

UNICOM'S GOT

Talents

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創新



China
unicom 中国联通

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

中期報告 INTERIM REPORT 2021



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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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

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



WANG XIAOCHU
Chairman and CEO

OVERALL RESULTS

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

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

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

BUSINESS DEVELOPMENT

The accelerated development of 5G and the robust demand for digital transformation by economy and society brought valuable opportunities and enormous room for the Company's innovation and transformation. The Company led the improvement of quality and efficiency of its full services with 5G, turning around from last year's decline in mobile subscriber scale. The Company continued to deepen

comprehensive digital transformation, fully taking advantages of being the first in the industry, globally, to achieve the nationwide-centralised digital operation for full-service serving all subscribers. It enabled China Unicom to run on a new track in a faster pace through providing one-stop, centralised, smart, convenient, and integrated digital services. The Company persisted in the two-flywheel drive of fundamental and innovative services, and the synergetic collaboration between the consumer market and the government and enterprise customer services. It accelerated the building of proprietary innovation platform capabilities and promoted the continuous optimisation of the revenue structure. In the first half of the year, the fundamental business rebounded steadily and innovative business grew rapidly. The customer recognition was also on the rise, sending high-quality and stable development in the Company's overall businesses.

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

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

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

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

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

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

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

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

Digital transformation drove sustained rapid growth in innovative businesses

Our China Unicom Cloud is the base for digital transformation and integrated innovation. Focusing on security and reliability, cloud-network integration, dedicated customisation and multi-cloud collaboration, the Company provided customers with integrated innovative solutions including cloud resources, cloud platform, cloud service, cloud integration, cloud interconnection, cloud security, etc. Led by digital innovation, the Company actively explored market space in key areas such as smart cities, digital government and industrial Internet, thoroughly deepening the development of application products for major industries. Unicom Digital Technology Co., Ltd. was formed to create integrated

innovation and differentiated edges of 5G + ABCDE (artificial intelligence, blockchain, cloud computing, Big Data, edge computing). The Company built an innovative business capability system, focusing on the platform-based capability, research and development centralisation, product standardisation and delivery of proprietary integration. By enhancing proprietary capabilities, the Company created unique innovative edges in the digital economy era.

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

NETWORK CONSTRUCTION

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

The Company adhered to low-carbon and innovative operation by actively implementing the requirements of new infrastructure. The efficiency of resource utilisation significantly increased as network "co-build and co-share" was facilitated further in depth. The 5G network "co-build and co-share" continued to advance steadily, achieving both the 5G network scale and quality on par with the leading operator. In the first half of the year, the Company continued to cooperate closely with China Telecom to add 80,000 5G base stations in service, with the total scale of 5G base stations of more than 460,000, achieving a leading position in both coverage and network perception in first-tier cities. The scale of 4G "co-share" achieved a further breakthrough as both parties shared 460,000 4G base stations, representing an increase of 240,000 stations as compared to the end of last year. 4G/5G network "co-build and co-share" enabled the two operators combined to generate cumulative savings of over RMB100 billion in capital expenditure, as well as substantial savings in network costs including tower usage fee, network maintenance costs and electricity charges for both parties, while contributing

significantly to the target of "Peak Carbon-emission and Carbon-neutrality". The Company fully promoted the "co-build and co-share" of infrastructure resources, optimising and revitalising existing network resources to further unlock the cost-efficiency of the network. In addition, the Company actively expanded the new network sharing model and engaged in multi-dimensional "co-build and co-share" cooperation with cable, power, high-speed railway, oil industries and others to maximise investment efficiency.

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

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

MIXED-OWNERSHIP REFORM

Unlocking the reform bonus consistently and further strengthening the development momentum

The Company continued to expand the dimension, width and depth of cooperation with strategic investors through promoting the research and development, iterative upgrade of products of joint ventures. By focusing on multiple areas with strong

