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CHINA UNICOM (HONG KONG) LIMITED
中國聯合網絡通信（香港）股份有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 0762)

ANNOUNCEMENT

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2012.

GROUP RESULTS

China Unicom (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2012.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi (“RMB”) millions)

31 March 2012 31 December 2011

ASSETS

Non-current assets

| | | |
|--|----------------|----------------|
| Property, plant and equipment | 370,869 | 381,859 |
| Lease prepayments | 7,621 | 7,657 |
| Goodwill | 2,771 | 2,771 |
| Deferred income tax assets | 5,886 | 5,091 |
| Financial assets at fair value through other comprehensive income | 6,574 | 6,951 |
| Other assets | <u>13,097</u> | <u>13,101</u> |
| | <u>406,818</u> | <u>417,430</u> |

Current assets

| | | |
|--------------------------------------|---------------|---------------|
| Inventories and consumables | 6,402 | 4,651 |
| Accounts receivable | 12,801 | 11,412 |
| Prepayments and other current assets | 6,349 | 6,127 |
| Amounts due from related parties | 22 | 22 |
| Amounts due from domestic carriers | 887 | 1,181 |
| Short-term bank deposits | 186 | 304 |
| Cash and cash equivalents | <u>17,942</u> | <u>15,106</u> |
| | <u>44,589</u> | <u>38,803</u> |

Total assets

451,407 456,233

EQUITY

Equity attributable to owners of the parent

| | | |
|--------------------------------|---------------|---------------|
| Share capital | 2,311 | 2,311 |
| Share premium | 173,472 | 173,472 |
| Reserves | (20,299) | (20,016) |
| Retained profits | | |
| - Proposed 2011 final dividend | 2,356 | 2,356 |
| - Others | <u>48,782</u> | <u>47,775</u> |

Total equity

206,622 205,898

31 March 2012 31 December 2011

LIABILITIES

Non-current liabilities

| | | |
|---------------------------------|---------------|---------------|
| Long-term bank loans | 1,380 | 1,384 |
| Promissory notes | 15,000 | 15,000 |
| Convertible bonds | 11,159 | 11,118 |
| Corporate bonds | 7,000 | 7,000 |
| Deferred income tax liabilities | 18 | 17 |
| Deferred revenue | 1,735 | 1,801 |
| Other obligations | <u>223</u> | <u>88</u> |
| | <u>36,515</u> | <u>36,408</u> |

Current liabilities

| | | |
|--|----------------|----------------|
| Accounts payable and accrued liabilities | 85,287 | 95,252 |
| Taxes payable | 1,229 | 1,232 |
| Amounts due to ultimate holding company | 303 | 342 |
| Amounts due to related parties | 4,945 | 5,707 |
| Amounts due to domestic carriers | 1,226 | 1,344 |
| Commercial papers | 38,000 | 38,000 |
| Short-term bank loans | 34,910 | 32,322 |
| Current portion of long-term bank loans | 52 | 50 |
| Dividend payable | 488 | 488 |
| Current portion of deferred revenue | 850 | 882 |
| Current portion of other obligations | 2,658 | 2,586 |
| Advances from customers | <u>38,322</u> | <u>35,722</u> |
| | <u>208,270</u> | <u>213,927</u> |

Total liabilities

244,785 250,335

Total equity and liabilities

451,407 456,233

Net current liabilities

(163,681) (175,124)

Total assets less current liabilities

243,137 242,306

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME
(All amounts in RMB millions, except per share data)

| | <u>Three months ended 31 March</u> | |
|--|------------------------------------|--------------------|
| | | 2011 |
| | | As restated |
| | <u>Note</u> | <u>2012</u> |
| | | <u>(Note 2)</u> |
| Revenue | | 49,032 |
| Interconnection charges | | (3,673) |
| Depreciation and amortisation | | (14,096) |
| Networks, operations and support expenses | | (6,835) |
| Employee benefit expenses | | (6,268) |
| Costs of telecommunications products sold | | (7,181) |
| Other operating expenses | | (10,373) |
| Finance costs | | (536) |
| Interest income | | 60 |
| Other income - net | | <u>66</u> |
| Profit before income tax | | 196 |
| Income tax expenses | | <u>(51)</u> |
| Profit for the period | | <u><u>145</u></u> |
| Profit attributable to: | | |
| Owners of the parent | | <u><u>145</u></u> |
| Earnings per share for profit attributable to owners of the parent: | | |
| Basic earnings per share (RMB) | 3 | <u><u>0.01</u></u> |
| Diluted earnings per share (RMB) | 3 | <u><u>0.01</u></u> |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

