

To: Business/Finance Editors

CHINA UNICOM ANNOUNCES 2020 ANNUAL RESULTS

Highlights :

- **Enhanced growth quality and profitability sustainably through active transformation and in-depth mixed-ownership reform**
- **Further delivered success in transformation and innovative development of mobile business**
- **Successfully achieved 5G network “co-build co-share”, effectively enhancing edges and returns**
- **Innovative businesses continued to grow robustly with huge value embedded**
- **Strive to enhance shareholders’ returns and leverage robust business growth to mitigate the pressure from the US Executive Order**
- **To seize new opportunities of the industry and endeavour to achieve high-quality development**

Highlights (RMB millions)	2019	2020	Change YoY
Operating Revenue	290,515	303,838	4.6%
Service Revenue¹	264,386	275,814	4.3%
of which: Industry Internet Revenue	32,860	42,726	30.0%
EBITDA²	94,358	94,139	-0.2%
<i>EBITDA as % of Service Revenue</i>	35.7%	34.1%	-1.6pp
Net Profit³	11,330	12,492	10.3%
Basic EPS (RMB)	0.370	0.408	10.3%
Final Dividend Per Share (RMB)⁴	0.148	0.164	10.8%

Hong Kong, 11 March 2021 – China Unicom (Hong Kong) Limited and its subsidiaries (“China Unicom” or “the Company” and “the Group”) (HKEx: 0762) is pleased to announce today its 2020 annual results.

¹ Service revenue = operating revenue – sales of telecommunications products.

² EBITDA = profit for the year before finance costs, interest income, shares of net profit of associates, share of net profit of joint ventures, other income - net, income tax, depreciation & amortisation.

³ Net profit represented profit attributable to equity shareholders of the Company.

⁴ The proposed 2020 final dividend of RMB0.164 per share is subject to approval by the shareholders at the annual general meeting.

In 2020, in the face of the challenges from the complicated internal and external environment, the Company actively supported the pandemic prevention and control, firmly implemented the strategy of focus, innovation and cooperation, and accelerated the comprehensive digital transformation. It endeavoured to optimise the ecology of the industry, and achieved remarkable results in the network “co-build and co-share”, achieving growing momentum in operation and development. It further unleashed the power of the mixed-ownership reform and continued to make solid strides on high-quality development.

In 2020, the Company registered service revenue of RMB275.8 billion, representing an increase of 4.3% year-on-year, outperforming the industry average of 3.6% while the speed of development continued to lead the industry. The Company’s profitability was steadily improved while quality and efficiency were remarkably enhanced. Profit before income tax amounted to RMB16.0 billion and profit attributable to equity shareholders of the Company amounted to RMB12.5 billion, representing a year-on-year increase of 10.3%. EBITDA amounted to RMB94.1 billion. The Company deeply implemented the new development philosophy and adhered to win-win cooperation. It fully implemented “co-build and co-share” of 5G network, further improving the cost efficiency. During the year, with effective control of the investment pace, the capital expenditure amounted to RMB67.6 billion. Free cash flow⁵ remained strong, reaching RMB37.9 billion. The Company’s financial position was further strengthened and solidified.

The Company attached great importance to shareholders’ returns. With due regard to the Company’s profitability, debt and cash flow level and capital requirements for future development, etc., the Board of Directors recommended the payment of a final dividend of RMB0.164 per share, as compared to a dividend of RMB0.148 per share for 2019. Going forward, the Company will continue to strive to enhance its profitability and shareholders’ returns.

Mr. Wang Xiaochu, Chairman and CEO of China Unicom commented, “Facing the complicated changes in the internal and external environment and the pandemic repeatedly brought challenges to the Company’s operations, the Company seized the opportunities of development, turned adversity into opportunities, achieving effective pandemic prevention and control with orderly production and operation. In future, the Company will firmly grasp the key opportunities for the scale development of 5G, continue to deeply implement the strategy of focus, innovation and cooperation, accelerate the comprehensive digital transformation and focus on shaping the “Five-high” new development edges with high-quality service, high-quality development, highly effective governance, high-tech engine and high-vitality operation. The Company will also adhere to win-win cooperation, actively drive innovation, ignite organisational vibrancy and continuously promote development transformation and upgrade. It will comprehensively improve quality of growth and operational efficiency, in order to create greater value for shareholders, customers and society.”

⁵ 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.

Persistent in value-oriented operation to further improve the development quality of mobile business

In 2020, the Company actively participated in creating positive industry dynamics, advocating rational competition and sustainable development, and shifting focus from subscriber scale development to subscriber quality and value enhancement. The Company continued its effort in building digital operating system of marketing and servicing while strengthening Big Data empowerment to drive smart and targeted scenario marketing. Our value-oriented operation delivered fruitful results, as the growth momentum of mobile business further emerged. The mobile service revenue and the billing subscriber ARPU grew sequentially for three consecutive quarters. In 2020, the Company's mobile service revenue rebounded and reached RMB156.7 billion. The mobile billing subscribers ARPU reached RMB42.1, up by 4.1% year-on-year. Mobile handset data traffic volume grew by 16.5% year-on-year, while the monthly average DOU per handset subscriber reached approximately 9.7 GB. Selling and marketing expenses further decreased, achieving steady pace in quality improvement transformation and the continuous improvement of profitability.