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

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

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

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

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

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

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

OUTLOOK

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

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



Wang Xiaochu
Chairman and Chief Executive Officer

Hong Kong, 19 August 2021

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

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

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



FINANCIAL OVERVIEW

I. OVERVIEW

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

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

II. REVENUE

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

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

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

1. Voice Service

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

2. Non-Voice Service

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

III. COSTS AND EXPENSES

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

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

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

1. Interconnection charges

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

2. Depreciation and amortisation

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

3. Network, operation and support expenses

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

4. Employee benefit expenses

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

5. Cost of telecommunications products sold

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

6. Selling and marketing expenses

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

7. General, administrative and other operating expenses

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

8. Finance costs, net of interest income

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

9. Other income-net

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

IV. EARNINGS

1. Profit before income tax

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

2. Income tax expense

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

3. Profit for the period

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

V. EBITDA²

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

VI. CAPITAL EXPENDITURE AND CASH FLOW

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

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

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

VII. BALANCE SHEET

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

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

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

	NOTE	Six months ended 30 June	
		2021	2020
Revenue	5	164,174	150,397
Interconnection charges		(5,247)	(5,094)
Depreciation and amortisation		(41,376)	(41,312)
Network, operation and support expenses	6	(25,107)	(22,220)
Employee benefit expenses	7	(30,991)	(27,503)
Costs of telecommunications products sold	8	(14,808)	(11,603)
Other operating expenses	9	(38,532)	(34,525)
Finance costs	10	(645)	(859)
Interest income		471	682
Share of net profit of associates		1,101	732
Share of net profit of joint ventures		720	257
Other income — net	11	1,529	784
Profit before income tax		11,289	9,736
Income tax expense	12	(2,081)	(2,138)
Profit for the period		9,208	7,598
Profit attributable to:			
Equity shareholders of the Company		9,167	7,569
Non-controlling interests		41	29
Earnings per share for profit attributable to equity shareholders of the Company during the period:			
Basic earnings per share (RMB)	13	0.30	0.25
Diluted earnings per share (RMB)	13	0.30	0.25

The notes on pages 18 to 44 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 2021
(All amounts in RMB millions)

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

The notes on pages 18 to 44 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021
(All amounts in RMB millions)

	NOTE	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	341,890	364,187
Right-of-use assets	15	35,385	37,960
Goodwill		2,771	2,771
Interest in associates		39,647	38,802
Interest in joint ventures		6,409	5,656
Deferred income tax assets	12	1,537	745
Contract assets		19	103
Contract costs		3,602	3,672
Financial assets measured at fair value	16	4,012	3,493
Other assets	18	15,134	14,591
		450,406	471,980
Current assets			
Inventories and consumables	19	2,748	1,951
Contract assets		544	823
Accounts receivable	20	24,117	16,287
Prepayments and other current assets	21	16,521	15,882
Amounts due from ultimate holding company	35	10,566	10,570
Amounts due from related parties	35	362	195
Amounts due from domestic carriers		4,254	3,665
Financial assets measured at fair value	16	33,439	24,189
Short-term bank deposits and restricted deposits	17	5,816	11,989
Cash and cash equivalents	22	22,494	23,085
		120,861	108,636
Total assets		571,267	580,616
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	23	254,056	254,056
Reserves		(18,491)	(18,821)
Retained profits			
— Proposed 2021 interim dividend	24	3,672	—
— Proposed 2020 final dividend	24	—	5,018
— Others		91,829	86,334
		331,066	326,587
Non-controlling interests		974	933
Total equity		332,040	327,520

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021
(All amounts in RMB millions)

	NOTE	30 June 2021	31 December 2020
LIABILITIES			
Non-current liabilities			
Long-term bank loans	25	1,996	2,482
Promissory notes	26	998	998
Corporate bonds	27	—	1,999
Lease liabilities		14,097	16,458
Deferred income tax liabilities	12	63	64
Deferred revenue		6,320	5,927
Amounts due to related parties	35	742	3,042
Other obligations		96	98
		24,312	31,068
Current liabilities			
Short-term bank loans	28	490	740
Commercial papers	29	2,000	7,000
Current portion of long-term bank loans	25	346	418
Current portion of corporate bonds	27	2,022	1,000
Lease liabilities		11,774	11,503
Accounts payable and accrued liabilities	30	126,965	134,437
Bills payable		8,258	5,482
Taxes payable		2,595	2,805
Amounts due to ultimate holding company	35	3,772	1,640
Amounts due to related parties	35	11,105	9,183
Amounts due to domestic carriers		2,486	2,291
Current portion of other obligations		2,556	2,529
Contract liabilities		40,201	42,641
Advances from customers		345	359
		214,915	222,028
Total liabilities		239,227	253,096
Total equity and liabilities		571,267	580,616
Net current liabilities		(94,054)	(113,392)
Total assets less current liabilities		356,352	358,588

The notes on pages 18 to 44 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 2021
(All amounts in RMB millions)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	General risk reserve	Investment revaluation reserve	Statutory reserves	Other reserves	Retained profits			
Balance at 1 January 2020	254,056	690	(7,956)	30,185	(41,722)	84,794	320,047	708	320,755
Total comprehensive income for the period	—	—	(965)	—	55	7,569	6,659	29	6,688
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	25	25
Share of an associate's other reserves	—	—	—	—	(7)	—	(7)	—	(7)
Dividends relating to 2019 (Note 24)	—	—	—	—	—	(4,529)	(4,529)	—	(4,529)
Capital contribution relating to share-based payment borne by A Share Company (as defined in Note 1) (Note 33)	—	—	—	—	221	—	221	—	221
Balance at 30 June 2020	254,056	690	(8,921)	30,185	(41,453)	87,834	322,391	762	323,153
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 (Note 24)	—	—	—	—	—	(5,018)	(5,018)	—	(5,018)
Capital contribution relating to share-based payment borne by A Share Company (Note 33)	—	—	—	—	78	—	78	—	78
Balance at 30 June 2021	254,056	850	(9,152)	31,431	(41,620)	95,501	331,066	974	332,040

