



2018 INTERIM RESULTS

15 August 2018

A graphic consisting of several overlapping elliptical orbits in red and grey, with small dots of the same colors placed at various points along the orbits. The Unicom logo is centered within this graphic.

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Forward-looking Statements



Certain statements contained in this presentation 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.

Mr. Wang Xiaochu

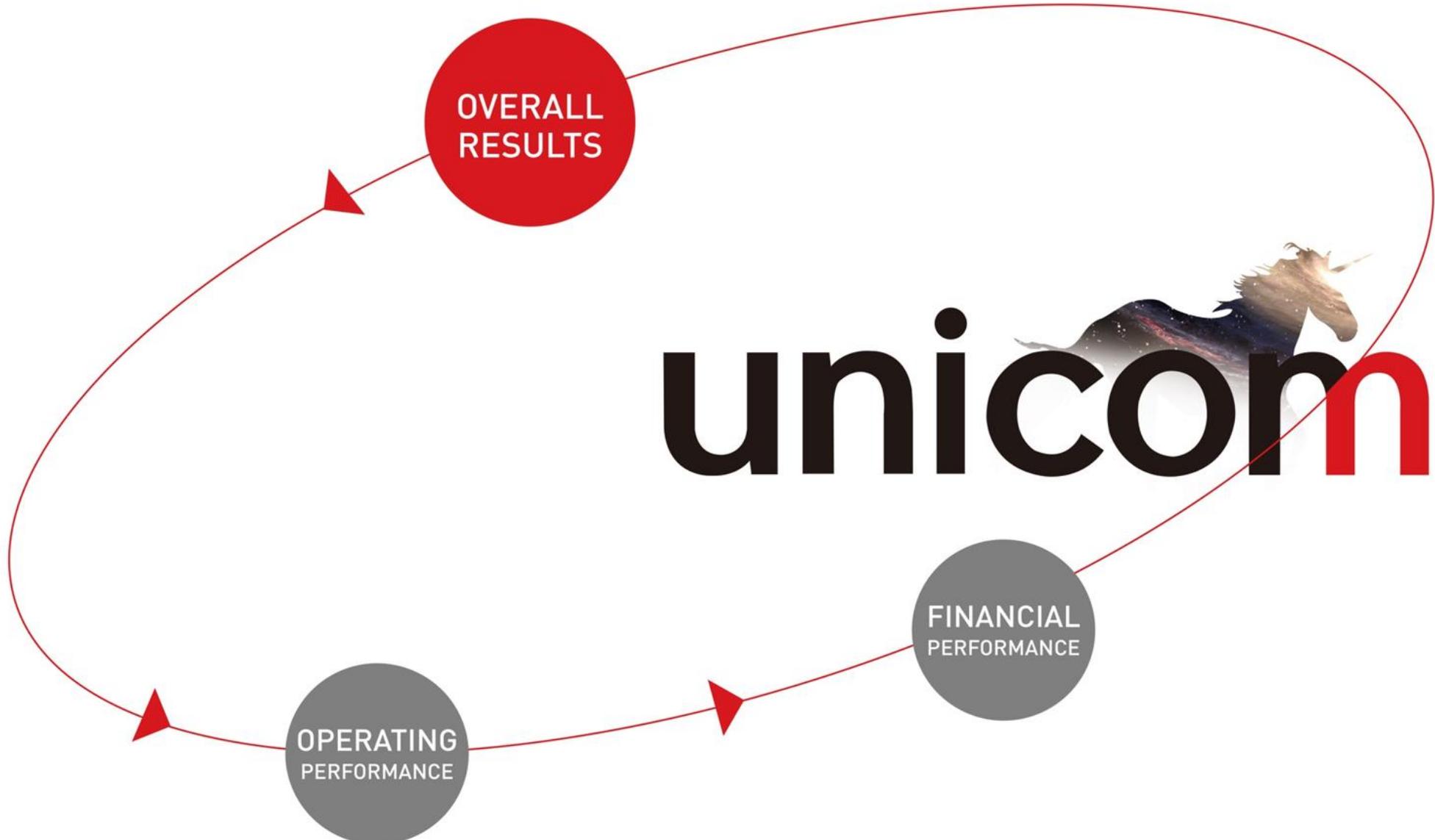
Chairman & CEO

Mr. Shao Guanglu

Executive Director & SVP

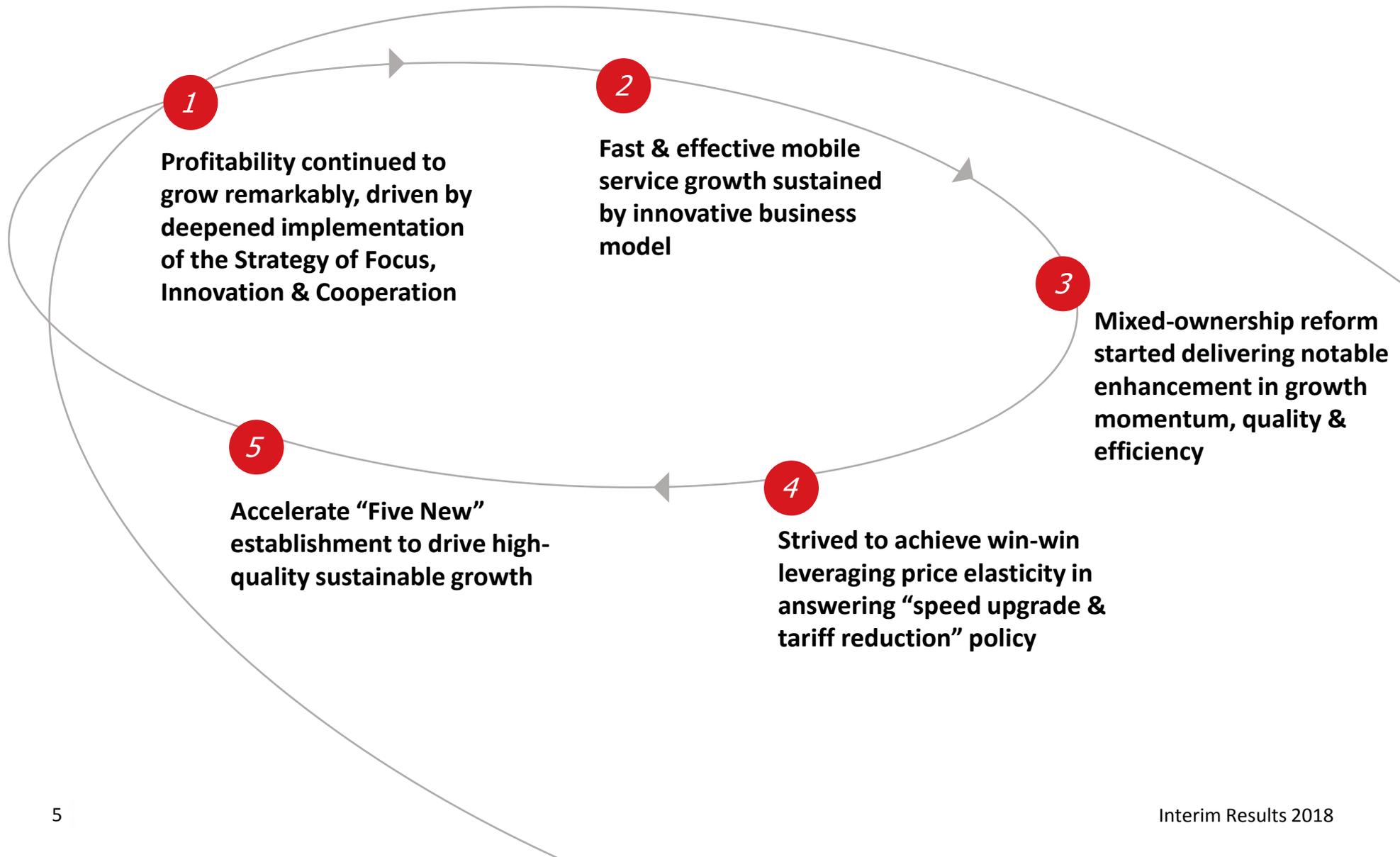
Mr. Zhu Keping

CFO



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Highlights



Profitability Continued to Grow Remarkably

Focus, Innovation & Cooperation

(RMB Mil)	1H2017	1H2018	Change YoY
Service Revenue¹	124,106	134,423	8.3%
EBITDA²	43,559	45,673	4.9%
<i>As % of Service Revenue</i>	35.1%	34.0%	-1.1pp
Net Profit³	2,415	5,912	144.9%
Basic EPS (RMB)	0.101	0.193	91.6%
Free Cash Flow⁴	37,520	39,314	4.8%

*Outperformed
the industry
