

# 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 voice usage, broadband and mobile data services, data and internet application services, other value-added services, transmission lines usage and associated services and sales of telecommunications products in the PRC. 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 ("SEHK") on 22 June 2000 and the American Depositary Shares ("ADS") 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 (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 immediately holding company and ultimate holding company, respectively.

## 2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 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 for the six months ended 30 June 2020 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 2019. 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 2019 Annual Report and there have been no significant changes in any financial risk management policies for the six months ended 30 June 2020.

The financial information relating to the year ended 31 December 2019 that is included in this interim financial information of 2020 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 2019 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).

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### 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 2020, current liabilities of the Group exceeded current assets by approximately RMB108.7 billion (31 December 2019: approximately RMB121.6 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 RMB404.9 billion of revolving banking facilities and registered quota of commercial papers, promissory notes and corporate bonds, of which approximately RMB391.4 billion was unutilised as at 30 June 2020; and
- 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 commitments, expected capital expenditure and debt obligations. As a result, the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 have been prepared on a going concern basis.

### 3. CHANGES IN ACCOUNTING POLICIES

The IASB and HKICPA have issued the following amendments to International Financial Reporting Standards ("IFRSs")/Hong Kong Financial Reporting Standards ("HKFRSs") and IASs/HKASs that are first effective for the current accounting period of the Group:

- Amendments to IFRS/HKFRS 3, "Definition of a business"
- Amendments to IFRS/HKFRS 9, IAS/HKAS 39 and IFRS/HKFRS 7, "Interest Rate Benchmark Reform"
- Amendments to IAS/HKAS 1 and IAS/HKAS 8, "Definition of Material"

None of these amendments 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 this interim financial information. The Group has not early adopted any new standard or interpretation that is not yet effective for the current accounting period. In particular, the Group does not intend to take advantage of the practice expedient available under the amendments to IFRS/HKFRS 16, "Covid-19-Related Rent Concessions" on lease modifications.

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### 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 Ministry of Finance, the State Administration of Taxation ("SAT") and General Administration of Customs of the PRC jointly issued a notice dated 20 March 2019 which stipulates downward adjustments of VAT rate for basic telecommunications services from 10% to 9% and VAT rate for sales of telecommunications products from 16% to 13% from 1 April 2019. The VAT rate for value-added telecommunications services remains at 6%. 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 from customers by major services and products:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
Voice usage and monthly fees	<b>11,441</b>	13,926
Broadband and mobile data services	<b>75,355</b>	72,780
Data and internet application services	<b>25,410</b>	18,785
Other value-added services	<b>10,111</b>	11,418
Interconnection fees	<b>5,808</b>	6,453
Transmission lines usage and associated services	<b>8,141</b>	7,870
Other services	<b>2,069</b>	1,725
<b>Total service revenue</b>	<b>138,335</b>	132,957
<b>Sales of telecommunications products</b>	<b>12,062</b>	11,997
<b>Total</b>	<b>150,397</b>	144,954
Include: Revenue from contracts with customers within the scope of IFRS/HKFRS 15, "Revenue from Contracts with Customers"	<b>149,896</b>	144,384
Revenue from other sources	<b>501</b>	570

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## 6. NETWORK, OPERATION AND SUPPORT EXPENSES

	Note	Six months ended 30 June	
		2020	2019
Repairs and maintenance		4,744	4,627
Power and water charges		6,174	6,071
Charges for use of network, premises, equipment and facilities	(i)	4,808	4,002
Charges for use of tower assets	(ii)	5,452	5,106
Others		1,042	994
		<b>22,220</b>	<b>20,800</b>

- (i) During the six months ended 30 June 2020, charges for use of network, premises, equipment and facilities mainly included the non-lease components charges and charges relating to short-term leases, leases of low-value assets and variable lease payments which are recorded in profit or loss as incurred.
- (ii) During the six months ended 30 June 2020, charges for use of tower assets included the non-lease components charges (maintenance service, certain ancillary facilities usage and other related support services charges) and variable lease payments which are recorded in profit or loss as incurred.