The notes on pages 18 to 44 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 2021
(All amounts in RMB millions)

	Six months ended 30 June	
	2021	2020
Cash flows from operating activities		
Cash generated from operations	53,394	48,267
Income tax paid	(2,730)	(518)
Net cash inflow from operating activities	50,664	47,749
Cash flows from investing activities		
Purchase of property, plant and equipment and right-of-use assets	(30,011)	(25,356)
Other cash flows arising from investing activities	(3,110)	(19,822)
Net cash outflow from investing activities	(33,121)	(45,178)
Cash flows from financing activities		
Capital element of lease rentals paid	(5,702)	(5,159)
Dividend paid to equity shareholders of the Company	(5,018)	(5,447)
Other cash flows arising from financing activities	(7,378)	(566)
Net cash outflow from financing activities	(18,098)	(11,172)
Net decrease in cash and cash equivalents	(555)	(8,601)
Cash and cash equivalents, beginning of period	23,085	34,945
Effect of changes in foreign exchange rate	(36)	15
Cash and cash equivalents, end of period	22,494	26,359

The notes on pages 18 to 44 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

China Unicom (Hong Kong) Limited (the “Company”) was incorporated as a limited liability company in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) on 8 February 2000. The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are the provision of voice usage, broadband and mobile data services, data and internet application services, other value-added services, transmission lines usage and associated services and sales of telecommunications products in the PRC. The Company and its subsidiaries are hereinafter referred to as the “Group”. The address of the Company’s registered office is 75th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (“SEHK”) on 22 June 2000 and the American Depositary Shares (“ADs”) of the Company were listed on the New York Stock Exchange (“NYSE”) on 21 June 2000. The NYSE filed Form 25 with the United States Securities and Exchange Commission on 7 May 2021 and the delisting of the Company’s ADs has taken effective on 18 May 2021. The Company’s reporting obligation under the Securities Exchange Act of 1934, as amended was suspended since 28 May 2021.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard (“IAS”) 34, “Interim financial reporting” issued by the International Accounting Standards Board (“IASB”). IAS 34 is consistent with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accordingly these unaudited condensed consolidated interim financial statements are also prepared in accordance with HKAS 34.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 have not been audited, but has been reviewed by the Company’s Audit Committee. It has also been reviewed by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020. The Group’s policies on financial risk management, including management of market risk, credit risk and liquidity risk, as well as capital risk management, were set out in the financial statements included in the Company’s 2020 Annual Report and there have been no significant changes in any financial risk management policies for the six months ended 30 June 2021.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

The financial information relating to the year ended 31 December 2020 that is included in this unaudited condensed consolidated interim financial statements of 2021 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

(a) Going Concern Assumption

As at 30 June 2021, current liabilities of the Group exceeded current assets by approximately RMB94.1 billion (31 December 2020: approximately RMB113.4 billion). Considering the current economic conditions and taking into account of the Group's expected capital expenditures in the foreseeable future, management has comprehensively considered the Group's available sources of funds as follows:

- The Group's continuous net cash inflow from operating activities;
- Approximately RMB247.6 billion of revolving banking facilities of which approximately RMB235.4 billion was unutilised as at 30 June 2021; and
- Other available sources of financing from domestic banks and other financial institutions in view of the Group's good credit history.

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

4. SEGMENT INFORMATION

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

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(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 rate for basic telecommunications services is 9%, the VAT rate for value-added telecommunications services is 6% and the VAT rate for sales of telecommunications products is 13%. Basic telecommunications services include business activities for the provision of voice services, and transmission lines usage and associated services etc. Value-added telecommunications services include business activities for the provision of short message service and multimedia message service, broadband and mobile data services, and data and internet application services etc. VAT is excluded from the revenue.

Disaggregation of revenue by major services and products:

	Six months ended 30 June	
	2021	2020
Voice usage and monthly fees	11,247	11,441
Broadband and mobile data services	77,533	75,355
Data and internet application services	31,110	25,410
Other value-added services	11,508	10,111
Interconnection fees	6,266	5,808
Transmission lines usage and associated services	8,859	8,141
Other services	2,151	2,069
Total service revenue	148,674	138,335
Sales of telecommunications products	15,500	12,062
Total	164,174	150,397
Include: Revenue from contracts with customers within the scope of IFRS/HKFRS 15, “Revenue from Contracts with Customers”	163,583	149,896
Revenue from other sources	591	501

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

6. NETWORK, OPERATION AND SUPPORT EXPENSES

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

(i) During the six months ended 30 June 2021 and 2020, charges for use of network, premises, equipment and facilities mainly included the non-lease components charges and charges relating to short-term leases, leases of low-value assets and variable lease payments which are recorded in profit or loss as incurred.