average of
4.1%⁵*

Note: Unless otherwise stated in this presentation,

1. Service revenue = operating revenue – sales of telecommunications products.
2. EBITDA = profit for the period before finance costs, interest income, shares of net profit 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.
5. Industry data was based on the disclosure in MIIT's website.

Actively Countered Keen Competition

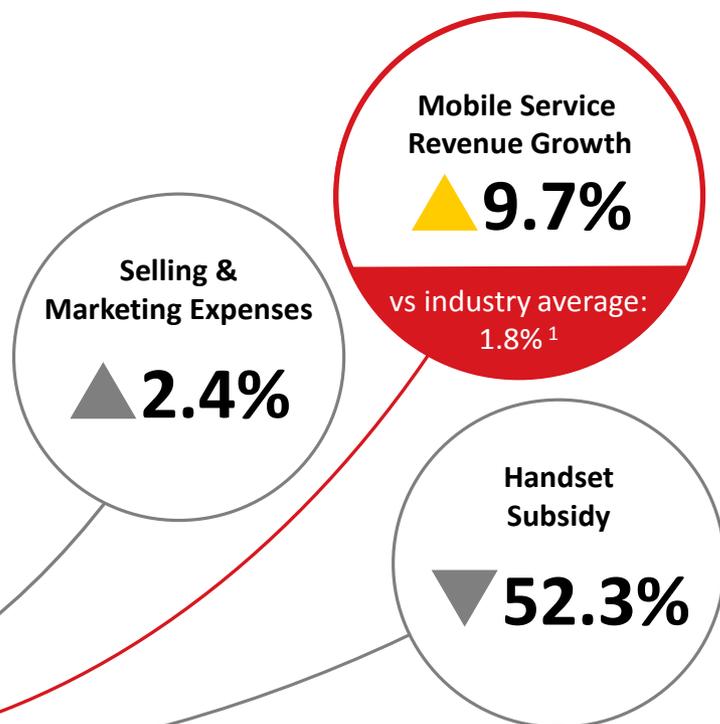
2Q2018: overall results maintained solid growth

	1Q2018	2Q2018
Service Revenue	▲ 8.4%	▲ 8.2%
Mobile Service Revenue	▲ 11.6%	▲ 7.9%
Fixed-line Service Revenue	▲ 3.4%	▲ 7.7%
Net Profit	RMB3.00 bil	RMB2.91 bil

- Strived to avoid simple price competition by strengthening differentiated operation
- Expanded online & offline touchpoints with unified operation
- Turned outlet sales to on-street sales leveraging integrated grid-based direct sales
- Reinforced business convergence & bundling to boost cross-selling
- Leveraged innovative businesses to drive new revenue & pull fundamental business development

