

To: Business/Finance Editors

CHINA UNICOM ANNOUNCES 2016 ANNUAL RESULTS

Highlights :

- Fully implemented Focus Strategy to mitigate underlying shortcomings, with business and service revenue rebounded
- Deeply promoted open cooperation with fruitful results gradually emerging
- Sharpened 4G edges and robust kick-off of marketing model transformation set to drive 4G scale and profitable development in future
- Fast development of innovative businesses and extensive fibre broadband upgrade underpinned steady fixed-line revenue growth
- Precise investment fuelled substantial network improvement in focused regions despite considerable reduction in CAPEX
- To expedite turnaround in future through “Promote Growth; Control Costs; Reform Mechanism”. From January to February 2017, the profit attributable to equity shareholders of the Company was approximately RMB0.46 billion¹, monthly average up by around 50% compared to the first quarter of 2016.

Financial Highlights (RMB millions)	2015	2016	YoY Change
Operating Revenue ²	277,049	274,197	-1.0%
Service Revenue	235,278	240,982	2.4%
EBITDA ³	87,502	79,498	-9.1%
<i>EBITDA as % of Service Revenue</i>	37.2%	33.0%	-4.2pp
Net Profit ⁴	10,562	625	-94.1%
Basic EPS (RMB)	0.441	0.026	-94.1%
Free Cash Flow ⁵	(49,579)	2,483	Turn positive

¹ The financial data for January - February 2017 was extracted from the internal management accounts prepared under PRC accounting standards, which has not been reviewed or audited by the auditors. The financial data prepared under PRC accounting standards may differ from the data prepared under International/Hong Kong Financial Reporting Standards. Investors are cautioned not rely on the above internal data;

² Service revenue = operating revenue – sales of telecommunications products;

³ EBITDA = profit for the year before finance costs, interest income, shares of net profit/loss of associates and joint ventures, other income – net, income tax, depreciation & amortisation;

⁴ Net profit represented profit attributable to equity shareholders of the Company;

⁵ Free cash flow = operating cash flow – CAPEX.

Hong Kong, 15 March 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 2016 annual results.

Addressing acute challenges from market competition in 2016, the Company actively advanced the implementation of the new development strategy centred on “Focus, Cooperation and Innovation” and strived to mitigate the underlying shortcomings. As a result, business and service revenue restored to a positive and steady momentum. To promote long-term sustainable development, the Company braved the short-term profit pressure and increased cost initiatives as appropriate to strive for a gradual turnaround, achieving initial success in turning around the unfavourable conditions in operation and development.

In 2016, service revenue of the Company bottomed out and reached RMB240.98 billion, up 2.4% year-on-year. The Company’s EBITDA amounted to RMB79.50 billion, down by 9.1% year-on-year and accounted for 33.0% of the service revenue. Profit attributable to equity shareholders of the Company was RMB0.63 billion, down by 94.1% year-on-year, which, however, showed substantial improvement compared to the loss attributable to equity shareholders of the Company (excluding the gain on disposal of tower assets) of approximately RMB3.36 billion in the second half of 2015. Going forward, the Company will continue to deepen the implementation of Focus Strategy and strive to improve profitability.

During the year, through implementing precise investment and actively promoting cooperation and resource sharing within and beyond the industry, the Company attained substantial improvement in the network capability while capital expenditure decreased to RMB72.11 billion, down by 46.1% from last year. Benefiting from the gradual improvement in service revenue and the substantial decline in capital expenditure, free cash flow of the Company turned positive and reached RMB2.48 billion.

Taking into consideration the Company’s profitability, debt, cash flow level and capital requirements for its future development, the Board has resolved not to pay a dividend for the year 2016. The Company will strive to enhance its profits while paving the way for paying a dividend for the year 2017.

Mr. Wang Xiaochu, Chairman and CEO of China Unicom, said: “Looking into the future, the Company will respond to hardships and challenges face-to-face, grab development opportunities, deepen the implementation of Focus Strategy, persistently uphold scale and economical development as the centre, promote growth, control costs and reform mechanism, thus pushing the Company to shorten the odyssey of transformation, as well as to accelerate the turnaround in future, and step onto the healthy development path.”

4G continuously gaining edges with a robust kick-off of marketing model transformation set to accelerate mobile service development

Mobile service revenue bottomed and achieved RMB145.02 billion, up 1.7% year-on-year. The number of mobile billing subscribers beat the downward trend for consecutive months last year, registering a net addition of 11.51 million and reaching a total of 263.82 million mobile billing

subscribers. The ARPU of mobile billing subscribers remained stable with a slight increase to RMB46.4.

