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中國聯合網絡通信(香港)股份有限公司
CHINA UNICOM (HONG KONG) LIMITED
股份代號 Stock Code : 762

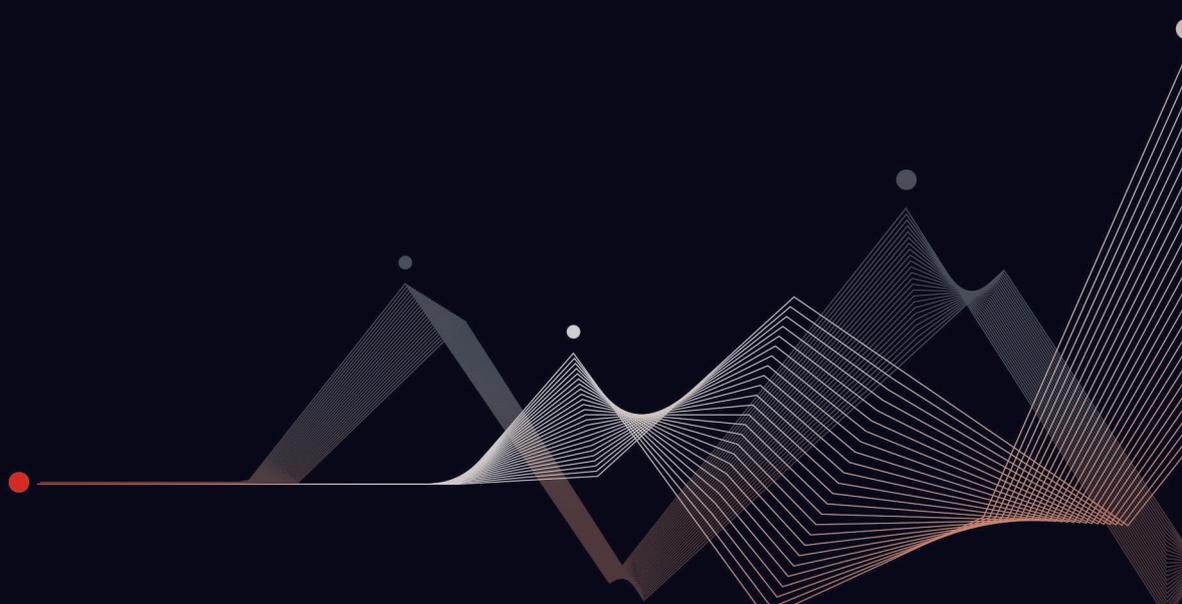
中期報告 INTERIM REPORT 2022

STRENGTHEN AND SOLIDIFY, PRESERVE AND INNOVATE, INTEGRATE AND OPEN

National team in the operation and service of
digital information infrastructure

Key force in the establishment of Cyber Superpower,
Digital China and Smart Society

Frontline troop in the integration and innovation of
digital technologies



FORWARD-LOOKING STATEMENTS

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

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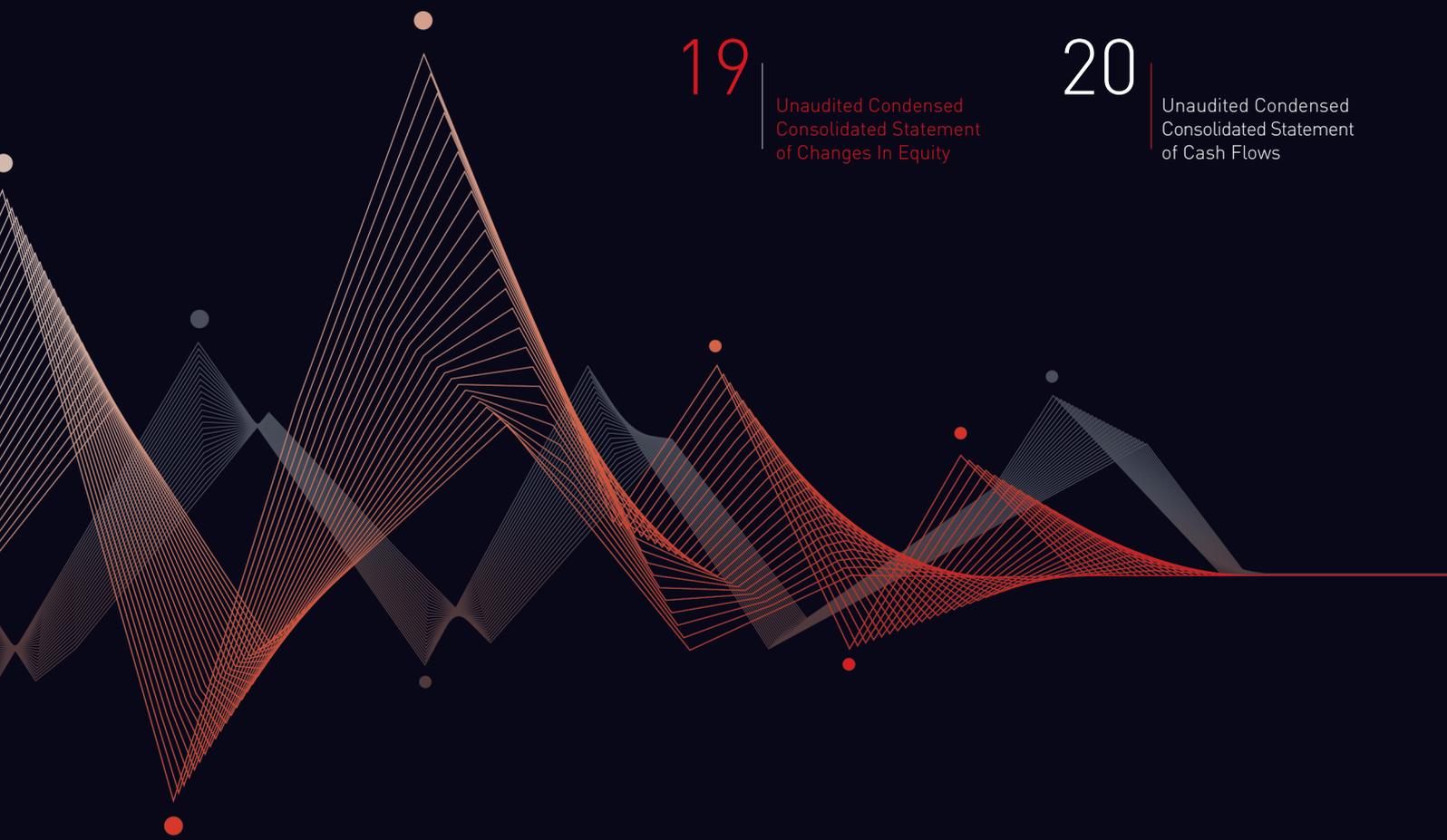
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Dear Shareholders,

In the first half of 2022, facing sheer challenges such as the sporadic outbreak of the pandemic in certain areas, the Company firmly adhered to the general working principle of making progress while maintaining stability. Under the guidance of the new strategic planning system, the Company actively embraced the huge opportunities brought by the digital economy, and achieved decent results in terms of profitability, fundamental capabilities, operational efficiency and technological innovation. The Company fully manifested its brand as “the first choice of the country, government and people” as it accomplished various challenging tasks such as the provision of communication support for the Winter Olympics, disaster-related rescue and relief work, and pandemic prevention and control. In the first half of 2022, the Company’s revenue grew rapidly. It significantly enhanced operating efficiency, continued to optimise growth structure, substantially strengthened network capabilities, and accelerated technological innovation transformation, taking a solid step towards high-quality development under the new paradigm.

LIU LIEHONG

Chairman and
Chief Executive Officer



CHAIRMAN'S

STATEMENT

OVERALL RESULTS

In the first half of 2022, the Company achieved service revenue of RMB161.0 billion, representing a year-on-year increase of 8.3%, which was a new high for the same period in recent years. Profitability improved steadily with remarkable results in quality and efficiency enhancement. Profit before tax reached RMB13.4 billion and profit attributable to equity shareholders of the Company reached RMB11.0 billion, representing a year-on-year increase of 19.5%. EBITDA¹ reached RMB51.4 billion, representing a year-on-year increase of 3.9%.

Network is the basis and foundation of China Unicom's high-quality development. Seizing the development window period of the national "Eastern Data, Western Computing" project and "dual-gigabit" network construction, the Company moderately increased its investment and unswervingly improved its core competitiveness and sustainable development capabilities. In the first half of the year, capital expenditure reached RMB28.4 billion, representing a year-on-year increase of 98.5%. The Company continued to maintain its strong and stable financial position in recent years. Liabilities-to-assets ratio remained at a reasonable level of 43.3%. Finance costs decreased by 18.6% year-on-year. The Company's financial strength and risk prevention capability were further enhanced.

The Company attaches great importance to shareholders' return. After due consideration of the Company's sound business development, the Board has resolved to declare an interim dividend of RMB0.165 per share, representing a year-on-year increase of 37.5%.

CONTINUOUS CONSOLIDATION OF DEVELOPMENT FOUNDATION

The comprehensive upgrade of China Unicom's "dual-gigabit" network has opened up new growth potential for the Company's basic businesses in the new era. While actively improving the supply of network capacity and resources, the Company vigorously promoted the scale conservation and value revitalisation of mobile and fixed-line broadband services. In the first half of the year, despite the challenges brought by sporadic pandemic outbreaks to its business development and network construction, the Company's basic businesses still achieved steady growth. Its basic network capacity was significantly improved, solidifying the foundation for long-term corporate development.

Dually driven by market and innovation, the integrated development of basic businesses reached a new level

The Company unswervingly promoted the transformation of basic businesses from a market-driven model to a model dually driven by market and innovation. It firmly implemented the "5G-led Development Action Plan" and the "Broadband and Smart Family Development Action Plan", and strived to achieve breakthroughs in the scale and value of basic businesses. In line with the "5G-oriented, gigabit-oriented and integrated" development trend in the industry, and riding on the opportunity of "dual-gigabit" network upgrade, the Company strived to create an integrated and group-based development model, enhanced the experience and stability of Big Connectivity subscribers, and built a sustainable growth foundation for basic businesses. The Company further optimised the product structure of basic businesses, strengthened the supply of 5G digital smart life and smart home application products, and launched new products and services such as 5G New Calling and elderly

CHAIRMAN'S STATEMENT

exclusive service, vigorously leveraging the differentiated advantages driven by product innovation to accumulate momentum for the innovative transformation of basic businesses. Leveraging the full life cycle empowerment of Big Data models, the Company accelerated the improvement of data aggregation on various platforms such as digital villages, smart communities and smart campuses, and carried out targeted customer retention and value enhancement with a focus on key scenarios and key customer groups, resulting in significantly refined operation.