Mobile Revenue Growth Substantially Outperformed

Despite keen competition, mobile service revenue achieved rapid growth at low subscriber acquisition cost & subsidy



Innovative business model posted remarkable results

- Strengthened data traffic operation & targeted marketing for sub-divided segments (2I2C, 2B2C, “ice-cream” unlimited packages...)
- Launched differentiated products to address the unanswered demand of heavy data users
- Effective access to new customers, especially youth market: 2I2C subscriber reached 77 mil
- O2O touch-point unified operation enhanced customer flow & efficiency
- Strengthened Internet-oriented & differentiated operation

Note:

1. Industry data was based on the disclosure in MIIT's website.

Mixed-ownership Reform Started Delivering

Growth momentum, quality & efficiency notably enhanced

Leverage External Resources

Introduce strong & solid strategic investors via Unicom A Share Company



Boost financial strength

Liabilities-to-Assets Ratio

▼ **18** pp yoy

Finance Costs

▼ **64%** yoy



Create Powerful Alliance

Deepen synergetic cooperation with strategic investors



Strengthen new energy for innovative development

Industrial Internet Revenue

▲ **39%** yoy



Reform System & Mechanism

Establish well-coordinated governance system & market-oriented incentive mechanism with effective checks-and-balances



Lift vibrancy & efficiency to drive returns for shareholders & employees

Net Profit

▲ **145%** yoy

Deepened System & Mechanism Reform

Lift vibrancy & efficiency

Streamlining & Re-organisation

- Optimised organisational & staff structure by reducing the number of departments in headquarters & institutions at provincial branches; actively recruited new talents in innovative businesses
- Raised staff productivity to reduce outsourcing
- Encouraged staff migration from offices to sub-divided units & from fundamental businesses to innovative businesses

Market-oriented Incentive Mechanism

- Established remuneration system with differentiated compensation based on returns & efficiency
- Better achieved “staff in & out” & “posts up & down”
- Issued 794 mil restrictive shares of Unicom A Share Company to 7,752 key managerial staff & core talents

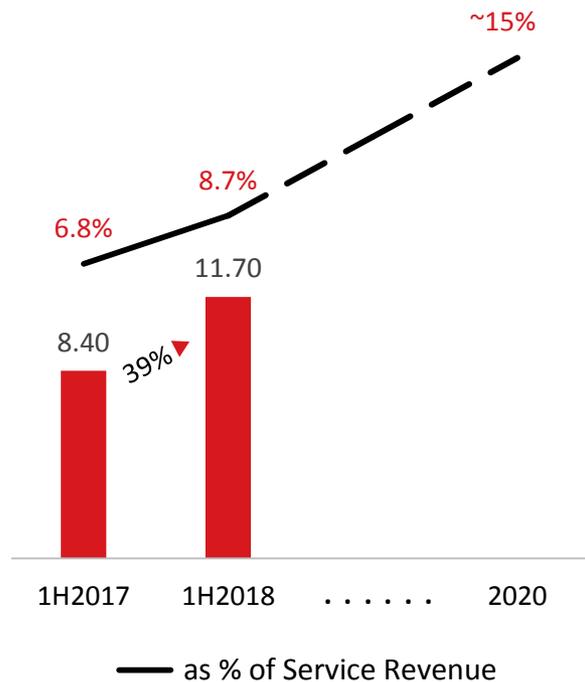
Sub-division Reform

- Share of incremental return with revenue & gross profit as KPIs
- Aligned responsibilities with authorities & rewards, and strengthened the top-down business support
- 1H2018: 135K staff joined sub-divided units & 17K mini-CEOs appointed

Proactively Nurture Future Growth Engines

Industrial Internet Revenue

(RMB Bil)



Cloud + Smart Networks + Smart Applications

- Focus on Cloud-driven services, key industries & major cities
- Strengthen talent development; establish system & mechanism segregated from fundamental service with incentive system sharing incremental return; explore long-term incentive systems aligning the risks & rewards of the Company & employees
- Engage in business collaboration with strategic investors from mixed-ownership reform, industry leaders, etc.
- Actively explore cooperation through investment or capital financing initiatives to diversify ownership structure & achieve asset-light operation (e.g. established a JV with Alibaba, a powerful alliance, to offer customised application software services for government & enterprise customers)

Speed Upgrade & Tariff Reduction

*Strived to achieve win-win leveraging price elasticity
in implementing national policy*

1H2018: Optimised tariff package design & actively promoted heavy/unlimited data plans
(2I2C, 2B2C, “ice-cream” unlimited package, etc.)

Prepared customers in advance for smooth transition, upon implementation of the policy of
cancelling domestic data “roaming” fees effective 1 July

Mobile Handset Data
Unit Price

▼ **>30%** yoy

(policy requirement)

