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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 2014.

**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 2014.

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET****(All amounts in Renminbi (“RMB”) millions)****31 March 2014   31 December 2013****ASSETS****Non-current assets**

Property, plant and equipment	416,875	431,625
Lease prepayments	7,973	8,038
Goodwill	2,771	2,771
Deferred income tax assets	7,745	6,734
Financial assets at fair value through other comprehensive income	6,338	6,497
Other assets	<u>22,952</u>	<u>21,296</u>
	<u>464,654</u>	<u>476,961</u>

**Current assets**

Inventories and consumables	6,031	5,536
Accounts receivable	16,616	14,842
Prepayments and other current assets	11,049	9,664
Amounts due from related parties	8	11
Amounts due from domestic carriers	1,035	597
Short-term bank deposits	54	54
Cash and cash equivalents	<u>22,463</u>	<u>21,506</u>
	<u>57,256</u>	<u>52,210</u>

**Total assets****521,910                      529,171****EQUITY****Equity attributable to equity  
shareholders of the Company**

Share capital: nominal value	—	2,328
Share premium	—	175,204
Capital redemption reserve	<u>—</u>	<u>79</u>
Share capital and other statutory capital reserve	4	177,643
Other reserves	(19,656)	(19,529)
Retained profits		
- Proposed 2013 final dividend	3,806	3,805
- Others	<u>60,311</u>	<u>57,012</u>

**Total equity****222,104                      218,899**

**31 March 2014** **31 December 2013****LIABILITIES****Non-current liabilities**

Long-term bank loans	477	481
Convertible bonds	11,153	11,002
Corporate bonds	2,000	2,000
Deferred income tax liabilities	26	26
Deferred revenue	1,222	1,269
Other obligations	<u>218</u>	<u>255</u>

15,09615,033**Current liabilities**

Short-term bank loans	98,157	94,422
Commercial papers	30,000	35,000
Current portion of long-term bank loans	48	48
Accounts payable and accrued liabilities	93,464	102,212
Taxes payable	3,854	2,634
Amounts due to ultimate holding company	1,331	1,634
Amounts due to related parties	3,410	4,176
Amounts due to domestic carriers	1,075	1,504
Dividend payable	644	644
Current portion of deferred revenue	442	452
Current portion of other obligations	2,674	2,672
Advances from customers	<u>49,611</u>	<u>49,841</u>

284,710295,239**Total liabilities**299,806310,272**Total equity and liabilities**521,910529,171**Net current liabilities**(227,454)(243,029)**Total assets less current liabilities**237,200233,932

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

	<u>Note</u>	<u>Three months ended 31 March</u>	
		<u>2014</u>	<u>2013</u>
Revenue		76,471	70,600
Interconnection charges		(3,717)	(4,787)
Depreciation and amortisation		(18,216)	(16,857)
Network, operation and support expenses		(8,994)	(7,890)
Employee benefit expenses		(8,261)	(7,406)
Costs of telecommunications products sold		(14,538)	(15,819)
Other operating expenses		(16,963)	(14,475)
Finance costs		(1,628)	(969)
Interest income		77	25
Other income - net		<u>161</u>	<u>106</u>
<b>Profit before income tax</b>		4,392	2,528
Income tax expenses		<u>(1,090)</u>	<u>(629)</u>
<b>Profit for the period</b>		<u><u>3,302</u></u>	<u><u>1,899</u></u>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<u><u>3,302</u></u>	<u><u>1,899</u></u>
<b>Earnings per share for profit attributable to equity shareholders of the Company during the period :</b>			
Basic earnings per share (RMB)	3	<u><u>0.14</u></u>	<u><u>0.08</u></u>
Diluted earnings per share (RMB)	3	<u><u>0.14</u></u>	<u><u>0.08</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

(All amounts in RMB millions)

	<u>Three months ended 31 March</u>	
	<u>2014</u>	<u>2013</u>
<b>Profit for the period</b>	<u>3,302</u>	<u>1,899</u>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to     statement of income:</b>		
Changes in fair value of financial assets through other comprehensive income	(159)	(33)
Tax effect on changes in fair value of financial assets through other comprehensive income	<u>40</u>	<u>8</u>
Changes in fair value of financial assets through other comprehensive income, net of tax	(119)	(25)
Remeasurement of net defined benefit liability, net of tax	<u>1</u>	<u>—</u>
	<u>(118)</u>	<u>(25)</u>
<b>Items that will not be reclassified to     statement of income:</b>		
Currency translation differences	<u>3</u>	<u>(7)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>(115)</u>	<u>(32)</u>
<b>Total comprehensive income for the period</b>	<u><u>3,187</u></u>	<u><u>1,867</u></u>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company	<u><u>3,187</u></u>	<u><u>1,867</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(All amounts in RMB millions)