The growth momentum of the Company's basic businesses was stable and trending well, and value-oriented operation continued to deliver results. In the first half of the year, the Company achieved mobile service revenue of RMB84.9 billion, representing a year-on-year increase of 3.4%. The number of mobile billing subscribers reached 320 million. Within that, 5G package subscribers registered a net addition of 29.99 million, reaching a total of 184.92 million. The penetration rate of 5G package subscribers reached 58%, signifying further optimised subscriber structure. Mobile subscriber ARPU was RMB44.4, which was stable year-on-year. Remarkable results were achieved in unleashing data traffic, with the total handset data traffic increasing by 13.4% and the monthly average DOU per handset subscriber reaching approximately 13.3 GB. The Company's fixed-line broadband business maintained the good momentum of rapid growth last year. In the first half of the year, the Company achieved broadband access revenue of RMB23.0 billion, representing a year-on-year increase of 4.3%, up by 3.6pp from 0.7% in the same period last year. The number of broadband access subscribers recorded a net addition of 4.40 million, reaching a total of 99.44 million. The subscriber net addition reached a new high for the same period in the past 10 years. The penetration rate of integrated services reached 73%, significantly enhancing customer loyalty and value.

Moderately increased strategic investment with greatly improved basic network capabilities

China Unicom recognised the fundamental role of network in corporate development, so it moderately increased strategic investment. In the first half of the year, the Company's premium network construction achieved substantial progress, laying a solid foundation for the Company's fundamental growth. **In terms of 5G/4G premium network construction,** it achieved contiguous outdoor coverage in key towns and above. The scale and coverage of mid-band 5G was on par with the industry. Pre-commercial trial of 5G New Calling was launched in 125 cities. 5G subscriber satisfaction remained the highest in the industry. **For gigabit broadband premium network construction,** the network deployment progress was in line with the industry. The number of FTTH ports reached 230 million and the number of homes passed in southern China increased by nearly 25 million, strongly supporting the rapid growth of broadband subscribers and revenue. **With respect to the construction of high-quality computing power network,** the Company completed the overall network architecture planning of "Eastern Data, Western Computing" and preliminarily completed the construction of low-latency and flat Industry Internet, with a total of 329,000 IDC cabinets and 580,000 vCPU cores in backbone cloud computing power. **For government and enterprise premium network construction,** the coverage rate of aggregation areas in top 150 cities reached 98.8% and the coverage rate of multi-service access areas in top 150 cities reached 90.2%, creating differentiated competitive advantages for government and enterprise customer network. While significantly improving network ability, the Company also made gradual progress in intelligent and digital network transformation. It actively promoted the digitisation of optical fibre cable resources in local network and access terminals, significantly enhancing the visualisation of network resources. 24 intelligent applications such as broadband

one-click diagnosis, broadband Wi-Fi quality analysis, and base station AI energy saving were put into use in scale. The digital transformation of network operation took an important step forward. This year, the Company successfully completed major tasks including communication support services for the Beijing Winter Olympics and Paralympics, critical support for more than 60 "cloud diplomacy" of the country as well as emergency rescue support for floods, typhoons and earthquakes, which demonstrated the Company's network advantages, security resilience and responsibilities as the "pillar of the country".

TECHNOLOGICAL INNOVATION TRANSFORMATION ACCELERATED

The Company continuously makes deployment to build itself as a source of original technologies and modern value chain chief. It is committed to becoming an innovative leader with outstanding core technology capabilities and strong integrated innovation capabilities. This year, the transformation of the Company's growth drivers gained momentum as innovative businesses maintained rapid growth. It made outstanding achievements in R&D of core technologies and steadily strengthened its technological innovation capabilities. The Company accelerated its transition from a quantity and scale model to a quality and efficiency model, laying a solid foundation for technological innovation transformation.

Stepped up the driving force of innovation with Industry Internet becoming the "No. 1 driver" of business growth

The Company proactively embraces the blue ocean of digital economy development. Innovative businesses represented by Industry Internet are prospering, and our new value in the new era is gradually emerging. **With respect to IDC business**, the Company optimised the "5 + 4 + 31 + X" resource deployment, focused on the key areas such as Beijing-Tianjin-Hebei, Yangtze River Delta, Greater Bay Area, Sichuan-Chongqing, Shandong-Henan-Shaanxi, and improved the quality and utilisation of computing power services. The number of IDC cabinets increased by 19,000 as compared to the end of last year, reaching a total of 329,000. **With respect to cloud business**, the Company continued to enrich product categories with more than 300 self-developed products. Its cloud native capabilities were granted two authoritative accreditations, namely "Trusted Cloud Accreditation for Superior Container Cloud Cluster Performance" and "Zero Trust Security Accreditation", by China Academy of Information and Communications Technology. It served the construction of a number of digital government affairs clouds and the digital transformation of central state-owned enterprises. **In respect of the Internet of Things (IoT) business**, the Company accelerated the ubiquitous interconnection of people, devices and things and adhered to a business-network synergistic strategy with 5G as the driver. It enhanced proprietary Yanfei chip and

CHAIRMAN'S STATEMENT

module capabilities to promote the integration of industry components into scenarios and achieve breakthroughs. **With respect to Big Data business**, the Company leveraged its advantages in data governance and data security to develop a product portfolio focused on key areas such as digital government and digital finance. It independently developed a co-build co-share blockchain management platform which was the first blockchain-based cross-operator 5G operation management system, highlighting its advantages.

In the first half of the year, the Company's Industry Internet achieved revenue of RMB36.9 billion, representing an increase of 31.8% year-on-year. It contributed to over 70% of the Company's incremental revenue, becoming the real "No. 1 driver" of business growth. The revenue of "Unicom Cloud"² more than doubled to RMB18.7 billion, representing a year-on-year increase of 143.2%. 5G applications increasingly transitioned from "show flats" to "commodity flats". In the first half of the year, the value of 5G industry applications contracts signed amounted to nearly RMB4 billion. The number of customers served by 5G virtual private networks reached 2,014 and there were more than 8,000 5G industry applications on a cumulative basis. The utilisation rate of IDC cabinets exceeded 68%, with IDC revenue reaching RMB12.4 billion, up by 13.3% year-on-year. The number of IoT connections exceeded 335 million and IoT revenue was RMB4.3 billion, representing a year-on-year increase of 44.1%. For Big Data business, the Company maintained its leading position in the telecom industry and ranked first among central stated-owned enterprises in terms of blockchain patent reserves. In the first half of the year, Big Data revenue increased by 48.9% year-on-year to RMB1.9 billion.

Accelerated the establishment of China Unicom's unique capability system and achieved remarkable results in technological innovation transformation

In recent years, the Company continuously achieved breakthroughs in the R&D of core technologies, and made internationally advanced and domestically leading achievements in key areas such as network security, computing power network and Big Data applications. Based on a fully integrated digital system, the Company comprehensively promoted the capability generation model of "one China Unicom with integrated capabilities and operating services". The Company newly established ten armies in nine industries and eight Industry Internet companies. It fully combined the systematic professional capabilities of 17 professional subsidiaries and 19 Industry Internet companies with the national four-tier operational system comprising the headquarters, provinces, cities, counties and villages to provide customers with integrated solutions and operating services.

In the new journey of technological innovation, the Company secured three important rewards, namely the "Outstanding Contribution Group for Beijing Winter Olympics and Paralympic", the "Outstanding Contribution Enterprise in Technological Innovation", and the undertaking of the important mission of "Modern Value Chain Chief". In the first half of 2022, the Company's R&D expenses increased by 113.7% year-on-year. The proportion of technological innovation talents reached 26%. It was granted 780 patents, representing a year-on-year increase of 27%. At the recent China Unicom Technology Innovation Conference, the Company announced the appointment of 16 fellows and 3 industry experts as special experts of the new China Unicom Technology Committee. It planned to further

invest RMB1 billion as the special budget for the Company's core technology R&D and allocate RMB30 million as independent incentives for core technology R&D, so as to promote a new paradigm of China Unicom's technological innovation.

DEEPENED OPEN COOPERATION

The Company upholds open ecological cooperation, actively promotes joint efforts and gathers internal and external resources of the Company, in order to earnestly engage in "team competition" in its business. Taking advantage of its vital position connecting both the upstream and downstream of the value chain, the Company attracted more partners to join its ecosystem, actively integrated into the development of digital economy, and deepened integration and opening-up.

Network co-build co-share continued to deepen and operational efficiency improved steadily

The Company is committed to building a 5G network with comprehensive coverage, leading experience, leading capabilities and leading efficiency, and continues to promote co-build and co-share. The Company continued to work closely with China Telecom and added 180,000 new 5G base stations, with the two parties' total number of 5G base stations reaching 870,000. Indoor coverage was significantly enhanced. The two companies added 90,000 new 5G distributed antenna systems (DAS), bringing the total number of 5G DASs to 200,000. The two companies have built the world's largest co-built and co-shared 5G network. The Company accelerated the promotion of a single 4G network with China Telecom and made further breakthroughs in the scale of 4G network sharing. In the first

half of the year, 210,000 new shared 4G base stations were added, and the total number of shared 4G base stations reached 870,000. At present, all shared 4/5G base stations were already covered by the blockchain management platform, which greatly enhanced network synergy and efficiency. Through the co-build co-share of 4G/5G networks, the Company actively supported the goals of "carbon peaking and carbon neutrality". Cumulative carbon dioxide emission savings exceeded 6 million tonnes and cumulative capital expenditure savings for both parties combined amounted to RMB240 billion. In addition, RMB25.5 billion of operating expenses can be saved each year. At the same time, the Company coordinated and promoted the full co-build co-share of infrastructure resources, and drove cooperation and sharing in technological innovation, IDC and cloud-network integration. The co-build ratio of trunk fibre cables reached 100%, and 83% of 5G base stations were deployed on existing sites. The Company continued to promote the co-build, co-share and co-maintenance of infrastructure and key business platforms such as transmission lines, pipes and fibre cables, equipment rooms and antennae, DAS, etc.