(All amounts in RMB millions)

| | <u>Three months ended 31 March</u> | |
|--|------------------------------------|--|
| | <u>2012</u> | <u>2011 As restated (Note 2)</u> |
| Profit for the period | <u>1,007</u> | <u>145</u> |
| Other comprehensive (loss)/income: | | |
| Changes in fair value of financial assets through other comprehensive income | (377) | 797 |
| Tax effect on changes in fair value of financial assets through other comprehensive income | <u>95</u> | <u>(199)</u> |
| Changes in fair value of financial assets through other comprehensive income, net of tax | (282) | 598 |
| Currency translation differences | <u>(1)</u> | <u>(2)</u> |
| Other comprehensive (loss)/income for the period, net of tax | <u>(283)</u> | <u>596</u> |
| Total comprehensive income for the period | <u><u>724</u></u> | <u><u>741</u></u> |
| Total comprehensive income attributable to: | | |
| Owners of the parent | <u><u>724</u></u> | <u><u>741</u></u> |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS**

(All amounts in RMB millions)

| | <u>Three months ended 31 March</u> | |
|---|------------------------------------|--|
| | <u>2012</u> | <u>2011 As restated (Note 2)</u> |
| Net cash inflow from operating activities | 17,032 | 11,717 |
| Net cash outflow from investing activities | (16,848) | (14,962) |
| Net cash inflow from financing activities | <u>2,652</u> | <u>5,405</u> |
| Net increase in cash and cash equivalents | 2,836 | 2,160 |
| Cash and cash equivalents, beginning of period | <u>15,106</u> | <u>22,597</u> |
| Cash and cash equivalents, end of period | <u><u>17,942</u></u> | <u><u>24,757</u></u> |
| Analysis of the balances of cash and cash equivalents: | | |
| Cash balances | 5 | 6 |
| Bank balances | <u>17,937</u> | <u>24,751</u> |
| | <u><u>17,942</u></u> | <u><u>24,757</u></u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012

1. GENERAL INFORMATION

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 activities of the Company are investment holding and the Company’s subsidiaries are principally engaged in the provision of cellular and fixed-line voice and related value-added services, broadband and other Internet-related services, information communications technology services, and business and data communications services in the PRC. The GSM cellular voice, WCDMA cellular voice and related value-added services is referred to as the “Mobile business”, the services aforementioned other than the Mobile business is hereinafter collectively referred to as the “Fixed-line business”. The Company and its subsidiaries are hereinafter referred to as the “Group”.

2. BASIS OF PREPARATION

The basis of preparation and the significant accounting policies and estimates adopted in the preparation of the unaudited condensed consolidated financial information for the three months ended 31 March 2012 are consistent with those used in preparing the annual financial statements for the year ended 31 December 2011.

(a) Business Combination of Entity and Business under Common Control

On 1 December 2011, China Unicom Broadband Online Limited Corporation (“Broadband Online”, a wholly-owned subsidiary of China United Network Communications Corporation Limited (“CUCL”, a wholly-owned subsidiary of the Company)) entered into an equity interest transfer agreement with China United Network Communications Group Company Limited (a state-owned enterprise established in the PRC, hereinafter referred to as “Unicom Group”, the ultimate holding company of the Company), pursuant to which Broadband Online agreed to acquire the entire equity interest of China Unicom NewSpace Limited (“Unicom NewSpace”) from Unicom Group for a total cash consideration of RMB158 million. The acquisition is hereinafter referred to as “2011 Business Combination” which was completed on 1 December 2011.

The 2011 Business Combination was considered a business combination of entity and business under common control as Unicom NewSpace was under the control of Unicom Group, the Group’s ultimate holding company before and after the acquisition.

Under Hong Kong Financial Reporting Standards (“HKFRSs”), the 2011 Business Combination was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger accounting for common control combinations” (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Upon the adoption of International Financial Reporting Standards (“IFRSs”) by the Group in 2008, the Group adopted the accounting policy to account for business combinations of entities and businesses under common control using the predecessor values method, which is consistent with HKFRSs. Accordingly, the acquired assets and liabilities are stated at predecessor

values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if the entities and businesses acquired had always been part of the Group considering the acquired entities had always been under common control during all the periods presented.

