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## **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 25 November 2016 in relation to the continuing connected transactions under the 2016 Comprehensive Services Agreement between CUCL and Unicom Group, pursuant to which, CUCL or its subsidiaries have agreed to provide, among others, the financial service - lending and other credit services to Unicom Group and the caps of such services, being the daily lending and other credit services balance (including accrued interests), in each of the two years ending 31 December 2018 and 2019 shall not exceed RMB6,300 million. The lending interest rate will follow the interest rate standard promulgated by the People's Bank of China, and will be no less than the minimum interest rate offered by CUCL or its subsidiaries to other clients for the same type of loan, and the applicable interest rate offered to Unicom Group by the general commercial banks for the same type of loan.

With the continuous expansion of CUCL's operating scale and the continuous improvement of its centralised capital management capabilities, it is expected that CUCL's operating revenue and cash deposits will continue to increase in the next two years. As the actual amount of the above transaction is close to the existing cap, in order to further satisfy the capital management needs of CUCL, enhance the capital efficiency and increase interest income, CUCL and Unicom Group have entered into the Supplemental Agreement on 15 August 2018 to revise the caps, being the daily lending and other credit services balance (including accrued interests), for the financial service - lending and other credit services included in the 2016 Comprehensive Services Agreement in each of the two years ending 31 December 2018 and 2019 to RMB11,000 million (equivalent to HK\$12,639 million). Save as disclosed above, all terms and conditions under the 2016 Comprehensive Services Agreement remain unchanged and valid.

The Board (including the independent non-executive Directors but excluding the executive Directors who have voluntarily abstained from voting) is of the view that the Supplemental Agreement and any transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and the terms of the Supplemental Agreement are on normal commercial terms or better. The terms of the Supplemental Agreement and the applicable revised annual caps are all fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Unicom Group is the ultimate parent company of the Company and, as at the date of this announcement, indirectly controls approximately 79.9% of the issued share capital of the Company through its shareholdings in Unicom BVI and Unicom Group BVI, which directly hold 53.5% and 26.4% of the issued share capital of the Company, respectively. As CUCL is a member of the Group and Unicom Group is a connected person of the Company, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the revised caps of the lending and other credit services (calculated using the daily lending and other credit services balance (including accrued interest)) exceeds 0.1% but is less than 5%, the provision of the lending and other credit services is subject to the reporting, announcement and annual review requirements under Rule 14A.76(2) of the Listing Rules but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **1. BACKGROUND**

Reference is made to the announcement of the Company dated 25 November 2016 in relation to the continuing connected transactions under the 2016 Comprehensive Services Agreement between CUCL and Unicom Group.

## **2. SUPPLEMENTAL AGREEMENT AND REVISION OF THE CAPS**

Pursuant to the 2016 Comprehensive Services Agreement, CUCL or its subsidiaries have agreed to provide, among others, the financial service - lending and other credit services to Unicom Group and the caps of such services, being the daily lending and other credit services balance (including accrued interests), in each of the two years ending 31 December 2018 and 2019 shall not exceed RMB6,300 million.

The lending interest rate will follow the interest rate standard promulgated by the People's Bank of China, and will be no less than the minimum interest rate offered by CUCL or its subsidiaries to other clients for the same type of loan, and the applicable interest rate offered to Unicom Group by the general commercial banks for the same type of loan.

CUCL and Unicom Group have entered into the supplemental agreement on 15 August 2018 (the "**Supplemental Agreement**") to revise the caps, being the daily lending and other credit services balance (including accrued interests), for the financial service - lending and other credit services offered to Unicom Group by CUCL or its subsidiaries in each of the two years ending 31 December 2018 and 2019 to RMB11,000 million (equivalent to HK\$12,639 million). Save as disclosed above, all terms and conditions under the 2016 Comprehensive Services Agreement remain unchanged and valid.

### **3. REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT**

For the year ended 31 December 2017 and the six months ended 30 June 2018, the maximum daily lending and other credit services balance (including accrued interests) for the financial service - lending and other credit services offered to Unicom Group by CUCL or its subsidiaries under the 2016 Comprehensive Services Agreement were RMB704 million (equivalent to HK\$809 million) and RMB4,174 million (equivalent to HK\$4,796 million), respectively. As at the date of this announcement, the daily lending and other credit services balance (including accrued interests) for the financial service - lending and other credit services offered to Unicom Group by CUCL or its subsidiaries under 2016 Comprehensive Services Agreement has not exceeded the pre-determined caps.

With the continuous expansion of CUCL's operating scale and the continuous improvement of its centralised capital management capabilities, it is expected that CUCL's operating revenue and cash deposits will continue to increase in the next two years. As the actual amount of the above transaction is close to the existing cap, in order to further satisfy the capital management needs of CUCL, enhance the capital efficiency and increase interest income, the Board decided to revise the caps, being the daily lending and other credit services balance (including accrued interests), for the financial service - lending and other credit services offered to Unicom Group by CUCL or its subsidiaries in each of the two years ending 31 December 2018 and 2019 to RMB11,000 million (equivalent to HK\$12,639 million).