(ii) During the six months ended 30 June 2021 and 2020, charges for use of tower assets included the non-lease components charges (maintenance service, certain ancillary facilities usage and other related support services charges) and variable lease payments which are recorded in profit or loss as incurred.

7. EMPLOYEE BENEFIT EXPENSES

	Note	Six months ended 30 June	
		2021	2020
Salaries and wages		24,198	22,116
Contributions to defined contribution pension schemes		3,602	2,537
Contributions to medical insurance		1,343	937
Contributions to housing fund		1,762	1,685
Other housing benefits		8	7
Share-based compensation	33	78	221
		30,991	27,503

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

8. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

	Six months ended 30 June	
	2021	2020
Handsets and other telecommunications products	14,559	11,501
Others	249	102
	14,808	11,603

9. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
Impairment losses under expected credit loss model, net of reversal	2,699	2,732
Write-down of inventories and impairment losses of other assets	203	240
Commission and other service expenses	11,568	10,330
Advertising and promotion expenses	1,061	1,013
Internet access terminal maintenance expenses	874	1,427
Customer retention costs	1,522	1,428
Property management fee	1,241	1,066
Office and administrative expenses	624	423
Transportation expense	645	638
Miscellaneous taxes and fees	662	670
Service technical support expenses	13,643	11,009
Repairs and maintenance expenses	250	242
Loss on disposal of property, plant and equipment	1,479	1,279
Others	2,061	2,028
	38,532	34,525

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

10. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
Finance costs:		
— Interest on bank loans repayable within 5 years	33	70
— Interest on corporate bonds, promissory notes and commercial papers repayable within 5 years	76	170
— Interest on lease liabilities	515	618
— Interest on related party loans repayable within 5 years	44	66
— Interest on bank loans repayable over 5 years	14	20
— Less: Amount capitalised in construction-in-progress (“CIP”)	(84)	(122)
Total interest expense	598	822
— Net exchange loss/(gain)	5	(9)
— Others	42	46
	645	859

11. OTHER INCOME — NET

	Six months ended 30 June	
	2021	2020
Dividend from financial assets measured at FVOCI (non-recycling)	101	98
Investment income from debt securities measured at FVOCI (recycling)	403	1
Fair value gains on financial assets measured at fair value through profit or loss (“FVPL”)	49	7
Government grants	177	155
Others	799	523
	1,529	784

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(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 2020: 16.5%) on the estimated assessable profits for the six months ended 30 June 2021. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2021 at the rates of taxation prevailing in the countries in which the Group operates. The Company's subsidiaries operate mainly in the PRC and the applicable statutory enterprise income tax rate is 25% (for the six months ended 30 June 2020: 25%). Taxation for certain subsidiaries in the PRC was calculated at a preferential tax rate of 15% (for the six months ended 30 June 2020: 15%).

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

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

	Notes	Six months ended 30 June	
		2021	2020
Profit before income tax		11,289	9,736
Expected income tax expense at PRC statutory tax rate of 25%		2,822	2,434
Impact of different tax rate outside Mainland China		(17)	(20)
Tax effect of preferential tax rate	(i)	(126)	(127)
Additional deduction for qualified research and development costs	(i)	(207)	(128)
Tax effect of non-deductible expenses		182	168
Tax effect of non-taxable income from share of net profit of joint ventures		(180)	(65)
Tax effect of non-taxable income from share of net profit of associates	(ii)	(243)	(149)
(Over)/under-provision in respect of prior years		(67)	15
Tax effect of unused tax losses not recognised, net of utilisation	(iii)	(83)	10
Actual tax expense		2,081	2,138

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

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 2020: 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 2020: 15%), and certain research and development costs of the Group's PRC subsidiaries are qualified for 75% (for the six months ended 30 June 2020: 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 2021, the Group did not recognise deferred tax assets of approximately RMB98 million (31 December 2020: approximately RMB181 million) in respect of tax losses amounting to approximately RMB392 million (31 December 2020: approximately RMB726 million), since it is not probable that future taxable profits will be available against which the deferred tax asset can be utilised. The tax losses can be carried forward for five years from the year incurred and hence will be expired by the year of 2026.

As at 30 June 2021, the Group did not recognise deferred tax assets of RMB2,380 million (31 December 2020: RMB2,448 million) in respect of changes in fair value on 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	
	2021	2020
Net deferred tax assets after offsetting:		
— Balance at 1 January 2021 and 2020	745	1,226
— Deferred tax credited to the statement of income	792	207
— Deferred tax credited to other comprehensive income	—	3
— Balance at 30 June 2021 and 2020	1,537	1,436
Net deferred tax liabilities after offsetting:		
— Balance at 1 January 2021 and 2020	(64)	(87)
— Deferred tax credited to the statement of income	3	—
— Deferred tax charged to other comprehensive income	(2)	—
— Balance at 30 June 2021 and 2020	(63)	(87)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

13. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2021 and 2020 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the periods.