Accelerated the integration of factor resources and strengthened synergetic cooperation to jointly create new value

The Company actively builds an ecological cooperation circle and works with the industry to jointly promote value creation. The Company deepened the coordination with innovative entities and carried out in-depth high-quality domestic innovation cooperation. It established long-term partnership with universities and research institutes, and continuously advanced

CHAIRMAN'S STATEMENT

"Torch Programme" with partners such as Renmin University of China, Pengcheng Laboratory, Purple Mountain Laboratories, Songshan Laboratory and Huawei, etc. Based on the distribution of research institutions in the Greater Bay Area and the Yangtze River Delta, the Company actively participated in the construction of international technology innovation centres and comprehensive national science centres in Shanghai and Shenzhen. The Company strengthened high-level international technology cooperation and strived to promote the international application of domestic standards. The Company actively promoted strategic cooperation with national ministries and commissions, local governments, enterprises and public bodies, expanded the breadth and depth of open cooperation, and served the digital transformation of the economy and society. The Company cooperated with leading enterprises in the fields of basic software and hardware, generic security, 5G security, IoT security, industrial Internet security, etc. to drive collective R&D and system integration in the value chain, fully meeting the security needs of digital government, digital economy and digital society.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

China Unicom always adheres to the people-oriented development, and endeavours to let people enjoy the convenience of life brought by the development of digital technology, and continuously enhances people's sense of gain, happiness and security. At critical moments, the Company successfully completed the flood control and disaster relief tasks in Henan, Shanxi and other places, and turned China Unicom into a "front-line troop". Its Big Data supported more than 4 billion "health code" enquiries, and effectively supported the assessment on

pandemic prevention and control and resumption of work and production, as it became a reliable force for the country. The Company consolidated and expanded the achievements of poverty alleviation, continued to strive for comprehensive rural revitalisation, and cultivated a batch of rural e-commerce product brands with "good reputation, excellent quality and distinctive characteristics" through digital live broadcast technology. The Company adhered to the harmonious coexistence of human and nature, vigorously promoted the R&D and application of new energy-saving technologies, and empowered green production and living style to help achieve "carbon peaking and carbon neutrality". The Company accelerated the construction of a digital ecosystem of "multi-party co-build, complementary edges and mutual promotion, cross-sector integration, cooperation and co-existence", and created a new ecosystem covering the innovation chain, supply chain and value chain, building a "joint fleet" together with its partners. The Company comprehensively deepened co-build co-share, rapidly drove the development of the supply chain, and helped stabilise the macro economy with the sustainable development of the industry.

The Company continued to improve the governance mechanism, enhance execution capability and strengthen risk management and internal control, in order to provide solid support for the sustainable and healthy development of the Company. The Company received a number of awards, including ranking 267th in "Fortune Global 500" in 2022, ranking 366th in the "Forbes Global 2000" in 2022, and being voted as "Asia's Most Honored Telecom Company" by Institutional Investor for the seventh consecutive year.

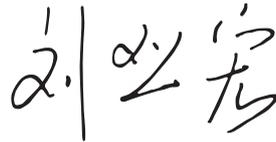
OUTLOOK

At present, with the in-depth advancement of global 5G construction, accelerated maturity of industry applications and rapid deployment of domestic new infrastructure, digital transformation has become an irresistible trend. The digital economy is driving profound changes in production, lifestyle and governance, and has become a powerful driver of sustainable and healthy economic and social development. The digital base created by the telecommunications industry is indispensable for the development of the digital economy. Chemical reactions of digital, network-based and intelligent transformation will bring about tremendous new growth potential for the telecommunications industry, where the unknown is far greater than the known. Currently, telecom operators are moving from road paving to empowerment and becoming a national team, key force and frontline troop in the development of digital economy. We believe that with our unique capability system, China Unicom will be able to reap the maximum benefits of digital value and multiply the investment value of the Company in the digital economy.

The year 2022 marks the commencement of China Unicom's full implementation of its new strategic plan. China Unicom will continue to fully implement new development

philosophies, contribute to the establishment of a new development landscape, and promote high-quality development. Focusing on the construction of "Cyber Superpower, Digital China, and Smart Society", China Unicom will comprehensively promote the implementation of the "1 + 9 + 3" strategic planning system, strengthen supply, stabilise growth, promote reform, facilitate development, prevent risks and ensure security, firmly bolstering the Company's core strategic capabilities, so as to create greater value for shareholders, customers and the society.

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



Liu Liehong

Chairman and Chief Executive Officer

Hong Kong, 8 August 2022

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

Note 2: Unicom Cloud revenue includes revenue of cloud resources, cloud platform, cloud service, cloud integration, cloud interconnection, cloud security, etc. generated from integrated innovative solutions.

FINANCIAL

OVERVIEW



I. OVERVIEW

In the first half of 2022, the Company thoroughly adhered to the Company's "1+9+3" strategic planning, total revenue was RMB176.26 billion, up by 7.4% year-on-year. Service revenue reached RMB160.97 billion in the first half of 2022, up by 8.3% year-on-year. Net profit¹ was RMB10.96 billion in the first half of 2022, up by RMB1.79 billion year-on-year.

In the first half of 2022, the Company's net cash flow from operating activities was RMB42.17 billion. Capital expenditure was RMB28.35 billion in the first half of 2022. Liabilities-to-assets ratio was 43.3% as at 30 June 2022.

II. REVENUE

In the first half of 2022, the Company's revenue was RMB176.26 billion, up by 7.4% year-on-year, of which, service revenue was RMB160.97 billion, up by 8.3% year-on-year with 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 2022 and 2021:

| (RMB in billions) | First half of 2022 | | First half of 2021 | |
|------------------------|--------------------|------------------------------------|--------------------|------------------------------------|
| | Total amount | As a percentage of service revenue | Total amount | As a percentage of service revenue |
| Service revenue | 160.97 | 100.00% | 148.67 | 100.00% |
| Include: Voice service | 16.94 | 10.52% | 17.51 | 11.78% |
| Non-voice service | 144.03 | 89.48% | 131.16 | 88.22% |

1. Voice Service

In the first half of 2022, service revenue from the voice service was RMB16.94 billion, down by 3.3% year-on-year.

2. Non-Voice Service

In the first half of 2022, service revenue from the non-voice service was RMB144.03 billion, up by 9.8% year-on-year.

III. COSTS AND EXPENSES

In the first half of 2022, total costs and expenses were RMB162.84 billion, up by 6.5% 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 2022 and 2021:

| (RMB in billions) | First half of 2022 | | First half of 2021 | |
|--|--------------------|----------------------------|--------------------|----------------------------|
| | Total amount | As a percentage of revenue | Total amount | As a percentage of revenue |
| Total costs and expenses | 162.84 | 92.39% | 152.88 | 93.12% |
| Operating costs | 166.75 | 94.61% | 156.06 | 95.06% |
| Include: Interconnection charges | 5.31 | 3.01% | 5.25 | 3.20% |
| Depreciation and amortisation | 41.90 | 23.77% | 41.38 | 25.20% |
| Network, operation and support expenses | 26.84 | 15.23% | 25.11 | 15.29% |
| Employee benefit expenses | 32.48 | 18.43% | 30.99 | 18.88% |
| Costs of telecommunications products sold | 14.57 | 8.27% | 14.81 | 9.02% |
| Selling and marketing expenses | 16.06 | 9.11% | 15.56 | 9.48% |
| General, administrative and other operating expenses | 29.59 | 16.79% | 22.96 | 13.99% |
| Finance costs, net of interest income | -0.21 | -0.12% | 0.17 | 0.10% |
| Share of net profit of associates | -1.04 | -0.59% | -1.10 | -0.67% |
| Share of net profit of joint ventures | -0.92 | -0.52% | -0.72 | -0.44% |
| Other income-net | -1.74 | -0.99% | -1.53 | -0.93% |

FINANCIAL OVERVIEW

1. Interconnection charges

Interconnection charges were RMB5.31 billion in the first half of 2022, up by 1.3% year-on-year and, as a percentage of revenue, decreased from 3.20% in the first half of 2021 to 3.01% in the first half of 2022.

2. Depreciation and amortisation

Depreciation and amortisation charges were RMB41.90 billion in the first half of 2022, up by 1.3% year-on-year and, as a percentage of revenue, decreased from 25.20% in the first half of 2021 to 23.77% in the first half of 2022.

3. Network, operation and support expenses

The Company deeply promoted co-build co-share full resources to support the innovation business development, network, operation and support expenses were RMB26.84 billion in the first half of 2022, up by 6.9% year-on-year and, as a percentage of revenue, changed from 15.29% in the first half of 2021 to 15.23% in the first half of 2022.

4. Employee benefit expenses

The Company continued to optimise the operating results assessment to strengthen performance, effectiveness and the recruitment of innovative talents, employee benefit expenses were RMB32.48 billion in the first half of 2022, up by 4.8% year-on-year and, as a percentage of revenue, changed from 18.88% in the first half of 2021 to 18.43% in the first half of 2022.

5. Costs of telecommunications products sold

Costs of telecommunications products sold were RMB14.57 billion and revenue from sales of telecommunications products were RMB15.29 billion in the first half of 2022. Gross profits on sales of telecommunications products were RMB0.72 billion.

6. Selling and marketing expenses

The Company fully strengthened digital empowerment and accelerated O2O integrated operation development, selling and marketing expenses were RMB16.06 billion in the first half of 2022, up by 3.2% year-on-year and, as a percentage of revenue, decreased from 9.48% in the first half of 2021 to 9.11% in the first half of 2022.

7. General, administrative and other operating expenses

General, administrative and other operating expenses were RMB29.59 billion in the first half of 2022, up by 28.8% year-on-year, mainly due to the rapid growth of ICT emerging services leading to increased related service costs and increased expenditure in technical support for ICT emerging services.

8. Finance costs, net of interest income

Finance costs, net of interest income, was RMB-0.21 billion in the first half of 2022, down by RMB0.38 billion year-on-year.

9. Other income-net

Other income-net was RMB1.74 billion in the first half of 2022, up by RMB0.21 billion year-on-year.

IV. EARNINGS

1. Profit before income tax

In the first half of 2022, the Company benefited from continuous enhancement in growth quality and profitability, and the Company's profit before income tax was RMB13.42 billion, up by 18.8% year-on-year.

2. Income tax expenses

In the first half of 2022, the Company's income tax expenses were RMB2.42 billion and the effective tax rate was 18.0%.

3. Profit for the period

In the first half of 2022, the Company's net profit¹ was RMB10.96 billion, up by RMB1.79 billion year-on-year. Basic earnings per share was RMB0.358, up by 19.5% year-on-year.

V. EBITDA²

In the first half of 2022, the Company's EBITDA was RMB51.41 billion, up by 3.9% year-on-year. EBITDA as a percentage of service revenue was 31.9%, down by 1.4 percentage points year-on-year.

VI. CAPITAL EXPENDITURE AND CASH FLOW

In the first half of 2022, capital expenditure of the Company totaled RMB28.35 billion, which mainly consisted of investments in mobile network, household internet and fixed-line voice, government, enterprise and innovative business and transmission network and infrastructure etc. In the first half of 2022, the Company's net cash flow from operating activities was RMB42.17 billion. Free cash flow³ was RMB13.82 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 2022:

| (RMB in billions) | First half of 2022 | |
|---|--------------------|----------------|
| | Total amount | As percentage |
| Total | 28.35 | 100.00% |
| Include: Mobile network | 10.39 | 36.65% |
| Household internet and fixed-line voice | 3.46 | 12.21% |
| Government, enterprise and innovative business | 5.37 | 18.94% |
| Transmission network, infrastructure and others | 9.13 | 32.20% |

VII. BALANCE SHEET

The Company's total assets changed from RMB591.08 billion as at 31 December 2021 to RMB603.62 billion as at 30 June 2022. Total liabilities changed from RMB257.64 billion as at 31 December 2021 to RMB261.53 billion as at 30 June 2022. The liabilities-to-assets ratio changed from 43.6% as at 31 December 2021 to 43.3% as at 30 June 2022. The debt-to-capitalisation ratio decreased from 9.7% as at 31 December 2021 to 8.2% as at 30 June 2022. The net debt-to-capitalisation ratio was -3.8% as at 30 June 2022.