## 7. EMPLOYEE BENEFIT EXPENSES

	Note	Six months ended 30 June	
		2020	2019
Salaries and wages		22,116	18,990
Contributions to defined contribution pension schemes		2,537	3,207
Contributions to medical insurance		937	1,135
Contributions to housing fund		1,685	1,543
Other housing benefits		7	7
Share-based compensation	33	221	310
		<b>27,503</b>	<b>25,192</b>

## 8. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

	Six months ended 30 June	
	2020	2019
Handsets and other telecommunications products	11,501	12,317
Others	102	74
	<b>11,603</b>	<b>12,391</b>

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### 9. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
Credit loss allowance and write-down of inventories	2,972	2,296
Commission and other service expenses	10,330	12,057
Advertising and promotion expenses	1,013	1,180
Internet access terminal maintenance expenses	1,427	1,552
Customer retention costs	1,428	1,814
Property management fee	1,066	1,044
Office and administrative expenses	423	673
Transportation expense	638	691
Miscellaneous taxes and fees	670	618
Service technical support expenses	11,009	6,683
Repairs and maintenance expenses	242	289
Loss/(Profit) on disposal of property, plant and equipment	1,279	(151)
Others	2,028	2,538
	<b>34,525</b>	<b>31,284</b>

### 10. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
Finance costs:		
— Interest on bank loans repayable within 5 years	70	302
— Interest on corporate bonds, promissory notes and commercial papers repayable within 5 years	170	258
— Interest on lease liabilities	618	694
— Interest on related party loans repayable within 5 years	66	66
— Interest on bank loans repayable over 5 years	20	22
— Less: Amount capitalised in Construction-in-progress ("CIP")	(122)	(202)
Total interest expense	822	1,140
— Net exchange (gain)/loss	(9)	20
— Others	46	20
	<b>859</b>	<b>1,180</b>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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**11. OTHER INCOME — NET**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	<b>98</b>	98
Government grants	<b>155</b>	157
Others	<b>531</b>	288
	<b>784</b>	543

**12. TAXATION**

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2019: 16.5%) on the estimated assessable profits for the six months ended 30 June 2020. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2020 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 2019: 25%). Taxation for certain subsidiaries in the PRC was calculated at a preferential tax rate of 15% (for the six months ended 30 June 2019: 15%).

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
Provision for income tax on estimated taxable profits for the period		
— Hong Kong	<b>40</b>	29
— Mainland China and other countries	<b>2,290</b>	671
Under/(Over)-provision in respect of prior years	<b>15</b>	(27)
	<b>2,345</b>	673
Deferred taxation	<b>(207)</b>	1,176
Income tax expenses	<b>2,138</b>	1,849

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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### 12. TAXATION (Continued)

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

	Note	Six months ended 30 June	
		2020	2019
Profit before taxation		9,736	8,740
Expected income tax expense at PRC statutory tax rate of 25%		2,434	2,185
Impact of different tax rate outside Mainland China		(20)	(15)
Tax effect of preferential tax rate	(i)	(127)	(60)
Additional deduction for qualified research and development costs	(i)	(128)	(79)
Tax effect of non-deductible expenses		168	177
Tax effect of non-taxable income from share of net profit of joint ventures		(65)	(82)
Tax effect of non-taxable income from share of net profit of associates	(ii)	(149)	(140)
Under/(Over)-provision in respect of prior years		15	(27)
Tax effect of unused tax losses not recognised, net of utilisation	(iii)	10	(44)
Others		—	(66)
Actual tax expense		2,138	1,849

- (i) According to the PRC enterprise income tax law and its relevant regulations, entities that are qualified as High and New Technology Enterprise under the tax law are entitled to a preferential income tax rate of 15% (for the six months ended 30 June 2019: 15%). Certain subsidiaries of the Group obtained the approval of High and New Technology Enterprise and were entitled to a preferential income tax rate of 15% (for the six months ended 30 June 2019: 15%), and certain research and development costs of the Group's PRC subsidiaries are qualified for 75% (for the six months ended 30 June 2019: 75%) additional deduction for tax purpose.
- (ii) Adjustment to investment in associates represents the tax effect on share of net profit of associates, net of reversal of deferred tax assets on unrealised profit from transactions with China Tower Corporation Limited ("Tower Company").
- (iii) As at 30 June 2020, the Group did not recognise deferred tax assets of approximately RMB259 million (31 December 2019: approximately RMB249 million) in respect of tax losses amounting to approximately RMB1,036 million (31 December 2019: approximately RMB997 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 the year of 2025.