Diluted earnings per share for the six months ended 30 June 2021 and 2020 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the periods, after adjusting for the effects of dilutive potential ordinary shares. No dilutive potential ordinary shares existed for the six months ended 30 June 2021 and 2020.

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June 2021					Total
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	
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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

15. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for use of buildings, telecommunications equipment and land use rights, and therefore recognised the additions to right-of-use assets of RMB3,986 million (for the six months ended 30 June 2020: RMB3,644 million).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	Notes	30 June 2021	31 December 2020
Non-current portion:			
Equity securities measured at FVOCI (non-recycling)	(i)	2,122	1,838
Financial assets measured at FVPL	(ii)	976	934
Debt securities measured at FVOCI (recycling)	(iii)	914	721
		4,012	3,493
Current portion:			
Financial assets measured at FVPL	(ii)	2,455	1,560
Debt securities measured at FVOCI (recycling)	(iii)	30,984	22,629
		33,439	24,189
		37,451	27,682

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

	Note	30 June 2021	31 December 2020
Listed in the PRC		125	114
Listed outside the PRC	31	1,945	1,672
Unlisted		52	52
		2,122	1,838

(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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

17. SHORT-TERM BANK DEPOSITS AND RESTRICTED DEPOSITS

		30 June 2021	31 December 2020
Short-term bank deposits		1,110	6,900
Restricted deposits		4,706	5,089
		5,816	11,989

18. OTHER ASSETS

	Note	30 June 2021	31 December 2020
Intangible assets		10,961	10,974
Prepaid services charges for transmission lines and electricity cables and other services		1,196	1,281
VAT recoverable	(i)	81	442
Others		2,896	1,894
		15,134	14,591

- (i) VAT recoverable includes input VAT and prepaid VAT which will likely be deducted beyond one year. VAT recoverable which will be deducted within one year are included in "Prepayments and other current assets". See Note 21(i).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

19. INVENTORIES AND CONSUMABLES

	30 June 2021	31 December 2020
Handsets and other telecommunications products	2,122	1,682
Consumables	23	1
Others	603	268
	2,748	1,951

20. ACCOUNTS RECEIVABLE

	30 June 2021	31 December 2020
Accounts receivable	36,420	26,009
Less: Expected credit loss allowance	(12,303)	(9,722)
	24,117	16,287

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

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

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

21. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	Note	30 June 2021	31 December 2020
Prepaid services charges for transmission lines and electricity cables and other services		3,534	3,549
Prepaid power and water charges		710	625
Deposits and prepayments		2,918	3,607
VAT recoverable	(i)	5,646	5,726
Prepaid enterprise income tax		40	12
Others		3,673	2,363
		16,521	15,882

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

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

As at 30 June 2021, there was no significant impairment for the prepayments and other current assets.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents refer to all cash on hand and 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.

23. SHARE CAPITAL

	Number of shares millions	Share capital
Issued and fully paid:		
At 1 January 2020, at 31 December 2020 and at 30 June 2021	30,598	254,056

24. DIVIDENDS

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

24. DIVIDENDS (Continued)

Pursuant to the PRC enterprise income tax law, a 10% withholding income tax is levied on dividends declared on or after 1 January 2008 by foreign investment enterprises to their foreign enterprise shareholders unless the enterprise investor is deemed as a PRC Tax Resident Enterprise (“TRE”). On 11 November 2010, the Company obtained an approval from State Administration of Taxation of the PRC, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 30 June 2021 and 31 December 2020, the Company’s subsidiaries in the PRC did not accrue for withholding tax on dividends distributed to the Company and there has been no deferred tax liability accrued in the Group’s unaudited condensed consolidated financial statements for the undistributed profits of the Company’s subsidiaries in the PRC.

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

25. LONG-TERM BANK LOANS

	Interest rates and final maturity	30 June 2021	31 December 2020
RMB denominated bank loans	Fixed interest rates ranging from 1.08% to 1.20% (31 December 2020: 1.08% to 1.20%) per annum with maturity through 2036 (31 December 2020: maturity through 2036)	2,135	2,678
USD denominated bank loans	Fixed interest rates ranging from Nil to 1.55% (31 December 2020: Nil to 1.55%) per annum with maturity through 2039 (31 December 2020: maturity through 2039)	191	204
Euro denominated bank loans	Fixed interest rates ranging from 1.10% to 2.50% (31 December 2020: 1.10% to 2.50%) per annum with maturity through 2034 (31 December 2020: maturity through 2034)	16	18
Sub-total		2,342	2,900
Less: Current portion		(346)	(418)
		1,996	2,482

As at 30 June 2021, long-term bank loans of approximately RMB43 million (31 December 2020: approximately RMB46 million) were guaranteed by third parties.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

25. LONG-TERM BANK LOANS (Continued)

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

	30 June 2021	31 December 2020
Balances due:		
— no later than one year	346	418
— later than one year and no later than two years	373	444
— later than two years and no later than five years	930	1,072
— later than five years	693	966
	2,342	2,900
Less: Portion classified as current liabilities	(346)	(418)
	1,996	2,482

26. PROMISSORY NOTES

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

27. CORPORATE BONDS

On 7 June 2016, the Group issued RMB1 billion 5-year corporate bond, bearing interest at 3.43% per annum, and was fully repaid in June 2021.