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

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

For The Six Months Ended 30 June 2022

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

| | Note | Six months ended 30 June | |
|--|------|--------------------------|----------|
| | | 2022 | 2021 |
| Revenue | 5 | 176,261 | 164,174 |
| Interconnection charges | | (5,313) | (5,247) |
| Depreciation and amortisation | | (41,899) | (41,376) |
| Network, operation and support expenses | 6 | (26,844) | (25,107) |
| Employee benefit expenses | 7 | (32,477) | (30,991) |
| Costs of telecommunications products sold | 8 | (14,569) | (14,808) |
| Other operating expenses | 9 | (45,646) | (38,532) |
| Finance costs | 10 | (525) | (645) |
| Interest income | | 733 | 471 |
| Share of net profit of associates | | 1,035 | 1,101 |
| Share of net profit of joint ventures | | 918 | 720 |
| Other income — net | 11 | 1,742 | 1,529 |
| Profit before income tax | | 13,416 | 11,289 |
| Income tax expenses | 12 | (2,420) | (2,081) |
| Profit for the period | | 10,996 | 9,208 |
| Profit attributable to: | | | |
| Equity shareholders of the Company | | 10,957 | 9,167 |
| Non-controlling interests | | 39 | 41 |
| Profit for the period | | 10,996 | 9,208 |
| Earnings per share for profit attributable to equity shareholders of the Company during the period: | | | |
| Basic earnings per share (RMB) | 13 | 0.36 | 0.30 |
| Diluted earnings per share (RMB) | 13 | 0.36 | 0.30 |

The notes on pages 21 to 48 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2022

(All amounts in RMB millions)

| | Six months ended 30 June | |
|---|--------------------------|-------|
| | 2022 | 2021 |
| Profit for the period | 10,996 | 9,208 |
| 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) | 418 | 284 |
| Tax effect on changes in fair value of financial assets measured at FVOCI (non-recycling) | (2) | (2) |
| Changes in fair value of financial assets measured at FVOCI, net of tax (non-recycling) | 416 | 282 |
| Others | — | (4) |
| | 416 | 278 |
| Items that may be reclassified subsequently to statement of income: | | |
| Changes in fair value of financial assets measured at FVOCI, net of tax (recycling) | (4) | (3) |
| Currency translation differences | 188 | (42) |
| | 184 | (45) |
| Other comprehensive income for the period, net of tax | 600 | 233 |
| Total comprehensive income for the period | 11,596 | 9,441 |
| Total comprehensive income attributable to: | | |
| Equity shareholders of the Company | 11,557 | 9,400 |
| Non-controlling interests | 39 | 41 |
| Total comprehensive income for the period | 11,596 | 9,441 |

The notes on pages 21 to 48 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2022

(All amounts in RMB millions)

| | Note | 30 June 2022 | 31 December 2021 |
|--|------|-----------------|---------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 347,609 | 355,031 |
| Right-of-use assets | 15 | 30,358 | 32,866 |
| Goodwill | | 2,771 | 2,771 |
| Interest in associates | | 41,327 | 41,278 |
| Interest in joint ventures | | 7,906 | 7,138 |
| Deferred income tax assets | 12 | 667 | 271 |
| Contract assets | | 55 | 71 |
| Contract costs | | 4,774 | 4,025 |
| Financial assets measured at fair value | 16 | 4,204 | 3,715 |
| Other assets | 17 | 18,714 | 17,682 |
| | | 458,385 | 464,848 |
| Current assets | | | |
| Inventories | | 3,334 | 1,846 |
| Contract assets | | 295 | 406 |
| Accounts receivable | 18 | 33,044 | 17,957 |
| Prepayments and other current assets | 19 | 18,718 | 17,925 |
| Amounts due from ultimate holding company | 34 | 10,506 | 10,558 |
| Amounts due from related parties | 34 | 554 | 270 |
| Amounts due from domestic carriers | | 2,773 | 2,007 |
| Financial assets measured at fair value | 16 | 15,441 | 29,011 |
| Short-term bank deposits and restricted deposits | | 15,902 | 11,968 |
| Cash and cash equivalents | 20 | 44,665 | 34,280 |
| | | 145,232 | 126,228 |
| Total assets | | 603,617 | 591,076 |

| | Note | 30 June 2022 | 31 December 2021 |
|--|------|-----------------|---------------------|
| EQUITY | | | |
| Equity attributable to equity shareholders of the Company | | | |
| Share capital | 21 | 254,056 | 254,056 |
| Reserves | | (16,624) | (17,228) |
| Retained profits | | | |
| — Proposed 2022 interim dividend | 22 | 5,049 | — |
| — Proposed 2021 final dividend | 22 | — | 2,937 |
| — Others | | 98,480 | 92,572 |
| | | 340,961 | 332,337 |
| Non-controlling interests | | 1,130 | 1,096 |
| Total equity | | 342,091 | 333,433 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term bank loans | 23 | 1,676 | 1,835 |
| Lease liabilities | | 10,789 | 10,415 |
| Deferred income tax liabilities | 12 | 122 | 417 |
| Deferred revenue | | 7,423 | 6,951 |
| Amounts due to related parties | 34 | 742 | 742 |
| Other obligations | | 1,126 | 1,098 |
| | | 21,878 | 21,458 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2022

(All amounts in RMB millions)

| | Note | 30 June 2022 | 31 December 2021 |
|---|------|-----------------|---------------------|
| Current liabilities | | | |
| Short-term bank loans | 26 | 462 | 385 |
| Amounts due to banks and other financial institutions | 27 | 6,000 | — |
| Commercial papers | 28 | — | 6,875 |
| Current portion of long-term bank loans | 23 | 376 | 372 |
| Current portion of promissory note | 24 | 1,021 | 1,004 |
| Current portion of corporate bonds | 25 | — | 2,039 |
| Lease liabilities | | 9,529 | 12,144 |
| Accounts payable and accrued liabilities | 29 | 150,655 | 140,124 |
| Bills payable | | 7,135 | 4,246 |
| Taxes payable | | 2,619 | 1,435 |
| Amounts due to ultimate holding company | 34 | 1,018 | 4,028 |
| Amounts due to related parties | 34 | 14,009 | 12,926 |
| Amounts due to domestic carriers | | 2,659 | 2,262 |
| Current portion of other obligations | | 2,493 | 2,519 |
| Contract liabilities | | 41,325 | 45,704 |
| Advances from customers | | 347 | 122 |
| | | 239,648 | 236,185 |
| Total liabilities | | 261,526 | 257,643 |
| Total equity and liabilities | | 603,617 | 591,076 |
| Net current liabilities | | (94,416) | (109,957) |
| Total assets less current liabilities | | 363,969 | 354,891 |

The notes on pages 21 to 48 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2022

(All amounts in RMB millions)

| | Attributable to equity shareholders of the Company | | | | | | | Non-controlling interests | Total equity |
|--|--|----------------------|--------------------------------|--------------------|----------------|------------------|---------|---------------------------|--------------|
| | Share capital | General risk reserve | Investment revaluation reserve | Statutory reserves | Other reserves | Retained profits | Total | | |
| Balance at 1 January 2021 | 254,056 | 850 | (9,434) | 31,431 | (41,668) | 91,352 | 326,587 | 933 | 327,520 |
| Total comprehensive income for the period | — | — | 282 | — | (49) | 9,167 | 9,400 | 41 | 9,441 |
| Share of associates' other reserves | — | — | — | — | 19 | — | 19 | — | 19 |
| Dividends relating to 2020 final (Note 22) | — | — | — | — | — | (5,018) | (5,018) | — | (5,018) |
| Capital contribution relating to share-based payment borne by A Share Company (as defined in Note 1) (Note 32) | — | — | — | — | 78 | — | 78 | — | 78 |
| Balance at 30 June 2021 | 254,056 | 850 | (9,152) | 31,431 | (41,620) | 95,501 | 331,066 | 974 | 332,040 |
| Balance at 1 January 2022 | 254,056 | 987 | (9,302) | 32,815 | (41,728) | 95,509 | 332,337 | 1,096 | 333,433 |
| Total comprehensive income for the period | — | — | 416 | — | 184 | 10,957 | 11,557 | 39 | 11,596 |
| Share of associates' other reserves | — | — | — | — | (3) | — | (3) | — | (3) |
| Dividends relating to 2021 final (Note 22) | — | — | — | — | — | (2,937) | (2,937) | — | (2,937) |
| Capital contribution relating to share-based payment borne by A Share Company (Note 32) | — | — | — | — | 7 | — | 7 | — | 7 |
| Others | — | — | — | — | — | — | — | (5) | (5) |
| Balance at 30 June 2022 | 254,056 | 987 | (8,886) | 32,815 | (41,540) | 103,529 | 340,961 | 1,130 | 342,091 |

The notes on pages 21 to 48 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2022
(All amounts in RMB millions)

| | Six months ended 30 June | |
|---|--------------------------|----------|
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| Cash generated from operations | 43,977 | 53,394 |
| Income tax paid | (1,806) | (2,730) |
| Net cash inflow from operating activities | 42,171 | 50,664 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment, right-of-use assets and other assets | (31,003) | (30,622) |
| Other cash flows arising from investing activities | 12,957 | (2,499) |
| Net cash outflow from investing activities | (18,046) | (33,121) |
| Cash flows from financing activities | | |
| Capital element of lease rentals paid | (6,285) | (5,702) |
| Dividend paid to equity shareholders of the Company | (2,937) | (5,018) |
| Other cash flows arising from financing activities | (4,732) | (7,378) |
| Net cash outflow from financing activities | (13,954) | (18,098) |
| Net increase/(decrease) in cash and cash equivalents | 10,171 | (555) |
| Cash and cash equivalents, beginning of period | 34,280 | 23,085 |
| Effect of changes in foreign exchange rate | 214 | (36) |
| Cash and cash equivalents, end of period | 44,665 | 22,494 |

The notes on pages 21 to 48 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2022
(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. The Company and its subsidiaries are hereinafter referred to as the "Group". The address of the Company's registered office is 75th Floor, The Center, 99 Queen's Road Central, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 22 June 2000 and the American Depositary Shares ("ADSs") of the Company were listed on the New York Stock Exchange on 21 June 2000. The New York Stock Exchange LLC 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 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 2022 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 have not been audited, but have been reviewed by the Company's Audit Committee. They have also been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021. 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 2021 Annual Report and there have been no significant changes in any financial risk management policies for the six months ended 30 June 2022.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2022

(All amounts in RMB millions unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

The financial information relating to the year ended 31 December 2021 that is included in these unaudited condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 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 2022, current liabilities of the Group exceeded current assets by approximately RMB94.4 billion (31 December 2021: approximately RMB110.0 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 RMB246.8 billion of revolving banking facilities of which approximately RMB237.4 billion was unutilised as at 30 June 2022; 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 2022 have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Other than the changes in accounting policies resulting from application of amendments to 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 2021.

