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**CHINA UNICOM (HONG KONG) LIMITED**  
**中國聯合網絡通信(香港)股份有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 762)**

**2023 INTERIM RESULTS, INTERIM DIVIDEND AND  
CLOSURE OF REGISTER OF MEMBERS**

**Highlights:**

- **Operating revenue reached RMB191.8 billion, up by 8.8% year-on-year. The profit attributable to equity shareholders of the Company reached RMB12.4 billion, representing a year-on-year increase of 13.1% and a double-digit growth for the seventh consecutive year.**
- **The Company's Industry Internet revenue reached RMB43.0 billion, accounting for more than a quarter of service revenue for the first time and becoming a key driver of the Company's revenue growth and structure optimisation.**
- **In the first half of the year, the Company's return on equity<sup>2</sup> reached 3.6%. The foundation of the Company's high-quality steady and long-term development was further strengthened.**
- **The Company attached great importance to shareholder return. After due consideration of the Company's robust business development, the Board resolved to distribute an interim dividend of RMB0.203 per share (pre-tax), up by 23% year-on-year, which is significantly higher than the 13% growth in basic earnings per share.**

## **BOARD'S STATEMENT**

Dear Shareholders,

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

### **STEADY BUSINESS GROWTH DRIVEN BY STRATEGY**

In the first half of the year, the Company's revenue and profit scale once again reached new highs since listing. Operating revenue reached RMB191.8 billion, up by 8.8% year-on-year. Service revenue reached RMB171.0 billion, up by 6.3% year-on-year. EBITDA<sup>1</sup> reached RMB53.6 billion, up by 4.1% year-on-year. The profit attributable to equity shareholders of the Company reached RMB12.4 billion, representing a year-on-year increase of 13.1% and a double-digit growth for the seventh consecutive year. In the first half of the year, the Company's return on equity<sup>2</sup> reached 3.6%. The foundation of the Company's high-quality steady and long-term development was further strengthened.

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

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

## **CAPTURING DIGITAL OPPORTUNITIES BY RIDING ON TRENDS**

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

### **Expanding the Growth Potential of Big Connectivity**

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

### **Solid performance of basic businesses better underpinned overall results**

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

### **IoT business continued to grow rapidly**

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

## **Enhancing In-House R&D Capabilities in Big Computing**

The Company's in-house R&D capabilities continued to improve. It has established a brand image of "secure, digital and intelligent cloud", and developed the unique edges of "security and reliability, cloud-network integration, Big Data and AI integration, tailored customisation, and multi-cloud collaboration". The Company continuously iterated and upgraded technological innovation, industrial empowerment, and ecological cooperation, so as to instil new momentum into the development of the digital economy. The Company continuously upgraded the foundational architecture of Unicom Cloud, and achieved a multi-modal cloud with a unified architecture. Based on China Unicom's multi-year experience in penetrating vertical industry markets, we have developed rich variety of scenario specific solutions based on seven scenario clouds to fully empower the digital transformation of industries. In the first half of 2023, Unicom Cloud<sup>3</sup> achieved revenue of RMB25.5 billion, up by 36% year-on-year. It is expected to exceed RMB50.0 billion for the full year.

## **Maintaining Industry Leadership in Big Data**

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

## **Empowering Thousands of Industries with Big Application**

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

## **Rapid Growth in Big Security Revenue**

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

## **STEADY ENHANCEMENT OF CORE COMPETITIVENESS WITH PERSEVERANCE**

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

## **Continuous Enhancement in Network Capabilities**

We accelerated the construction of four premium networks, namely 5G, broadband, government and enterprise, and computing power. The number of 5G mid-band base stations exceeded 1.15 million, with the scale and coverage on par with the industry. Our broadband networks in cities, counties and towns are fully gigabit-ready. Its government and enterprise premium network fully covered 335 local networks in the country. The Company made great efforts to build a computing power base with abundant computing power, sufficient capacity, multi-cloud synergy and computing-network integration, and built a new IDC system to comprehensively undertake the national “Eastern Data and Western Computing” project. The number of cabinets exceeded 380,000. Unicom Cloud pool covered more than 200 cities. The average backbone network latency remained leading in the industry. The co-build co-share with China Telecom has been deepening. In addition to adding 150,000 5G co-build co-share base stations, the Company promoted a single 4G mid-band network, with the number of shared base stations exceeding 2 million and a sharing ratio of over 90%. We also actively promoted cross-sector co-build co-share of infrastructure such as poles and pipelines and made good progress.

## **Significant improvement in technological innovation**

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

## **Deepening and Solidifying Reform and Strategic Cooperation**

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

## **SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE**

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

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

## **OUTLOOK**

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

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

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

Hong Kong, 9 August 2023

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

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

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



## GROUP RESULTS

China Unicom (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

*for the six months ended 30 June 2023*

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

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*for the six months ended 30 June 2023*

**(All amounts in RMB millions)**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2023***(All amounts in RMB millions)**