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

28. SHORT-TERM BANK LOANS

	Interest rates and final maturity	30 June 2021	31 December 2020
RMB denominated bank loans	Fixed interest rates at 1.85% (31 December 2020: 1.85%) per annum with maturity through 2022 (31 December 2020: maturity through 2021)	490	740

29. 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 and which carries interest at 1.89% per annum, and was 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 and which carries interest at 1.89% per annum, and was fully repaid in January 2021.

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 and which carries interest at 2.17% per annum, and was 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 and which carries interest at 2.80% per annum.

30. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2021	31 December 2020
Payables to contractors and equipment suppliers	60,072	73,046
Payables to telecommunications products suppliers	5,119	3,779
Customer/contractor deposits	5,286	5,723
Repair and maintenance expense payables	5,431	5,261
Salary and welfare payables	16,641	12,248
Amounts due to technical support services and other service providers/content providers	5,156	4,852
VAT received from customers in advance	3,038	2,746
Accrued expenses	19,021	17,186
Others	7,201	9,596
	126,965	134,437

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

30. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Continued)

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

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

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

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

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

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

As at 30 June 2021, the related financial assets measured at FVOCI amounted to approximately RMB1,945 million (31 December 2020: approximately RMB1,672 million). For the six months ended 30 June 2021, the increase in fair value of the financial assets measured at FVOCI was approximately RMB273 million (for the six months ended 30 June 2020: decrease of approximately RMB954 million), has been recorded in the unaudited condensed consolidated statement of comprehensive income.

32. EQUITY-SETTLED SHARE OPTION SCHEMES

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

No options outstanding as at 30 June 2021 and 2020.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

33. RESTRICTED A-SHARE INCENTIVE SCHEME

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

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

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

Pursuant to the Restricted A-Share Incentive Scheme, the second Lock-Up Period of approximately 3 years for the first batch granted Restricted Shares as well as the first Lock-Up Period of approximately 2 years for the second batch granted Restricted Shares have expired in April 2021. With the fulfilment of the vesting conditions, Restricted Shares of 218,379,125 were approved for unlocking after Lock-Up Period by the Board of Directors of A Share Company during the current period.

For the six months ended 30 June 2021, Restricted Shares of 3,742,200 were forfeited and repurchased (for the six months ended 30 June 2020: Restricted Shares of 8,198,000).

For the six months ended 30 June 2021, the Group recognised share-based payment expenses and other reserve of RMB78 million during the period under the Restricted A-Share Incentive Scheme (for the six month ended 30 June 2020: RMB221 million).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

34. FAIR VALUE ESTIMATION

Financial assets of the Group mainly include cash and cash equivalents, short-term bank deposits and restricted deposits, accounts receivable, 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. Financial liabilities of the Group mainly include short-term bank loans, financial liabilities included in accounts payable and accrued liabilities, 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 at 30 June 2021:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Equity securities measured at FVOCI (non-recycling)	2,070	—	52	2,122
Financial assets measured at FVPL	2,481	—	950	3,431
Debt securities measured at FVOCI (recycling)	31,898	—	—	31,898
Total	36,449	—	1,002	37,451

The following table presents the Group's assets that are measured at fair value at 31 December 2020:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Equity securities measured at FVOCI (non-recycling)	1,786	—	52	1,838
Financial assets measured at FVPL	1,465	100	929	2,494
Debt securities measured at FVOCI (recycling)	23,350	—	—	23,350
Total	26,601	100	981	27,682

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

34. FAIR VALUE ESTIMATION (Continued)

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the 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 2021 and 2020, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair value of financial 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 2021 and 31 December 2020 due to the nature or short maturity of those instruments.

	Carrying	Fair value as	Fair value measurements as at			Carrying	Fair value
	amounts as	at 30 June	30 June 2021 categorised into			amounts as at	as at
	at 30 June	at 30 June	Level 1	Level 2	Level 3	31 December	31 December
	2021	2021				2020	2020
Non-current portion of long-term bank loans	1,996	2,060	—	2,060	—	2,482	2,552
Non-current portion of promissory notes	998	1,019	1,019	—	—	998	1,005
Non-current portion of corporate bonds	—	—	—	—	—	1,999	2,050

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 2020: 0.57% to 4.35%) per annum. The fair value of promissory notes are based on the quoted price in the interbank trading market.

35. MATERIAL RELATED PARTY TRANSACTIONS

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

35. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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.

