



To: Business/Finance Editors

CHINA UNICOM ANNOUNCES 2017 INTERIM RESULTS

Highlights:

- Overall development momentum remained robust and driven by comprehensive and deepened implementation of Focus Strategy
- Innovation in business model posted initial success and underpinned revenue and profit growth
- Mobile service revenue growth surpassed the industry average, benefitted from strengthened data traffic operation and marketing model transformation
- Innovative businesses and revenue saw rapid growth and boosted the development of fundamental businesses
- Enhanced value through focused investment and cooperation

Financial Highlights (RMB millions)	1H2016	1H2017	YoY Change
Operating Revenue	140,255	138,160	-1.5%
Service Revenue ¹	120,250	124,106	3.2%
EBITDA²	41,282	43,559	5.5%
<i>EBITDA as % of Service Revenue</i>	34.3%	35.1%	0.8pp
Net Profit³	1,429	2,415	68.9%
Basic EPS (RMB)	0.060	0.101	68.9%
Free Cash Flow⁴	23,827	37,520	57.5%

Hong Kong, 16 August 2017 – China Unicom (Hong Kong) Limited and its subsidiaries (“China Unicom” or “the Company” and “the Group”) (HKEx: 0762; NYSE: CHU) is pleased to announce today its 2017 interim results.

¹ Service revenue = operating revenue – sales of telecommunications products; In order to better satisfy the internal operation and management requirements, revenue from sales of products associated with the ICT business, which was previously recorded as part of the fixed-line service revenue, has been reclassified as part of the revenue from sales of telecommunications products. The related figures for the first half of 2016 have also been restated;

² EBITDA = profit for the period before finance costs, interest income, shares of net profit/(loss) 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 Free cash flow = operating cash flow – CAPEX.



In the first half of 2017, the Company comprehensively deepened the implementation of Focus Strategy and centred on scale and profitable development through growth promotion, cost control and mechanism reform. The Company saw improving operations, made marked progress in the transformation of its business model, further enhanced its network capability and deepened various reforms, making a solid step forward towards healthy development.

In the first half of 2017, the Company's key performance indicators remained robust, and its revenue was increasing steadily. The Company's service revenue reached RMB124.11 billion, up by 3.2% year-on-year. Profitability improved significantly as planned. The Company's EBITDA² amounted to RMB43.56 billion, up by 5.5% year-on-year, and accounted for 35.1% of the service revenue, up by 0.8 percentage point year-on-year; and profit attributable to the equity shareholders of the Company increased by 68.9% year-on-year to RMB2.42 billion.

The Company boosted return by implementing precise investment, actively promoting cooperative sharing and tapping into each others' resources. Capital expenditure substantially decreased by 49.5% year-on-year to RMB9.14 billion in the first half of 2017. Thanks to the gradual improvement in service revenue and the substantial decline in capital expenditure, the Company's free cash flow reached RMB37.52 billion.

Taking into account the Company's profitability, debt obligations and cash flows, capital required for future development, etc., the Board of Directors does not recommend the payment of interim dividend for the current year. The Board will submit a proposal for final dividend payment based on our overall results for the year for consideration at the shareholders' general meeting.

Mr. Wang Xiaochu, Chairman and CEO of China Unicom said, "Looking ahead, the Company will actively address challenges and insist on scale and profitable development. Meanwhile, the Company will seize the opportunity of mixed-ownership reform to expedite the establishment of a more efficient and market-oriented operating mechanism, promote partnership with strong industry players with complementary edges and innovate in business model. The Company will also take the opportunity to strengthen the incentive system to fully bolster development vibrancy and operational efficiency, thus starting a new chapter of the Company's healthy development."

Strengthened Data Traffic Operation and Marketing Model Transformation with Mobile Service Revenue Growth Outperformed the Industry Average

In the first half of 2017, the Company transformed the development model of its mobile service by stepping up online sales efforts via 2I2C, 2B2C, etc. in order to enhance the quality of new subscribers. With a low customer acquisition cost and subsidiary model, the Company's mobile service revenue reached RMB76.84 billion, representing a year-on-year growth of 5.2% which exceeded the industry average. Mobile billing subscribers achieved a net increase of 5.63 million to a total of 269.45 million. The average revenue per user (ARPU) of mobile billing subscribers amounted to RMB48.0, representing a significant increase as compared to RMB 46.4 for the full year of 2016. In the first half of 2017, the Company's 4G subscriber witnessed a net increase of 34.26 million to a total of 138.81 million. The proportion of 4G subscribers to total



mobile billing subscribers increased by 23.7 percentage points year-on-year to 51.5%. The ARPU of 4G subscribers reached RMB66.5. The monthly average DOU per 4G subscriber was 3,330 MB.

