaranteed by third parties.

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

	30 June 2024	31 December 2023
Balances due:		
– No later than one year	351	354
– More than one year and no later than two years	262	287
– More than two years and no later than five years	580	628
– More than five years	275	337
	1,468	1,606
Less: Portion classified as current liabilities	(351)	(354)
	1,117	1,252

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24. SHORT-TERM BANK LOANS

	Interest rates and final maturity	30 June 2024	31 December 2023
RMB denominated bank loans	Fixed interest rates ranging from 1.45% to 1.55% (31 December 2023: ranging from 1.45% to 1.65%) per annum with maturity through 2025 (31 December 2023: maturity through 2024)	691	681

25. COMMERCIAL PAPERS

On 2 September 2022, China United Network Communications Corporation Limited (“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, which carried interest at 1.73% per annum, and was fully repaid in September 2023.

26. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2024	31 December 2023
Payables to contractors and equipment suppliers	94,118	94,259
Payables to telecommunications products suppliers	3,053	1,887
Customer/contractor deposits	5,122	5,012
Repair and maintenance expense payables	9,432	9,320
Salary and welfare payables	8,592	8,917
Amounts due to technical support services and other service providers/content providers	7,275	9,499
VAT received from customers in advance	1,900	2,380
Accrued expenses	19,294	19,101
Others	11,563	10,904
	160,349	161,279

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

	30 June 2024	31 December 2023
Less than six months	139,812	137,565
Six months to one year	7,480	7,803
More than one year	13,057	15,911
	160,349	161,279

27. 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 2024, the related financial assets measured at FVOCI amounted to approximately RMB1,948 million (31 December 2023: approximately RMB1,783 million). For the six months ended 30 June 2024, the increase in fair value of the financial assets measured at FVOCI was approximately RMB165 million (for the six months ended 30 June 2023: increase of approximately RMB266 million), has been recorded in the unaudited condensed consolidated statement of comprehensive income.

28. 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 expired 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 2024 and 31 December 2023.

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29. 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 I”) of approximately 2 years, 3 years and 4 years, respectively, immediately from the Grant Dates. During the Lock-Up Period I, 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 I.

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 I 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 I of approximately 4 years for the second batch have expired in 2023. With the fulfilment of the vesting conditions, the Phase I Restricted Shares of 3,240,375 in aggregate were approved for unlocking after the expiry of the Lock-Up Period by the Board of Directors of A Share Company and 443,925 were forfeited during 2023.

29. 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 (the “Lock-Up Periods II”) of approximately 2 years, 3 years and 4 years, respectively, immediately from the Grant Date. During the Lock-Up Period II, 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 II.

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 II 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 2024, the Group recognised share-based payment expenses and other reserves of RMB141 million under the Phase II Restricted A-Share Incentive Schemes (for the six months ended 30 June 2023: RMB142 million).

For the six months ended 30 June 2024, the Phase II Restricted Shares of 3,411,000 (For the six months ended 30 June 2023: nil) were forfeited.

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30. 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, 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 2024:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement:				
Equity securities measured at FVOCI				
(non-recycling)	2,138	–	98	2,236
Financial assets measured at FVPL	2,816	–	1,257	4,073
Debt securities measured at FVOCI				
(recycling)	17,039	–	–	17,039
Total	21,993	–	1,355	23,348

30. 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 2023:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement:				
Equity securities measured at FVOCI (non-recycling)	1,929	–	113	2,042
Financial assets measured at FVPL	2,443	53	1,270	3,766
Debt securities measured at FVOCI (recycling)	23,837	–	–	23,837
Total	28,209	53	1,383	29,645

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 of listed entities, investments in monetary funds that are classified as financial assets measured at FVPL.

During the six months ended 30 June 2024 and 2023, 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.

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30. 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 2024 and 31 December 2023 due to the nature or short maturity of those instruments.

	Carrying	Fair value	Fair value measurements as at			Carrying	Fair value
	amounts	as at	30 June 2024 categorised into			amounts	as at
	as at	as at	Level 1	Level 2	Level 3	as at	as at
	30 June	30 June	30 June 2024			31 December	31 December
	2024	2024	2024			2023	2023
Non-current portion of long-term bank loans	1,117	1,177	–	1,177	–	1,252	1,318
Non-current portion of amounts due to ultimate holding company	885	855	–	855	–	881	837

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 3.95% (31 December 2023: 0.57% to 4.20%) per annum as at 30 June 2024.

31. 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.