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

35.1 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	
		2021	2020
Transactions with Unicom Group and its subsidiaries:			
Charges for value-added telecommunications services	(i)	55	55
Rental charges for short-term property leasing and related services charges	(i)	485	492
Charges for short-term lease of telecommunications resources and related services	(i)	143	133
Charges for engineering design and construction services	(i)	878	539
Charges for shared services	(i)	41	39
Charges for materials procurement services	(i)	6	9
Charges for ancillary telecommunications services	(i)	1,259	1,371
Charges for comprehensive support services	(i)	444	404
Income from comprehensive support services	(i)	32	35
Lending by Unicom Group Finance Company Limited ("Finance Company") to Unicom Group	(i)	8,100	14,100
Repayment of loans lending by Finance Company to Unicom Group	(i)	8,100	11,304
Interest income from lending services	(i)	168	191

- (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 no changes on the annual caps amount.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

35. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

Amount due from Unicom Group as at 30 June 2021 included loans from Finance Company to Unicom Group of RMB10,500 million in total with respective floating interest rate of Loan Prime Rate (“LPR”) published by the National Interbank Funding Center (“NIFC”) (31 December 2020: RMB10,500 million with floating interest rate of LPR published by the NIFC).

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

35.2 Related party transactions with Tower Company

(a) Related Party transactions

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

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

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

In connection with the use of telecommunications towers and related assets, the minimum amount of lease payments payable by the Group under the terms of the arrangement had resulted in recognition of lease liabilities with the balance of RMB15,781 million, and right-of-use assets with the balance of RMB14,398 million as at 30 June 2021 (31 December 2020: RMB17,837 million and RMB17,005 million, respectively). For the six months ended 30 June 2021, the Group recorded depreciation of right-of-use asset of RMB3,701 million (for the six months ended 30 June 2020: RMB3,501 million), interest expense of RMB313 million (for the six months ended 30 June 2020: RMB403 million), and variable lease payments and other related service charges of RMB5,429 million (for the six months ended 30 June 2020: RMB5,452 million) in its unaudited condensed consolidated statement of income.

The total contractual amounts of lease payments and service charges incurred by the Group under the Agreement and supplementary provisions with Tower Company for the six months ended 30 June 2021 were RMB9,488 million (for the six months ended 30 June 2020: RMB9,295 million). The related payable balance to Tower Company excluding lease liabilities included in the balance of amounts due to related parties as at 30 June 2021 was RMB4,236 million (31 December 2020: RMB3,893 million).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

35. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

35.2 Related party transactions with Tower Company (Continued)

(a) Related Party transactions (Continued)

(ii) Income from engineering design and construction services

The Group provide engineering design and construction services, including system integration and engineering design services to Tower Company. Income for the six months ended 30 June 2021 was RMB173 million (for the six months ended 30 June 2020: RMB151 million).

Amounts due from and to Tower Company are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business in respect of transactions with Tower Company as described above.

35.3 Other related party transactions with Unicom Group and its subsidiaries

(a) Related party transactions

	Notes	Six months ended 30 June	
		2021	2020
Transactions with Unicom Group and its subsidiaries:			
Interest expenses on unsecured entrusted loan	(i)	44	66
Lending of loan	(i)	208	—
Repayment of loan	(i)	2,385	—
Net deposits with Finance Company	(ii)	1,267	3,223
Interest expenses on the deposits in Finance Company	(ii)	31	34

(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 for the six months ended 30 June 2021.

On 21 May 2021, the Group borrowed an unsecured entrusted loan from Unicom Group BVI of HKD250 million (equivalent to RMB208 million) with floating interest rate at six-month HIBOR plus 0.9%. The Group partially repaid this loan amounting to HKD103 million (equivalent to RMB85 million) for the six months ended 30 June 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts in RMB millions unless otherwise stated)

35. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

35.3 Other related party transactions with Unicom Group and its subsidiaries (Continued)

(b) Amounts due to Unicom Group and its subsidiaries

Amount due to Unicom Group and its subsidiaries as at 30 June 2021 included a balance of deposits received by Finance Company from Unicom Group and its subsidiaries of RMB6,379 million with interest rates ranging from 0.42% to 2.75% per annum for saving and fixed deposits of different terms (31 December 2020: RMB5,112 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 2021 included: 1) a balance of unsecured entrusted loan from A Share Company of RMB742 million with a maturity period of 5 years and interest rate at 4.28% per annum (31 December 2020: RMB3,042 million with a maturity period of 5 years and interest rate at 4.28% per annum); 2) a balance of unsecured entrusted loan from Unicom Group BVI of HKD147 million (equivalent to RMB123 million) (31 December 2020: Nil) with floating interest rate at six-month HIBOR plus 0.9%.