(b) Adoption of amended IFRS/HKFRS 1

Pursuant to the amended IFRS/HKFRS 1 “First-time Adoption of International/Hong Kong Financial Reporting Standards” issued in 2010, a first-time-adopt entity may have established a deemed cost in accordance with previous generally accepted accounting principles for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering (“IPO”). If the measurement date is at or before the date of transition to IFRSs/HKFRSs, the entity may use such event-driven fair value measurements as deemed cost for IFRSs/HKFRSs at the date of that measurement. If the measurement date is after the date of transition to IFRSs/HKFRSs, but during the period covered by the first IFRSs/HKFRSs financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. The amendment permits to apply event-driven fair value measurements as deemed cost retrospectively in the first annual period after 1 January 2011.

The Group had completed its IPO process and merger of businesses under common control before the adoption of IFRSs and the property, plant and equipment were revalued for the purpose of the transactions. Such revaluations were event-driven fair value measurements. Accordingly, upon the adoption of amended IFRS/HKFRS 1 in 2011, the Group applied such event-driven fair value measurements as deemed cost for the relevant property, plant and equipment (other than buildings and telecommunications equipment of Mobile business which were accounted for using the cost model), retrospectively. The restated deemed costs of these assets would be subject to depreciation and impairment assessments.

Upon the adoption of amended IFRS/HKFRS 1, the event-driven fair value measurement has been treated as deemed cost, so subsequent re-measurement at fair value of property, plant and equipment is not necessary to comply with IAS/HKAS 16 “Property, Plant and Equipment”. Accordingly, the Group changed its accounting policy and measures all of its property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses. As a result, those revaluation surpluses or deficits recognised as a consequence of the 2006 and 2008 revaluations have been reversed and their impacts on depreciation have been adjusted accordingly.

The comparative figures for the three months ended 31 March 2011 have been restated to reflect the effects of the 2011 Business Combination and the change in accounting policy upon adoption of amended IFRS/HKFRS 1.

(c) **Going Concern Assumption**

As at 31 March 2012, current liabilities of the Group exceeded current assets by approximately RMB163.7 billion (31 December 2011: approximately RMB175.1 billion). Given the current global economic conditions and 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 inflows from operating activities;
- Approximately RMB203.0 billion of revolving banking facilities and registered quota of commercial papers, of which approximately RMB134.1 billion was unutilised as at 31 March 2012; and
- Other available sources of financing from domestic banks and other financial institutions given the Group's credit history.

In addition, the Group believes that it has 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 requirements and debt obligations. As a result, the unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2012 has been prepared on a going concern basis.

3. EARNINGS PER SHARE

Basic earnings per share for the three months ended 31 March 2012 and 2011 were computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the periods.

Diluted earnings per share for the three months ended 31 March 2012 and 2011 were computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the periods, after adjusting for the effects of dilutive potential ordinary shares. All potential ordinary shares for the three months ended 31 March 2012 and 2011 arose from (i) share options granted under the amended Share Option Scheme; (ii) share options granted under the amended Special Purpose Share Option Scheme and (iii) convertible bonds.

The potential ordinary shares which are not dilutive for the three months ended 31 March 2012 arose from convertible bonds with initial conversion price of HKD15.85, while the potential ordinary shares which are not dilutive for the three months ended 31 March 2011 arose from (i) share options with exercise price of HKD15.42 granted under the amended Share Option Scheme and (ii) convertible bonds with initial conversion price of HKD15.85, which were excluded from the weighted average number of ordinary shares for the purpose of computation of diluted earnings per share.