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

- Amendments to HKFRS 3, "Reference to the Conceptual Framework"
- Amendments to HKAS 16, "Property, Plant and Equipment — Proceeds before Intended Use"
- Amendments to HKAS 37, "Onerous Contracts — Cost of Fulfilling a Contract"
- Amendments to HKFRSs, "Annual Improvements to HKFRSs 2018-2020"

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 these unaudited condensed consolidated interim financial statements.

4. SEGMENT INFORMATION

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

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2022

(All amounts in RMB millions unless otherwise stated)

5. REVENUE

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

Disaggregation of revenue by major services and products:

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2022 | 2021 |
| Voice usage and monthly fees | 10,620 | 11,247 |
| Broadband and mobile data services | 78,335 | 77,533 |
| Data and internet application services | 40,371 | 31,110 |
| Other value-added services | 12,799 | 11,508 |
| Interconnection fees | 6,322 | 6,266 |
| Transmission lines usage and associated services | 10,071 | 8,859 |
| Other services | 2,453 | 2,151 |
| Total service revenue | 160,971 | 148,674 |
| Sales of telecommunications products | 15,290 | 15,500 |
| Total | 176,261 | 164,174 |
| Include: Revenue from contracts with customers within the scope of HKFRS 15, "Revenue from Contracts with Customers" | 175,641 | 163,583 |
| Revenue from other sources | 620 | 591 |

6. NETWORK, OPERATION AND SUPPORT EXPENSES

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------|--------|
| | | 2022 | 2021 |
| Repairs and maintenance | | 5,636 | 5,520 |
| Power and water charges | | 7,212 | 6,687 |
| Charges for use of network, premises, equipment and facilities | (i) | 7,426 | 6,391 |
| Charges for use of tower assets | (ii) | 5,463 | 5,429 |
| Others | | 1,107 | 1,080 |
| | | 26,844 | 25,107 |

- (i) During the six months ended 30 June 2022 and 2021, 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 2022 and 2021, 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 | |
|---|------|--------------------------|--------|
| | | 2022 | 2021 |
| Salaries and wages | | 24,936 | 24,198 |
| Contributions to defined contribution pension schemes | | 4,027 | 3,602 |
| Contributions to medical insurance | | 1,521 | 1,343 |
| Contributions to housing fund | | 1,968 | 1,762 |
| Other housing benefits | | 18 | 8 |
| Share-based compensation | 32 | 7 | 78 |
| | | 32,477 | 30,991 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2022

(All amounts in RMB millions unless otherwise stated)

8. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

| | Six months ended 30 June | |
|--|--------------------------|--------|
| | 2022 | 2021 |
| Handsets and other telecommunications products | 14,285 | 14,559 |
| Others | 284 | 249 |
| | 14,569 | 14,808 |

9. OTHER OPERATING EXPENSES

| | Six months ended 30 June | |
|---|--------------------------|--------|
| | 2022 | 2021 |
| Impairment losses under expected credit loss ("ECL"), net of reversal | 3,287 | 2,699 |
| Write-down of inventories and impairment losses of other assets | 250 | 203 |
| Commission and other service expenses | 11,884 | 11,568 |
| Advertising and promotion expenses | 1,072 | 1,061 |
| Internet access terminal maintenance expenses | 1,088 | 874 |
| Customer retention costs | 1,444 | 1,522 |
| Property management fee | 1,306 | 1,241 |
| Office and administrative expenses | 544 | 624 |
| Transportation expense | 569 | 645 |
| Miscellaneous taxes and fees | 703 | 662 |
| Service technical support expenses | 20,137 | 13,643 |
| Repairs and maintenance expenses | 202 | 250 |
| Loss on disposal of property, plant and equipment | 1,180 | 1,479 |
| Others | 1,980 | 2,061 |
| | 45,646 | 38,532 |

10. FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------|------|
| | 2022 | 2021 |
| Finance costs: | | |
| – Interest on bank loans repayable within 5 years and other interests | 59 | 33 |
| – Interest on corporate bonds, promissory notes and commercial papers repayable within 5 years | 70 | 76 |
| – Interest on lease liabilities | 434 | 515 |
| – Interest on related party loans repayable within 5 years | 16 | 44 |
| – Interest on bank loans repayable over 5 years | 9 | 14 |
| – Less: Amount capitalised in construction-in-progress (“CIP”) | (18) | (84) |
| Total interest expense | 570 | 598 |
| Net exchange (gain)/loss | (69) | 5 |
| Others | 24 | 42 |
| | 525 | 645 |

11. OTHER INCOME — NET

| | Six months ended 30 June | |
|---|--------------------------|-------|
| | 2022 | 2021 |
| Dividend from financial assets measured at FVOCI (non-recycling) | 67 | 101 |
| Government grants | 301 | 177 |
| Additional deduction for VAT and others | 1,086 | 799 |
| Investment income from debt securities measured at FVOCI (recycling) | 280 | 403 |
| Fair value gains on financial assets measured at fair value through profit or loss (“FVPL”) | 5 | 49 |
| Gains on disposal of financial assets measured at FVPL | 3 | — |
| | 1,742 | 1,529 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2022

(All amounts in RMB millions unless otherwise stated)

12. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2021: 16.5%) on the estimated assessable profits for the six months ended 30 June 2022. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2022 at the rates of taxation prevailing in the jurisdictions 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 2021: 25%). Taxation for certain subsidiaries in the PRC was calculated at a preferential tax rate of 15% (for the six months ended 30 June 2021: 15%).

| | Six months ended 30 June | |
|--|--------------------------|-------|
| | 2022 | 2021 |
| Provision for income tax on estimated taxable profits for the period | | |
| — Hong Kong | 38 | 33 |
| — Mainland China and other jurisdictions | 3,088 | 2,910 |
| Over provision in respect of prior years | (15) | (67) |
| | 3,111 | 2,876 |
| Deferred taxation | (691) | (795) |
| Income tax expenses | 2,420 | 2,081 |

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

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------|--------|
| | | 2022 | 2021 |
| Profit before income tax | | 13,416 | 11,289 |
| Expected income tax expenses at PRC statutory tax rate of 25% | | 3,354 | 2,822 |
| Impact of different tax rate outside Mainland China | | (24) | (17) |
| Tax effect of preferential tax rate | (i) | (190) | (126) |
| Additional deduction for qualified research and development costs | (i) | (372) | (207) |
| Tax effect of non-deductible expenses | | 145 | 182 |
| Tax effect of non-taxable income from share of net profit of joint ventures | | (230) | (180) |
| Tax effect of non-taxable income from share of net profit of associates | (ii) | (226) | (243) |
| Over provision in respect of prior years | | (15) | (67) |
| Tax effect of unused tax losses not recognised, net of utilisation | (iii) | (22) | (83) |
| Actual tax expenses | | 2,420 | 2,081 |

12. TAXATION (Continued)

- (i) According to the PRC enterprise income tax law and its relevant regulations, entities that are qualified as High and New Technology Enterprise under the tax law are entitled to a preferential income tax rate of 15% (for the six months ended 30 June 2021: 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 2021: 15%), and certain research and development costs of the Group's PRC subsidiaries are qualified for 75% (for the six months ended 30 June 2021: 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 2022, the Group did not recognise deferred tax assets of approximately RMB29 million (31 December 2021: approximately RMB51 million) in respect of tax losses amounting to approximately RMB116 million (31 December 2021: approximately 203 million), since it is not probable that future taxable profits will be available against which the deferred tax asset can be utilised. The tax losses can be carried forward for five or ten years from the year incurred and hence will be expired by the year of 2027 or 2032.

As at 30 June 2022, the Group did not recognise deferred tax assets of RMB2,318 million (31 December 2021: RMB2,419 million) in respect of changes in fair value of financial assets measured at FVOCI (non-recycling), since it is not probable that the related tax benefit will be realised.

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

| | Six months ended 30 June | |
|---|--------------------------|-------|
| | 2022 | 2021 |
| Net deferred tax assets after offsetting: | | |
| — Balance at 1 January 2022 and 2021 | 271 | 745 |
| — Deferred tax credited to statement of income | 395 | 792 |
| — Deferred tax credited to other comprehensive income | 1 | — |
| — Balance at 30 June 2022 and 2021 | 667 | 1,537 |
| Net deferred tax liabilities after offsetting: | | |
| — Balance at 1 January 2022 and 2021 | (417) | (64) |
| — Deferred tax credited to statement of income | 296 | 3 |
| — Deferred tax charged to other comprehensive income | (1) | (2) |
| — Balance at 30 June 2022 and 2021 | (122) | (63) |

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13. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2022 and 2021 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 2022 and 2021 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the periods, after adjusting for the effects of dilutive potential ordinary shares. There were no dilutive potential ordinary shares for the six months ended 30 June 2022 and 2021.

