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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0762)

**2021 INTERIM RESULTS, INTERIM DIVIDEND AND
CLOSURE OF REGISTER OF MEMBERS**

Highlights:

- **Revenue and profit growth accelerated, backed by determined innovative transformation and in-depth mixed-ownership reform**
- **Accelerated increase in shareholder returns and strived to unlock the potential investment value of the Company**
- **5G-led mobile business transformation and innovative development delivered remarkable success**
- **Digital transformation empowered continuous robust growth in innovative businesses**
- **Deepened network co-build co-share and effectively enhanced edges and returns**
- **To seize new opportunities of the industry and endeavour to achieve high-quality development**
- **The Board resolved to distribute an inaugural interim dividend (RMB0.120 per share) in 2021 and planned to raise 2021 full year dividend payout ratio, with the magnitude to be decided in the first half of 2022 considering such factors as the Company's profitability, cash flow, future capital requirements and dividend payout in the industry, etc.**

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2021, the Company fully implemented the new development philosophy and deepened the execution of the "Focus, Innovation and Cooperation" strategy. Through consistently pushing forward comprehensive digital transformation, the Company focused on building the "Five High" development edges — high-quality services, high-quality development, highly-efficient governance, high-tech engines and high-vitality operation, constantly improved the quality and efficiency of business development. Stable and favourable momentum was achieved in overall operation.

OVERALL RESULTS

In the first half of 2021, backed by the determined innovative transformation and in-depth mixed-ownership reform, the Company's revenue and profit growth accelerated, bringing significant enhancement in the quality and efficiency of business development. Operating revenue amounted to RMB164.2 billion, representing a year-on-year increase of 9.2%, while service revenue reached RMB148.7 billion, representing a year-on-year increase of 7.5% and an increase of 3.2 percentage points in growth rate as compared to the full year of 2020. Profit before income tax amounted to RMB11.3 billion in the first half of the year, exceeding RMB10 billion for the first time in recent years. Profit attributable to equity holders of the Company amounted to RMB9.17 billion, representing a year-on-year increase of 21.1% and an increase of 10.8 percentage points in growth rate as compared to the full year of 2020. EBITDA¹ reached RMB49.5 billion.

The Company thoroughly practised green and low-carbon development, and achieved remarkable results in the network "co-build and co-share". In the first half of 2021, the capital expenditure amounted to RMB14.3 billion. Investment and operation efficiency were greatly improved while network competitiveness was ensured. The Company also achieved significant results in energy conservation and carbon reduction. The Company maintained strong free cash flow², reaching RMB36.4 billion during the first half of the year, further consolidating the financial strength.

The Company attached great importance to shareholders' return. With due regard to the Company's robust business development and strong free cash flow, the Board resolved to distribute an inaugural interim dividend (RMB0.120 per share) in 2021 and planned to raise 2021 full year dividend payout ratio, with the magnitude to be decided in the first half of 2022 considering such factors as the Company's profitability, cash flow, future capital requirements and dividend payout in the industry, etc.

BUSINESS DEVELOPMENT

The accelerated development of 5G and the robust demand for digital transformation by economy and society brought valuable opportunities and enormous room for the Company's innovation and transformation. The Company led the improvement of quality and efficiency of its full services with 5G, turning around from last year's decline in mobile subscriber scale. The Company continued to deepen comprehensive digital transformation, fully taking advantages of being the first in the industry, globally, to achieve the nationwide-centralised digital operation for full-service serving all subscribers. It enabled China Unicom to run on a new track in a faster pace through providing one-stop, centralised, smart, convenient, and integrated digital services. The Company persisted in the two-flywheel drive of fundamental and innovative services, and the synergetic collaboration between the consumer market and the government and enterprise customer services. It accelerated the building of proprietary innovation platform capabilities and promoted the continuous optimisation of the revenue structure. In the first half of the year, the fundamental business rebounded steadily and innovative business grew rapidly. The customer recognition was also on the rise, sending high-quality and stable development in the Company's overall businesses.

Firmly deepening 5G-led transformation and innovative development of mobile business

The Company continued to deepen its 5G-led strategy and firmly adhered to rational and orderly competition, effectively balancing value-oriented operation and scale development, enhancing both market share and value contribution of mobile subscribers, thus promoting high-quality and coordinated industry development.

In consumer market, leveraging on the efficiently centralised IT support capabilities, the Company strengthened the digital and differentiated operation led by 5G innovative integration, and continued to promote the iterative development of innovative products. Aggregating various data traffic platforms, the Company launched the industry-leading innovative China Unicom APP, with monthly active users exceeding 100 million, forming a new smart living ecology integrating communication, lifestyle, entertainment and finance. The Company accelerated scale development of broadband and mobile integration via the three “three gigabit-network” and leveraged content, privileges and financial tools to improve product value. Utilising the Big Data analytics model to power up total lifecycle management of customers, the Company managed to drive precise upgrade of existing customer. By bringing the ecological resources of “platform + network + X” together, the Company unlocked 5G customers’ value through coordinated development of terminal, network and business, while enriching 5G innovative applications.