As at 30 June 2020, the Group did not recognise deferred tax assets of RMB2,323 million (31 December 2019: RMB2,085 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.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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**12. TAXATION (Continued)**

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
<b>Net deferred tax assets after offsetting:</b>		
Balance at 31 December 2019/31 December 2018	<b>1,226</b>	3,401
— Impact on initial application of IFRS/HKFRS 16, "Leases" ("IFRS/HKFRS 16")	—	271
Balance at 1 January 2020/1 January 2019	<b>1,226</b>	3,672
— Deferred tax credited/(charged) to the statement of income	<b>207</b>	(1,175)
— Deferred tax credited/(charged) to other comprehensive income	<b>3</b>	(2)
Balance at 30 June 2020/30 June 2019	<b>1,436</b>	2,495
<b>Net deferred tax liabilities after offsetting:</b>		
Balance at 31 December 2019/31 December 2018	<b>(87)</b>	(111)
— Deferred tax charged to the statement of income	—	(1)
Balance at 30 June 2020/30 June 2019	<b>(87)</b>	(112)

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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### 13. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2020 and 2019 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 2020 and 2019 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 2020 and 2019.

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share	<b>7,569</b>	6,877
Denominator (in millions):		
Weighted average number of ordinary shares outstanding used in computing basic/diluted earnings per share	<b>30,598</b>	30,598
Basic/Diluted earnings per share (in RMB)	<b>0.25</b>	0.22

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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**14. PROPERTY, PLANT AND EQUIPMENT**

The movements of property, plant and equipment for the six months ended 30 June 2020 and 2019 are as follows:

	Six months ended 30 June 2020					Total
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	
<b>Cost:</b>						
Beginning of period	75,160	833,423	20,092	3,728	54,261	986,664
Additions	24	261	93	141	24,994	25,513
Transfer from CIP	380	25,348	420	63	(26,211)	—
Transfer to other assets	—	—	—	—	(1,595)	(1,595)
Disposals	(69)	(39,072)	(247)	(216)	—	(39,604)
<b>End of period</b>	<b>75,495</b>	<b>819,960</b>	<b>20,358</b>	<b>3,716</b>	<b>51,449</b>	<b>970,978</b>
<b>Accumulated depreciation and impairment:</b>						
Beginning of period	(36,840)	(563,735)	(15,658)	(2,919)	(111)	(619,263)
Charge for the period	(1,349)	(29,548)	(601)	(205)	—	(31,703)
Disposals	50	37,204	232	215	—	37,701
<b>End of period</b>	<b>(38,139)</b>	<b>(556,079)</b>	<b>(16,027)</b>	<b>(2,909)</b>	<b>(111)</b>	<b>(613,265)</b>
<b>Net book value:</b>						
End of period	37,356	263,881	4,331	807	51,338	357,713
Beginning of period	38,320	269,688	4,434	809	54,150	367,401

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

The movements of property, plant and equipment for the six months ended 30 June 2020 and 2019 are as follows: (Continued)

	Six months ended 30 June 2019					
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	Total
<b>Cost:</b>						
At 31 December 2018	73,876	846,385	20,080	3,916	42,306	986,563
Impact on initial application of IFRS/HKFRS 16	—	(461)	—	—	—	(461)
At 1 January 2019	73,876	845,924	20,080	3,916	42,306	986,102
Additions	27	112	107	43	21,709	21,998
Transfer from CIP	288	12,264	243	95	(12,890)	—
Transfer to other assets	—	—	—	—	(2,062)	(2,062)
Disposals	(19)	(3,229)	(251)	(53)	—	(3,552)
<b>End of period</b>	<b>74,172</b>	<b>855,071</b>	<b>20,179</b>	<b>4,001</b>	<b>49,063</b>	<b>1,002,486</b>
<b>Accumulated depreciation and impairment:</b>						
At 31 December 2018	(34,222)	(549,211)	(15,559)	(2,978)	(118)	(602,088)
Impact on initial application of IFRS/HKFRS 16	—	118	—	—	—	118
At 1 January 2019	(34,222)	(549,093)	(15,559)	(2,978)	(118)	(601,970)
Charge for the period	(1,390)	(30,398)	(626)	(205)	—	(32,619)
Disposals	16	2,957	224	51	—	3,248
<b>End of period</b>	<b>(35,596)</b>	<b>(576,534)</b>	<b>(15,961)</b>	<b>(3,132)</b>	<b>(118)</b>	<b>(631,341)</b>
<b>Net book value:</b>						
End of period	38,576	278,537	4,218	869	48,945	371,145
At 1 January 2019	39,654	296,831	4,521	938	42,188	384,132
At 31 December 2018	39,654	297,174	4,521	938	42,188	384,475