Mobile Handset User DOU

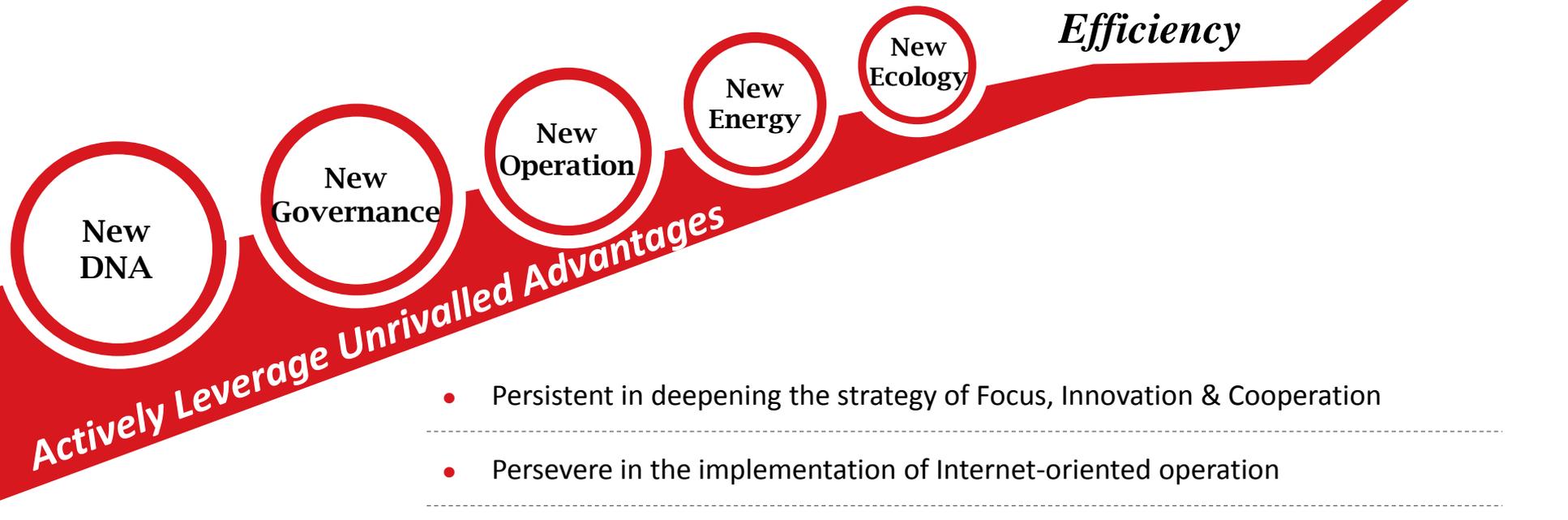
▲ **2.2x** yoy

Mobile Handset
Internet Access Revenue

▲ **25%** yoy

Drive High-quality Sustainable Growth

Accelerate China Unicom's "Five New" establishment



- Persistent in deepening the strategy of Focus, Innovation & Cooperation
- Persevere in the implementation of Internet-oriented operation
- Fully unleash the advantages of mixed-ownership reform
- Diligent in shaping critical capabilities



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Revenue Breakdown



(RMB Mil)	1H2017	1H2018	Change YoY
Mobile Service Revenue	76,844	84,278	9.7%
Voice	21,659	18,530	-14.4%
Data Traffic	43,527	53,873	23.8%
Others	11,658	11,875	1.9%
Fixed-line Service Revenue	46,568	49,117	5.5%
Voice	6,253	5,472	-12.5%
Broadband Access	21,557	21,525	-0.1%
Other Internet & Data	9,225	10,208	10.7%
ICT	1,867	3,135	67.9%
Others ¹	7,666	8,777	14.5%
Other Service Revenue	694	1,028	48.1%
Sales of Telecommunications Products	14,054	14,682	4.5%
Total	138,160	149,105	7.9%

Note:

1. Mainly included revenue from leased line services & others.

Strengthened Differentiated Operation

Revenue & subscriber maintained decent growth amidst fierce mobile competition

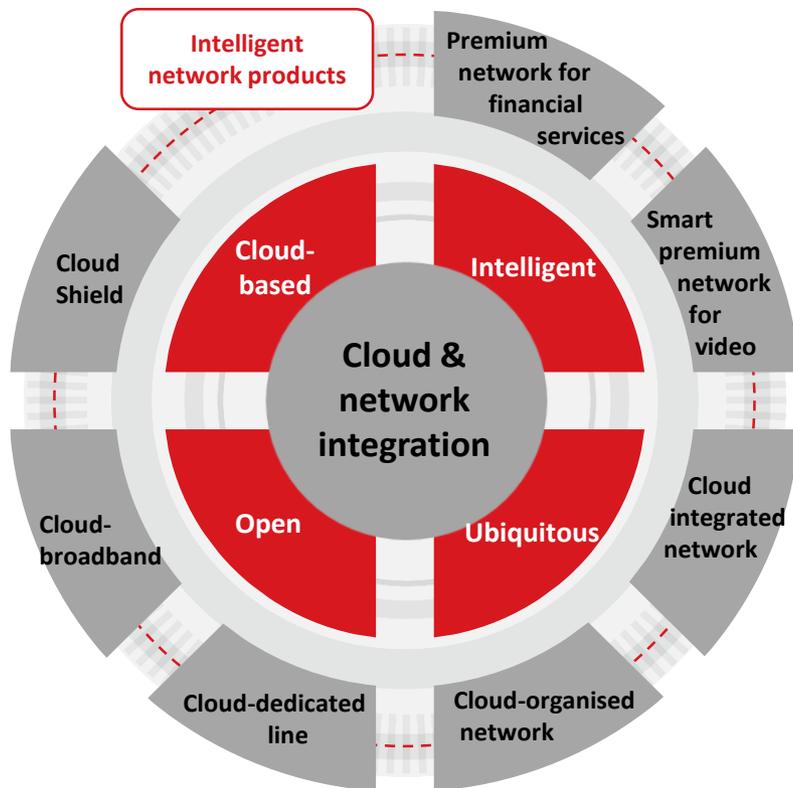
	<u>1Q2018</u>	<u>2Q2018</u>
• Mobile billing subscriber	▲9.78 mil	▲8.07 mil
• ARPU relatively stable	RMB47.9	RMB47.8
• Mobile service revenue	▲11.6%	▲7.9%

Strengthened differentiated operation to enhance competitiveness

- Strengthened data traffic operation with differentiated products & marketing tactics to satisfy sub-divided markets
- Leveraged centralised IT system & Internet-oriented operation edges to expand 2I2C/2B2C subscribers
- Frequent product upgrade bundled with privileges & content
- Strengthened integrated services & bundling to promote mutual growth
- Offered high-quality network experience assurance for key products

