CHINA UNICOM (HONG KONG) Ltd
Form 6-K
September 29, 2017

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of**

**the Securities Exchange Act of 1934**

**For the Month of September 2017**

**Commission File Number 1-15028**

**China Unicom (Hong Kong) Limited**

**(Exact Name of Registrant as Specified in Its Charter)**

**75/F, The Center,**

**99 Queen s Road Central, Hong Kong**

**(Address of principal executive offices)**

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K on paper as permitted by Regulation S-T Rule 101(b)(1): .)

(Indicate by check mark if the registrant is submitting the Form 6-K on paper as permitted by Regulation S-T Rule 101(b)(7): .)

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82- .)

## EXHIBITS

| Exhibit Number | |
|---|---|
| 1 | Interim report for the six months ended June 30, 2017. |

## FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements may include, without limitation, statements relating to (i) the Company s plans and strategies and the ability to successfully execute these plans and strategies, including those in connection with mergers and acquisitions and capital expenditures; (ii) the Company s plans for network expansion, including those in connection with the build-out of mobile services and network infrastructure; (iii) the Company s competitive position, including the ability to upgrade and expand existing networks and increase network efficiency, to improve existing services and offer new services, to develop new technological applications and to leverage the Company s position as an integrated telecommunications operator and expand into new services and markets; (iv) the Company s future business condition, including future financial results, cash flows, financing plans and dividends; (v) the future growth of market demand of, and opportunities for, the Company s new and existing products and services; and (vi) future regulatory and other developments in the PRC telecommunications industry.

The words anticipate , believe , could , estimate , intend , may , seek , will and similar expressions, as they r Company, are intended to identify certain of these forward-looking statements. The Company does not intend to update any of these forward-looking statements and are under no obligation to do so.

The forward-looking statements contained in this announcement are, by their nature, subject to significant risks and uncertainties. In addition, these forward-looking statements reflect the Company s current views with respect to future events and are not a guarantee of the Company s future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements as a result of a number of factors, including, without limitation:

the Company s ability to effectively sustain its growth and to achieve or enhance profitability;

changes in the regulatory regime and policies for the PRC telecommunications industry, including without limitation, changes in the regulatory policies of the Ministry of Industry and Information Technology, the State-owned Assets Supervision and Administration Commission, and other relevant government authorities of the PRC;

changes in the PRC telecommunications industry resulting from the issuance of licenses for telecommunications services by the central government of the PRC;

changes in telecommunications and related technologies and applications based on such technologies;

the level of demand for telecommunications services, in particular, the fourth generation mobile telecommunications services;

competitive forces from more liberalized markets and the Company s ability to retain market share in the face of competition from existing telecommunications companies and potential new market entrants;

effects of restructuring and integration (if any) in the PRC telecommunications industry and any cooperation among the PRC telecommunications operators;

the availability, terms and deployment of capital and the impact of regulatory and competitive developments on capital outlays;

changes in the assumptions upon which the Company has prepared its projected financial information and capital expenditure plans;

costs and benefits from the Company s investment in and arrangements with China Tower Corporation Limited;

results and effects of any investigation by the relevant PRC regulatory authorities overseeing State-owned enterprises and their directors, officers and employees; and

changes in the political, economic, legal, tax and social conditions in China, including the PRC Government s policies and initiatives with respect to foreign exchange policies, foreign investment activities and policies, entry by foreign companies into the Chinese telecommunications market and structural changes in the PRC telecommunications industry.

Please also see the Risk Factors section of the Company s latest Annual Report on Form 20-F, as filed with the U.S. Securities and Exchange Commission.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA UNICOM (HONG KONG) LIMITED
(Registrant)

Date: September 29, 2017

By: /s/ Yung Shun Loy Jacky
Name: Yung Shun Loy Jacky
Title: Company Secretary

**Exhibit 1**

**FORWARD-LOOKING STATEMENTS**

Certain statements contained in this report may be viewed as forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended). 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. Further information regarding these risks, uncertainties and other factors is included in the Company s most recent Annual Report on Form 20-F and other filings with the U.S. Securities and Exchange Commission.

**CONTENTS**

**CHAIRMAN S STATEMENT**

**DEAR SHAREHOLDERS,**

In the first half of 2017, the Company comprehensively deepened the implementation of Focus Strategy and centred on scale and profitable development through growth promotion, cost control and mechanism reform. The Company saw improving operations, made marked progress in the transformation of its business model, further enhanced its network capability and deepened various reforms, making a solid step forward towards healthy development.

**OVERALL RESULTS**

In the first half of 2017, the Company s key performance indicators remained robust, and its revenue was increasing steadily. The Company s service revenue reached RMB124.11 billion, up by 3.2% year-on-year. Profitability improved significantly as planned. The Company s EBITDA amounted to RMB43.56 billion, up by 5.5% year-on-year, and accounted for 35.1% of the service revenue, up by 0.8 percentage point year-on-year; and profit attributable to the equity shareholders of the Company increased by 68.9% year-on-year to RMB2.42 billion.

The Company boosted return by implementing precise investment, actively promoting cooperative sharing and tapping into each others resources. Capital expenditure substantially decreased by 49.5% year-on-year to RMB9.14 billion in the first half of 2017. Thanks to the gradual improvement in service revenue and the substantial decline in capital expenditure, the Company s free cash flow reached RMB37.52 billion.

Taking into account the Company s profitability, debt obligations and cash flows, capital required for future development, etc., the Board of Directors does not recommend the payment of interim dividend for the current year. The Board will submit a proposal for final dividend payment based on our overall results for the year for consideration at the shareholders general meeting.

**BUSINESS DEVELOPMENT**

**Strengthened Data Traffic Operation and Marketing Model Transformation with Mobile Service Revenue Growth Outperformed the Industry Average**

In the first half of 2017, the Company transformed the development model of its mobile service by stepping up online sales efforts via 2I2C, 2B2C, etc. in order to enhance the quality of new subscribers. With a low customer acquisition cost and subsidiary model, the Company s mobile service revenue reached RMB76.84 billion, representing a year-on-year growth of 5.2% which exceeded the industry average. Mobile billing subscribers achieved a net increase of 5.63 million to a total of 269.45 million. The average revenue per user (ARPU) of mobile billing subscribers amounted to RMB48.0, representing a significant increase as compared to RMB46.4 for the full year of 2016.