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**15. RIGHT-OF-USE ASSETS**

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of buildings, telecommunications equipment and land use rights, and therefore recognised the additions to right-of-use assets of RMB3,644 million (for the six months ended 30 June 2019: RMB2,736 million).

**16. FINANCIAL ASSETS MEASURED AT FAIR VALUE**

	Note	30 June 2020	31 December 2019
Non-current portion:			
Equity securities designated at FVOCI (non-recycling)	(i)	2,357	3,323
Financial assets at fair value through profit and loss	(ii)	558	568
Others		156	—
		3,071	3,891
Current portion:			
Financial assets at fair value through profit and loss	(ii)	2,916	202
		2,916	202
		5,987	4,093
(i) Equity securities designated at FVOCI (non-recycling):			
	Note	30 June 2020	31 December 2019
Listed in the PRC		130	143
Listed outside the PRC	31	2,171	3,125
Unlisted		56	55
		2,357	3,323

(ii) Financial assets classified as fair value through profit and loss ("FVPL") represent certain equity investments, short-term investments in monetary funds and wealth management products.

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### 17. SHORT-TERM BANK DEPOSITS, RESTRICTED DEPOSITS AND OTHER FINANCIAL ASSETS MEASURED AT AMORTISED COSTS

	Note	30 June 2020	31 December 2019
Short-term bank deposits		8,100	—
Restricted deposits		3,110	3,716
Other financial assets measured at amortised costs	(i)	5,375	—
		<b>16,585</b>	3,716

(i) Other financial assets measured at amortised costs represent certain wealth management products, which are held for the collection of contractual cash flows which represent solely payments of principal and interest.

### 18. OTHER ASSETS

	Note	30 June 2020	31 December 2019
Intangible assets		10,756	11,324
Prepaid services charges for transmission lines and electricity cables and other services		869	995
VAT recoverable	(i)	291	216
Others		1,603	1,273
		<b>13,519</b>	13,808

(i) 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 21(i).

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**19. INVENTORIES AND CONSUMABLES**

	<b>30 June 2020</b>	31 December 2019
Handsets and other telecommunications products	<b>2,368</b>	2,027
Consumables	<b>12</b>	16
Others	<b>385</b>	316
	<b>2,765</b>	2,359

**20. ACCOUNTS RECEIVABLE**

	<b>30 June 2020</b>	31 December 2019
Accounts receivable	<b>35,376</b>	24,601
Less: Credit loss allowance	<b>(9,995)</b>	(7,368)
	<b>25,381</b>	17,233

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

	<b>30 June 2020</b>	31 December 2019
Within one month	<b>12,854</b>	9,472
More than one month to three months	<b>4,734</b>	2,545
More than three months to one year	<b>6,033</b>	3,881
More than one year	<b>1,760</b>	1,335
	<b>25,381</b>	17,233

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 customers receivables, as the Group has a large number of customers.

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### 21. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	Note	30 June 2020	31 December 2019
Prepaid services charges for transmission lines and electricity cables and other services		2,688	2,053
Prepaid power and water charges		583	648
Deposits and prepayments		2,589	2,068
VAT recoverable	(i)	4,932	5,286
Prepaid enterprise income tax		26	329
Others		2,942	2,072
		<b>13,760</b>	12,456

(i) 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 2020, there was no significant impairment for the prepayments and other current assets.