Cloud-Network Integration Expedited Enterprise Business Growth

Provide government & enterprise customers with intelligent services integrating cloud & network based on SDN/NFV



- Kicked off cloud business cooperation with Alibaba & Tencent, launching public cloud products branded as “WO Cloud” with cloud-network integration advantages to drive rapid revenue growth in cloud & network services
- Developed a new integrated sales model (“cloud + Smart networks + Smart applications”) targeted at government & enterprise customers leveraging cloud-network synergy to drive growth in fundamental business

Cloud Revenue in 1H2018

▲ **39%** yoy

Internet Private Line Access Revenue in 1H2018

▲ **8%** yoy

Actively Expanded Cooperation with Strategic Investors (1)



Leverage external force to boost new energy for innovative development

New Retail System

- New Retail pilot outlets - joined forces with Alibaba, Suning, JD.com & Tencent, etc. & leveraged big data to enrich product portfolio in stores & strengthen O2O synergy
- Bolstered business development & merchandise sales

Cloud Computing

- Around 50 public cloud products initially rolled out in cooperation with Alibaba & Tencent under "WO Cloud"
- Cooperated with Alibaba & Tencent on cloud integrated network products to offer customers with hybrid cloud networking capability
- Established a JV with Alibaba to provide government & enterprise customers with customised application software services

Touch Points

- Further expanded Internet touch points cooperation with Tencent, Alibaba, Baidu, JD.com & Didi, etc.
- 2I2C subscribers reached 77 mil as at June 2018, a net addition of 27 mil in 1H2018

Content Aggregation

- IPTV & mobile video – deeply cooperated with Baidu's iQiyi on IPTV content & with Tencent Video, etc. on mobile video
- Home applications – highly customised & bundled telecommunications services with top-selling products from Baidu, Tencent & Alibaba

Actively Expanded Cooperation with Strategic Investors (2)



Big Data

- Actively collaborated in anti-fraud API, digital marketing, advertising, corporate risk management, joint model-building, etc.

Tencent – jointly built models on financial anti-fraud API

Baidu – risk management API

JD Wanxiang – risk management API

Didi – traffic analytics reporting services

IoT & AI

- Released ID2-SIM security capability with Alibaba
- Released TUSI-SIM security capability with Tencent
- Connection management platform linked with the operation platform of JD.com
- Baidu's AI-based customer services application enhanced customer perception & operating efficiency

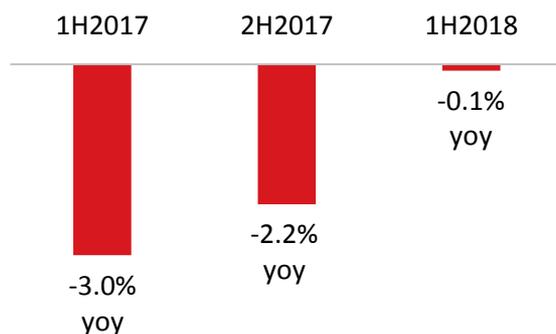
Telecommunications

- Maintained extensive cooperation in fundamental telecommunications services with strategic investors, e.g. China Life, Alibaba, Tencent, Baidu, JD.com

Continuous Improvement in Broadband Amid Keen Competition

Focus on integration while highlighting content & high-speed edges

Fixed-line Broadband Access Revenue



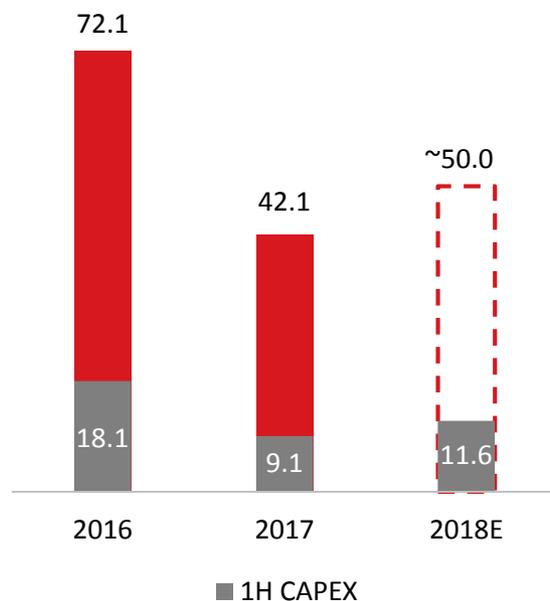
- **Big integration:** developed an array of integrated products satisfying various demand of families; strived to increase penetration to drive mutual development (integrated products penetration: 46%, ▲6pp yoy)
- **Big bandwidth:** promoted 200Mbps products in Northern China & selected regions in Southern China; further enhanced network coverage & quality with increased private capital cooperation
- **Big video:** further enriched video content to enhance loyalty & competitiveness (video products penetration: 43%, ▲10pp yoy)
- Accelerated integrated grid-based contract-out reform to stimulate front-line vitality to enhance sales & service capabilities
- Leveraged the new integrated sales model (“cloud + Smart networks + Smart applications”) to drive government & enterprise broadband, as well as Internet private line business growth

Drive Precise Investment with Focus & Cooperation

Enhancement in both network utilisation & NPS via dynamic capacity expansion & efficient investment, leading to fast & effective business growth

CAPEX

(RMB Bil)



- **Network quality & customers' perception on the rise in focused regions**
 - NPS for mobile & broadband up by 5.0 & 9.2 points respectively from 2017
 - Industry-leading 4G downlink & uplink average speed
 - Industry-best network latency performance
- **Network utilisation & efficiency significantly improved**
 - 4G network utilisation continued to increase
 - FTTH subscriber penetration: 79% (▲5pp yoy); fixed-line broadband subs with ≥100Mbps: 57% (▲41pp yoy)
- **5G: proactive deployment with future construction & development to be in pace with industry**