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

	<u>Note</u>	<u>30 June 2023</u>	<u>31 December 2022</u>
<b>EQUITY</b>			
<b>Equity attributable to equity shareholders of the Company</b>			
Share capital		254,056	254,056
Reserves		(14,562)	(15,234)
Retained profits			
— Proposed 2023 interim dividend	9	6,211	–
— Proposed 2022 final dividend	9	–	3,335
— Others		105,642	99,462
		<u>351,347</u>	<u>341,619</u>
<b>Non-controlling interests</b>		<u>2,302</u>	<u>1,917</u>
<b>Total equity</b>		<u><u>353,649</u></u>	<u><u>343,536</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank loans		1,364	1,528
Lease liabilities		33,571	36,429
Deferred income tax liabilities		144	950
Deferred revenue		8,263	7,832
Amounts due to ultimate holding company		300	300
Other obligations		935	1,218
		<u>44,577</u>	<u>48,257</u>

	<u>Note</u>	<u>30 June 2023</u>	<u>31 December 2022</u>
<b>Current liabilities</b>			
Short-term bank loans		531	331
Commercial papers		5,070	5,025
Current portion of long-term bank loans		353	368
Lease liabilities		11,668	12,495
Accounts payable and accrued liabilities	10	160,677	154,838
Bills payable		6,901	5,811
Taxes payable		3,701	2,197
Amounts due to ultimate holding company		777	1,759
Amounts due to related parties		23,422	18,326
Amounts due to domestic carriers		3,024	2,125
Current portion of other obligations		2,494	2,493
Contract liabilities		42,246	44,714
Advances from customers		239	388
		<u>261,103</u>	<u>250,870</u>
<b>Total liabilities</b>		<u>305,680</u>	<u>299,127</u>
<b>Total equity and liabilities</b>		<u>659,329</u>	<u>642,663</u>
<b>Net current liabilities</b>		<u>(92,021)</u>	<u>(104,627)</u>
<b>Total assets less current liabilities</b>		<u>398,226</u>	<u>391,793</u>

## **NOTES: (All amounts in Renminbi (“RMB”) millions, except per share data)**

### **1. ORGANISATION AND PRINCIPAL ACTIVITIES**

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

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

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

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

### **2. BASIS OF PREPARATION**

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

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

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

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

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

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

**(a) Going Concern Assumption**

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

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

### **4. SEGMENT INFORMATION**

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

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

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



## 5. REVENUE

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

Disaggregation of revenue by major services and products:

	Six months ended 30 June	
	2023	2022
Total service revenue	171,045	160,971
Sales of telecommunications products	20,788	15,290
Total	<u>191,833</u>	<u>176,261</u>

## 6. TAXATION

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

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

## 7. EARNINGS PER SHARE

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

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

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

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

## 8. ACCOUNTS RECEIVABLE

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

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

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.

## 9. DIVIDENDS

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

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

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

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

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

## 11. 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 9.

## FINANCIAL OVERVIEW

### I. OVERVIEW

In the first half of 2023, the Company steadily advanced the deepening and implementation of its strategic planning system, total revenue was RMB191.83 billion, up by 8.8% year-on-year. Service revenue reached RMB171.04 billion in the first half of 2023, up by 6.3% year-on-year. Net profit<sup>1</sup> was RMB12.39 billion in the first half of 2023, up by RMB1.43 billion year-on-year.

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

### II. REVENUE

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

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

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

#### 1. Basic business

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

#### 2. Industry Internet business

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

### III. OPERATING COSTS

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

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

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

#### 1. Interconnection charges

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

#### 2. Depreciation and amortisation

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

### **3. Network, operation and support expenses**

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

### **4. Employee benefit expenses**

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

### **5. Cost of telecommunications products sold**

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

### **6. Selling and marketing expenses**

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

### **7. Cost of new ICT business<sup>2</sup>**

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

### **8. General, administrative and other operating expenses**

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

## IV. EARNINGS

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

### 1. Profit before income tax

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

### 2. Income tax expenses

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

### 3. Net profit<sup>1</sup>

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

## V. EBITDA<sup>3</sup>

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

## VI. CAPITAL EXPENDITURE AND CASH FLOW

In the first half of 2023, capital expenditure of the Company totaled RMB27.59 billion, which emphasised on the construction of four premium networks, namely 5G, broadband, government and enterprise, and computing power. In the first half of 2023, the Company's net cash flow from operating activities was RMB38.29 billion. Free cash flow<sup>4</sup> was RMB10.70 billion after the deduction of the capital expenditure.

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

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

## VII. ASSETS AND LIABILITIES

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

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

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

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

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



## **COMPLIANCE WITH APPENDIX 16 OF THE LISTING RULES**

According to paragraph 40 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), save as disclosed herein, the Company confirmed that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company’s 2022 Annual Report.

## **REPURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

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

## **AUDIT COMMITTEE**

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **CLOSURE OF REGISTER OF MEMBERS**

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

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

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

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

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

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

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

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

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

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

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The 2023 interim results announcement is published on the Company's website at [www.chinaunicom.com.hk](http://www.chinaunicom.com.hk) and the website of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") at [www.hkexnews.hk](http://www.hkexnews.hk). The 2023 interim report will be available on the websites of the Hong Kong Stock Exchange and the Company, and will be dispatched to the shareholders in due course.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this announcement 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.

By Order of the Board of  
**China Unicom (Hong Kong) Limited**  
**Chan Ngar Wai**  
*Company Secretary*

Hong Kong, 9 August 2023

As at the date of this announcement, the Board of Directors of the Company comprises:

Executive directors:	Chen Zhongyue, Wang Junzhi and Li Yuzhuo
Independent non-executive directors:	Cheung Wing Lam Linus, Wong Wai Ming, Chung Shui Ming Timpson and Law Fan Chiu Fun Fanny