In the government and enterprise market, the Company seized the opportunities arising from the digital transformation of the whole society and the industry, actively pushing forward the integrated and innovative development of 5G+ industry vertical applications. With 5G private network as an entry point, the Company integrated its proprietary capabilities and expanded ecological cooperation to develop differentiated advantages of digital services. The Company innovated 5G application product system leveraging 5 major components, namely 5G industry private network, MEC, industry platform, customised service and terminal, to support over 15 industry applications and fully promote scale development of 5G applications. The Company actively explored business models to flexibly meet the demand of 5G industry customers. In the key areas including industrial Internet, smart mining, smart medical, smart cities, etc., it successfully commercialised a range of influential 5G lighthouse projects such as the first in global fully 5G-connected factory and the global first underneath-mine-5G private network.

In the first half of 2021, mobile service revenue reached RMB82.1 billion, representing a year-on-year increase of 7.3%, with the growth rate reaching a new high since the full year of 2018. Mobile billing subscribers significantly improved to a net increase of 4.65 million from a decline of 8.95 million for the same period last year, making the total number of mobile billing subscriber increase to 310 million. Subscriber value continued to optimise, with mobile billing subscribers ARPU reaching RMB44.4, representing a year-on-year increase of 8.5%. Data traffic promotion achieved remarkable results with the total mobile handset data traffic volume grown by 27.5%, while the monthly average DOU per handset subscriber reached approximately 12.2GB. The Company’s 5G package subscribers reached 113 million and the penetration rate of 5G package subscribers reached 36.5%, leading the industry. The Company continued to provide 5G high-quality services and ranked No.1 in the industry on 5G customer satisfaction. In the second half of the year, with the gradual maturity of 5G technology, network, terminal and application, the Company will actively leverage the unique competitive edges of China Unicom 5Gⁿ to facilitate the continuous transformation and innovation development of mobile business led by 5G.

Seizing the opportunity of economic and social transformation to achieve the collaborative development through multi-business integration

The Company grasped the boosted demand for digitisation, cyberisation, and intelligent transformation of the economy and society, and actively leveraged proprietary resources and edges to empower government and enterprise, as well as household customers, pushing forward the pan-integration development of innovative and fundamental businesses. In Northern China, the Company leveraged broadband to expand mobile and promoted mutual growth dynamics and high-quality services, actively promoting multi-SIM and full-home smarts under one household. In Southern China, the Company expanded broadband to boost mobile and effective integration, focusing on key areas and customers with precise coverage. The Company continued to strengthen core capabilities of Smart Community and Smart WoHome platforms, and promoted the Digital Village service cloud platform, continuously reinforcing the differentiated edges of broadband business.

In the first half of 2021, the Company's fixed-line broadband access revenue increased by 0.7% year-on-year to RMB22.0 billion. The net addition of fixed-line broadband subscribers was up by 67.8% year-on-year to 4.03 million, reaching a total of 90.12 million fixed-line broadband subscribers, with broadband access ARPU reaching RMB41.8. The penetration rate of the integrated service among fixed-line broadband subscribers reached 67%, representing a year-on-year increase of 6 percentage points.

Digital transformation drove sustained rapid growth in innovative businesses

Our China Unicom Cloud is the base for digital transformation and integrated innovation. Focusing on security and reliability, cloud-network integration, dedicated customisation and multi-cloud collaboration, the Company provided customers with integrated innovative solutions including cloud resources, cloud platform, cloud service, cloud integration, cloud interconnection, cloud security, etc. Led by digital innovation, the Company actively explored market space in key areas such as smart cities, digital government and industrial Internet, thoroughly deepening the development of application products for major industries. Unicom Digital Technology Co., Ltd. was formed to create integrated innovation and differentiated edges of 5G + ABCDE (artificial intelligence, blockchain, cloud computing, Big Data, edge computing). The Company built an innovative business capability system, focusing on the platform-based capability, research and development centralisation, product standardisation and delivery of proprietary integration. By enhancing proprietary capabilities, the Company created unique innovative edges in the digital economy era.

In the first half of 2021, the Company's revenue from industry Internet business increased by 23.6% year-on-year to RMB28.03 billion, as a percentage of the overall service revenue increased by 2.5 percentage points year-on-year to 18.9%. China Unicom Cloud revenue³ was RMB7.69 billion, up by 54.1% year-on-year. Driven by the sound growth of innovative business, the Company's fixed-line service revenue reached RMB65.3 billion, up by 7.9% year-on-year. In the future, the Company will accelerate the buildout of proprietary innovative platform capabilities and key products to continuously enhance competitiveness and value.

NETWORK CONSTRUCTION

Continuous implementation of new development philosophy to raise network “co-build and co-share” to a new level

The Company adhered to low-carbon and innovative operation by actively implementing the requirements of new infrastructure. The efficiency of resource utilisation significantly increased as network “co-build and co-share” was facilitated further in depth. The 5G network “co-build and co-share” continued to advance steadily, achieving both the 5G network scale and quality on par with the leading operator. In the first half of the year, the Company continued to cooperate closely with China Telecom to add 80,000 5G base stations in service, with the total scale of 5G base stations of more than 460,000, achieving a leading position in both coverage and network perception in first-tier cities. The scale of 4G “co-share” achieved a further breakthrough as both parties shared 460,000 4G base stations, representing an increase of 240,000 stations as compared to the end of last year. 4G/5G network “co-build and co-share” enabled the two operators combined to generate cumulative savings of over RMB100 billion in capital expenditure, as well as substantial savings in network costs including tower usage fee, network maintenance costs and electricity charges for both parties, while contributing significantly to the target of “Peak Carbon-emission and Carbon-neutrality”. The Company fully promoted the “co-build and co-share” of infrastructure resources, optimising and revitalising existing network resources to further unlock the cost-efficiency of the network. In addition, the Company actively expanded the new network sharing model and engaged in multi-dimensional “co-build and co-share” cooperation with cable, power, high-speed railway, oil industries and others to maximise investment efficiency.