2H Priorities



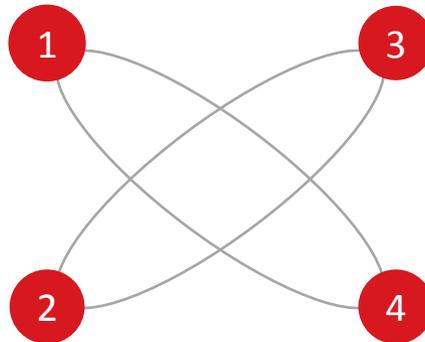
**Cease to charge domestic mobile data
“roaming” fee effective July**



**Cyclically intensified
market competition in 2H**

Actively cope with challenges & drive high-quality sustainable growth

Differentiated development:
maintain high-quality growth
momentum unabated



Solidify fundamentals:
comprehensively strengthen
fundamental in various aspects

Cost control:
strive to enhance all-factor
productivity

Deepen reform:
Continuously lift corporate
vitality

Appropriately step up initiatives: proactively nurture future growth engines

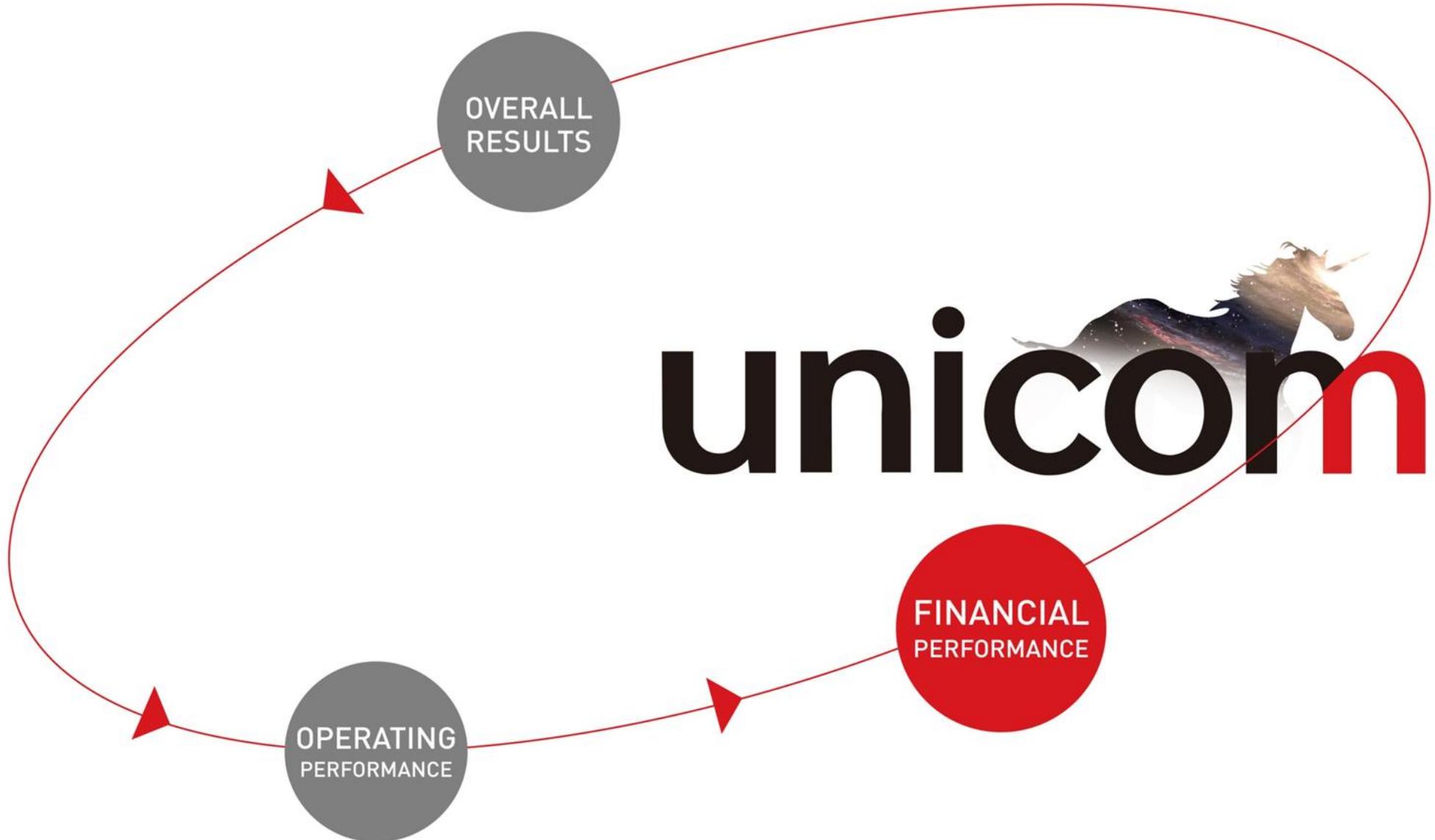


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Key Financial Information



(RMB Mil)	1H2017	1H2018	Change YoY
Operating Revenue	138,160	149,105	7.9%
Operating Expenses	(133,475)	(142,078)	6.4%
Operating Profit	4,685	7,027	50.0%
Finance Costs	(3,130)	(1,122)	-64.2%
Interest Income	703	908	29.1%
Share of Net Profit of Associates ¹	487	554	13.7%
Share of Net Profit of Joint Ventures ²	261	291	11.2%
Other Income – Net	411	161	-60.7%
Income Tax	(994)	(1,870)	88.1%
Net Profit	2,415	5,912	144.9%

Note:

1. Share of net profit of associates mainly included share of net profit of TowerCo.
2. Share of net profit of joint ventures mainly included share of net profit of Merchants Union Consumer Finance.