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

| | <u>Three months ended 31 March</u> | |
|---|------------------------------------|-------------------------------------|
| | <u>2012</u> | <u>2011</u> <u>(As restated)</u> |
| Numerator (in RMB millions): | | |
| Profit attributable to owners of the parent | <u>1,007</u> | <u>145</u> |
| Denominator (in millions): | | |
| Weighted average number of ordinary shares outstanding used in computing basic earnings per share | 23,565 | 23,562 |
| Dilutive equivalent shares arising from share options | <u>215</u> | <u>190</u> |
| Shares used in computing diluted earnings per share | <u>23,780</u> | <u>23,752</u> |
| Basic earnings per share (in RMB) | <u><u>0.04</u></u> | <u><u>0.01</u></u> |
| Diluted earnings per share (in RMB) | <u><u>0.04</u></u> | <u><u>0.01</u></u> |

FINANCIAL OUTLINE¹

For the first quarter of 2012, the Company further accelerated its business development and continued to improve its development quality which resulted in enhancing its market share steadily.

Revenue

For the first quarter of 2012, total revenue reached RMB61.19 billion, up by 24.8% as compared to the same period of last year. Out of total revenue, service revenue was RMB49.99 billion for the first quarter of 2012, up by 13.9% as compared to the same period of last year.

Continuous rapid grow in the mobile business. For the first quarter of 2012, revenue from the mobile business was RMB40.45 billion, up by 42.3% as compared to the same period of last year. Out of revenue from the mobile business, service revenue from the mobile business was RMB29.26 billion for the first quarter of 2012, up by 25.6% as compared to the same period of last year. Value-added service revenue from the mobile business was RMB11.60 billion for the first quarter of 2012 and as a percentage of service revenue from the mobile business, there was an increase from 34.1% for the first quarter of 2011 to 39.6% for the first quarter of 2012. The net addition of mobile subscribers was 9.827 million for the first quarter of 2012 and the number of mobile subscribers reached 209.487 million as at 31 March 2012. The average revenue per user per month (“ARPU”) for mobile business was RMB47.7 for the first quarter of 2012.

As the Company’s 3G business grew rapidly, service revenue from the 3G business reached RMB12.53 billion for the first quarter of 2012 and as a percentage of service revenue from the mobile business, there was an increase from 24.4% for the first quarter of 2011 to 42.8% for the first quarter of 2012. The net addition of 3G subscribers was 8.841 million for the first quarter of 2012 and the number of 3G subscribers reached 48.860 million as at 31 March 2012. For the first quarter of 2012, ARPU was RMB93.9 and the average data usage per subscriber per month was 242.8MB for 3G business.

Revenue from the GSM business was RMB16.73 billion for the first quarter of 2012, down by 5.0% as compared to the same period of last year. The net addition of the GSM subscribers was 0.986 million for the first quarter of 2012 and the number of the GSM subscribers reached 160.627 million as at 31 March 2012. ARPU for the GSM business was RMB34.9 for the first quarter of 2012.

Continuous optimise of the fixed-line business structure. For the first quarter of 2012, revenue from the fixed-line business was RMB20.56 billion, up by 1.1% as compared to the same period of last year. Service revenue from the fixed-line business was RMB20.55 billion for the first quarter of 2012, up by 1.1% as compared to the same period of last year. Revenue from the fixed-line non-voice business was RMB14.09 billion for the first quarter of 2012, and as a percentage of service revenue from the fixed-line business, there was an increase from 62.1% for the first quarter of 2011 to 68.6% for the first quarter of 2012.

Service revenue from broadband business was RMB9.60 billion for the first quarter of 2012, up by 13.6% as compared to the same period of last year and as a percentage of service revenue from the fixed-line business, there was an increase from 41.5% for the first quarter of 2011 to 46.7% for the first quarter of 2012. The net addition of broadband subscribers was 2.637 million for the first quarter of 2012 and the number of broadband subscribers reached 58.288 million as at 31 March 2012. ARPU for broadband business was RMB56.1 for the first quarter of 2012.

Revenue from local telephone business was RMB7.57 billion for the first quarter of 2012, down by 14.7% as compared to the same period of last year. The net reduction of local telephone subscribers was 0.497 million for the first quarter of 2012 and the number of local telephone subscribers reached 92.354 million as at 31 March 2012. ARPU for local telephone business was RMB23.4 for the first quarter of 2012.

Costs and Expenses

For the first quarter of 2012, as the Company continued to improve its network capacity and accelerate its business development, the total costs and expenses² amounted to RMB59.87 billion, up by 22.6% as compared to the same period of last year.