During the period, the Company sped up the development of 4G service. The Company fully leveraged its network strengths and launched diverse data-oriented products such as 2I2C, 2B2C and ice-cream unlimited data packages in an effort to meet various customer demands. The Company further strengthened the alignment among customers needs, products and channels to improve marketing effectiveness, enhanced the synergy and interaction between online and offline channels, and accelerated the migration of 2G subscribers to 4G so as to improve the subscriber mix. In the first half of 2017, the Company s 4G subscriber witnessed a net increase of 34.26 million to a total of 138.81 million. The proportion of 4G subscribers to total mobile billing subscribers increased by 23.7 percentage points year-on-year to 51.5%. The ARPU of 4G subscribers reached RMB66.5.

The Company pushed forward product offerings transformation towards providing more data-oriented products, led by the release of data capacity and simplified design of contract packages, developed a differentiated content system based on Unlimited Video Enjoyment + WO Video to promote the transition to innovative data + content business model, and leveraged big data analytics to promote minimum spending commitment and scenario marketing, etc. so as to stimulate rapid data growth and customer value enhancement. In the first half of 2017, the Company s total handset data usage grew by 325.7% year-on-year, with the revenue from handset Internet access reaching RMB42.90 billion. The monthly average DOU per 4G subscriber was 3,330 MB.

**Rapid Growth of Innovative Businesses Promoted Steady Development in Fixed-line Service**

In the first half of 2017, the Company actively promoted the scale development of innovative businesses, which offset the decline in fixed-line voice revenue and the pressure from the competition in the broadband market. The fixed-line service revenue was RMB46.57 billion, which was largely stable as compared to the same period of last year. Within that, the proportion of voice revenue dropped to 13.4%, further improving the fixed-line service structure.

The Company actively leveraged its competitive advantages in the field of industrial Internet, focused on key areas, strengthened capability development, optimised business system and carried out cooperation on quality resources with the value chain, achieving new breakthroughs in innovative business development. In the first half of 2017, the Company s Information Communications Technology (ICT) revenue reached RMB1.87 billion, up by 15.6% year-on-year. Internet Data Centre (IDC) and cloud computing revenue reached RMB5.80 billion, up by 22.0% year on year. Internet of things connections exceeded 50 million. Merchants Union Consumer Finance s outstanding loan balance reached RMB32.0 billion. The Company continued to command leadership in big data business and maintained its leading position in personal credit rating and location-based services.

**Promoted User Consumption Upgrade and Integrated Development with High-bandwidth Products and Services to Actively Counter Exceptionally Fierce Broadband Competition**

In the first half of 2017, the Company faced fierce competition in the broadband market. The Company fully leveraged its all-fibre network advantage to vigorously promote video-oriented high-bandwidth content and application products in an effort to drive user bandwidth upgrade, optimised the end-to-end customer service workflow to improve customer satisfaction, and proactively promoted household Internet integrated products of broadband, video, applications, etc, to drive mutual-promoting development. In the first half of the year, the Company s fixed-line broadband access revenue amounted to RMB21.56 billion, down by 3.0% year-on-year. The number of fixed-line broadband subscribers increased by 4.0% year-on-year to 76.92 million. Smart WO Family subscribers accounted for 30.9% of the fixed- line broadband subscribers, up by 9.8 percentage points year-on-year. In the second half of the year, the Company will focus on enriching the broadband content and applications, improving product offerings and strengthening operations and services, so as to constantly enhance differentiated competitiveness.

## NETWORK DEPLOYMENT

In the first half of 2017, with a focus on improving quality and efficiency, the Company practised precise network deployment and increased the utilisation efficiency of existing resources. The Company maintained its network quality and perception in key regions on par with the industry while at the same time taking into account the investment returns.

Making the best use of its improved network capacity and capability advantages resulting from the large-scale deployment of 4G network and fixed-line broadband fibre upgrade over the past two years, the Company focused its investment on key cities and 4G network, as well as regions with high asset utilisation and high promising returns on investment. The Company actively promoted sharing of resources and carried out cooperation with private capital to meet market demand with innovative business models. In the first half of 2017, the utilisation rate of the Company s 4G network reached 35%, and FTTH subscribers accounted for 74.2% of the total fixed-line broadband subscribers, which were both significantly higher as compared to the same period of last year.

The Company continued to enhance its transmission, carrier network and other basic network capabilities, and its backbone network maintained the lowest latency in the industry. The Company closely monitored the evolution of new technology. It built the world s biggest single-city NB-IoT network in Shanghai and comprehensively introduced NFV technology to pave the way for future development.

## DEEPENED COOPERATION AND INNOVATIVE TRANSFORMATION

In the first half of 2017, the Company actively deepened cooperation and innovative transformation in various fields to seek breakthroughs in business development.

In the first half of 2017, the Company deeply promoted win-win cooperation with Internet companies and leveraged the big data analytics and its unique cBSS system platform advantages to promote 2I2C, 2B2C and other innovative business models, which effectively expanded the touchpoints for customer acquisition through targeted marketing and developed sub-divided segments to drive scale and profitable business development with low incremental costs. The Company deepened its system and mechanism reform on marketing, support and other functional fronts in order to create a highly capable and efficient organisation, optimise operating models, rationalise resources allocation and improve operating efficiency. The Company also deepened its market-oriented reform in innovative businesses to enhance its drive for innovation and continuously improved its financial management, risk control, IT support and other basic capabilities.

**CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY**

The Company insists on improving corporate governance structure and strengthening execution, leading to steady enhancement in management and corporate governance. This year, the Company was awarded a number of accolades, including Asia s Best Management Team by FinanceAsia and Asia s No. 1 Most Honoured Telecom Company by Institutional Investor.

Upholding the development philosophy of innovation, coordination, green, openness, and sharing , the Company took the initiative in fulfilling its social responsibility and facilitated harmonious development of economy, society and environment. The Company strived to build a high-speed, green and secure premium network, actively conducted green operation and pushed ahead with equipment recycling to reduce the energy consumption of its network, enhanced service quality to provide users with comfortable experience, assured consumption and caring services. The Company also evolved with its employees by enhancing their self-value and sharing the success of the Company s achievement, and supported the development of western China by expanding network coverage and strengthening service channel construction in remote areas to narrow the digital divide and create a smart living.