31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

31.1 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	
		2024	2023
Transactions with Unicom Group and its subsidiaries:			
Charges for value-added telecommunications services	(i)	49	7
Rental charges for short-term property leasing and related services	(i)	497	517
Charges for use of telecommunications resources and related services	(i)	105	104
Charges for engineering design and construction and IT services	(i)	85	81
Charges for shared services	(i)	38	40
Charges for materials procurement services	(i)	–	3
Charges for ancillary telecommunications services	(i)	80	94
Charges for comprehensive support services	(i)	260	353
Income from comprehensive support services	(i)	76	29
Lending by Finance Company to Unicom Group and its subsidiaries	(i)	5,400	3,100
Repayment of loans lending by Finance Company to Unicom Group and its subsidiaries	(i)	3,400	3,100
Fee and interest income from lending services	(i)	60	67
Income from other financial services	(i)	1	1
Net deposits with Finance Company	(i)	25	(1,149)
Interest expenses on the deposits in Finance Company	(i)	57	50
Interest expenses on unsecured entrusted loan	(i)	10	23

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31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

(a) Recurring transactions (Continued)

- (i) On 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 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 2024 included loans from Finance Company to Unicom Group of RMB6,600 million in total with respective floating interest rate of Loan Prime Rate (“LPR”) published by the National Interbank Funding Center (“NIFC”) (31 December 2023: RMB4,600 million with respective floating interest rate of LPR published by the NIFC).

(c) Amounts due to Unicom Group and its subsidiaries

Amounts due to Unicom Group and its subsidiaries as at 30 June 2024 included a balance of deposits received by Finance Company from Unicom Group and its subsidiaries of RMB7,698 million (31 December 2023: RMB7,650 million) with interest rates ranging from 0.42% to 2.75% per annum for saving deposits of different terms.

Amounts due to Unicom Group and its subsidiaries as at 30 June 2024 included unsecured entrusted loan from Unicom Group of RMB710 million (31 December 2023: RMB706 million) with a maturity period of 3 years and interest rate at 2.25% per annum, unsecured entrusted loans from Unicom Group of RMB179 million (31 December 2023: RMB175 million) with a maturity period of 2 years and interest rate at 2.25% per annum.

31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

31.2 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	
	2024	2023
Transactions with associates and joint ventures of Unicom Group and its subsidiaries:		
Charges for value-added telecommunications services	–	20
Charges for use of telecommunications resources and related services	1	–
Charges for engineering design and construction and IT services	348	195
Charges for materials procurement services	11	2
Charges for ancillary telecommunications services	474	434
Charges for comprehensive support services	96	121
Income from comprehensive support services	20	17

In addition to the above amounts, the Group has also entered into related party transactions with associates of Unicom Group and its subsidiaries which do not meet the definition of connected person and connected transactions under Chapter 14A of the Listing Rules during the six months ended 30 June 2024. These transactions include:

	Six months ended 30 June	
	2024	2023
Transactions with associates and joint ventures of Unicom Group and its subsidiaries:		
Charges for value-added telecommunications services	–	52
Rental charges for short-term property leasing and related services	1	–
Charges for use of telecommunications resources and related services	1	1
Charges for engineering design and construction and IT services	1,532	1,140
Charges for materials procurement services	19	11
Charges for ancillary telecommunications services	1,262	1,150
Charges for comprehensive support services	385	410
Income from comprehensive support services	87	57

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31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

31.3 Material transactions with associates and joint ventures of the Group

The following is a summary of material 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.

	Notes	Six months ended 30 June	
		2024	2023
Transactions with associates and joint ventures of the Group:			
Revenue from engineering design and construction services	(i)	224	172
Related costs for use of tower assets	(ii)	9,964	9,917
Additions of right-of-use assets	(ii)	2,005	3,032
Revenue from value-added telecommunications services		402	190
Charges for value-added telecommunications services		533	240
Charges for materials procurement services		17	2
Net deposits with Finance Company		(11)	(13)
Interest expenses on the deposits in Finance Company		1	–

(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.

31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

31.3 Material transactions with associates and joint ventures of the Group (Continued)

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

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, the Group recognised additions of right-of-use assets during the six months ended 30 June 2024 amounting to RMB2,005 million (for the six months ended 30 June 2023: RMB3,032 million). Related costs for use of tower assets include the depreciation of right-of-use assets of RMB3,944 million (for the six months ended 30 June 2023: RMB3,694 million), interest expense of RMB581 million (for the six months ended 30 June 2023: RMB658 million), and variable lease payments and other related service charges of RMB5,439 million (for the six months ended 30 June 2023: RMB5,565 million) in its unaudited condensed consolidated statement of income for the six months ended 30 June 2024.