36. CONTINGENCIES AND COMMITMENTS

36.1 Capital commitments

As at 30 June 2021 and 31 December 2020, the Group had capital commitments, mainly in relation to the construction of telecommunications network, as follows:

	30 June 2021			31 December 2020
	Property	Equipment	Total	Total
Authorised and contracted for	2,092	26,718	28,810	26,082
Authorised but not contracted for	7,403	23,577	30,980	47,801
	9,495	50,295	59,790	73,883

36.2 Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities and no material financial guarantees issued.

37. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Board of Directors declared an interim dividend. For details, please refer to Note 24.

38. APPROVAL OF FINANCIAL STATEMENTS

This unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 19 August 2021.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Deloitte.

德勤

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

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 12 to 44, which comprise the unaudited condensed consolidated statement of financial position as of 30 June 2021 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 either International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board or Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants, depending on whether the issuer’s annual financial statements are prepared in accordance with International Financial Reporting Standards (“IFRSs”) or Hong Kong Financial Reporting Standards (“HKFRSs”) respectively. As the annual financial statements of the Group are prepared in accordance with both IFRSs and HKFRSs, the directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with both IAS 34 and 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 Hong Kong Institute of Certified Public Accountants. 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 IAS 34 and HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 August 2021

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 2021.

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

During the six months ended and as at 30 June 2021, 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 2021, 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:

<u>Name of Director</u>	<u>Capacity</u>	<u>Ordinary Shares Held</u>	<u>Percentage of Issued Shares</u>
Chung Shui Ming Timpson	Beneficial owner (Personal)	6,000	0.00%

Save as disclosed in the foregoing, as at 30 June 2021, 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 2021, 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 2021, 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:

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 2021, 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 23 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 2021, 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 2020 annual report are set out below:

- Mr. Li Fushen has resigned as an Executive Director of the Company.
- Mr. Zhu Kebing has resigned as the Executive Director and Chief Financial Officer of the Company.
- Mr. Fan Yunjun has resigned as the Executive Director and Senior Vice President of the Company.
- Mr. Chung Shui Ming Timpson no longer served as an Independent Non-executive Director of Glorious Sun Enterprises 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).

USE OF PROCEEDS FROM ISSUE OF NEW SHARES

As part of the mixed ownership reform plan, on 22 August 2017, the Company and Unicom BVI entered into a share subscription agreement. The completion of allotment and issuance of the subscription shares took place on 28 November 2017. Pursuant to the share subscription agreement, 6,651,043,262 new ordinary shares of the Company have been issued for a cash consideration of HKD13.24 per share to Unicom BVI and the gross proceeds amounted to HKD88,059.81 million (equivalent to approximately RMB74,953.87 million) and the net issue price amounted to HKD13.24 each. The closing price was HKD12.04 per share as quoted on the Hong Kong Stock Exchange as at the date of the share subscription agreement. Details of such issue have been disclosed in the circular dated 28 August 2017.

As disclosed in our 2020 Annual Report, the actual amounts of proceeds utilised up to 31 December 2020 was approximately RMB74.58 billion and remaining proceeds as at 31 December 2020 was approximately RMB0.38 billion. Such remaining proceeds would be utilised in technology validation and enablement and launch of trial programs in relation to the 5G network. The Company utilised the proceeds according to the above-mentioned plan during the period of 1 January 2021 to 30 June 2021. As at 30 June 2021, the Company did not have proceeds that remained unused.

EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses as disclosed in note 7 to the unaudited condensed consolidated interim financial statements included salaries and wages, benefit and pension schemes etc.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees in Mainland China. The Group is required to make contributions to the retirement plans at certain percentage of the employees' payroll. For the six months ended 30 June 2021 and the year ended 31 December 2020, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

In addition to participating in local governmental defined contribution social insurance, certain subsidiaries of the Group also provide other post retirement supplementary benefits to their employees, including supplementary pension allowance, reimbursement of medical expenses and supplementary medical insurance. These post retirement supplementary benefits are accounted as defined benefit plan. The Group's obligation for this benefit plan is calculated using actuarial method (according to the projected unit credit method) and recognised as liability. As at 30 June 2021, the amount of liability for the defined benefit plan was RMB76 million (31 December 2020: RMB75 million). Actuarial assumptions mainly include discount rate and future mortality etc. This defined benefit plan does not have any plan assets. The Group plans to appoint an independent actuary to carry out actuarial valuation for the defined benefit plan as at 31 December 2021.

AUDIT COMMITTEE

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The 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 Appendix 14 of the Listing Rules for the six months ended 30 June 2021 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 2021. The Company considers that, as all major decisions are made by the Board and relevant Board Committees after discussion, through supervision by the Board and the independent non-executive Directors together with effective internal control mechanism, the Company has achieved a balance of power and authority. In addition, the same individual performing the roles of the Chairman and the Chief Executive Officer can enhance the Company's efficiency in decision-making and execution, effectively capturing business opportunities.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2021.

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 2020 annual report.

CLOSURE OF REGISTER OF MEMBERS

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

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

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

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

OTHER INFORMATION

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

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

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

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

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

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



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