Building high-quality network with craftsmanship to drive profitable and fast business growth

With customer perception as the centre, the Company focused on key city clusters, such as Beijing-Tianjin-Hebei, Yangtze River Delta and Greater Bay Area, key cities and major venues and strived to build a high-quality network and improved the supporting capabilities of network services. The Company focused on the deployment of premium 5G, gigabit fibre network and innovative business investment, such as IDC, cloud computing, Big Data and IoT and others, while continuing to enhance the coverage of commercial buildings and government and enterprise premium networks. To facilitate network technology innovation, CUBE-NET 3.0 network system was built while research and development of innovative network products was accelerated. The Company promoted AI to drive systematic smart network operation and introduced intelligent operation and maintenance robots nationwide. The Company seized the opportunities of network cloudification, NFV, SDN and intelligentisation to deepen the centralised operation of network capabilities, network resources and network data, actively promoted 4G/5G collaborative intelligent energy-saving management with proprietary research and development. In the first half of the year, the Company ranked first in 5G network quality satisfaction in the industry and equipped the city areas across nationwide with gigabit broadband capability, achieving remarkable results in the high-quality development of the network.

MIXED-OWNERSHIP REFORM

Unlocking the reform bonus consistently and further strengthening the development momentum

The Company continued to expand the dimension, width and depth of cooperation with strategic investors through promoting the research and development, iterative upgrade of products of joint ventures. By focusing on multiple areas with strong synergetic and complementary advantages, new energy was added to the Company's innovative development. The Company optimised sub-division reform by iteration upgrade through strengthening digital empowerment and improving the alignment of performance assessment and incentives in order to enhance organisational efficiency and stimulate the vitality of micro-entities. The Company accelerated the market-oriented reform of the subordinate companies in a structured manner. It strengthened and further optimised the core platform business. China Unicom Smart Connection Technology Limited completed the shareholding reform and was aimed to spin off to accelerate development and enhance values. The Company enhanced the technology innovation management model by speeding up key core technologies breakthrough, regularly introducing digital innovation talents and increasing efforts to promote technological innovation, consistently growing proprietary innovation capability and development momentum.

To fully expedite digital transformation and strive to build an exceptional China Unicom

The Company actively responded to the industry trend and accelerated the comprehensive digital transformation, basically establishing the core capability of five middle platforms, namely consumer, government and enterprise, network, data, and management, as well as rationalising the workflow concerned. The Company built the centralised and unified IT services capabilities together with the efficiently-centralised and integrated innovation system to continue pushing forward the integration of business, technology and data, while accelerating the upgrade of the centralised IT advantages to operational advantages. Internally, the Company leveraged data to power up business development, customer service, network operation and supervision and management, allowing the Company to enjoy smart operation and greatly improve its productivity, and develop a professional digital team of more than 15,000 talents during the process. Externally, the Company were able to better satisfy the nationwide service needs of government and enterprise customers, the mobility needs of individual customers and the information consumption upgrade needs of household customers, while forging differentiated new edges.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

The Company comprehensively implemented the construction of cyber superpower, digital China and smart community, empowered the transformation and upgrading of various industries and promoted the structural supply side reform of network. Through resolutely fulfilling its responsibilities and actively participating in the digital epidemic prevention and control as well as flood prevention and relief, the Company made every effort to assure the security and smoothness of communication. The “Digital Village” brand was launched to actively provide digital governance service, industrial service, livelihood service and local service solutions, helping rural revitalisation. The Company announced its ‘14th Five-Year Action Plan of “Peak Carbon-emission and Carbon-neutrality”’ with the aim for green and low-carbon cycle development. The Company continuously improved the green level of communication network infrastructure, supporting different businesses and industries to achieve “Peak Carbon-emission and Carbon-neutrality”.

The Company continued to excel its corporate governance mechanism, enhance execution and strengthen risk management and internal control, in a bid to providing solid support for the sustainable and healthy development of the Company. Since the beginning of this year, the Company attained a number of accolades, including being ranked 260th in “Fortune Global 500” for the year 2021, ranked 276th in “Forbes Global 2000” for the year 2021, being awarded “Asia’s No.1 Best Telecommunications Company” and “Best Managed Listed Company in China — 1st” by FinanceAsia, and voted “Asia’s No. 1 Most Honored Telecom Company” for the sixth consecutive year by Institutional Investor.

Pursuant to the former U.S. President’s executive order and the requirements of the New York Stock Exchange LLC (the “NYSE”), the delisting of the Company’s the American Depositary Shares (“ADSs”) has taken effect on 18 May 2021, and the ADSs Program will terminate on 18 October 2021. Holders of ADSs will have the right until the termination date to exchange their ADSs into ordinary shares of the Company in accordance with the terms and conditions of the deposit agreement. The Company’s ordinary shares are traded on The Stock Exchange of Hong Kong Limited.