As the Company further optimised its mobile network coverage, improved its network quality as well as expedited the upgrade of its fixed-line broadband network with increased access speed and investment in assets, depreciation and amortisation charges were RMB14.98 billion for the first quarter of 2012, up by RMB0.89 billion or 6.3% as compared to the same period of last year. Increase in utilities charges and rental expenses resulted in the Company incurred networks, operations and support expenses of RMB7.75 billion for the first quarter of 2012, up by RMB0.91 billion or 13.3% as compared to the same period of last year.

The Company increased its efforts in boosting sales, expanding sales channels and improving customer maintenance. As a result, selling expenses were RMB8.15 billion for the first quarter of 2012, increased by RMB1.36 billion or 20.1% as compared to the same period of last year. As the Company continued to proactively promote the 3G handsets to step up the development of 3G contracting subscribers, sales of handsets continued to grow significantly for the first quarter of 2012. Costs of telecommunications products sold was RMB13.24 billion for the first quarter of 2012, up by 84.4% as compared to the same period of last year. Revenue from sales of telecommunications products for the first quarter of 2012 was RMB11.21 billion, up by 117.8% as compared to the same period of last year. Loss on the sales of telecommunications products was RMB2.03 billion for the first quarter of 2012, of which, 3G handset subsidy cost was RMB1.98 billion for the first quarter of 2012, up by 3.9% as compared to the same period of last year.

The interconnection usage increased as the Company's number of subscribers grew rapidly. The interconnection charges amounted to RMB4.38 billion for the first quarter of 2012, up by RMB0.70 billion or 19.1% as compared to the same period of last year.

As the average social wages and social insurance continued to increase, the Company's employee benefit expenses amounted to RMB6.85 billion for the first quarter of 2012, up by RMB0.58 billion or 9.2% as compared to the same period of last year.

Earnings

For the first quarter of 2012, profit before income tax was RMB1.33 billion and profit for the period was RMB1.01 billion. Basic earnings per share¹ was RMB0.043 for the first quarter of 2012. EBITDA³ was RMB17.14 billion for the first quarter of 2012, representing an increase of 16.7% as compared to the same period of last year or an increase of 2.8 percentage points as compared to the growth of service revenue for the first quarter of 2012.

Note 1: Except for basic earnings per share, all revenue and profit figures herein exclude deferred fixed-line upfront connection fee of RMB13 million for the first quarter of 2011.

Note 2: Including interconnection charges, depreciation and amortisation, networks, operations and support expenses, employee benefit expenses, costs of telecommunications products sold, other operating expenses, finance costs, interest income and other income-net.

Note 3: EBITDA represents profit for the period before finance costs, interest income, other income-net, income tax, depreciation and amortisation. As the telecommunications business

is a capital intensive industry, capital expenditures and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, we believe that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like our Group.

Note 4: The Company completed the acquisition of the entire equity interest in China Unicom NewSpace Limited from China United Network Communications Group Company Limited on 1 December 2011, which was accounted for using merger accounting in accordance with Accounting Guideline 5 “Merger accounting for common control combinations” issued by the Hong Kong Institute of Certified Public Accountants in November 2005. Under the IFRSs, the Company adopted the accounting policy to account for business combinations of entities and businesses under common control using the predecessor values method, which is consistent with the HKFRSs. The acquired assets and liabilities are stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if the entities and businesses acquired had always been a part of the Group.

CAUTION STATEMENT

The Board wishes to remind investors that the unaudited financial information and the financial outline for the three months ended 31 March 2012 are based on the Group’s internal records and management accounts and have not been reviewed or audited by the auditors. The financial information for the three months ended 31 March 2011 are extracted from the unaudited financial information of the Group and have been restated; and the financial information for the year ended 31 December 2011 are extracted from the audited financial statements as contained in the 2011 Annual Report. Investors are cautioned not to unduly rely on financial data, statistics and comparison for the three months ended 31 March 2012. **In the meantime, investors are advised to exercise caution in dealing in the shares of the Company.**

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

Executive directors: Chang Xiaobing, Lu Yimin, Tong Jilu and Li Fushen

Non-executive director: Cesareo Alierta Izuel

Independent non-executive directors: Cheung Wing Lam Linus, Wong Wai Ming, John Lawson Thornton, Chung Shui Ming Timpson and Cai Hongbin

By Order of the Board of
China Unicom (Hong Kong) Limited
Chu Ka Yee
Company Secretary

Hong Kong, 25 April 2012