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

| | Six months ended 30 June | |
|--|--------------------------|--------|
| | 2022 | 2021 |
| Numerator (in RMB millions): | | |
| Profit attributable to equity shareholders of the Company used in computing basic/diluted earnings per share | 10,957 | 9,167 |
| Denominator (in millions): | | |
| Number of ordinary shares outstanding used in computing basic/diluted earnings per share | 30,598 | 30,598 |
| Basic/Diluted earnings per share (in RMB) | 0.36 | 0.30 |

14. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the six months ended 30 June 2022 and 2021 are as follows:

| | Six months ended 30 June 2022 | | | | | Total |
|---|-------------------------------|-------------------------------|--|------------------------|----------|-----------|
| | Buildings | Tele-communications equipment | Office furniture, fixtures, motor vehicles and other equipment | Leasehold improvements | CIP | |
| Cost: | | | | | | |
| Beginning of period | 78,179 | 831,045 | 19,825 | 3,336 | 43,411 | 975,796 |
| Additions | 50 | 171 | 52 | 137 | 27,978 | 28,388 |
| Transfer from CIP | 905 | 16,362 | 425 | 84 | (17,776) | — |
| Transfer to other assets | — | — | — | — | (2,678) | (2,678) |
| Disposals | (73) | (51,970) | (447) | (97) | — | (52,587) |
| End of period | 79,061 | 795,608 | 19,855 | 3,460 | 50,935 | 948,919 |
| Accumulated depreciation and impairment: | | | | | | |
| Beginning of period | (41,674) | (561,526) | (15,008) | (2,418) | (139) | (620,765) |
| Charge for the period | (1,442) | (28,914) | (663) | (189) | — | (31,208) |
| Disposals | 66 | 50,078 | 422 | 97 | — | 50,663 |
| End of period | (43,050) | (540,362) | (15,249) | (2,510) | (139) | (601,310) |
| Net book value: | | | | | | |
| End of period | 36,011 | 255,246 | 4,606 | 950 | 50,796 | 347,609 |
| Beginning of period | 36,505 | 269,519 | 4,817 | 918 | 43,272 | 355,031 |

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of property, plant and equipment for the six months ended 30 June 2022 and 2021 are as follows: (Continued)

| | Six months ended 30 June 2021 | | | | | CIP | Total |
|--|-------------------------------|-------------------------------|--|------------------------|----------|-----------|-------|
| | Buildings | Tele-communications equipment | Office furniture, fixtures, motor vehicles and other equipment | Leasehold improvements | | | |
| Cost: | | | | | | | |
| Beginning of period | 76,658 | 841,394 | 20,255 | 3,701 | 48,251 | 990,259 | |
| Additions | 9 | 145 | 106 | 101 | 14,406 | 14,767 | |
| Transfer from CIP | 301 | 21,431 | 331 | 52 | (22,115) | — | |
| Transfer to other assets | — | — | — | — | (2,148) | (2,148) | |
| Disposals | (84) | (57,861) | (373) | (241) | — | (58,559) | |
| End of period | 76,884 | 805,109 | 20,319 | 3,613 | 38,394 | 944,319 | |
| Accumulated depreciation and impairment: | | | | | | | |
| Beginning of period | (39,243) | (568,173) | (15,641) | (2,908) | (107) | (626,072) | |
| Charge for the period | (1,325) | (31,063) | (590) | (186) | (4) | (33,168) | |
| Disposals | 40 | 56,192 | 342 | 237 | — | 56,811 | |
| End of period | (40,528) | (543,044) | (15,889) | (2,857) | (111) | (602,429) | |
| Net book value: | | | | | | | |
| End of period | 36,356 | 262,065 | 4,430 | 756 | 38,283 | 341,890 | |
| Beginning of period | 37,415 | 273,221 | 4,614 | 793 | 48,144 | 364,187 | |

15. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for use of buildings, telecommunications equipment and land use rights, and therefore recognised the additions to right-of-use assets of RMB4,342 million (for the six months ended 30 June 2021: RMB3,986 million).

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE

| | Notes | 30 June 2022 | 31 December 2021 |
|---|-------|-----------------|---------------------|
| Non-current portion: | | | |
| Equity securities measured at FVOCI (non-recycling) | (i) | 2,427 | 2,006 |
| Financial assets measured at FVPL | (ii) | 805 | 803 |
| Debt securities measured at FVOCI (recycling) | (iii) | 972 | 906 |
| | | 4,204 | 3,715 |
| Current portion: | | | |
| Financial assets measured at FVPL | (ii) | 3,260 | 3,287 |
| Debt securities measured at FVOCI (recycling) | (iii) | 12,181 | 25,724 |
| | | 15,441 | 29,011 |
| | | 19,645 | 32,726 |

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

| | Note | 30 June 2022 | 31 December 2021 |
|------------------------|------|-----------------|---------------------|
| Listed in the PRC | | 126 | 117 |
| Listed outside the PRC | 30 | 2,188 | 1,786 |
| Unlisted | | 113 | 103 |
| | | 2,427 | 2,006 |

(ii) Financial assets measured at FVPL represent certain equity investments, investments in monetary funds and wealth management products.

(iii) Debt securities measured at FVOCI (recycling) represent certain debt investments issued by banks and the investments held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. As at 30 June 2022, RMB3,338 million debt securities measured at FVOCI were regarded as "collateral" of the financial assets sold under repurchase agreement (31 December 2021: Nil), and the corresponding liability was included in amounts due to banks and other financial institutions as detailed in Note 27.

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17. OTHER ASSETS

| | Note | 30 June 2022 | 31 December 2021 |
|--|------|-----------------|---------------------|
| Intangible assets | | 13,419 | 13,367 |
| Prepaid services charges for transmission lines and electricity cables and other services | | 1,432 | 1,361 |
| VAT recoverable | (i) | 166 | 171 |
| Others | | 3,697 | 2,783 |
| | | 18,714 | 17,682 |

(i) VAT recoverable includes input VAT and prepaid VAT which is expected to be deducted beyond one year. VAT recoverable which is expected to be deducted within one year are included in "Prepayments and other current assets". See Note 19(i).

18. ACCOUNTS RECEIVABLE

| | 30 June 2022 | 31 December 2021 |
|-----------------------------|-----------------|---------------------|
| Accounts receivable | 46,396 | 28,127 |
| Less: Credit loss allowance | (13,352) | (10,170) |
| | 33,044 | 17,957 |

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

| | 30 June 2022 | 31 December 2021 |
|---------------------------|-----------------|---------------------|
| Within one month | 16,732 | 10,620 |
| One month to three months | 6,381 | 3,061 |
| Three months to one year | 8,903 | 3,519 |
| More than one year | 1,028 | 757 |
| | 33,044 | 17,957 |

18. ACCOUNTS RECEIVABLE (Continued)

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

There is no significant concentration of credit risk with respect to accounts receivable, as the Group has a large number of customers. 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 has considered the impact of Covid-19 when evaluating the forward-looking information used in the ECL model including assessing the risk factors associated with various customer sectors.

19. PREPAYMENTS AND OTHER CURRENT ASSETS

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

| | Note | 30 June 2022 | 31 December 2021 |
|---|------|-----------------|---------------------|
| Prepaid services charges for transmission lines and electricity cables and other services | | 4,014 | 3,935 |
| Prepaid power and water charges | | 654 | 766 |
| Deposits and prepayments | | 4,275 | 3,581 |
| VAT recoverable | (i) | 6,327 | 6,193 |
| Prepaid enterprise income tax | | 20 | 25 |
| Others | | 3,428 | 3,425 |
| | | 18,718 | 17,925 |

(i) VAT recoverable includes the input VAT and prepaid VAT that is expected to 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 2022 and 31 December 2021, there was no significant impairment for the prepayments and other current assets.

20. CASH AND CASH EQUIVALENTS

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

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21. SHARE CAPITAL

| Issued and fully paid: | Number of shares millions | Share capital |
|--|--|--------------------------|
| At 1 January 2021, at 31 December 2021 and at 30 June 2022 | 30,598 | 254,056 |

22. DIVIDENDS

At the annual general meeting held on 12 May 2022, the shareholders of the Company approved the payment of final dividend of RMB0.096 per ordinary share for the year ended 31 December 2021 totaling approximately RMB2,937 million (for the six months ended 30 June 2021: final dividend for the year ended 31 December 2020 of RMB0.164 per ordinary share, totaling approximately RMB5,018 million) which has been reflected as a reduction of retained profits for the six months ended 30 June 2022.

At a meeting held on 8 August 2022, the Board of Directors of the Company declared 2022 interim dividend of RMB0.165 per ordinary share to the shareholders totaling approximately RMB5,049 million (for the six months ended 30 June 2021: 2021 interim dividend of RMB0.120 per ordinary share totaling approximately RMB3,672 million).

Pursuant to the PRC enterprise income tax law, a 10% withholding income tax is levied on dividends declared on or after 1 January 2008 by foreign investment enterprises to their foreign enterprise shareholders unless the enterprise investor is deemed as a PRC Tax Resident Enterprise ("TRE"). On 11 November 2010, the Company obtained an approval from State 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 2022 and 31 December 2021, the Company's subsidiaries in the PRC did not accrue for withholding tax on dividends distributed to the Company and there has been no deferred tax liability accrued in the Group's unaudited condensed consolidated interim financial statements for the undistributed profits of the Company's subsidiaries in the PRC.

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

23. LONG-TERM BANK LOANS

| | | 30 June 2022 | 31 December 2021 |
|-----------------------------------|--|-----------------|---------------------|
| Interest rates and final maturity | | | |
| RMB denominated bank loans | Fixed interest rates ranging from 1.08% to 1.20% (31 December 2021: 1.08% to 1.20%) per annum with maturity through 2036 (31 December 2021: maturity through 2036) | 1,863 | 2,015 |
| US dollars denominated bank loans | Fixed interest rates ranging from Nil to 1.55% (31 December 2021: Nil to 1.55%) per annum with maturity through 2039 (31 December 2021: maturity through 2039) | 177 | 178 |
| Euro denominated bank loans | Fixed interest rates ranging from 1.10% to 2.50% (31 December 2021: 1.10% to 2.50%) per annum with maturity through 2034 (31 December 2021: maturity through 2034) | 12 | 14 |
| Sub-total | | 2,052 | 2,207 |
| Less: Current portion | | (376) | (372) |
| | | 1,676 | 1,835 |

As at 30 June 2022, long-term bank loans of approximately RMB42 million (31 December 2021: approximately RMB42 million) were guaranteed by third parties.

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

| | | 30 June 2022 | 31 December 2021 |
|--|--|-----------------|---------------------|
| Balances due: | | | |
| — No later than one year | | 376 | 372 |
| — More than one year and no later than two years | | 351 | 362 |
| — More than two years and no later than five years | | 771 | 830 |
| — More than five years | | 554 | 643 |
| | | 2,052 | 2,207 |
| Less: Portion classified as current liabilities | | (376) | (372) |
| | | 1,676 | 1,835 |

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24. PROMISSORY NOTE

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 which carried interest at 3.39% per annum.

25. CORPORATE BONDS

On 7 June 2016, CUCL issued RMB1 billion 5-year corporate bonds, bearing interest at 3.43% per annum, which were fully repaid in June 2021.

On 19 June 2019, CUCL issued RMB2 billion 3-year corporate bonds, bearing interest at 3.67% per annum, which were fully repaid in June 2022.

26. SHORT-TERM BANK LOANS

| | | 30 June 2022 | 31 December 2021 |
|-----------------------------------|--|-----------------|---------------------|
| Interest rates and final maturity | | | |
| RMB denominated bank loans | Fixed interest rates ranging from 1.85% to 5.00% (31 December 2021: ranging from 1.80% to 1.85%) per annum with maturity through 2023 (31 December 2021: maturity through 2022) | 462 | 385 |

27. AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Amounts due to banks and other financial institutions include the proceeds received from financial assets sold subject to repurchase agreement and placements from banks arising from the ordinary course of business of Unicom Group Finance Company Limited ("Finance Company"). Sale and repurchase agreement is a transaction in which Finance Company sells a financial asset and simultaneously agrees to repurchase it at a fixed price at the agreed date. As the Group retains substantially all the risks and rewards of ownership of those financial assets transferred, these financial assets are not derecognised but regarded as "collateral" for the proceeds received. As at 30 June 2022, the proceeds received from financial assets sold subject to repurchase agreement and placements from banks amounted to RMB3 billion at fixed interest rate of 2.50% per annum (31 December 2021: Nil) and RMB3 billion at fixed interest rates ranging from 1.95% per annum to 2.50% per annum (31 December 2021: Nil), respectively, both of which were fully repaid on 1 July 2022.