**OUTLOOK**

At present, with the accelerating transformation of the information communication industry, high-speed data traffic consumption has become a mainstream. Meanwhile, with fast penetration of cloud computing, big data, Internet of things, artificial intelligence and other new technologies, innovative integrated services exhibit rapid growth momentum, indicating great potential for the industry development. Looking ahead, China Unicom is embarking on a new historic journey as the mixed-ownership reform heralds new significant strategic opportunities for the Company s development. In addition, given that the Company will cease to charge mobile domestic long-distance and roaming fees from 1 September 2017, and market competition is expected to intensify cyclically in the second half of the year, the Company expects that its financial performance will face increasing pressure in the second half of the year.

In the second half of the year, the Company will actively address challenges, insist on scale and profitable development, and uphold the Focus Strategy as the general guideline for its development and reforms, so as to speed up the Company s progression onto the path of healthy development. The Company will deeply propel its business transformation, maintain the rapid development of 4G business, and accelerate the turnaround of the unfavourable situation of its broadband business. The Company will speed up the improvement of its innovation capacity, strengthen integrated development with enterprises along the value chain, tap into the Blue Ocean of the innovative fields to foster new growth engines, and speed up Internet-based transformation of operations with a focus on cooperation and precision operation, so as to continually enhance the utilisation efficiency of resources and assets.

The Company will seize the opportunity of mixed-ownership reform to expedite the establishment of a more efficient and market-oriented operating mechanism, promote partnership with strong industry players with complementary edges, innovate in business model to enhance its corporate vibrancy and unleash its development potential. The Company will also take the opportunity to strengthen the incentive system, explore market-oriented employment and incentive mechanisms with checks and balances to fully bolster development vibrancy and operational efficiency, thus starting a new chapter of the Company s healthy development.

Lastly, on behalf of the Board of Directors of the Company, I would like to express my sincere gratitude to all shareholders, customers and friends across society for their support to the Company, and to all employees for their dedication and contribution along the way!

**Wang Xiaochu**

*Chairman and Chief Executive Officer*

Hong Kong, 16 August 2017

Note 1: EBITDA represents profit for the period before finance costs, interest income, shares of net profit/(loss) of associates, share of net profit of joint ventures, other income-net, income tax, 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 Group.

## FINANCIAL OVERVIEW

### REVENUE

In the first half of 2017, total revenue was RMB138.16 billion, down by 1.5% as compared to the same period of last year. The Company fully implemented Focus Strategies , operating results improved steadily. Service revenue was RMB124.11 billion in the first half of 2017, up by 3.2% as compared to the same period of last year. Service revenue from the mobile service was RMB76.84 billion, up by 5.2% as compared to the same period of last year. Service revenue from the fixed-line service was RMB46.57 billion, remain unchanged as compared to the same period of last year.

As a result of the rapid development in the Internet service and continuous optimisation in the Company s business structure, revenue from non-voice service as a percentage of service revenue further improved from 72.7% in the first half of 2016 to 77.5% in the first half of 2017.

### COSTS AND EXPENSES[1]

In the first half of 2017, total costs and expenses were RMB134.74 billion, down by 2.7% as compared to the same period of last year.

Depreciation and amortisation charge were RMB38.87 billion in the first half of 2017, up by 2.5% as compared to the same period of last year.

Network, operation and support expenses were RMB26.37 billion in the first half of 2017, up by 2.9% as compared to the same period of last year.

The Company continuously promoted the transformation of its sales and marketing model, selling and marketing expenses were RMB16.10 billion in the first half of 2017, down by 6.0% as compared to the same period of last year.

As a result from changes in volume of interconnection services, interconnection charges were RMB6.33 billion in the first half of 2017, down by 0.6% as compared to the same period of last year.

Costs of telecommunications products sold were RMB14.64 billion, down by 32.7% as compared to the same period of last year. It is primarily due to decrease in sales of mobile handsets. Loss on the sales of telecommunications products was RMB0.58 billion, of which terminal subsidy cost accounted to RMB0.80 billion, down by 54.7% as compared to the same period of last year.

As a result of the improved operating results, employee benefit expenses were RMB20.07 billion in the first half of 2017, up by 9.9% as compared to the same period of last year.

General, administrative and other expenses[2] were RMB11.10 billion, up by 12.9% as compared to the same period of last year.

Finance costs, net of interest income, was RMB2.43 billion, up by 19.7% as compared to the same period of last year.

**EARNINGS**

In the first half of 2017, profit before income tax was RMB3.42 billion, profit for the period[3] was RMB2.42 billion, up by 68.9% as compared to the same period of last year. Basic earnings per share was RMB0.101 in the first half of 2017. EBITDA[4] was RMB43.56 billion in the first half of 2017, up by 5.5% as compared to the same period of last year. EBITDA as a percentage of the service revenue was 35.1%, up by 0.8 percentage points.

**OPERATING CASH FLOW AND CAPITAL EXPENDITURE**

In the first half of 2017, the Company s net cash flow from operating activities was RMB46.66 billion, up by 11.3% as compared to the same period of last year. Capital expenditure was RMB9.14 billion in the first half of 2017.

**STATEMENT OF FINANCIAL POSITION**

Liabilities-to-assets ratio decreased from 62.9% as at 31 December 2016 to 61.4% as at 30 June 2017.
Debt-to-capitalisation ratio changed from 43.6% as at 31 December 2016 to 43.5% as at 30 June 2017.

Note 1: Including interconnection charges, depreciation and amortisation, network, operation and support expenses, employee benefit expenses, selling and marketing expenses, costs of telecommunications products sold, general, administrative and other expenses, finance costs, interest income, share of net profit/(loss) of associates, share of net profit of joint ventures and other income-net.

Note 2: Excluded costs of telecommunications products sold and selling and marketing expenses.

Note 3: Profit for the period refers to profit attribute to equity shareholders of the Company.