### 22. CASH AND CASH EQUIVALENTS

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

### 23. SHARE CAPITAL

Issued and fully paid:	Number of shares millions	Share capital
At 1 January 2019, at 31 December 2019 and at 30 June 2020	30,598	254,056

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**24. DIVIDENDS**

At the annual general meeting held on 25 May 2020, the shareholders of the Company approved the payment of a final dividend of RMB0.148 per ordinary share for the year ended 31 December 2019 totaling approximately RMB4,529 million (for the year ended 31 December 2018: final dividend of RMB0.134 per ordinary share, totaling approximately RMB4,100 million) which has been reflected as a reduction of retained profits for the six months ended 30 June 2020.

Among the dividend payable of approximately RMB2 million was due to Unicom BVI as at 30 June 2020.

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 of the PRC, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 30 June 2020 and 31 December 2019, 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 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 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.

**25. LONG-TERM BANK LOANS**

	<b>Interest rates and final maturity</b>	<b>30 June 2020</b>	31 December 2019
RMB denominated bank loans	Fixed interest rates ranging from 1.08% to 1.20% (31 December 2019: 1.08% to 1.20%) per annum with maturity through 2036 (31 December 2019: maturity through 2036)	<b>2,896</b>	3,032
USD denominated bank loans	Fixed interest rates ranging from Nil to 1.55% (31 December 2019: Nil to 1.55%) per annum with maturity through 2039 (31 December 2019: maturity through 2039)	<b>222</b>	232
Euro denominated bank loans	Fixed interest rates ranging from 1.10% to 2.50% (31 December 2019: 1.10% to 2.50%) per annum with maturity through 2034 (31 December 2019: maturity through 2034)	<b>35</b>	42
Sub-total		<b>3,153</b>	3,306
Less: Current portion		<b>(433)</b>	(437)
		<b>2,720</b>	2,869

As at 30 June 2020, long-term bank loans of approximately RMB56 million (31 December 2019: approximately RMB61 million) were guaranteed by third parties.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

### 25. LONG-TERM BANK LOANS (Continued)

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

	30 June 2020	31 December 2019
Balances due:		
— no later than one year	433	437
— later than one year and no later than two years	424	413
— later than two years and no later than five years	1,142	1,183
— later than five years	1,154	1,273
	3,153	3,306
Less: Portion classified as current liabilities	(433)	(437)
	2,720	2,869

### 26. PROMISSORY NOTES

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

### 27. CORPORATE BONDS

On 7 June 2016, the Group issued RMB1 billion 5-year corporate bond, bearing interest at 3.43% per annum.

On 19 June 2019, the Group issued RMB2 billion 3-year corporate bonds, bearing interest at 3.67% per annum.

### 28. SHORT-TERM BANK LOANS

	30 June 2020	31 December 2019
	<b>Interest rates and final maturity</b>	
RMB denominated bank loans	1,271	5,564

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

**29. COMMERCIAL PAPERS**

On 25 October 2019, CUCL issued tranche one of 2019 super short term commercial papers in an amount of RMB5 billion, with a maturity period of 270 days from the date of issue and which carries interest at 2.24% per annum.

On 15 November 2019, CUCL issued tranche two of 2019 super short term commercial papers in an amount of RMB4 billion, with a maturity period of 270 days from the date of issue and which carries interest at 2.20% per annum.

**30. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>30 June 2020</b>	31 December 2019
Payables to contractors and equipment suppliers	<b>59,573</b>	63,390
Payables to telecommunications products suppliers	<b>5,249</b>	5,096
Customer/contractor deposits	<b>5,618</b>	5,771
Repair and maintenance expense payables	<b>7,594</b>	6,526
Salary and welfare payables	<b>12,373</b>	7,249
Interest payable	—	101
Amounts due to service providers/content providers	<b>2,614</b>	2,591
VAT received from customer in advance	<b>2,676</b>	3,052
Accrued expenses	<b>18,028</b>	16,486
Others	<b>9,189</b>	7,263
	<b>122,914</b>	117,525

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

	<b>30 June 2020</b>	31 December 2019
Less than six months	<b>107,114</b>	101,324
Six months to one year	<b>9,124</b>	9,250
More than one year	<b>6,676</b>	6,951
	<b>122,914</b>	117,525

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

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

On 6 September 2009, the Company announced that in order to strengthen the cooperation between the Company and Telefónica, the parties entered into a strategic alliance agreement and a subscription agreement, pursuant to which each party conditionally agreed to invest an equivalent of USD1 billion in each other through an acquisition of each other’s shares.