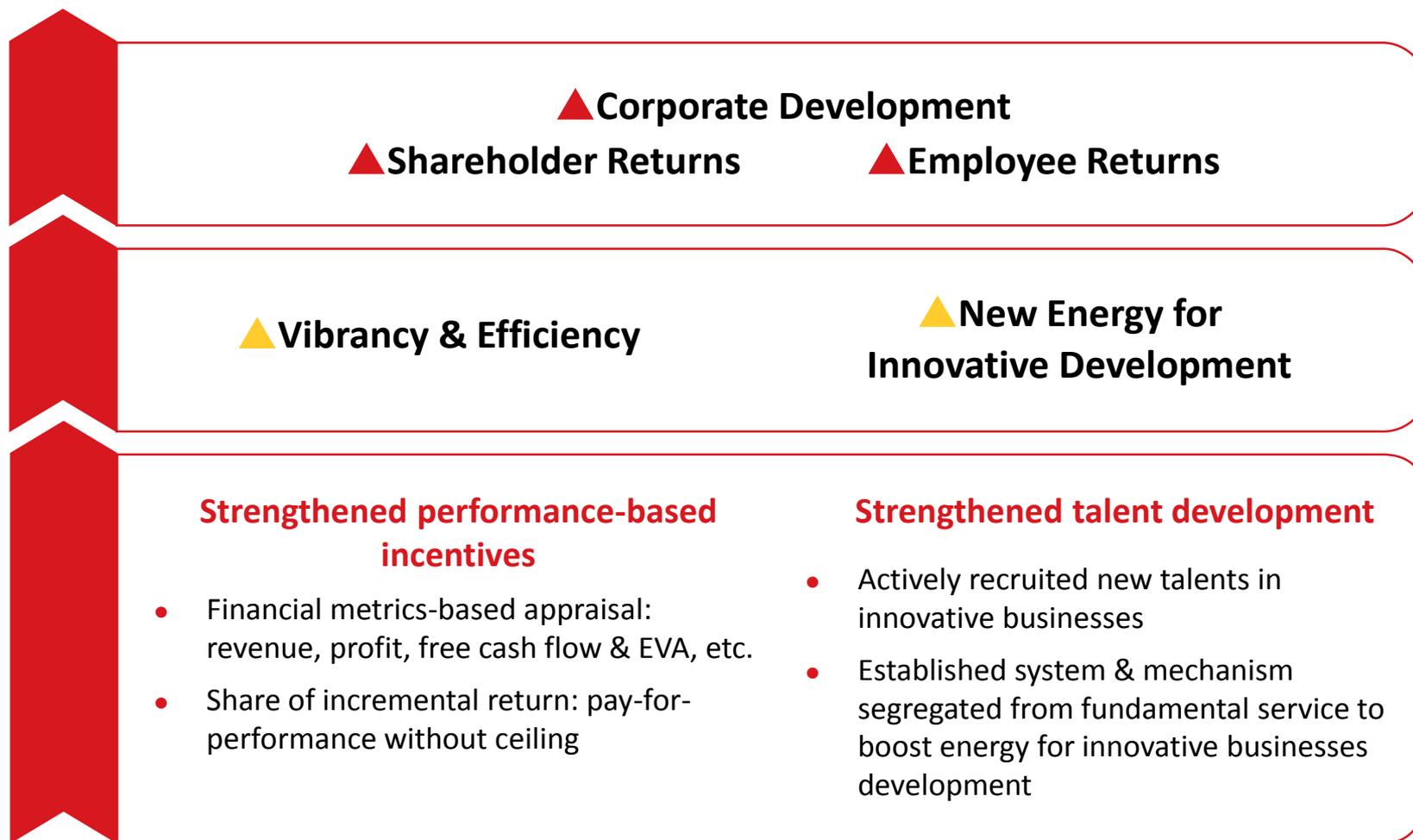
Effective Cost Control

(RMB Mil)	1H2017	1H2018	Change YoY	
Operating Expenses	(133,475)	(142,078)	6.4%	
Interconnection Charges	(6,331)	(6,685)	5.6%	
Depreciation & Amortisation	(38,874)	(38,646)	-0.6%	• Mainly benefited from good control of CAPEX in recent years
Network, Operation & Support	(26,365)	(27,744)	5.2%	
- Tower Usage Fee	(8,418)	(7,923)	-5.9%	• Mainly benefited from the good control of new tower deployment & the new commercial pricing of the lease of towers effective Jan 2018
Employee Benefit	(20,074)	(24,410)	21.6%	• Mainly due to deepening the reform of incentive systems with strengthened performance-based incentives & recruitment of new talents in innovative business
Costs of Telecommunications Products Sold	(14,638)	(14,696)	0.4%	
- Handset Subsidy ¹	(796)	(380)	-52.3%	• Benefited from the comprehensive promotion of business model transformation
Selling & Marketing	(16,096)	(16,485)	2.4%	
G&A & Others	(11,097)	(13,412)	20.9%	• Mainly due to increasing costs associated with the rapid growth in ICT & higher loss on disposal of fixed assets

Note:

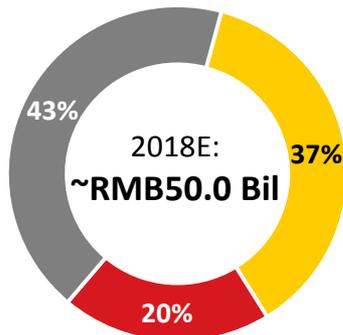
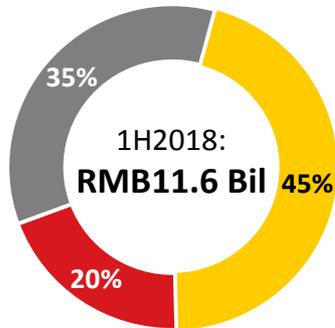
1. Costs of telecommunications products sold in 1H2018 was RMB14,696 mil, up by 0.4% YoY. Sales of telecommunications products was RMB14,682 mil, up by 4.5% YoY. Loss on telecommunications products sales was RMB14 mil, among which RMB380 mil was handset subsidy.