OUTLOOK

At present, with the surging wave of digitisation, it is speeding up our entry into a digital society and pushing the global economy into a new digital era. Driven by new technologies represented by 5G and artificial intelligence, the digital economy continues to grow and is creating a new vast unseen blue ocean, far greater than the known opportunities. As the provider of cloud network “new supply” and digital “new engine” to support and service the digital transformation of the economy and society, telecom operators face the moment of new opportunities and new leap forward. China Unicom will grasp the opportunities and aim high to firmly implement the strategy of “Focus, Innovation and Cooperation”. It will fully unlock the edges established by the ecology integration brought by the mixed-ownership reform and the pioneering digital transformation. Through the two-flywheel superimposing of the growing “digital” productivity and the new production function under “mixed-ownership reform”, the Company will further improve market-oriented operation, further enhance the systemic innovation abilities and further accelerate the pace of digital transformation. China Unicom will further its efforts to comprehensively shape the new edges of differentiated development, strive to make a new leap in high-quality development and dedicate to building an exceptional, a smarter and a brighter China Unicom, creating greater values for shareholders, customers, and society.

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

Wang Xiaochu

Chairman and Chief Executive Officer

Hong Kong, 19 August 2021

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

Note 2: Free cash flow represents operating cash flow less capital expenditure. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 3: China Unicom Cloud revenue includes revenue of cloud resources, cloud platform, cloud service, cloud integration, cloud interconnection, cloud security, etc generated from integrated innovative solutions.

GROUP RESULTS

China Unicom (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

for the six months ended 30 June 2021

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

	Note	Six months ended 30 June	
		2021	2020
Revenue	5	164,174	150,397
Interconnection charges		(5,247)	(5,094)
Depreciation and amortisation		(41,376)	(41,312)
Network, operation and support expenses	6	(25,107)	(22,220)
Employee benefit expenses		(30,991)	(27,503)
Costs of telecommunications products sold		(14,808)	(11,603)
Other operating expenses		(38,532)	(34,525)
Finance costs		(645)	(859)
Interest income		471	682
Share of net profit of associates		1,101	732
Share of net profit of joint ventures		720	257
Other income — net		1,529	784
Profit before income tax		11,289	9,736
Income tax expense	7	(2,081)	(2,138)
Profit for the period		<u>9,208</u>	<u>7,598</u>
Profit attributable to:			
Equity shareholders of the Company		<u>9,167</u>	<u>7,569</u>
Non-controlling interests		<u>41</u>	<u>29</u>
Earnings per share for profit attributable to equity shareholders of the Company during the period:			
Basic earnings per share (RMB)	8	<u>0.30</u>	<u>0.25</u>
Diluted earnings per share (RMB)	8	<u>0.30</u>	<u>0.25</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

for the six months ended 30 June 2021

(All amounts in RMB millions)

	Six months ended 30 June	
	2021	2020
Profit for the period	<u>9,208</u>	<u>7,598</u>
Other comprehensive income		
Items that will not be reclassified to statement of income:		
Changes in fair value of financial assets measured at fair value through other comprehensive income (“FVOCI”) (non-recycling)	284	(967)
Tax effect on changes in fair value of financial assets measured at FVOCI (non-recycling)	<u>(2)</u>	<u>2</u>
Changes in fair value of financial assets measured at FVOCI, net of tax (non-recycling)	282	(965)
Others	<u>(4)</u>	<u>(13)</u>
	<u>278</u>	<u>(978)</u>
Item that may be reclassified subsequently to statement of income:		
Changes in fair value of financial assets measured at FVOCI, net of tax (recycling)	(3)	—
Currency translation differences	<u>(42)</u>	<u>68</u>
Other comprehensive income for the period, net of tax	<u>233</u>	<u>(910)</u>
Total comprehensive income for the period	<u><u>9,441</u></u>	<u><u>6,688</u></u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	<u><u>9,400</u></u>	<u><u>6,659</u></u>
Non-controlling interests	<u><u>41</u></u>	<u><u>29</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at 30 June 2021

(All amounts in RMB millions)

	<u>Note</u>	<u>30 June 2021</u>	<u>31 December 2020</u>
ASSETS			
Non-current assets			
Property, plant and equipment		341,890	364,187
Right-of-use assets		35,385	37,960
Goodwill		2,771	2,771
Interest in associates		39,647	38,802
Interest in joint ventures		6,409	5,656
Deferred income tax assets		1,537	745
Contract assets		19	103
Contract costs		3,602	3,672
Financial assets measured at fair value		4,012	3,493
Other assets		15,134	14,591
		<u>450,406</u>	<u>471,980</u>
Current assets			
Inventories and consumables		2,748	1,951
Contract assets		544	823
Accounts receivable	9	24,117	16,287
Prepayments and other current assets		16,521	15,882
Amounts due from ultimate holding company		10,566	10,570
Amounts due from related parties		362	195
Amounts due from domestic carriers		4,254	3,665
Financial assets measured at fair value		33,439	24,189
Short-term bank deposits and restricted deposits		5,816	11,989
Cash and cash equivalents		22,494	23,085
		<u>120,861</u>	<u>108,636</u>
Total assets		<u><u>571,267</u></u>	<u><u>580,616</u></u>