28. COMMERCIAL PAPERS

On 15 July 2020, CUCL issued tranche one of 2020 super short term commercial papers in an amount of RMB2 billion, with a maturity period of 180 days from the date of issue which carried interest at 1.89% per annum, and were fully repaid in January 2021.

On 15 July 2020, CUCL issued tranche two of 2020 super short term commercial papers in an amount of RMB3 billion, with a maturity period of 180 days from the date of issue which carried interest at 1.89% per annum, and were fully repaid in January 2021.

28. COMMERCIAL PAPERS (Continued)

On 5 November 2020, CUCL issued tranche four of 2020 super short term commercial papers in an amount of RMB2 billion, with a maturity period of 90 days from the date of issue which carried interest at 2.17% per annum, and were fully repaid in February 2021.

On 23 June 2021, CUCL issued tranche one of 2021 super short term commercial papers in an amount of RMB2 billion, with a maturity period of 270 days from the date of issue which carried interest at 2.80% per annum, and were fully repaid in March 2022.

On 27 July 2021, CUCL issued tranche two of 2021 super short term commercial papers in an amount of RMB3 billion, with a maturity period of 180 days from the date of issue which carried interest at 2.23% per annum, and were fully repaid in January 2022.

On 27 July 2021, CUCL issued tranche three of 2021 super short term commercial papers in an amount of RMB1.8 billion, with a maturity period of 180 days from the date of issue which carried interest at 2.23% per annum, and were fully repaid in January 2022.

29. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 30 June 2022 | 31 December 2021 |
|---|-------------------------|---------------------|
| Payables to contractors and equipment suppliers | 78,022 | 75,014 |
| Payables to telecommunications products suppliers | 4,551 | 4,281 |
| Customer/contractor deposits | 5,197 | 5,128 |
| Repair and maintenance expense payables | 6,287 | 6,587 |
| Salary and welfare payables | 17,029 | 13,196 |
| Amounts due to technical support services and other service providers/ content providers | 7,944 | 5,822 |
| VAT received from customers in advance | 3,238 | 3,709 |
| Accrued expenses | 20,708 | 19,098 |
| Others | 7,679 | 7,289 |
| | 150,655 | 140,124 |

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29. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Continued)

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

| | 30 June 2022 | 31 December 2021 |
|------------------------|-----------------|---------------------|
| Less than six months | 126,757 | 119,332 |
| Six months to one year | 7,772 | 7,199 |
| More than one year | 16,126 | 13,593 |
| | 150,655 | 140,124 |

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

On 6 September 2009, the Company announced that in order to strengthen the cooperation between the Company and Telefónica, the parties entered into a strategic alliance agreement and a subscription agreement, pursuant to which each party conditionally agreed to invest an equivalent of US dollars 1 billion in each other through an acquisition of each other's shares.

On 23 January 2011, the Company entered into an agreement to enhance the strategic alliance with Telefónica that: (a) Telefónica would purchase ordinary shares of the Company for a consideration of US dollars 500 million through acquisition from third parties; and (b) the Company would acquire from Telefónica 21,827,499 ordinary shares of Telefónica held in treasury (“Telefónica Treasury Shares”) for an aggregate purchase price of Euro374,559,882.84. On 25 January 2011, the Company completed the purchase of Telefónica Treasury Shares in accordance with the strategic agreement. During 2011, Telefónica completed its investment of US dollars 500 million in the Company.

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

As at 30 June 2022, the related financial assets measured at FVOCI amounted to approximately RMB2,188 million (31 December 2021: approximately RMB1,786 million). For the six months ended 30 June 2022, the increase in fair value of the financial assets measured at FVOCI was approximately RMB402 million (for the six months ended 30 June 2021: increase of approximately RMB273 million), has been recorded in the unaudited condensed consolidated statement of comprehensive income.

31. 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 are outstanding as at 30 June 2022 and 31 December 2021.

32. RESTRICTED A-SHARE INCENTIVE SCHEME

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

The Phase I Restricted Shares are subject to various lock-up periods (the "Lock-Up Period") 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 Phase I Restricted Shares shall be unlocked (or repurchased and cancelled by A Share Company) separately in three tranches in proportion of 40%, 30% and 30% of the total number of the Phase I Restricted Shares granted upon the expiry of each of the Lock-Up Period.

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

Pursuant to the Phase I Restricted A-Share Incentive Scheme, the third Lock-Up Period of approximately 4 years for the first batch as well as the second Lock-Up Period of approximately 3 years for the second batch have expired during the current period. With the fulfilment of the vesting conditions, the Phase I Restricted Shares of 206,767,725 in aggregate were approved for unlocking after the expiry of the Lock-Up Period by the Board of Directors of A Share Company during the current period.

For the six months ended 30 June 2022, the Phase I Restricted Shares of 3,261,600 (for the six months ended 30 June 2021: 3,742,200) were forfeited and repurchased.

For the six months ended 30 June 2022, the Group recognised share-based payment expenses and other reserves of RMB7 million under the Phase I Restricted A-Share Incentive Scheme (for the six months ended 30 June 2021: RMB78 million).

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33. FAIR VALUE ESTIMATION

Financial assets of the Group mainly include cash and cash equivalents, short-term bank deposits and restricted deposits, accounts receivable, the financial assets included in prepayments and other current assets, amounts due from ultimate holding company, related parties and domestic carriers, financial assets measured at fair value, and certain other assets. Financial liabilities of the Group mainly include short-term bank loans, amounts due to banks and other financial institutions, financial liabilities included in accounts payable and accrued liabilities, bills payable, 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 valuation: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuation: observable inputs which fail to meet level 1, and not using significant unobservable inputs for which market data are not available.
- Level 3 valuation: fair value measured using significant unobservable inputs.

The following table presents the Group's assets that are measured at fair value as at 30 June 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|-----------|--------------|---------------|
| Recurring fair value measurement: | | | | |
| Equity securities measured at FVOCI (non-recycling) | 2,314 | — | 113 | 2,427 |
| Financial assets measured at FVPL | 3,141 | 16 | 908 | 4,065 |
| Debt securities measured at FVOCI (recycling) | 13,153 | — | — | 13,153 |
| Total | 18,608 | 16 | 1,021 | 19,645 |

33. FAIR VALUE ESTIMATION (Continued)

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

The following table presents the Group's assets that are measured at fair value at 31 December 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|-----------|--------------|---------------|
| Recurring fair value measurement: | | | | |
| Equity securities measured at FVOCI (non-recycling) | 1,903 | — | 103 | 2,006 |
| Financial assets measured at FVPL | 3,143 | 42 | 905 | 4,090 |
| Debt securities measured at FVOCI (recycling) | 26,630 | — | — | 26,630 |
| Total | 31,676 | 42 | 1,008 | 32,726 |

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

During the six months ended 30 June 2022 and 2021, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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33. FAIR VALUE ESTIMATION (Continued)

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

Except as detailed in the following table, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2022 and 31 December 2021 due to the nature or short maturity of those instruments.

| | Carrying | Fair value | Fair value measurements | | | Carrying | Fair value |
|---|----------|------------|-------------------------------------|---------|---------|-------------|-------------|
| | amounts | as at | as at 30 June 2022 categorised into | | | amounts | as at |
| | as at | as at | Level 1 | Level 2 | Level 3 | as at | as at |
| | 30 June | 30 June | | | | 31 December | 31 December |
| | 2022 | 2022 | as at 30 June 2022 categorised into | | | 2021 | 2021 |
| | | | Level 1 | Level 2 | Level 3 | | |
| Non-current portion of long-term bank loans | 1,676 | 1,725 | — | 1,725 | — | 1,835 | 1,900 |

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 0.57% to 4.35% (31 December 2021: 0.57% to 4.35%) per annum.

34. 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) sharing certain telecommunications network infrastructure; 3) purchasing of goods, including use of public utilities; and 4) placing of bank deposits and borrowing money. The Group's telecommunications network depends, in large part, on interconnection with the network and on transmission lines service provided by other domestic carriers. These transactions are mainly carried out on terms comparable to those conducted with third parties or standards promulgated by relevant government authorities and have been reflected in the financial statements. Amounts due from domestic carriers are all derived from contracts with customers.

34. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

(a) Recurring transactions

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

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-------|
| | | 2022 | 2021 |
| Transactions with Unicom Group and its subsidiaries: | | | |
| Charges for value-added telecommunications services | (i) | 118 | 55 |
| Rental charges for short-term property leasing and related services charges | (i) | 514 | 485 |
| Charges for short-term lease of telecommunications resources and related services | (i) | 115 | 143 |
| Charges for engineering design and construction services | (i) | 737 | 878 |
| Charges for shared services | (i) | 39 | 41 |
| Charges for materials procurement services | (i) | 73 | 6 |
| Charges for ancillary telecommunications services | (i) | 1,483 | 1,259 |
| Charges for comprehensive support services | (i) | 670 | 444 |
| Income from comprehensive support services | (i) | 62 | 32 |
| Lending by Finance Company to Unicom Group and its subsidiaries | (i) | 8,500 | 8,100 |
| Repayment of loans lending by Finance Company to Unicom Group and its subsidiaries | (i) | 8,500 | 8,100 |
| Interest income from lending services | (i) | 169 | 168 |

- (i) On 21 October 2019, CUCL entered into the agreement “2020–2022 Comprehensive Services Agreement” with Unicom Group to renew certain continuing connected transactions. “2020–2022 Comprehensive Services Agreement” has a term of three years commencing on 1 January 2020 and expiring on 31 December 2022, the service fees payable under “2020–2022 Comprehensive Services Agreement” shall be calculated on the same basis as under previous agreement, and there were no changes on the annual caps amount.