Note 4: EBITDA represents profit for the period before finance costs, interest income, shares of net profit/(loss) of associates, share of net profit of joint ventures, other income-net, income tax, 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 Group.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

| | | Six months ended 30 June | |
|---|---|---|---|
| | Note | **2017** | 2016 |
| Revenue | 5 | **138,160** | 140,255 |
| Interconnection charges | | **(6,331)** | (6,366) |
| Depreciation and amortisation | | **(38,874)** | (37,915) |
| Network, operation and support expenses | 6 | **(26,365)** | (25,624) |
| Employee benefit expenses | 7 | **(20,074)** | (18,271) |
| Costs of telecommunications products sold | 8 | **(14,638)** | (21,753) |
| Other operating expenses | 9 | **(27,193)** | (26,957) |
| Finance costs | 10 | **(3,130)** | (2,468) |
| Interest income | | **703** | 441 |
| Share of net profit/(loss) of associates | | **487** | (150) |
| Share of net profit of joint ventures | | **261** | 56 |
| Other income net | 11 | **411** | 576 |
| **Profit before income tax** | | **3,417** | 1,824 |
| Income tax expenses | 12 | **(994)** | (395) |
| **Profit for the period** | | **2,423** | 1,429 |
| **Profit attributable to:** | | | |
| Equity shareholders of the Company | | **2,415** | 1,429 |
| Non-controlling interests | | **8** | |
| **Earnings per share for profit attributable to equity shareholders of the Company during the period:** | | | |
| Basic earnings per share (RMB) | 13 | **0.10** | 0.06 |
| Diluted earnings per share (RMB) | 13 | **0.10** | 0.06 |

The notes on pages 14 to 40 are an integral part of this unaudited condensed consolidated interim financial information.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB millions)

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| **Profit for the period** | **2,423** | 1,429 |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to statement of income:** | | |
| Changes in fair value of financial assets through other comprehensive income | **370** | (679) |
| Tax effect on changes in fair value of financial assets through other comprehensive income | **(1)** | 5 |
| Changes in fair value of financial assets through other comprehensive income, net of tax | **369** | (674) |
| Remeasurement of net defined benefit liability, net of tax | **5** | 3 |
| | **374** | (671) |
| **Item that may be reclassified subsequently to statement of income:** | | |
| Currency translation differences | **(66)** | 73 |
| **Other comprehensive income for the period, net of tax** | **308** | (598) |
| **Total comprehensive income for the period** | **2,731** | 831 |
| **Total comprehensive income attributable to:** | | |
| Equity shareholders of the Company | **2,723** | 831 |
| Non-controlling interests | **8** | |

The notes on pages 14 to 40 are an integral part of this unaudited condensed consolidated interim financial information.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2017

(All amounts in RMB millions)

| | Note | **30 June 2017** | 31 December 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **421,427** | 451,115 |
| Lease prepayments | | **9,295** | 9,436 |
| Goodwill | | **2,771** | 2,771 |
| Interest in associates | | **32,744** | 32,248 |
| Interest in joint ventures | | **1,436** | 1,175 |
| Deferred income tax assets | 12 | **5,538** | 5,986 |
| Financial assets at fair value through other comprehensive income | 15 | **4,696** | 4,326 |
| Other assets | 16 | **22,515** | 24,879 |
| | | **500,422** | 531,936 |
| **Current assets** | | | |
| Inventories and consumables | 17 | **1,792** | 2,431 |
| Accounts receivable | 18 | **17,000** | 13,622 |
| Prepayments and other current assets | 19 | **13,341** | 14,023 |
| Amounts due from ultimate holding company | 31 | **235** | |
| Amounts due from related parties | 31 | **22,782** | 22,724 |
| Amounts due from domestic carriers | | **4,901** | 3,908 |
| Financial assets at fair value through profit and loss | | **131** | 123 |
| Short-term bank deposits and restricted deposits | | **2,083** | 1,754 |
| Cash and cash equivalents | | **33,834** | 23,633 |
| | | **96,099** | 82,218 |
| **Total assets** | | **596,521** | 614,154 |
| **EQUITY** | | | |
| **Equity attributable to equity shareholders of the Company** | | | |
| Share capital | 20 | **179,102** | 179,102 |
| Reserves | | **(20,709)** | (21,017) |
| Retained profits | | | |
| Proposed 2016 final dividend | 21 | | |
| Others | | **71,737** | 69,322 |
| | | **230,130** | 227,407 |
| **Non-controlling interests** | | **283** | 275 |

| | | |
|---|---|---|
| **Total equity** | **230,413** | 227,682 |

| | Note | **30 June 2017** | 31 December 2016 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term bank loans | 22 | **5,410** | 4,495 |
| Promissory notes | 23 | **9,956** | 17,906 |
| Corporate bonds | 24 | **17,975** | 17,970 |
| Deferred income tax liabilities | 12 | **110** | 113 |
| Deferred revenue | | **2,902** | 2,998 |
| Other obligations | | **219** | 335 |
| | | **36,572** | 43,817 |
| **Current liabilities** | | | |
| Short-term bank loans | 25 | **99,057** | 76,994 |
| Commercial papers | 26 | **23,992** | 35,958 |
| Current portion of long-term bank loans | 22 | **451** | 161 |
| Current portion of promissory notes | 23 | **17,969** | 18,976 |
| Accounts payable and accrued liabilities | 27 | **122,702** | 143,224 |
| Taxes payable | | **711** | 732 |
| Amounts due to ultimate holding company | 31 | **2,504** | 2,463 |
| Amounts due to related parties | 31 | **9,705** | 8,700 |
| Amounts due to domestic carriers | | **2,253** | 1,989 |
| Dividend payable | 21 | **920** | 920 |
| Current portion of corporate bonds | | | 2,000 |
| Current portion of deferred revenue | | **335** | 369 |
| Current portion of other obligations | | **2,991** | 3,141 |
| Advances from customers | | **45,946** | 47,028 |
| | | **329,536** | 342,655 |
| **Total liabilities** | | **366,108** | 386,472 |
| **Total equity and liabilities** | | **596,521** | 614,154 |
| **Net current liabilities** | | **(233,437)** | (260,437) |
| **Total assets less current liabilities** | | **266,985** | 271,499 |

The notes on pages 14 to 40 are an integral part of this unaudited condensed consolidated interim financial information.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB millions)