	<u>Note</u>	<u>30 June 2021</u>	<u>31 December 2020</u>
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital		254,056	254,056
Reserves		(18,491)	(18,821)
Retained profits			
— Proposed 2021 interim dividend	10	3,672	—
— Proposed 2020 final dividend	10	—	5,018
— Others		91,829	86,334
		<u>331,066</u>	<u>326,587</u>
Non-controlling interests		<u>974</u>	<u>933</u>
Total equity		<u><u>332,040</u></u>	<u><u>327,520</u></u>
LIABILITIES			
Non-current liabilities			
Long-term bank loans		1,996	2,482
Promissory notes		998	998
Corporate bonds		—	1,999
Lease liabilities		14,097	16,458
Deferred income tax liabilities		63	64
Deferred revenue		6,320	5,927
Amounts due to related parties		742	3,042
Other obligations		96	98
		<u>24,312</u>	<u>31,068</u>

	<u>Note</u>	<u>30 June 2021</u>	<u>31 December 2020</u>
Current liabilities			
Short-term bank loans		490	740
Commercial papers		2,000	7,000
Current portion of long-term bank loans		346	418
Current portion of corporate bonds		2,022	1,000
Lease liabilities		11,774	11,503
Accounts payable and accrued liabilities	11	126,965	134,437
Bills payable		8,258	5,482
Taxes payable		2,595	2,805
Amounts due to ultimate holding company		3,772	1,640
Amounts due to related parties		11,105	9,183
Amounts due to domestic carriers		2,486	2,291
Current portion of other obligations		2,556	2,529
Contract liabilities		40,201	42,641
Advances from customers		345	359
		<u>214,915</u>	<u>222,028</u>
Total liabilities		<u>239,227</u>	<u>253,096</u>
Total equity and liabilities		<u>571,267</u>	<u>580,616</u>
Net current liabilities		<u>(94,054)</u>	<u>(113,392)</u>
Total assets less current liabilities		<u>356,352</u>	<u>358,588</u>

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

1. ORGANISATION AND PRINCIPAL ACTIVITIES

China Unicom (Hong Kong) Limited (the “Company”) was incorporated as a limited liability company in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) on 8 February 2000. The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are the provision of 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 (“ADSs”) of the Company were listed on the New York Stock Exchange (“NYSE”) on 21 June 2000. The NYSE filed Form 25 with the United States Securities and Exchange Commission on 7 May 2021 and the delisting of the Company’s ADSs has taken effective on 18 May 2021. The Company’s reporting obligation under the Securities Exchange Act of 1934, as amended was suspended, since 28 May 2021.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and 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 these unaudited condensed consolidated interim financial statements are also prepared in accordance with HKAS 34.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have 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 statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020. 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 2020 Annual Report and there have been no significant changes in any financial risk management policies for the six months ended 30 June 2021.

The financial information relating to the year ended 31 December 2020 that is included in this unaudited condensed consolidated interim financial statements of 2021 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

(a) Going Concern Assumption

As at 30 June 2021, current liabilities of the Group exceeded current assets by approximately RMB94.1 billion (31 December 2020: approximately RMB113.4 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 RMB247.6 billion of revolving banking facilities of which approximately RMB235.4 billion was unutilised as at 30 June 2021; and
- Other available sources of financing from domestic banks and other financial institutions in view of the Group's good credit history.

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

Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations. As a result, the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Other than the changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs")/Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

The IASB and HKICPA have issued the following amendments to IFRSs/HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS/HKFRS 9, IAS/HKAS 39, IFRS/HKFRS 7, IFRS/HKFRS 4 and IFRS/HKFRS 16, “Interest Rate Benchmark Reform — Phase 2”

The amendments have had no material effect on how the Group’s results and financial positions for the current or prior periods have been prepared or presented in this unaudited condensed consolidated interim financial statements.

4. SEGMENT INFORMATION

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

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

The Group primarily operates in Mainland China and accordingly, no geographic information is presented. No 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 9%, the VAT rate for value-added telecommunications services is 6% and the VAT rate for sales of telecommunications products is 13%. Basic telecommunications services include business activities for the provision of voice services, and transmission lines usage and associated services etc. Value-added telecommunications services include business activities for the provision of short message service and multimedia message service, broadband and mobile data services, and data and internet application services etc. VAT is excluded from the revenue.

Disaggregation of revenue by major services and products:

	Six months ended 30 June	
	2021	2020
Total service revenue	148,674	138,335
Sales of telecommunications products	15,500	12,062
Total	<u>164,174</u>	<u>150,397</u>

6. NETWORK, OPERATION AND SUPPORT EXPENSES

	Notes	Six months ended 30 June	
		2021	2020
Repairs and maintenance		5,520	4,744
Power and water charges		6,687	6,174
Charges for use of network, premises, equipment and facilities	(i)	6,391	4,808
Charges for use of tower assets	(ii)	5,429	5,452
Others		1,080	1,042
		<u>25,107</u>	<u>22,220</u>

- (i) During the six months ended 30 June 2021 and 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 2021 and 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. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2020: 16.5%) on the estimated assessable profits for the six months ended 30 June 2021. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2021 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 2020: 25%). Taxation for certain subsidiaries in the PRC was calculated at a preferential tax rate of 15% (for the six months ended 30 June 2020: 15%).