Rapid Growth of Innovative Businesses Promoted Steady Development in Fixed-line Service

In the first half of 2017, the Company actively promoted the scale development of innovative businesses, which offset the decline in fixed-line voice revenue and the pressure from the competition in the broadband market. The fixed-line service revenue was RMB46.57 billion, which was largely stable as compared to the same period of last year. In the first half of 2017, the Company's Information Communications Technology (ICT) revenue reached RMB1.87 billion, up by 15.6% year-on-year. Internet Data Centre (IDC) and cloud computing revenue reached RMB5.80 billion, up by 22.0% year on year. Internet of things connections exceeded 50 million. The Company continued to command leadership in big data business and maintained its leading position in personal credit rating and location-based services.

Promoted User Consumption Upgrade and Integrated Development with High-bandwidth Products and Services to Actively Counter Exceptionally Fierce Broadband Competition

In the first half of 2017, the Company faced fierce competition in the broadband market. The Company fully leveraged its all-fibre network advantage to vigorously promote video-oriented high-bandwidth content and application products in an effort to drive user bandwidth upgrade, optimised the end-to-end customer service workflow to improve customer satisfaction, and proactively promoted household Internet integrated products of broadband, video, applications, etc, to drive mutual-promoting development. In the first half of the year, the Company's fixed-line broadband access revenue amounted to RMB21.56 billion, down by 3.0% year-on-year. The number of fixed-line broadband subscribers increased by 4.0% year-on-year to 76.92 million. "Smart WO Family" subscribers accounted for 30.9% of the fixed-line broadband subscribers, up by 9.8 percentage points year-on-year.

Network Deployment

In the first half of 2017, with a focus on improving quality and efficiency, the Company practised precise network deployment and increased the utilisation efficiency of existing resources. The Company maintained its network quality and perception in key regions on par with the industry while at the same time taking into account the investment returns. In the first half of 2017, the utilisation rate of the Company's 4G network reached 35%, and FTTH subscribers accounted for 74% of the total fixed-line broadband subscribers, which were both significantly higher as compared to the same period of last year. Meanwhile, the Company closely monitored the evolution of new technology. It built the world's biggest single-city NB-IoT network in Shanghai and pave the way for future development.

Deepened Cooperation and Innovative Transformation

In the first half of 2017, the Company actively deepened cooperation and innovative



transformation in various fields to seek breakthroughs in business development. The Company deeply promoted win-win cooperation with Internet companies and leveraged the big data analytics and its unique cBSS system platform advantages to promote 2I2C, 2B2C and other innovative business models, which effectively expanded the touch points for customer acquisition through targeted marketing and developed sub-divided segments to drive scale and profitable business development with low incremental costs. The Company optimised operating models, rationalised resources allocation and improved operating efficiency.

At present, with the accelerating transformation of the information communication industry, high-speed data traffic consumption has become a mainstream. With fast penetration of cloud computing, big data, Internet of things, artificial intelligence and other new technologies, innovative integrated services exhibit rapid growth momentum, indicating great potential for the industry development. In addition, given that the Company will cease to charge mobile domestic long-distance and roaming fees from 1 September 2017, and market competition is expected to intensify cyclically in the second half of the year, the Company expects that its financial performance will face increasing pressure in the second half of the year. The Company will deeply propel its business transformation, maintain the rapid development of 4G business, and accelerate the turnaround of the unfavourable situation of its broadband business. The Company will speed up the improvement of its innovation capacity, strengthen integrated development with enterprises along the value chain, tap into the “Blue Ocean” of the innovative fields to foster new growth engines

- End -

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.

For media enquiries, please contact:

China Unicom (Hong Kong) Limited

Investor Relations Department

Mr. Ivan Wong / Ms. Joeling Law / Mr. Billy Tang

Tel: (852) 2121 3210 / (852) 2121 3225 / (852) 2121 3275

Email: ivanw@chinaunicom.com.hk / joeling.law@chinaunicom.com.hk / billy@chinaunicom.com.hk