	<u>Three months ended 31 March</u>	
	<u>2014</u>	<u>2013</u>
<b>Net cash inflow from operating activities</b>	18,202	16,836
<b>Net cash outflow from investing activities</b>	(15,069)	(18,146)
<b>Net cash outflow from financing activities</b>	<u>(2,168)</u>	<u>(2,713)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	965	(4,023)
Cash and cash equivalents, beginning of period	21,506	18,250
Effect of changes in foreign exchange rate	<u>(8)</u>	<u>—</u>
Cash and cash equivalents, end of period	<u>22,463</u>	<u>14,227</u>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Cash balances	4	6
Bank balances	<u>22,459</u>	<u>14,221</u>
	<u>22,463</u>	<u>14,227</u>

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014**

### **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 activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are 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 are 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**

#### **Going Concern Assumption**

As at 31 March 2014, current liabilities of the Group exceeded current assets by approximately RMB227.5 billion (31 December 2013: approximately RMB243.0 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 RMB318.0 billion of revolving banking facilities and registered quota of commercial papers, promissory notes and corporate bonds of which approximately RMB186.1 billion was unutilised as at 31 March 2014; 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 2014 has been prepared on a going concern basis.

### 3. EARNINGS PER SHARE

Basic earnings per share for the three months ended 31 March 2014 and 2013 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 2014 and 2013 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 2014 and 2013 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 following table sets forth the computation of basic and diluted earnings per share:

	<u>Three months ended 31 March</u>	
	<u>2014</u>	<u>2013</u>
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic earnings per share	3,302	1,899
Imputed finance cost on the liability component of convertible bonds	<u>52</u>	<u>52</u>
Profit attributable to equity shareholders of the Company used in computing diluted earnings per share	<u>3,354</u>	<u>1,951</u>
Denominator (in millions):		
Weighted average number of ordinary shares outstanding used in computing basic earnings per share	23,784	23,565
Dilutive equivalent shares arising from share options	60	176
Dilutive equivalent shares arising from convertible bonds	<u>929</u>	<u>916</u>
Shares used in computing diluted earnings per share	<u>24,773</u>	<u>24,657</u>
Basic earnings per share (in RMB)	<u>0.14</u>	<u>0.08</u>
Diluted earnings per share (in RMB)	<u>0.14</u>	<u>0.08</u>



#### **4. SHARE CAPITAL AND OTHER STATUTORY CAPITAL RESERVE**

Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014, of RMB175,223 million and RMB79 million respectively, have become part of the Company's share capital.

#### **5. EVENTS AFTER THE REPORTING PERIOD**

On 3 April 2014, the Company established a Medium Term Note Program("the Program"), under which the Company could offer and issue notes of aggregate principal amount of up to RMB10.0 billion. Notes issued under the Program will be denominated in RMB and issued to professional investors outside the United States. On 16 April 2014, the Company completed the issue of notes in an aggregate nominal amount of RMB4 billion pursuant to the Program, with a maturity of 3 years and at an interest rate of 4.00% per annum.

On 16 April 2014, China United Network Communications Corporation Limited, a wholly-owned subsidiary of the Company, issued tranche one of 2014 promissory note in the amount of RMB5 billion, with a maturity date of 3 years from the date of issue and which carried interests at 5.35% per annum.

At the annual general meeting held on 16 April 2014, the shareholders of the Company approved the payment of a final dividend of RMB0.16 per ordinary share for the year ended 31 December 2013 (for the year ended 31 December 2012: final dividend of RMB0.12 per ordinary share).

The Company adopted a new share option scheme on April 16 2014. The new scheme provides for the grant of options to the Group's employees, including executive directors and non-executive directors. Any grant of options to a "connected person" (as defined in the Stock Exchange of Hong Kong Limited ("SEHK")'s Listing Rules) of China United Network Communications Group Company Limited requires approval by the Company's independent non-executive directors, excluding any independent non-executive director who is the grantee of the option. The option period commences on any date after the date on which an option is offered, but may not exceed 10 years from the offer date, after which period no further option may be granted under the new share option scheme, but the provisions of the new share option scheme will remain in full force and effect to the extent necessary to give effect to the exercise of the options granted prior to the expiry or otherwise as may be required in accordance with the provisions of the new share option scheme. The subscription price of a share in respect of any particular option granted under this new share option scheme will be determined by the Board of Directors in its discretion at the grant date, which shall be no less than the higher of: (i) the closing price of the shares on the SEHK on the grant date of such option; and (ii) the average closing price of the shares on the SEHK for the five trading days immediately preceding the grant date. As at April 16 2014, no options have been granted or agreed to be granted by the Company under the new share option scheme.