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | General risk reserve | Investment revaluation reserve | Statutory reserves | Other reserve | Retained profits | Total | Non-Controlling Interests | Total equity |
| Balance at 1 January 2016 | 179,102 | | (6,406) | 28,780 | (43,108) | 72,848 | 231,216 | | 231,216 |
| Total comprehensive income for the period | | | (674) | | 76 | 1,429 | 831 | | 831 |
| Dividends relating to 2015 (Note 21) | | | | | | (4,071) | (4,071) | | (4,071) |
| Balance at 30 June 2016 | 179,102 | | (7,080) | 28,780 | (43,032) | 70,206 | 227,976 | | 227,976 |
| Balance at 1 January 2017 | **179,102** | **33** | **(6,936)** | **28,827** | **(42,941)** | **69,322** | **227,407** | **275** | **227,682** |
| Total comprehensive income for the period | | | **369** | | **(61)** | **2,415** | **2,723** | **8** | **2,731** |
| Balance at 30 June 2017 | **179,102** | **33** | **(6,567)** | **28,827** | **(43,002)** | **71,737** | **230,130** | **283** | **230,413** |

The notes on pages 14 to 40 are an integral part of this unaudited condensed consolidated interim financial information.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB millions)

| | | Six months ended 30 June | |
|---|---|---|---|
| | Note | **2017** | 2016 |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | **47,449** | 43,337 |
| Income tax paid | | **(785)** | (1,407) |
| Net cash inflow from operating activities | | **46,664** | 41,930 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(36,282)** | (46,650) |
| Proceeds from Tower Assets Disposal | | | 3,000 |
| Other cash flows arising from investing activities | | **(585)** | (1,109) |
| Net cash outflow from investing activities | | **(36,867)** | (44,759) |
| **Cash flows from financing activities** | | | |
| Dividend paid to equity shareholder of the Company | 21 | | (3,737) |
| Other cash flows arising from financing activities | | **448** | 5,906 |
| Net cash inflow from financing activities | | **448** | 2,169 |
| **Net increase/(decrease) in cash and cash equivalents** | | **10,245** | (660) |
| Cash and cash equivalents, beginning of period | | **23,633** | 21,755 |
| Effect of changes in foreign exchange rate | | **(44)** | 42 |
| **Cash and cash equivalents, end of period** | | **33,834** | 21,137 |
| **Analysis of the balances of cash and cash equivalents:** | | | |
| Cash balances | | **1** | 2 |
| Bank balances | | **33,833** | 21,135 |
| | | **33,834** | 21,137 |

The notes on pages 14 to 40 are an integral part of this unaudited condensed consolidated interim financial information.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

(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 cellular and fixed-line voice and related value-added services, broadband and other Internet-related services, information communications technology services, and business and data communications services in the PRC. The GSM cellular voice, WCDMA cellular voice, TD-LTE cellular voice, LTE FDD cellular voice and related value-added services are referred to as the mobile service , the services aforementioned other than the mobile service are hereinafter collectively referred to as the fixed-line service . 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 and the American Depositary Shares of the Company were listed on the New York Stock Exchange on 21 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 ( 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 majority of the equity interest in A Share Company is owned by China United Network Communications Group Company Limited (a state-owned enterprise established in the PRC, hereinafter referred to as Unicom Group ). Unicom Group BVI is a wholly-owned subsidiary of Unicom Group. As a result, the directors of the Company consider Unicom Group to be the ultimate holding company.

## 2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 has 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 International Accounting Standard ( IAS ) 34, Interim financial reporting issued by the International Accounting Standards Board ( IASB ). IAS 34 is consistent with Hong Kong Accounting Standard ( HKAS ) 34, Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants ( HKICPA ) and accordingly this unaudited condensed consolidated interim financial information is also prepared in accordance with HKAS 34.

The unaudited condensed consolidated interim financial information has not been audited, but has been reviewed by the Company s Audit Committee. It has 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 information should be read in conjunction with the Group s annual financial statements for the year ended 31 December 2016. 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 2016 Annual Report and there have been no significant changes in any financial risk management policies for the six months ended 30 June 2017.

The financial information relating to the year ended 31 December 2016 that is included in this interim financial report of 2017 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 2016 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).

**2. BASIS OF PREPARATION (Continued)**

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 2017, current liabilities of the Group exceeded current assets by approximately RMB233.4 billion (31 December 2016: approximately RMB260.4 billion). Given 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 RMB339.8 billion of revolving banking facilities and registered quota of corporate bonds, of which approximately RMB216.2 billion was unutilised as at 30 June 2017;

Other available sources of financing from domestic banks and other financial institutions given the Group s credit history.

In addition, the Group believes 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 requirements and debt obligations. As a result, the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2017 have been prepared on a going concern basis.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The IASB and HKICPA has issued a number of amendments to International Financial Reporting Standards ( IFRSs )/Hong Kong Financial Reporting Standards ( HKFRSs ) that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group s results and financial position for the current or prior periods have been prepared or presented.

In addition, the IASB and HKICPA also published a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning after 1 January 2017 and have not been early adopted by the Group except IFRS/HKFRS 9 (2010), Financial instruments . The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the consolidated financial statements.

**IFRS/HKFRS 15, Revenue from contracts with customers**

IFRS/HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS/HKAS 18, Revenue, IAS/HKAS 11, Construction contracts and HK(IFRIC) 13, Customer Loyalty Programs. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**IFRS/HKFRS 9 (2014), Financial Instruments**

Compared with IFRS/HKFRS 9 (2010), IFRS/HKFRS 9 (2014) includes the new expected credit losses model for impairment of financial assets, the new general hedge accounting requirements and limited amendments to the classification and measurement of financial assets.

**IFRS/HKFRS 16, Leases**

IFRS/HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular IFRS/HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS/HKAS 17, Leases and the related interpretations including HK(IFRIC) 4, Determining whether an arrangement contains a lease.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRS/HKFRS 15, IFRS/HKFRS 9 (2014) and IFRS/HKFRS 16, given the Group has not completed its assessment of their full impact on the Group s financial statements, their possible impact on the Group s results of operations and financial position has not been quantified.