During the year, the Company expedited 4G network construction and achieved 4G network quality on par with the industry in the focused regions with ample capacity; audaciously popularised “All Network Access” handsets with dual SIM card slots, contributing to the fast improvement in terminal supply; triggered rapid increase in mobile data traffic by targeted marketing of data capacity bundled with contents and speeding up the migration of 2G/3G subscribers to 4G; and strengthened the mutual promotion and coordinated development of the integrated offerings in 4G, fixed-line broadband, video, applications, etc. In 2016, the number of 4G subscribers of the Company demonstrated a net increase of 60.40 million to a total of 104.55 million. The proportion of 4G subscribers to mobile billing subscribers increased by 22.1 percentage points year-on-year to 39.6%, still with enormous potential for growth. The monthly average DOU per 4G subscriber reached 1,521MB.

Fast Development of Innovative Services in Key Areas Driving Steady Growth in Fixed-lined Service Revenue

In 2016, the Company sped up the development of innovative services, effectively offsetting the revenue decline in fixed-line voice. The fixed-line service revenue reached RMB94.66 billion, up 3.7% year-on-year. During the year, the Company actively leveraged its advantages in fibre network and informatisation with the focus on industrial Internet and platform-based services and fully promoted core capabilities. In 2016, the Company’s IDC and cloud computing revenue reached RMB9.45 billion, up 33.7% year-on-year. ICT revenue reached RMB5.94 billion, up 37.0% year-on-year, enjoying the leading position in educational informatisation while advancing scale development in healthcare informatisation.

Actively Countering Competitive Challenges in Broadband Market by Promoting Subscriber Consumption Upgrade and Integrated Development Leveraging High-Bandwidth Products and Video Applications

The Company took full advantage of the network capabilities generated from fibre network upgrade, vigorously promoted high bandwidth products and enriched video contents and applications to stimulate bandwidth upgrade and showcased differentiation and brand edges. In 2016, the Company’s fixed-line broadband access revenue amounted to RMB43.87 billion, maintaining steady performance year-on-year. Fixed-line broadband subscribers increased by 4.0% year-on-year to 75.24 million, of which 71.2% were Fibre-to-the-home (FTTH) subscribers. “Smart WO Family” subscribers accounted for 26.1% of the fixed-line broadband subscribers, up 12.8 percentage points year-on-year.

Network Deployment

In 2016, the Company recorded a net increase of 337,000 4G base stations to a total of 736,000, with coverage, speed and signal quality of the 4G network in key regions on par with the industry. As a result of the steady progress in the speed upgrade in fixed-line broadband, ten provinces in Northern China achieved “all fibre network”, in which city areas were basically equipped with 100Mbps access capability. The Company continued to enhance its basic network capabilities such as transmission and carrying network with industry-lowest backhaul latency. Rapid improvement in network capabilities has laid a solid foundation for the Company to

accelerate its business development.

In-depth Cooperation and Innovative Transformation

In 2016, the Company actively promoted in-depth cooperation in various aspects to facilitate improvement in the network and service development capability, as well as cost reduction and efficiency enhancement, with fruitful results gradually emerging. During the year, a total of 70,000 4G base stations and approximately 16,000 km transmission fibre cable were co-built and co-shared. Through the cooperation, savings of approximately RMB3.3 billion in capital expenditure and RMB0.35 billion in operating expenses were achieved. The Company initiated 2I2C marketing model in the fourth quarter of 2016 and began to collaborate with Internet companies on innovative targeted marketing, not only developing new touch points for customer acquisition and lift the capabilities to drive 4G subscriber and revenue growth at low incremental cost, but also continuously enhance customer value through smart marketing and convenient promotion of consumption upgrade.

Currently, while the transmission-based basic services remain as the main revenue stream for operators, the traditional telecommunication subscriber market has already been saturated and voice services are on the downward trend with the existing market to witness fiercer competition. The demand for data traffic, a key element of digital ecosystem, continues to increase. Innovative services addressing new demand have become the new engine for growth. With the “Internet Superpower” strategy and the “Internet+” action plan implemented by the State, the Internet of Things, cloud computing and Big Data have turned into real demands from potential market, promising great industry values. In the meantime, further release of reform benefits generated within and beyond the Company will promote China Unicom to change its operational mechanism at a higher level.

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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 and other filings with the U.S. Securities and Exchange Commission.

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