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

	Note	30 June 2024	31 December 2023
Amounts due from related parties		382	272
Amounts due to related parties	(iii)	13,669	14,307

(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 2024 was RMB13,003 million (31 December 2023: RMB13,794 million). Except as mentioned in Note 31.3(ii) above, amounts due from/to Tower Company are unsecured, interest-free, repayable on demand/on contract terms with Tower Company.

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32. CONTINGENCIES AND COMMITMENTS

32.1 Capital commitments

As at 30 June 2024 and 31 December 2023, the Group had capital commitments, mainly in relation to the construction of telecommunications network, as follows:

	30 June 2024			31 December
	Land and buildings	Equipment	Total	2023 Total
Authorised and contracted for	4,374	41,963	46,337	41,975
Authorised but not contracted for	6,605	23,485	30,090	35,429
	10,979	65,448	76,427	77,404

32.2 Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities and no material financial guarantees issued.

33. 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.

34. APPROVAL OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 15 August 2024.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Deloitte.

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

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 2024 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 to the condensed consolidated interim financial statements. 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
15 August 2024

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 expired 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 2024. As at 1 January 2024 and 30 June 2024, the number of options 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 was 1,777,437,107 and nil, respectively.

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

During the six months ended 30 June 2024 and as at 30 June 2024, 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 2024, 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 (the “Hong Kong Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 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 2024, 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 2024, 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 2024, 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 2024, 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 2024, 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 office since the date of the 2023 Annual Report of the Company or the date of announcement for the appointment of Director issued by the Company subsequent to the date of the 2023 Annual Report (as the case may be), and up to the date of release of the 2024 interim results of the Company, are set out below.

- Mr. Jian Qin has been appointed as an Executive Director and President of the Company, and has been appointed as a director of China United Network Communications Limited.
- Mr. Fan Chun Wah Andrew has been appointed as an Independent Non-Executive Director of the Company, and no longer served as an Independent Non-Executive Director of Culturecom Holdings Limited.
- Mr. Wong Wai Ming has resigned as an Independent Non-Executive Director of the Company.
- Mr. Chung Shui Ming Timpson no longer served as an Independent Non-Executive Director of China Everbright 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 2024.

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 principles and the code provisions in Part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules for the six months ended 30 June 2024, 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 2024. 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. In addition, Mr. Chen Zhongyue, the Chairman of the Company, was unable to attend the annual general meeting of the Company convened on 30 May 2024 due to other important work arrangement. The Company attaches high regards on the annual general meeting which provides an opportunity for direct communication between the Board and the shareholders of the Company. Therefore, the Chairman of the Company has appointed another executive Director to chair the said annual general meeting and answer the questions raised by the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 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 2024.

COMPLIANCE WITH APPENDIX D2 OF THE LISTING RULES

According to paragraph 40 of Appendix D2 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 D2 has not changed materially from the information disclosed in the Company's 2023 annual report.

CLOSURE OF REGISTER OF MEMBERS

The Board of Directors of the Company declared an interim dividend for 2024 (pre-tax) (the "2024 Interim Dividend") of RMB0.2481 per share (equivalent to HK\$0.27043 per share, the relevant exchange rate was the mid-rate of RMB to Hong Kong dollars (RMB0.91743 equivalent to HK\$1.00)) as announced by the People's Bank of China on 13 August 2024 (being the second business day prior to the Board declared the 2024 Interim Dividend) to shareholders of the Company (the "Shareholders").

For the purpose of ascertaining the Shareholders' rights to be entitled to the 2024 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 2024
Closure of register of members	6 September 2024
Interim Dividend Record date	6 September 2024

During the above closure period, no transfer of shares of the Company will be registered. In order to be entitled to the 2024 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 2024 Interim Dividend is expected to be paid in Hong Kong dollars on or about 25 September 2024 to those members registered in the Company's register of members as at 6 September 2024 (the "Interim Dividend Record Date").

OTHER INFORMATION

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISES IN RESPECT OF 2024 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 2024 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 2024 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 2024 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 2024 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 2024, 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.

CORPORATE CULTURE

OUR VISION

Accelerate to become a world-class technology service enterprise with global competitiveness

OUR MISSION

The leading contributor of digital information operation and services

The pioneer of digital technology integration and innovation

OUR CORE VALUES

Customer-oriented

Employee-friendly

Attentive to quality service

Inherently innovative

Proud of endeavours

Adhering to integrity

CORPORATE STYLE

Rigorous, Pragmatic, Skillful, Meticulous, Efficient

OPERATION AND MANAGEMENT PHILOSOPHIES

Create value for customers

Driven by both market and innovation

One China Unicom with integrated capabilities and operating services

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