Seizing the window of opportunity to achieve scale breakthrough in 5G business

2020 was the first year for scale development of 5G. The Company seized the opportunities and carried through value-oriented operation and service experience excellence to promote the scale development of 5G business. In consumer market, the Company deployed Big Data analytics for customer segmentation with precise strategy. It promoted online and offline integrated and multi-dimensional scenario target marketing for 5G business. In the government and enterprise market, focusing on areas such as industrial Internet, smart city, medical healthcare and others, the Company successfully built a number of 5G lighthouse projects and achieved 5G commercialisation in 2B (To Business) setting. In 2020, the Company's 5G package subscribers reached 70.83 million, and the penetration rate of 5G package subscribers reached 23%, which was above industry average of 20%. As 5G network coverage further improves, applications featured by VR/AR games and high-definition 4K/8K video continue to enrich and the terminal penetration continues to increase, the Company will strive to promote the continuous rapid growth of 5G subscribers and effectively drive the sustainable and healthy development of mobile business.

Adopting customised strategy based on the geographical features to maintain steady growth of broadband business

During the year, leveraging the differentiated advantages of broadband quality and content, the Company firmly grasped the valuable opportunities of rising demand in remote office, online education among others during the pandemic and strengthened integrated operations, achieving steady growth in the fixed-line broadband services. In 2020, the Company's fixed-line broadband access revenue amounted to RMB42.6 billion, representing an increase of 2.4% year-on-year. Fixed-line broadband subscribers registered a net addition of 2.62 million, reaching a total of 86.10

million subscribers. The penetration rate of the integrated service among fixed-line broadband subscribers reached 64%, representing a year-on-year increase of 5 percentage points.

Steadily enhancing proprietary capabilities to consolidate the foundation for innovative business development

The Company firmly seized the development opportunities of digital industrialisation and industrial digitisation. It actively supported the pandemic prevention and control as well as the resumption of work, production and schooling, with its innovative cloud service models and digital pandemic prevention effort being widely recognised. Focusing on key areas such as smart city, digital government and industrial Internet, the Company promoted the integrated marketing model of “cloud + smart networks + smart applications” to thoroughly develop application products in key industries. In 2020, the Company’s revenue from industry Internet business increased by 30.0% year-on-year to RMB42.7 billion, as a percentage of the overall service revenue increased to 15.5%. Driven by the sound growth of innovative business and fixed-line broadband business, the Company’s fixed-line service revenue reached RMB116.9 billion, up by 10.6% year-on-year.

Comprehensive promotion of “co-build and co-share” of 5G network continuously improved return

The Company executed the new development philosophy, implemented the new infrastructure requirements and built the world’s first and largest “co-build and co-share” 5G network with China Telecom, with the total scale of 5G base stations of 380,000, achieving the coverage scale basically equivalent to that of the leading operator for the first time in history. The “co-build and co-share” initiative resulted in a cumulative saving of network investment of over RMB76.0 billion for both parties. It also significantly reduced network operating costs and greatly shortened the network deployment cycle. In 2020, the Company achieved a scale breakthrough in 4G networks “co-build and co-share” with China Telecom by adding 170,000 “co-build and co-share” 4G base stations and saved a total of RMB9.0 billion for both parties in network investment. The Company actively promoted the co-build of optical cables and the co-share of fiber core and cloud infrastructure, significantly improving the network utilisation and efficiency.

Achievements and benefits of mixed-ownership reform further emerged and consolidated

The Company continued to explore new governance based on mixed-ownership reform and its own resources and edges. It accelerated the promotion of comprehensive digital transformation, introduced the superior resources advantages of strategic investors and partners in the course of its development, consolidating the foundation for mixed-ownership reform and transformation. During the year, the cooperation of the Company with the eco-system progressed steadily. The joint ventures such as Yunlizhahui, Yunjingwenlv, Yundi, Yundun and Smart Steps continued to promote product research and development and iteration upgrade to boost market expansion, significantly increasing the Company’s product capabilities and market shares in areas such as smart city, tourism, industrial Internet, network security and demographic Big Data. The Company



also actively deployed new tracks by establishing several strategic cooperation centers and joint laboratories with Baidu, Alibaba and JD to explore 5G application scenarios with artificial intelligence, edge computing and network slicing, etc., creating differentiated competitive advantages brought by resources edges of strategic investors of mixed-ownership reform.

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Certain statements contained in this press release may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended). Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, we do not intend to update these forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company’s most recent Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filings with the SEC.

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