On 23 January 2011, the Company entered into an agreement to enhance the strategic alliance with Telefónica that: (a) Telefónica would purchase ordinary shares of the Company for a consideration of USD500 million through acquisition from third parties; and (b) the Company would acquire from Telefónica 21,827,499 ordinary shares of Telefónica held in treasury (“Telefónica Treasury Shares”) for an aggregate purchase price of Euro374,559,882.84. On 25 January 2011, the Company completed the purchase of Telefónica Treasury Shares in accordance with the strategic agreement. During 2011, Telefónica completed its investment of USD500 million in the Company.

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

As at 30 June 2020, the related financial assets at FVOCI amounted to approximately RMB2,171 million (31 December 2019: approximately RMB3,125 million). For the six months ended 30 June 2020, the decrease in fair value of the financial assets through other comprehensive income was approximately RMB954 million (for the six months ended 30 June 2019: decrease of approximately RMB74 million), has been recorded in the unaudited condensed consolidated interim statement of comprehensive income.

### 32. EQUITY-SETTLED SHARE OPTION SCHEMES

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

No options outstanding as at 30 June 2020 and 2019.

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

(All amounts in RMB millions unless otherwise stated)

**33. RESTRICTED A-SHARE INCENTIVE SCHEME**

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

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

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

Pursuant to the Restricted A-Share Incentive Scheme, the first Lock-Up Period of approximately 2 years has expired in April 2020. With the achievement of the required revenue, profit targets, etc. of the A Share Company for the financial year 2018, together with the appraisal of the Participants' individual performance, Restricted Shares of 303,314,400 were approved for unlocking after Lock-Up Period by the Board of Directors of A Share Company.

For the six months ended 30 June 2020, Restricted Shares of 8,198,000 were forfeited and repurchased (for the six months ended 30 June 2019: Nil).

For the six months ended 30 June 2020, the Group recognised share-based payment expenses and other reserve of RMB221 million during the period under the Restricted A-Share Incentive Scheme (for the six month ended 30 June 2019: RMB310 million).

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

### 34. FAIR VALUE ESTIMATION

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

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

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

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

The following table presents the Group's assets that are measured at fair value at 30 June 2020:

	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurement</b>				
Equity securities designated at FVOCI (non-recycling)	2,301	—	56	2,357
Financial assets at FVPL	816	2,100	558	3,474
Others	156	—	—	156
<b>Total</b>	<b>3,273</b>	<b>2,100</b>	<b>614</b>	<b>5,987</b>

The following table presents the Group's assets that are measured at fair value at 31 December 2019:

	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurement:</b>				
Equity securities designated at FVOCI (non-recycling)	3,268	—	55	3,323
Financial assets at FVPL	151	51	568	770
<b>Total</b>	<b>3,419</b>	<b>51</b>	<b>623</b>	<b>4,093</b>

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

**34. FAIR VALUE ESTIMATION (Continued)****(a) Financial assets measured at fair value (Continued)**

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

During the six months ended 30 June 2020 and 2019, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2020 and 31 December 2019. Their carrying amounts, fair value and the level of fair value hierarchy are disclosed below:

	Carrying amounts as at 30 June 2020	Fair value as at 30 June 2020	Fair value measurements as at 30 June 2020 categorised into			Carrying amounts as at 31 December 2019	Fair value as at 31 December 2019
			Level 1	Level 2	Level 3		
			Non-current portion of long-term bank loans	2,720	2,738		
Non-current portion of promissory notes	1,019	1,030	1,030	—	—	998	1,010
Non-current portion of corporate bonds	2,001	2,030	2,030	—	—	2,998	3,081

The fair value of the non-current portion of long-term bank loans is based on the expected cash flows of principal and interests payment discounted at market rates ranging from 0.77% to 4.25% (31 December 2019: 0.70% to 4.41%) per annum.