	Six months ended 30 June	
	2021	2020
Provision for income tax on estimated taxable profits for the period		
— Hong Kong	33	40
— Mainland China and other countries	2,910	2,290
(Over)/under-provision in respect of prior years	<u>(67)</u>	<u>15</u>
	2,876	2,345
Deferred taxation	<u>(795)</u>	<u>(207)</u>
Income tax expense	<u>2,081</u>	<u>2,138</u>

8. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2021 and 2020 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 2021 and 2020 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 2021 and 2020.

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

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share	9,167	7,569
Denominator (in millions):		
Weighted average number of ordinary shares outstanding used in computing basic/diluted earnings per share	30,598	30,598
Basic/Diluted earnings per share (in RMB)	<u>0.30</u>	<u>0.25</u>

9. ACCOUNTS RECEIVABLE

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

	<u>30 June</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
Within one month	10,846	8,963
More than one month to three months	4,929	2,766
More than three months to one year	7,081	3,914
More than one year	1,261	644
	<u>24,117</u>	<u>16,287</u>

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

There is no significant concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers. The Covid-19 pandemic since early 2020 has brought about additional uncertainties in the operations and financial position of the Group's customers. The Group considered the impact of Covid-19 when evaluating the forward-looking information used in the expected credit loss model including assessing the risk factors associated with various customer sectors.

10. DIVIDENDS

At the annual general meeting held on 13 May 2021, the shareholders of the Company approved the payment of a final dividend of RMB0.164 per ordinary share for the year ended 31 December 2020 totaling approximately RMB5,018 million (for the year ended 31 December 2019: final dividend of RMB0.148 per ordinary share, totaling approximately RMB4,529 million) which has been reflected as a reduction of retained profits for the six months ended 30 June 2021.

At a meeting held on 19 August 2021, the Board of Directors of the Company declared an 2021 interim dividend of RMB0.120 per ordinary share to the shareholders totaling approximately RMB3,672 million (2020 interim dividend: Nil).

Pursuant to the PRC enterprise income tax law, a 10% withholding income tax is levied on dividends declared on or after 1 January 2008 by foreign investment enterprises to their foreign enterprise shareholders unless the enterprise investor is deemed as a PRC Tax Resident Enterprise (“TRE”). On 11 November 2010, the Company obtained an approval from State Administration of Taxation of the PRC, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 30 June 2021 and 31 December 2020, 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 statements for the undistributed profits of the Company’s subsidiaries in the PRC.

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
Less than six months	105,971	116,553
Six months to one year	9,850	8,846
More than one year	<u>11,144</u>	<u>9,038</u>
	<u>126,965</u>	<u>134,437</u>

12. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Board of Directors declared an interim dividend. For details, please refer to Note 10.

FINANCIAL OVERVIEW

I. OVERVIEW

In the first half of 2021, the Company continuously deepened the implementation of “Focus Strategy”, total revenue was RMB164.17 billion, up by 9.2% year-on-year. Service revenue reached RMB148.67 billion in the first half of 2021, up by 7.5% year-on-year. Net profit¹ was RMB9.17 billion in the first half of 2021, up by RMB1.60 billion year-on-year.

In the first half of 2021, the Company’s net cash flow from operating activities was RMB50.66 billion. Capital expenditure was RMB14.28 billion in the first half of 2021. Liabilities-to-assets ratio was 41.9% as at 30 June 2021.

II. REVENUE

In the first half of 2021, the Company’s revenue was RMB164.17 billion, up by 9.2% year-on-year, of which, service revenue was RMB148.67 billion, up by 7.5% year-on-year due to continuous optimisation of the revenue mix.

The table below sets forth the composition of service revenue, and the percentage contribution of each service to total service revenue for the first half of 2021 and 2020:

(RMB in billions)	First half of 2021		First half of 2020	
	Total amount	As a percentage of service revenue	Total amount	As a percentage of service revenue
Service revenue	148.67	100.00%	138.33	100.00%
Include : Voice service	17.51	11.78%	17.25	12.47%
Non-voice service	131.16	88.22%	121.08	87.53%

1. Voice Service

In the first half of 2021, service revenue from the voice service was RMB17.51 billion, up by 1.5% year-on-year.

2. Non-Voice Service

In the first half of 2021, service revenue from the non-voice service was RMB131.16 billion, up by 8.3% year-on-year.

III. COSTS AND EXPENSES

In the first half of 2021, total costs and expenses were RMB152.88 billion, up by 8.7% year-on-year.