**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 make resources allocation decisions based on internal management functions and assess 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 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 ) and VAT rates applicable to various telecommunications services. The VAT rate for basic telecommunications services is 11%; the VAT rate for value-added telecommunications services is 6% and the VAT rate for sales of telecommunications products remains at 17%. Basic telecommunications services include business activities for the provision of voice services, as well as business activities in relation to rental or sales of bandwidth, wavelength and other network elements etc; value-added telecommunications services include business activities for the provision of Short Message Service and Multimedia Message Service, electronic data and information transmission and application services, Internet access service etc. VAT is excluded from the revenue.

The major components of revenue are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| Mobile service | | |
| Usage and monthly fees | **16,314** | 20,237 |
| Value-added services revenue | **54,590** | 46,214 |
| Interconnection fees | **5,345** | 5,760 |
| Other mobile service revenue | **595** | 829 |
| Total service revenue from mobile service | **76,844** | 73,040 |
| Fixed-line service | | |
| Usage and monthly fees | **4,458** | 5,003 |
| Broadband, data and other Internet-related services revenue | **30,782** | 30,176 |
| Interconnection fees | **1,727** | 1,701 |
| Value-added services revenue | **1,666** | 2,438 |
| Leased line income | **5,369** | 5,214 |
| Information communications technology services revenue | **1,867** | 1,616 |
| Other fixed-line service revenue | **699** | 419 |
| Total service revenue from fixed-line service | **46,568** | 46,567 |
| Other service revenue | **694** | 643 |
| Total service revenue | **124,106** | 120,250 |
| Sales of telecommunications products | **14,054** | 20,005 |
| | **138,160** | 140,255 |

## 6. NETWORK, OPERATION AND SUPPORT EXPENSES

| | | Six months ended 30 June | |
|---|---|---|---|
| | Note | **2017** | 2016 |
| Repairs and maintenance | | **4,836** | 5,570 |
| Power and water charges | | **7,168** | 6,777 |
| Operating lease charges for network, premises, equipment and facilities | | **5,139** | 4,824 |
| Operating lease and other service charges to Tower Company | 31.2 | **8,418** | 7,723 |
| Others | | **804** | 730 |
| | | **26,365** | 25,624 |

## 7. EMPLOYEE BENEFIT EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Salaries and wages | **15,123** | 13,598 |
| Contributions to defined contribution pension schemes | **2,685** | 2,559 |
| Contributions to medical insurance | **929** | 877 |
| Contributions to housing fund | **1,327** | 1,227 |
| Other housing benefits | **10** | 10 |
| | **20,074** | 18,271 |

## 8. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Handsets and other telecommunication products | **14,515** | 21,551 |
| Others | **123** | 202 |
| | **14,638** | 21,753 |

## 9. OTHER OPERATING EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Impairment losses for doubtful debts and write-down of inventories | **2,470** | 2,069 |
| Cost in relation to information communications technology services | **1,425** | 1,206 |
| Commission expenses | **11,150** | 12,107 |
| Customer acquisition cost and advertising and promotion expenses | **1,698** | 1,407 |
| Customer installation cost | **1,742** | 1,983 |
| Customer retention cost | **1,507** | 1,633 |
| Property management fee | **1,059** | 1,067 |
| Office and administrative expenses | **759** | 807 |
| Transportation expense | **763** | 769 |
| Miscellaneous taxes and fees | **643** | 448 |
| Technical support expenses | **973** | 858 |
| Repairs and maintenance expenses | **349** | 351 |
| Loss on disposal of property, plant and equipment | **1,087** | 798 |
| Others | **1,568** | 1,454 |
| | **27,193** | 26,957 |

## 10. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Finance costs: | | |
| Interest on bank loans repayable within 5 years | **1,685** | 1,369 |
| Interest on corporate bonds, promissory notes and commercial papers repayable within 5 years | **1,429** | 1,333 |
| Interest on related party loans repayable within 5 years | **18** | 30 |
| Interest on bank loans repayable over 5 years | **30** | 26 |
| Less: Amounts capitalised in Construction-in-progress ( CIP ) | **(366)** | (394) |
| Total interest expense | **2,796** | 2,364 |
| Exchange loss/(gain), net | **162** | (78) |
| Others | **172** | 182 |
| | **3,130** | 2,468 |

## 11. OTHER INCOME NET

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Dividend income from financial assets at fair value through other comprehensive income | **99** | 188 |
| Others | **312** | 388 |
| | **411** | 576 |

## 12. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2016: 16.5%) on the estimated assessable profits for the six months ended 30 June 2017. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2017 at the rates of taxation prevailing in the countries in which the Group operates. The Company s subsidiaries operate mainly in the PRC and the applicable statutory enterprise income tax rate is 25% (for the six months ended 30 June 2016: 25%). Taxation for certain subsidiaries in PRC was calculated at a preferential tax rate of 15% (for the six months ended 30 June 2016: 15%).

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Provision for income tax on estimated taxable profits for the period | | |
| Hong Kong | **22** | 35 |
| Mainland China and other countries | **528** | 1,285 |
| | **550** | 1,320 |
| Deferred taxation | **444** | (925) |
| Income tax expenses | **994** | 395 |

**12. TAXATION (Continued)**

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

| | | Six months ended 30 June | |
|---|---|---|---|
| | Note | **2017** | 2016 |
| Profit before taxation | | **3,417** | 1,824 |
| Expected income tax expense at PRC statutory tax rate of 25% | | **854** | 456 |
| Impact of different tax rate outside mainland China | | **(11)** | (18) |
| Tax effect of preferential tax rate | (i) | **(49)** | (29) |
| Tax effect of non-deductible expenses | | **210** | 54 |
| Investment in joint ventures | | **(65)** | (15) |
| Investment in associates | (ii) | **(77)** | 84 |
| Under/(Over)-provision in respect of prior years | | **8** | (41) |
| Tax effect of unused tax losses not recognised, net of utilisation | (iii) | **4** | (30) |
| Others | | **120** | (66) |
| Actual tax expense | | **994** | 395 |

(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%. 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%.

(ii) Adjustment to investment in associates represents the tax effect on share of net profit/(loss) of associates, excluding reversal of deferred tax assets on unrealised profit from transactions with Tower Company.