Besides, the carrying amounts of the Group's other financial assets and liabilities carried at amortised cost approximated their fair values as at 30 June 2020 and 31 December 2019 due to the nature or short maturity of those instruments.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

### 35. MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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

#### 35.1 Connected transactions with Unicom Group and its subsidiaries

##### (a) Recurring transactions

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

	Note	Six months ended 30 June	
		2020	2019
<b>Transactions with Unicom Group and its subsidiaries:</b>			
Charges for value-added telecommunications services	(i)	55	26
Rental charges for short-term property leasing and related services charges	(i)	492	504
Charges for short-term lease of telecommunications resources and related services	(i)	133	143
Charges for engineering design and construction services	(i)	539	741
Charges for shared services	(i)	39	38
Charges for materials procurement services	(i)	9	15
Charges for ancillary telecommunications services	(i)	1,371	1,184
Charges for comprehensive support services	(i)	404	563
Income from comprehensive support services	(i)	35	50
Lending by Finance Company to Unicom Group	(i)	14,100	7,830
Repayment of loans by Unicom Group to Finance Company	(i)	11,304	5,834
Interest income from lending services	(i)	191	177

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

**35. MATERIAL RELATED PARTY TRANSACTIONS (Continued)****35.1 Connected transactions with Unicom Group and its subsidiaries (Continued)****(a) Recurring transactions (Continued)**

- (i) On 25 November 2016, CUCL entered into the agreement, "2017–2019 Comprehensive Services Agreement" with Unicom Group to renew certain continuing connected transactions. "2017–2019 Comprehensive Services Agreement" has a term of three years commencing on 1 January 2017 and expired on 31 December 2019.

On 21 October 2019, CUCL and Unicom Group entered into the "2020–2022 Comprehensive Services Agreement". The services are existing continuing connected transactions and their respective terms are substantially the same as those set out in the "2017–2019 Comprehensive Services Agreement", and the service fees payable shall be calculated on the same basis as under previous agreement. Annual caps for those transactions have not been changed under the new agreement as compared to the year ended 31 December 2019.

**(b) Amounts due from and to Unicom Group and its subsidiaries**

Amount due from Unicom Group as at 30 June 2020 included loans from Finance Company to Unicom Group of RMB10,500 million in total with respective floating interest rate agreed at 90% to 110% of the benchmark interest rate published by the People's Bank of China ("PBOC") for the same class of loans (31 December 2019: RMB7,704 million with floating interest rate at 90% to 110% of the benchmark interest rate published by the PBOC).

Apart from the above and as disclosed in Note 35.3 below, amounts due from and to Unicom Group and its subsidiaries are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business in respect of transactions with Unicom Group and its subsidiaries as described in (a) above.

**35.2 Related party transactions with Tower Company****(a) Related Party transactions****(i) Sale of Tower Assets to Tower Company**

On 14 October 2015, CUCL and Unicom Horizon Mobile Communications Company Limited (a wholly-owned subsidiary of CUCL and an indirectly wholly-owned subsidiary of the Company) entered into a transfer agreement (the "Transfer Agreement"), amongst China Mobile Communications Company Limited and its related subsidiaries ("China Mobile"), China Telecom Corporation Limited ("China Telecom"), China Reform Holdings Corporation Limited ("CRHC") and Tower Company. Pursuant to the Transfer Agreement, the Group, China Mobile and China Telecom sold certain of their telecommunications towers and related assets (the "Tower Assets") to Tower Company in exchange for shares issued by Tower Company and cash consideration. In addition, CRHC made a cash subscription for shares of Tower Company.

The Tower Assets Disposal was completed on 31 October 2015 ("Completion Date"). The final consideration amount for the Tower Assets Disposal attributed to the Group was determined as RMB54,658 million. Tower Company issued 33,335,836,822 shares ("Consideration Shares") to CUCL at an issue price of RMB1.00 per share and the balance of the consideration of approximately RMB21,322 million payable in cash ("Cash Consideration"). The outstanding Cash Consideration and related VAT carries interest at 3.92% per annum. The first tranche Cash Consideration, remaining Cash Consideration and related VAT of RMB3,000 million, RMB18,322 million and RMB382 million payable by Tower Company were settled in February 2016, December 2017 and June 2019, respectively.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

### 35. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### 35.2 Related party transactions with Tower Company (Continued)