The table below sets forth the items of the costs and expenses and their respective percentage of the revenue for the first half of 2021 and 2020:

(RMB in billions)	First half of 2021		First half of 2020	
	Total amount	As a percentage of revenue	Total amount	As a percentage of revenue
Total costs and expenses	152.88	93.12%	140.66	93.53%
Operating costs	156.06	95.06%	142.25	94.59%
Include: Interconnection charges	5.25	3.20%	5.09	3.39%
Depreciation and amortisation	41.38	25.20%	41.31	27.47%
Network, operation and support expenses	25.11	15.29%	22.22	14.77%
Employee benefit expenses	30.99	18.88%	27.50	18.29%
Costs of telecommunications products sold	14.81	9.02%	11.60	7.71%
Selling and marketing expenses	15.56	9.48%	14.88	9.89%
General, administrative and other operating expenses	22.96	13.99%	19.65	13.07%
Finance costs, net of interest income	0.17	0.10%	0.18	0.12%
Share of net profit of associates	-1.10	-0.67%	-0.73	-0.49%
Share of net profit of joint ventures	-0.72	-0.44%	-0.26	-0.17%
Other income-net	-1.53	-0.93%	-0.78	-0.52%

1. Interconnection charges

Interconnection charges were RMB5.25 billion in the first half of 2021, up by 3.0% year-on-year and, as a percentage of revenue, decreased from 3.39% in the first half of 2020 to 3.20% in the first half of 2021.

2. Depreciation and amortisation

Depreciation and amortisation charges were RMB41.38 billion in the first half of 2021, up by 0.2% year-on-year and, as a percentage of revenue, decreased from 27.47% in the first half of 2020 to 25.20% in the first half of 2021.

3. Network, operation and support expenses

Network, operation and support expenses were RMB25.11 billion in the first half of 2021, up by 13.0% year-on-year and, as a percentage of revenue, increased from 14.77% in the first half of 2020 to 15.29% in the first half of 2021 due to the increase in usage expenses of premises and equipment, network maintenance and energy consumption cost.

4. Employee benefit expenses

As a result of the ongoing effort in incentive mechanism reform to strengthen performance-based compensation and the acquisition of innovative talents in the meantime, employee benefit expenses were RMB30.99 billion in the first half of 2021, up by 12.7% year-on-year and, as a percentage of revenue, increased from 18.29% in the first half of 2020 to 18.88% in the first half of 2021.

5. Cost of telecommunications products sold

Costs of telecommunications products sold were RMB14.81 billion and revenue from sales of telecommunications products were RMB15.50 billion in the first half of 2021. Gross profits on sales of telecommunications products were RMB0.69 billion.

6. Selling and marketing expenses

The Company promoted transformation on digitisation, strengthened O2O integrated operation and exercised stringent control over users development costs, selling and marketing expenses were RMB15.56 billion in the first half of 2021, up by 4.6% year-on-year and, as a percentage of revenue, decreased from 9.89% in the first half of 2020 to 9.48% in the first half of 2021.

7. General, administrative and other operating expenses

General, administrative and other operating expenses were RMB22.96 billion in the first half of 2021, up by 16.9% year-on-year, mainly due to the rapid growth of ICT services leading to increased related service costs and increased investment in technical support for innovative businesses.

8. Finance costs, net of interest income

Finance costs, net of interest income, was RMB0.17 billion in the first half of 2021, basically unchanged year-on-year.

9. Other income-net

Other income-net was RMB1.53 billion in the first half of 2021, up by RMB0.75 billion year-on-year.

IV. EARNINGS

1. Profit before income tax

In the first half of 2021, the Company benefited from continuous enhancement in growth quality and profitability, profit before income tax was RMB11.29 billion, up by 16.0% year-on-year.

2. Income tax expense

In the first half of 2021, the Company's income tax expense was RMB2.08 billion and the effective tax rate was 18.4%.

3. Profit for the period

In the first half of 2021, the Company's net profit¹ was RMB9.17 billion, up by RMB1.60 billion year-on-year. Basic earnings per share was RMB0.300, up by 21.1% year-on-year.

V. EBITDA²

In the first half of 2021, the Company's EBITDA was RMB49.49 billion, up by 0.1% year-on-year. EBITDA as a percentage of service revenue was 33.3%, down by 2.4 percentage points year-on-year.

VI. CAPITAL EXPENDITURE AND CASH FLOW

In the first half of 2021, capital expenditure of the Company totaled RMB14.28 billion, which mainly consisted of investments in mobile network, broadband and data, and infrastructure and transmission network etc. In the first half of 2021, the Company's net cash flow from operating activities was RMB50.66 billion. Free cash flow³ was RMB36.38 billion after the deduction of the capital expenditure.

The table below sets forth the major items of the capital expenditure in the first half of 2021:

(RMB in billions)	First half of 2021	
	Total amount	As percentage
Total	14.28	100.00%
Include: Mobile network	4.55	31.83%
Broadband and data	3.71	26.00%
Infrastructure and transmission network	3.24	22.69%
Others	2.78	19.48%

VII. BALANCE SHEET

The Company's total assets changed from RMB580.62 billion as at 31 December 2020 to RMB571.27 billion as at 30 June 2021. Total liabilities changed from RMB253.10 billion as at 31 December 2020 to RMB239.23 billion as at 30 June 2021. The liabilities-to-assets ratio changed from 43.6% as at 31 December 2020 to 41.9% as at 30 June 2021. The debt-to-capitalisation ratio decreased from 12.2% as at 31 December 2020 to 9.4% as at 30 June 2021. The net debt-to-capitalisation ratio was 3.3% as at 30 June 2021.

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

Note 2: EBITDA represents profit for the period before finance costs, interest income, share of net profit of associates, share of net profit of joint ventures, other income-net, income tax expense, depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like the Company. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

Note 3: Free cash flow represents operating cash flow less capital expenditure. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

COMPLIANCE WITH APPENDIX 16 OF THE LISTING RULES

According to paragraph 40 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save as disclosed herein, the Company confirmed that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2020 Annual Report.

REPURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

The Audit Committee, together with the management and the auditor of the Company, Deloitte Touche Tohmatsu, have reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of interim financial information for the six months ended 30 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company's business. The Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2021 except for the following:

The roles and responsibilities of the Chairman and the Chief Executive Officer of the Company were performed by the same individual for the six months ended 30 June 2021. The Company considers that, as all major decisions are made by the Board and relevant Board Committees after discussion, through supervision by the Board and the independent non-executive Directors together with effective internal control mechanism, the Company has achieved a balance of power and authority. In addition, the same individual performing the roles of the Chairman and the Chief Executive Officer can enhance the Company's efficiency in decision-making and execution, effectively capturing business opportunities.

The Directors of the Company (including non-executive Directors) are not appointed for a specific term. However, pursuant to the Company's articles of association, one-third of the directors shall retire from office by rotation and shall be eligible for re-election at each annual general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code"), as set out in Appendix 10 to the Listing Rules to govern securities transactions by directors. Further to the specific enquiries made by the Company to the directors, all directors have confirmed their compliance with the Model Code for the six months ended 30 June 2021.

CLOSURE OF REGISTER OF MEMBERS

The Board of Directors of the Company declared an interim dividend for 2021 (pre-tax) (the "2021 Interim Dividend") of RMB0.120 per share (equivalent to HK\$0.14426 per share, the relevant exchange rate was the mid-rate of RMB to Hong Kong dollars (RMB0.83186 equivalent to HK\$1.00) as announced by the People's Bank of China on 17 August 2021 (being the second business day prior to the Board declared the 2021 Interim Dividend) to shareholders of the Company (the "Shareholders").

For the purpose of ascertaining the Shareholders' rights to be entitled to the 2021 Interim Dividend, the register of members of the Company will be closed. Details of such closures are set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. of 3 September 2021
Closure of register of members	6 September 2021
Interim Dividend Record date	6 September 2021

During the above closure period, no transfer of shares of the Company will be registered. In order to be entitled to the 2021 Interim Dividend, Shareholders who have not registered the transfer documents are required that all transfers, accompanied by the relevant certificates, must be lodged with the Company's Share Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by no later than the aforementioned latest time. The 2021 Interim Dividend is expected to be paid in Hong Kong dollars on or about 29 September 2021 to those members registered in the Company's register of members as at 6 September 2021 (the "Interim Dividend Record Date").

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISES IN RESPECT OF 2021 INTERIM DIVIDEND

Pursuant to (i) the "Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management" (the "Notice") issued by the State Administration of Taxation of the People's Republic of China (the "SAT"); (ii) the "Enterprise Income Tax Law of the People's Republic of China" (the "Enterprise Income Tax Law") and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" (the "Implementation Rules"); and (iii) information obtained from the SAT, the Company is required to withhold and pay enterprise income tax when it pays the 2021 Interim Dividend to its non-resident enterprise shareholders. The enterprise income tax is 10% on the amount of dividend paid to non-resident enterprise shareholders (the "Enterprise Income Tax"), and the withholding and payment obligation lies with the Company.

As a result of the foregoing, in respect of any shareholders whose names appear on the Company's register of members on the Interim Dividend Record Date and who are not individuals (including HKSCC Nominees Limited, other custodians, corporate nominees and trustees such as securities companies and banks, and other entities or organisations), the Company will distribute the 2021 Interim Dividend payable to them after deducting the amount of Enterprise Income Tax payable on such dividend. Investors who invest in the shares in the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited through the Shanghai Stock Exchange or Shenzhen Stock Exchange (the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect investors) are investors who hold shares through HKSCC Nominees Limited, and in accordance with the above requirements, the Company will pay to HKSCC Nominees Limited the amount of the 2021 Interim Dividend after deducting the amount of Enterprise Income Tax payable on such dividend.

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

Shareholders who are not individual shareholders listed on the Company's register of members and who (i) are resident enterprises of the People's Republic of China (the "PRC") (as defined in the Enterprise Income Tax Law), or (ii) are enterprises deemed to be resident enterprises of the PRC in accordance with the Notice, and who, in each case, do not desire to have the Company withhold Enterprise Income Tax from their 2021 Interim Dividend, should lodge with the Company's Share Registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at or before 4:30 p.m. of 3 September 2021, and present the documents from such shareholder's governing tax authority in the PRC confirming that the Company is not required to withhold and pay Enterprise Income Tax in respect of the dividend that such shareholder is entitled to.

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2021 interim results announcement is published on the Company's website at www.chinaunicom.com.hk and the website of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") at www.hkexnews.hk. The 2021 interim report will be available on the websites of the Hong Kong Stock Exchange and the Company, and will be dispatched to the shareholders in due course.

FORWARD-LOOKING STATEMENTS

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

By Order of the Board of
China Unicom (Hong Kong) Limited
Yung Shun Loy Jacky
Company Secretary

Hong Kong, 19 August 2021

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

Executive directors:

Wang Xiaochu and Chen Zhongyue

Independent non-executive directors:

Cheung Wing Lam Linus, Wong Wai Ming, Chung Shui Ming
Timpson and Law Fan Chiu Fun Fanny