When determining the above revised caps, the Board has considered (i) the daily lending and other credit services balance (including accrued interests) offered to Unicom Group by CUCL or its subsidiaries for the year ended 31 December 2017 and from 1 January 2018 to the date of this announcement; (ii) the Group's expected financial position and cash flow in future and (iii) the expected demand for the lending services of Unicom Group.

### **4. CONNECTION BETWEEN THE PARTIES AND HONG KONG LISTING RULES IMPLICATION**

Unicom Group is the ultimate parent company of the Company and, as at the date of this announcement, indirectly controls approximately 79.9% of the issued share capital of the Company through its shareholdings in Unicom BVI and Unicom Group BVI, which directly hold 53.5% and 26.4% of the issued share capital of the Company, respectively. As CUCL is a member of the Group and Unicom Group is a connected person of the Company, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the revised caps of the lending and other credit services (calculated using the daily lending and other credit services balance (including accrued interest)) exceeds 0.1% but is less than 5%, the provision of the lending and other credit services is subject to the reporting, announcement and annual review requirements under Rule 14A.76(2) of the Listing Rules but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 5. OPINION OF THE DIRECTORS

The Board has passed resolution to approve the Supplemental Agreement and the revision of annual caps for the continuing connected transactions. The executive Directors, being Mr. Wang Xiaochu, Mr. Li Fushen and Mr. Shao Guanglu, who also hold executive positions with Unicom Group, have voluntarily abstained from voting on the relevant resolution of the Board. Other directors do not have material interest in such transactions contemplated under the Supplemental Agreement nor have abstained from voting in respect of the relevant Board resolution.

The Board (including the independent non-executive Directors but excluding the executive Directors who have voluntarily abstained from voting) is of the view that the Supplemental Agreement and any transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and the terms of the Supplemental Agreement are on normal commercial terms or better. The terms of the Supplemental Agreement and the applicable revised annual caps are all fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## 6. GENERAL INFORMATION

The Company was incorporated in Hong Kong on 8 February 2000. CUCL is a limited liability company incorporated on 21 April 2000 under the laws of the PRC and is a wholly-owned subsidiary of the Company. Through CUCL and its other subsidiaries, the Company provides a full range of telecommunications services in the PRC, including mobile broadband (LTE FDD, TD-LTE, WCDMA), fixed-line broadband, GSM, fixed-line local access, ICT, data communications and other related value-added services.

Unicom Group is a state-owned enterprise incorporated under the laws of the PRC and is the ultimate parent company of the Company. Unicom Group is principally engaged in telecommunications and related businesses in the PRC, including providing fixed-lined telephone, mobile, broadband and Internet-based services across the PRC.

## 7. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the meanings set out below:

“2016 Comprehensive Services Agreement” the Comprehensive Services Agreement dated 25 November 2016 entered into by CUCL and Unicom Group, pursuant to which, CUCL and Unicom Group agreed to provide services to each other or by one to the other, including (i) telecommunications resources leasing; (ii) property leasing; (iii) value-added telecommunications services; (iv) materials procurement services; (v) engineering design and construction services; (vi) ancillary telecommunications services; (vii) comprehensive support services; (viii) shared services; and (ix) financial services

“Board” the board of directors of the Company

“Company” 中國聯合網絡通信(香港)股份有限公司 (China Unicom (Hong Kong) Limited), a company incorporated under the laws of Hong Kong with limited liability and whose Shares and ADSs are listed on the Hong Kong Stock Exchange and the New York Stock Exchange, respectively

“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“CUCL”	中國聯合網絡通信有限公司 (China United Network Communications Corporation Limited), a foreign-invested enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Unicom BVI”	China Unicom (BVI) Limited, a company incorporated under the laws of the British Virgin Islands in which Unicom Group holds a 17.90% equity interest and 中國聯合網絡通信股份有限公司 (China United Network Communications Limited) holds a 82.10% equity interest as at the date of the announcement, and an immediate controlling shareholder of the Company
“Unicom Group”	中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited), a state-owned enterprise established under the laws of the PRC and the ultimate parent company of the Company

“Unicom Group BVI”

China Unicom Group Corporation (BVI) Limited, a company incorporated in the British Virgin Islands in which Unicom Group holds a 100% equity interest, and an immediate controlling shareholder of the Company

This announcement contains translations between Renminbi and Hong Kong dollar amounts at RMB0.8703 = HK\$1. The translations should not be taken as a representation that the Renminbi could actually be converted into Hong Kong dollars at that rate or at all.

By Order of the Board  
**CHINA UNICOM (HONG KONG) LIMITED**  
**YUNG SHUN LOY JACKY**  
*Company Secretary*

Hong Kong, 15 August 2018

#### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this announcement 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 and other filings with the U.S. Securities and Exchange Commission.

#### **As at the date of this announcement, the board of directors of the Company comprises:**

Executive Directors:	Wang Xiaochu, Li Fushen and Shao Guanglu
Non-executive Director:	Cesareo Alierta Izuel
Independent Non-executive Directors:	Cheung Wing Lam Linus, Wong Wai Ming, Chung Shui Ming Timpson and Law Fan Chiu Fun Fanny