(iii) As at 30 June 2017, the Group did not recognise deferred tax assets in respect of tax losses of approximately RMB2,638 million (31 December 2016: approximately RMB2,622 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 years from the year incurred and hence will be expired by 2021.

As at 30 June 2017, the Group did not recognise deferred tax assets of RMB1,742 million (31 December 2016: RMB1,832 million) in respect of changes in fair value on financial assets through other comprehensive income, since it is not probable that the related tax benefit will be realised.

## 12. TAXATION (Continued)

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

| | Note | Six months ended 30 June 2017 | 2016 |
|---|---|---|---|
| Net deferred income tax assets after offsetting: | | | |
| Beginning of period | | **5,986** | 5,642 |
| Deferred tax (charged)/credited to the statement of income | | **(447)** | 923 |
| Deferred tax (charged)/credited to other comprehensive income | | **(1)** | 5 |
| Reclassified from current taxes payable | (i) | | (1,304) |
| End of period | | **5,538** | 5,266 |
| Net deferred income tax liabilities after offsetting: | | | |
| Beginning of period | | **(113)** | (18) |
| Deferred tax credited to the statement of income | | **3** | 2 |
| End of period | | **(110)** | (16) |

(i) On 14 October 2015, The Group disposed tower assets ( Tower Assets Disposal ) to China Tower Corporation Limited ( Tower Company ) in exchange for cash and shares issued by Tower Company. According to the applicable tax laws issued by the Ministry of Finance and the State Administration of Taxation ( SAT ) of the PRC, the gain from Tower Assets Disposal in exchange for investment in Tower Company ( Qualified Income ) is, upon fulfilling the filing requirement with in-charge tax bureau, eligible to be deferred and treated as taxable income on a straight- line basis over a period not exceeding five years. Before completing the filing, the Group accrued current taxes payable based on the total gain from Tower Asset Disposal. During the period ended 30 June 2016, the Group successfully completed the filing requirement with in-charge tax bureau with respect to the Qualified Income and since then has become eligible for deferring part of tax liability with respect to the Qualified Income, which would be reversed in the four years from 2016 to 2019. Accordingly, a balance of RMB1,304 million was reclassified from current taxes payable to net deferred tax assets as at 30 June 2016, and RMB187 million was reversed during the six-month-period ended 30 June 2017.

## 13. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2017 and 2016 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 2017 and 2016 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. No dilutive potential ordinary shares existed for the six months ended 30 June 2017 and 2016.

**13. EARNINGS PER SHARE (Continued)**

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Numerator (in RMB millions): | | |
| Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share | **2,415** | 1,429 |
| Denominator (in millions): | | |
| Weighted average number of ordinary shares outstanding used in computing basic/diluted earnings per share | **23,947** | 23,947 |
| Basic/Diluted earnings per share (in RMB) | **0.10** | 0.06 |

**14. PROPERTY, PLANT AND EQUIPMENT**

The movements of property, plant and equipment for the six months ended 30 June 2017 and 2016 are as follows:

| | Six months ended 30 June 2017 | | | | | |
|---|---|---|---|---|---|---|
| | **Buildings** | **Tele-communications equipment** | **Office furniture, fixtures, motor vehicles and other equipment** | **Leasehold improvements** | **CIP** | **Total** |
| Cost: | | | | | | |
| Beginning of period | **67,140** | **876,452** | **20,007** | **4,035** | **78,905** | **1,046,539** |
| Additions | **64** | **141** | **128** | **62** | **6,808** | **7,203** |
| Transfer from CIP | **2,084** | **21,892** | **265** | **118** | **(24,359)** | |
| Transfer to other assets | | | | | **(1,370)** | **(1,370)** |
| Disposals | **(85)** | **(14,842)** | **(317)** | **(105)** | | **(15,349)** |
| End of period | **69,203** | **883,643** | **20,083** | **4,110** | **59,984** | **1,037,023** |
| Accumulated depreciation and impairment: | | | | | | |
| Beginning of period | **(29,174)** | **(548,472)** | **(14,986)** | **(2,687)** | **(105)** | **(595,424)** |
| Charge for the period | **(1,401)** | **(31,020)** | **(713)** | **(339)** | | **(33,473)** |
| Disposals | **46** | **12,880** | **296** | **79** | | **13,301** |

| | | | | | | |
|---|---|---|---|---|---|---|
| End of period | **(30,529)** | **(566,612)** | **(15,403)** | **(2,947)** | **(105)** | **(615,596)** |
| Net book value: | | | | | | |
| End of period | **38,674** | **317,031** | **4,680** | **1,163** | **59,879** | **421,427** |
| Beginning of period | **37,966** | **327,980** | **5,021** | **1,348** | **78,800** | **451,115** |

**14. PROPERTY, PLANT AND EQUIPMENT (Continued)**

| | Six months ended 30 June 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings | Tele-communications equipment | Office furniture, fixtures, motor vehicles and other equipment | Leasehold improvements | CIP | Total |
| Cost: | | | | | | |
| Beginning of period | 62,969 | 838,995 | 19,464 | 3,878 | 97,601 | 1,022,907 |
| Additions | 45 | 165 | 89 | 97 | 16,914 | 17,310 |
| Transfer from CIP | 1,165 | 31,192 | 253 | 208 | (32,818) | |
| Transfer to other assets | | | | | (1,630) | (1,630) |
| Disposals | (24) | (19,830) | (295) | (111) | (1) | (20,261) |
| End of period | 64,155 | 850,522 | 19,511 | 4,072 | 80,066 | 1,018,326 |
| Accumulated depreciation and impairment: | | | | | | |
| Beginning of period | (26,612) | (525,244) | (14,059) | (2,256) | (105) | (568,276) |
| Charge for the period | (1,311) | (31,133) | (752) | (344) | | (33,540) |
| Disposals | 24 | 18,215 | 274 | 87 | 1 | 18,601 |
| End of period | (27,899) | (538,162) | (14,537) | (2,513) | (104) | (583,215) |
| Net book value: | | | | | | |
| End of period | 36,256 | 312,360 | 4,974 | 1,559 | 79,962 | 435,111 |
| Beginning of period | 36,357 | 313,751 | 5,405 | 1,622 | 97,496 | 454,631 |

For the six months ended 30 June 2017, the Group recognised a loss on disposal of property, plant and equipment of approximately RMB1,087 million (for the six months ended 30 June 2016: loss of approximately RMB798 million).