(b) Amounts due from Unicom Group and its subsidiaries

Amount due from Unicom Group as at 30 June 2022 included loans from Finance Company to Unicom Group of RMB10,400 million in total with respective floating interest rate of Loan Prime Rate (“LPR”) published by the National Interbank Funding Center (“NIFC”) (31 December 2021: RMB10,400 million with respective floating interest rate of LPR published by the NIFC).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2022

(All amounts in RMB millions unless otherwise stated)

34. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

34.2 Related party transactions with Tower Company

(a) Related Party transactions

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

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

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

Based on HKFRS 16, "Leases", the minimum amount of lease payments payable by the Group under the terms of the arrangement in connection with its use of telecommunications towers and related assets had resulted in recognition of lease liabilities with the balance of RMB9,390 million, and right-of-use assets with the carrying amounts of RMB8,962 million as at 30 June 2022 (31 December 2021: RMB12,407 million and RMB11,807 million, respectively). For the six months ended 30 June 2022, the Group recognised additions of right-of-use assets amounting to RMB1,099 million (for the six months ended 30 June 2021: RMB1,512 million), recorded depreciation of right-of-use asset of RMB3,875 million (for the six months ended 30 June 2021: RMB3,701 million), interest expense of RMB211 million (for the six months ended 30 June 2021: RMB313 million), and variable lease payments and other related service charges of RMB5,463 million (for the six months ended 30 June 2021: RMB5,429 million) in its unaudited condensed consolidated statement of income.

The related accounts payable and bills payable balance (exclude lease liabilities) to Tower Company included in the balance of amounts due to related parties as at 30 June 2022 was RMB8,154 million (31 December 2021: RMB6,102 million).

(ii) *Income from data and internet application services and engineering design and construction services*

The Group provide data and internet application services and engineering design and construction services, including system integration and engineering design services to Tower Company. Income for the six months ended 30 June 2022 was RMB153 million (for the six months ended 30 June 2021: RMB173 million).

Except as mentioned in Note 34.2(a)(i), amounts due from/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.

34. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

34.3 Other related party transactions with Unicom Group and its subsidiaries

(a) Related party transactions

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------|-------|
| | | 2022 | 2021 |
| Transactions with Unicom Group and its subsidiaries: | | | |
| Interest expenses on unsecured entrusted loan | (i) | 16 | 44 |
| Borrowing of loan | (i) | — | 207 |
| Repayment of loan | (i) | — | 2,385 |
| Net deposits with Finance Company | (ii) | (2,394) | 1,267 |
| Interest expenses on the deposits in Finance Company | (ii) | 40 | 31 |

- (i) On 26 December 2018, the Group borrowed an 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. The Group partially repaid this loan amounting to RMB2,300 million as at 30 June 2021.

On 21 May 2021, the Group borrowed an unsecured entrusted loan from Unicom Group BVI of HK dollars 250 million (equivalent to RMB207 million) with floating interest rate at six-month Hong Kong Interbank Offered Rate plus 0.9%, which was fully repaid in September 2021.

- (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 the 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 2022 included a balance of deposits received by Finance Company from Unicom Group and its subsidiaries of RMB3,696 million with interest rates ranging from 0.42% to 2.75% per annum for saving and fixed deposits of different terms (31 December 2021: RMB6,090 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 2022 included a balance of unsecured entrusted loan from A Share Company of RMB 742 million with a maturity period of 5 years and interest rate at 4.28% per annum (31 December 2021: RMB742 million with a maturity period of 5 years and interest rate at 4.28% per annum).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2022

(All amounts in RMB millions unless otherwise stated)

35. CONTINGENCIES AND COMMITMENTS

35.1 Capital commitments

As at 30 June 2022 and 31 December 2021, the Group had capital commitments, mainly in relation to the construction of telecommunications network, as follows:

| | 30 June 2022 | | | 31 December |
|-----------------------------------|-----------------------|-----------|--------|---------------|
| | Land and Buildings | Equipment | Total | 2021 Total |
| Authorised and contracted for | 2,801 | 24,690 | 27,491 | 26,113 |
| Authorised but not contracted for | 9,046 | 54,137 | 63,183 | 53,808 |
| | 11,847 | 78,827 | 90,674 | 79,921 |

35.2 Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities and no material financial guarantees issued.

36. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the Board of Directors declared an interim dividend. For details, please refer to Note 22.

37. APPROVAL OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 8 August 2022.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Deloitte.

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

德勤

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of China Unicom (Hong Kong) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 48, which comprise the unaudited condensed consolidated statement of financial position as of 30 June 2022 and the related unaudited condensed consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof, and to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

8 August 2022

OTHER INFORMATION

SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a resolution passed at the annual general meeting held on 16 April 2014, the Company adopted a new share option scheme (the "2014 Share Option Scheme"). The purpose of the 2014 Share Option Scheme was to recognise the contribution that certain individuals have made to the Company, to attract and retain the best available personnel and to promote the success of the Company. The 2014 Share Option Scheme is valid and effective for a period of 10 years commencing on 22 April 2014 and will expire on 22 April 2024. Following the expiry of the 2014 Share Option Scheme, no further share option can be granted under the 2014 Share Option Scheme, but the provisions of the 2014 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2014 Share Option Scheme.

No share options had been granted since adoption of the 2014 Share Option Scheme and up to and including 30 June 2022.

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

During the six months ended 30 June 2022 and as at 30 June 2022, none of the Directors of the Company or chief executives or employees of the Company had any interests under any share option scheme of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of Directors and chief executives of the Company in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Long Positions in the Shares and Underlying Shares of the Company

| Name of Director | Capacity | Ordinary Shares Held | Percentage of Issued Shares |
|-------------------------|-----------------------------|----------------------|-----------------------------|
| Chung Shui Ming Timpson | Beneficial owner (Personal) | 6,000 | 0.00% |

Save as disclosed in the foregoing, as at 30 June 2022, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Furthermore, save as disclosed in the foregoing, during the six months ended 30 June 2022, none of the Directors or chief executives (including their spouses and children under the age of 18) of the Company had any interests in or was granted any right to subscribe in any shares, underlying shares, or debentures of the Company or any of its associated corporations, or had exercised any such rights.

MATERIAL INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, the following persons (other than disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures") had the following interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO:

Long Positions in the Shares and Underlying Shares of the Company

| Name of Shareholders | Ordinary Shares Held | | Percentage of Issued Shares |
|---|----------------------|----------------|-----------------------------|
| | Directly | Indirectly | |
| (i) China United Network Communications Group Company Limited ("Unicom Group") ^{1,2} | — | 24,683,896,309 | 80.67% |
| (ii) China United Network Communications Limited ("Unicom A Share Company") ¹ | — | 16,376,043,282 | 53.52% |
| (iii) China Unicom (BVI) Limited ("Unicom BVI") ¹ | 16,376,043,282 | — | 53.52% |
| (iv) China Unicom Group Corporation (BVI) Limited ("Unicom Group BVI") ^{2,3} | 8,082,130,236 | 225,722,791 | 27.15% |

Notes:

- Unicom Group and Unicom A Share Company directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of Unicom BVI, and in accordance with the SFO, the interests of Unicom BVI are deemed to be, and have therefore been included in, the respective interests of Unicom Group and Unicom A Share Company.
- Unicom Group BVI is a wholly-owned subsidiary of Unicom Group. In accordance with the SFO, the interests of Unicom Group BVI are deemed to be, and have therefore been included in, the interests of Unicom Group.
- Unicom Group BVI holds 8,082,130,236 shares (representing 26.41% of the total issued shares) of the Company directly. In addition, Unicom Group BVI is also interested in 225,722,791 shares (representing 0.74% of the total issued shares) of the Company under the SFO, in which Unicom Group BVI had a pre-emptive right.

Apart from the foregoing, as at 30 June 2022, no person had any interests or short position in the shares or underlying shares in the Company as recorded in the register required to be kept under Section 336 of the SFO.

Please also refer to Note 21 to the unaudited condensed consolidated interim financial statements for details of the share capital of the Company.

REPURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed shares.

OTHER INFORMATION

CHANGES OF DIRECTORS' INFORMATION

Changes in Directors' major offices since the publication of the Company's 2021 annual report are set out below:

- Mr. Mai Yanzhou has resigned as the Executive Director and Senior Vice President of the Company.
- Mrs. Law Fan Chiu Fun Fanny no longer served as a Member of the Executive Council of the Government of the Hong Kong Special Administrative Region and an External Director of China Resources (Holdings) Co., Limited.

Save as stated above, no other information on the Directors of the Company is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors are available on the website of the Company (www.chinaunicom.com.hk).

AUDIT COMMITTEE

The Audit Committee, together with the management and the auditor of the Company, Deloitte Touche Tohmatsu, have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including the review of interim financial information for the six months ended 30 June 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintain high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company's business. The Company has complied with the code provisions in the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules for the six months ended 30 June 2022 except the following:

The roles and responsibilities of the Chairman and the Chief Executive Officer of the Company were performed by the same individual for the six months ended 30 June 2022. The Company considers that, as all major decisions are made by the Board and relevant Board Committees after discussion, through supervision by the Board and the independent non-executive Directors together with effective internal control mechanism, the Company has achieved a balance of power and authority. In addition, the same individual performing the roles of the Chairman and the Chief Executive Officer can enhance the Company's efficiency in decision-making and execution, effectively capturing business opportunities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by directors. Further to the specific enquiries made by the Company to the directors, all directors have confirmed their compliance with the Model Code for the six months ended 30 June 2022.

COMPLIANCE WITH APPENDIX 16 OF THE LISTING RULES

According to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed herein, the Company confirmed that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2021 annual report.

CLOSURE OF REGISTER OF MEMBERS

The Board of Directors of the Company declared an interim dividend for 2022 (pre-tax) (the "2022 Interim Dividend") of RMB0.165 per share (equivalent to HK\$0.19149 per share, the relevant exchange rate was the mid-rate of RMB to Hong Kong dollars (RMB0.86168 equivalent to HK\$1.00) as announced by the People's Bank of China on 4 August 2022 (being the second business day prior to the Board declared the 2022 Interim Dividend) to shareholders of the Company (the "Shareholders").

For the purpose of ascertaining the Shareholders' rights to be entitled to the 2022 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 2 September 2022 |
| Closure of register of members | 5 September 2022 |
| Interim Dividend Record date | 5 September 2022 |

During the above closure period, no transfer of shares of the Company will be registered. In order to be entitled to the 2022 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 2022 Interim Dividend is expected to be paid in Hong Kong dollars on or about 29 September 2022 to those members registered in the Company's register of members as at 5 September 2022 (the "Interim Dividend Record Date").

OTHER INFORMATION

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISES IN RESPECT OF 2022 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 2022 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 2022 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 2022 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 2022 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 2 September 2022, and present the documents from such shareholder's governing tax authority within the territory of the PRC confirming that the Company is not required to withhold and pay Enterprise Income Tax in respect of the dividend that such shareholder is entitled to.

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

NEW START NEW POSITIONING

National Team

in the operation and service of
digital information infrastructure

Key Force

in the establishment of
Cyber Superpower,
Digital China and Smart Society

Frontline Troop

in the integration and innovation of
digital technologies

FIVE MAIN RESPONSIBILITIES AND BUSINESS

Big Connectivity

Big Computing

Big Data

Big Application

Big Security

NEW DEVELOPMENT NEW STRATEGY

Strengthen and solidify

Preserve and innovate

Integrate and open

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