## FINANCIAL OUTLINE

### Revenue

For the first quarter of 2014, total revenue was RMB76.47 billion. Out of total revenue, service revenue was RMB63.80 billion, up by 11.8% as compared to the same period of last year.

**Continuous rapid grow in the mobile business.** For the first quarter of 2014, service revenue from the mobile business was RMB40.68 billion, up by 15.4% as compared to the same period of last year. The net addition of mobile subscribers was 8.710 million for the first quarter of 2014 and the number of mobile subscribers reached 289.693 million as at 31 March 2014. The average revenue per user per month (“ARPU”) was RMB47.6 for mobile business. Out of service revenue from the mobile business, service revenue from the mobile broadband business<sup>1</sup> was RMB26.91 billion for the first quarter of 2014 and as a percentage of service revenue from the mobile business, there was an increase from 54.6% for the first quarter of 2013 to 66.2% for the first quarter of 2014. The net addition of mobile broadband subscribers was 9.700 million for the first quarter of 2014 and the number of mobile broadband subscribers reached 132.300 million as at 31 March 2014. For the first quarter of 2014, ARPU for mobile broadband business was RMB70.3.

**Stable grow in the fixed-line business.** For the first quarter of 2014, services revenue from the fixed-line business was RMB22.92 billion, up by 5.8% as compared to the same period of last year. Out of service revenue from the fixed-line business, service revenue from broadband business was RMB12.44 billion, up by 11.0% 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 51.8% for the first quarter of 2013 to 54.3% for the first quarter of 2014. The net addition of broadband subscribers was 1.794 million for the first quarter of 2014 and the number of broadband subscribers reached 66.441 million as at 31 March 2014. ARPU for broadband business was RMB63.3 for the first quarter of 2014.

### Costs and Expenses

For the first quarter of 2014, the total costs and expenses<sup>2</sup> amounted to RMB72.08 billion, up by 5.9%.

The Company continuously enhanced its network capacity and further expanded its network scale, depreciation and amortisation charges were RMB18.22 billion for the first quarter in 2014, up by 8.1% as compared to the same period of last year. Network, operation and support expenses were RMB8.99 billion for the first quarter of 2014, up by 14.0% as compared to the same period of last year.

In order to proactively response to the keen market competition, the Company accelerated user development and market expansion. As a result, selling expenses were RMB12.15 billion for the first quarter in 2014, increased by 21.4% as compared to the same period of last year, mobile broadband business<sup>1</sup> terminal subsidy cost was RMB1.79 billion for the first quarter in 2014, as a percentage of service revenue from mobile broadband business<sup>1</sup> decreased from 11.6% for the first quarter of 2013 to 6.7% for the first quarter of 2014.

The interconnection charges amounted to RMB3.72 billion for the first quarter in 2014, down by 22.4% as compared to the same period of last year.

The Company's employee benefit expenses amounted to RMB8.26 billion for the first quarter in 2014, up by 11.5% as compared to the same period of last year.

## **Earnings**

For the first quarter of 2014, profit before income tax was RMB4.39 billion and profit for the period was RMB3.30 billion, up by 73.9% compared to the same period of last year. Basic earnings per share was RMB0.139 for the first quarter of 2014. EBITDA<sup>3</sup> was RMB24.00 billion for the first quarter of 2014, up by 18.7% as compared to the same period of last year. EBIDTA as a percentage of service revenue was 37.6% for the first quarter of 2014, up by 2.2 percentage points compared to the same period of last year.

Note 1: Mobile broadband business includes 4G business and 3G business.

Note 2: Including interconnection charges, depreciation and amortisation, network, operation and support expenses, employee benefit expenses, costs of telecommunication 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, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like our 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 2014 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 2013 are extracted from the unaudited financial information of the Group; and the financial information for the year ended 31 December 2013 are extracted from the audited financial statements as contained in the 2013 Annual Report. Investors are cautioned not to unduly rely on financial data, statistics and comparison for the three months ended 31 March 2014. **In the meantime, investors are advised to exercise caution in dealing in the shares of the Company.**

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

Hong Kong, 17 April 2014

*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, Cai Hongbin and Law Fan Chiu Fun Fanny