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| Listed in the PRC | **157** | 147 |
| Listed outside the PRC | **4,498** | 4,138 |
| Unlisted | **41** | 41 |
| | **4,696** | 4,326 |

For the six months ended 30 June 2017, increase in fair value of financial assets at fair value through other comprehensive income amounted to approximately RMB370 million (for the six months ended 30 June 2016: decrease of approximately RMB679 million). The increase, together with tax impact, of approximately RMB369 million (for the six months ended 30 June 2016: decrease, together with tax impact, of approximately RMB674 million) were recorded in the unaudited condensed consolidated interim statement of comprehensive income.

## 16. OTHER ASSETS

| | Note | **30 June 2017** | 31 December 2016 |
|---|---|---|---|
| Intangible assets | | **10,417** | 11,120 |
| Prepaid rental for premises, leased lines and electricity cables | | **2,843** | 2,854 |
| Installation costs | | **337** | 388 |
| Direct incremental costs for activating broadband subscribers | (i) | **5,851** | 7,690 |
| Receivables for the sales of mobile handsets, net of allowance | (ii) | **1,132** | 1,432 |
| VAT recoverable | (iii) | **1,000** | 307 |
| Others | | **935** | 1,088 |
| | | **22,515** | 24,879 |

(i) Direct incremental costs for activating broadband subscribers mainly include the costs of installing broadband terminals at customer s homes for the provision of broadband service. Such costs are amortised over the estimated service period.

(ii) The amount includes receivables for the sales of mobile handsets that are gradually recovered over one year during the contract period. Receivables to be gradually recovered within one year are included in prepayments and other current assets
(see Note 19(i)).

(iii)

VAT recoverable includes input VAT and prepaid VAT which will likely be deducted beyond one year. VAT recoverable which will be deducted within one year are included in prepayments and other current assets (see Note 19(ii)).

## 17. INVENTORIES AND CONSUMABLES

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| Handsets and other telecommunication products | **1,510** | 2,163 |
| Consumables | **70** | 59 |
| Others | **212** | 209 |
| | **1,792** | 2,431 |

## 18. ACCOUNTS RECEIVABLE

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| Accounts receivable | **24,645** | 19,088 |
| Less: Allowance for doubtful debts | **(7,645)** | (5,466) |
| | **17,000** | 13,622 |

The aging analysis of accounts receivable, based on the billing date and net of allowance for doubtful debts, is as follows:

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| Within one month | **7,897** | 6,557 |
| More than one month to three months | **3,953** | 3,181 |
| More than three months to one year | **3,803** | 2,869 |
| More than one year | **1,347** | 1,015 |
| | **17,000** | 13,622 |

The normal credit period granted by the Group to individual subscribers is thirty days from the date of billing unless they meet certain specified credit assessment criteria. For 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 customers receivables, as the Group has a large number of customers.

As at 30 June 2017, accounts receivable of approximately RMB13,404 million (31 December 2016: approximately RMB9,626 million) were neither past due nor impaired. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

**18. ACCOUNTS RECEIVABLE (Continued)**

Accounts receivable of approximately RMB1,778 million (31 December 2016: approximately RMB1,890 million) were past due but not impaired. Such overdue amounts can be recovered based on past experience. The aging analysis of these receivables is as follows:

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| More than one month to three months | **1,285** | 1,369 |
| More than three months to one year | **207** | 213 |
| More than one year | **286** | 308 |
| | **1,778** | 1,890 |

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**19. PREPAYMENTS AND OTHER CURRENT ASSETS**

The nature of prepayments and other current assets, net of allowance for doubtful debts, are as follows:

| | Note | **30 June 2017** | 31 December 2016 |
|---|---|---|---|
| Receivables for the sales of mobile handsets, net of allowance | (i) | **2,793** | 3,266 |
| Prepaid rental | | **2,330** | 2,334 |
| Deposits and prepayments | | **1,588** | 1,876 |
| Advances to employees | | **23** | 15 |
| VAT recoverable | (ii) | **4,692** | 4,952 |
| Prepaid enterprise income tax | | **401** | 208 |
| Others | | **1,514** | 1,372 |
| | | **13,341** | 14,023 |

(i) The Group offers preferential packages to the customers which include the bundle sales of mobile handsets and provision of service. The total contract consideration of such preferential packages is allocated to service revenue and sales of handsets based on their relative fair values. For those contractual preferential packages which the prepaid amounts from customers less than the fair value of the mobile handsets, the revenue relating to the sale of the handsets is recognised when the titles are passed to the customers and are calculated under the aforementioned relative fair value method, which results in the corresponding receivable for the sales of mobile handsets. The receivable for the sales of mobile handsets is gradually recovered during the contract period when the customers pay the monthly package fee. Receivables to be gradually recovered beyond one year amounted to RMB1,132 million (31 December 2016: RMB1,432 million), and are included in long term other assets (see Note 16(ii)).

(ii) VAT recoverable includes the input VAT and prepaid VAT that can be deducted within one year.

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

As at 30 June 2017, there was no significant impairment for the prepayments and other current assets.

## 20. SHARE CAPITAL

| Issued and fully paid: | Number of shares millions | Share capital |
|---|---|---|
| **At 1 January 2016, at 31 December 2016 and at 30 June 2017** | 23,947 | 179,102 |

## 21. DIVIDENDS

The Board has resolved not to pay a final dividend for the year ended 31 December 2016 (for the year ended 31 December 2015: final dividend of RMB0.17 per ordinary share, totaling approximately RMB4,071 million, which has been reflected as a reduction of retained profits for the six months ended 30 June 2016). Among the dividend payable of approximately RMB920 million was due to Unicom BVI as at 30 June 2017.

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 SAT, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 30 June 2017 and 31 December 2016, 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 financial information for the undistributed profits of the Company s subsidiaries in the PRC.

For the Company s non-PRC TRE enterprise shareholders (including Hong Kong Securities Clearing Company Limited), the Company would distribute dividends after deducting the amount of enterprise income tax payable by these non-PRC TRE enterprise 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.

## 22. LONG-TERM BANK LOANS