##### (a) Related Party transactions (Continued)

##### (ii) *Lease of the Tower Assets and other related services*

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

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

In connection with the use of telecommunications towers and related assets, the minimum amount of lease payments payable by the Group under the terms of the arrangement had resulted in recognition of a lease liability with the balance of RMB20,188 million, and a right-of-use asset with the balance of RMB19,423 million as at 30 June 2020 (31 December 2019: RMB22,076 million and RMB21,269 million, respectively). For the six months ended 30 June 2020, the Group recorded depreciation of right-of-use asset of RMB3,501 million (for the six months ended 30 June 2019: RMB3,368 million), interest expense of RMB403 million (for the six months ended 30 June 2019: RMB488 million), and variable lease payments and other related service charges of RMB5,452 million (for the six months ended 30 June 2019: RMB5,106 million) in its unaudited condensed consolidated interim statement of income.

The total amounts of lease payments and service charges incurred by the Group under the Agreement with Tower Company for the six months ended 30 June 2020 were RMB9,295 million (for the six months ended 30 June 2019: RMB8,800 million). The related payable balance to Tower Company included in the balance of amounts due to related parties as at 30 June 2020 was RMB3,704 million (31 December 2019: RMB2,745 million).

##### (iii) *Income from engineering design and construction services*

The Group provide engineering design and construction services, including system integration and engineering design services to Tower Company. Income for the six months ended 30 June 2020 was RMB151 million (for the six months ended 30 June 2019: RMB128 million).

Except as mentioned in Note 35.2(a)(i), amounts due from and to Tower Company are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business in respect of transactions with Tower Company as described above.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

**35. MATERIAL RELATED PARTY TRANSACTIONS (Continued)****35.3 Related party transactions with Unicom Group and its subsidiaries****(a) Related party transactions**

	Note	Six months ended 30 June	
		2020	2019
<b>Transactions with Unicom Group and its subsidiaries:</b>			
Interest expenses on unsecured entrusted loan		66	65
Repayment of a loan from a related party	(i)	—	48
Net deposits/(withdrawal) by Unicom Group and its subsidiaries with/from Finance Company	(ii)	3,223	(223)
Interest expenses on the deposits in Finance Company	(ii)	34	30

(i) On 28 December 2018, the Group borrowed a loan from Unicom Group BVI of RMB48 million with a maturity period of 1 year, of which RMB46 million with a maturity period of 1 year and interest rate at 4.77% per annum and HKD2 million with a maturity period of 1 year and floating interest rate at 1 year HIBOR plus 1.11%, and was fully repaid in January 2019.

(ii) Finance Company has agreed to provide financial services to Unicom Group and its subsidiaries. For the deposit services, the interest rate for deposits placed by Unicom Group and its subsidiaries will be no more than the maximum interest rate promulgated by the People's Bank of China for the same type of deposit, the interest rate for the same type of deposit offered to other clients and the applicable interest rate offered by the general commercial banks in PRC for the same type of deposit.

**(b) Amounts due to Unicom Group and its subsidiaries**

Amount due to Unicom Group and its subsidiaries as at 30 June 2020 included a balance of deposits received by Finance Company from Unicom Group and its subsidiaries of RMB8,102 million with interest rates ranging from 0.42% to 2.75% per annum for saving and fixed deposits of different terms (31 December 2019: RMB4,879 million with interest rates ranging from 0.42% to 2.75% per annum).

Amount due to Unicom Group and its subsidiaries as at 30 June 2020 and as at 31 December 2019 also included a balance of unsecured entrusted loan from A Share Company of RMB3,042 million with a maturity period of 5 years and interest rate at 4.28% per annum.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

### 36. CONTINGENCIES AND COMMITMENTS

#### 36.1 Capital commitments

As at 30 June 2020 and 31 December 2019, the Group had capital commitments, mainly in relation to the construction of telecommunications network, as follows:

	30 June 2020			31 December 2019
	Land and buildings	Equipment	Total	Total
Authorised and contracted for	3,335	25,458	28,793	23,874
Authorised but not contracted for	5,047	11,615	16,662	47,645
	8,382	37,073	45,455	71,519

#### 36.2 Contingent liabilities

As at 30 June 2020, the Group had no material contingent liabilities and no material financial guarantees issued.

### 37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

### 38. APPROVAL OF FINANCIAL INFORMATION

This unaudited condensed consolidated interim financial information was approved by the Board of Directors on 12 August 2020.