Appropriately Step Up Human Capital Investment



Demand & Return-Driven Investment

CAPEX Structure



- Mobile network
- Fixed-line broadband & data
- Infrastructure, transmission & others

- Focus on key cities, 4G network and regions with high data traffic & returns
- Leverage big data to identify traffic hotspots for precise capacity expansion
- Step up investment in innovative business
- 4G BTS: 910K (▲60K), focus on capacity expansion & experience enhancement
 - 2018E: net addition ≈2017's 110K
- Actively deploy 10G PON & other new technologies in Northern China to progressively achieve 1,000Mbps access capability
- Actively deploy new technology (e.g. SDN/NFV) to transform network to be cloud-based, intelligent, open & ubiquitous, while building up infrastructure resources like transmission, cell site & equipment room for 5G
- Basically achieved nationwide coverage of NB-IoT access network; to roll out eMTC commercial network deployment as appropriate

Tower Sharing to Enhance Long-term Value

Tower Usage Fee

- Tower usage fee in 1H2018: RMB7.9 bil (▼5.9% YoY), mainly due to the good control of new tower deployment & the new commercial pricing of the lease of towers effective Jan 2018
- Hope TowerCo would strive to improve operating efficiency & tenancy ratio, lower tower usage unit fee & enhance co-sharing value

Efficient Network Deployment with CAPEX Saving

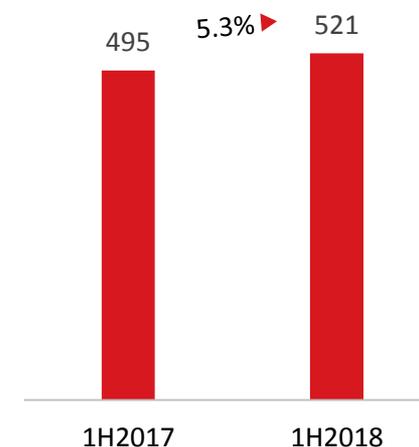
- Actively take advantage of the towers & cell sites of TowerCo

Potential Future Return

- As one of the major shareholders, able to benefit from TowerCo's profits & value enhancement in the future

Share of Net Profit from TowerCo

(RMB Mil)



Substantially Improved Financial Strength

Strong free cash flow



Share placement completed in
November 2017



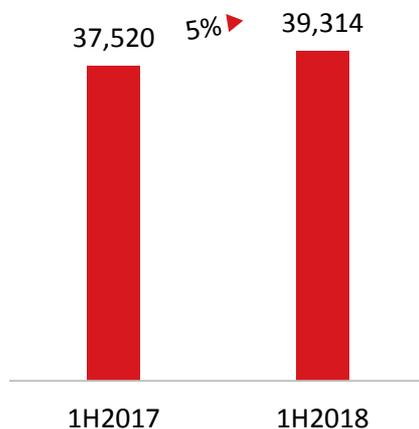
Substantial reduction in
gearing & finance costs



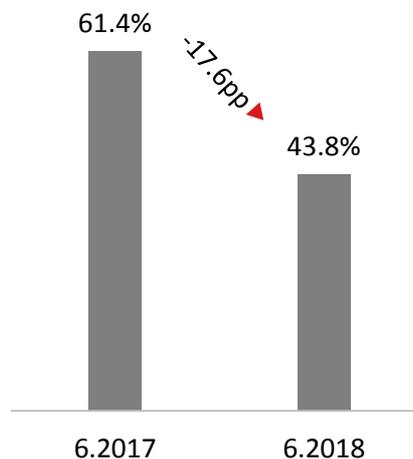
Boost future business
development capacity &
enhance risk control capability

Free Cash Flow

(RMB Mil)

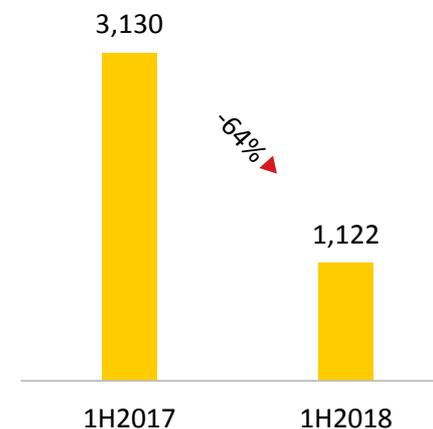


Liabilities-to-Assets Ratio



Finance Costs

(RMB Mil)



To Elevate Shareholder Value through Quality & Efficiency Enhancement

Promote simplification of administration & delegation to create a “lean management, scale operation & strong synergy” structure

Leverage 3-year plan to guide annual budget on revenue & profit

Establish an Internet-oriented investment & construction model to rapidly answer market demand

Enhance a financial metric-based performance assessment system

Continue to strengthen internal control to ensure safe & proper operations

Thank You!



Appendix I: Extracts from Unaudited Condensed Consolidated Statement of Financial Position as at 30 Jun 2018



(RMB Mil)	2017.12.31	2018.6.30
Current Assets	76,722	83,517
Non-current Assets	495,261	467,388
Total Assets	571,983	550,905
Current Liabilities	242,622	223,329
Non-current Liabilities	25,014	18,146
Total Liabilities	267,636	241,475
Total Equity	304,347	309,430

Appendix II: Key Operating Metrics

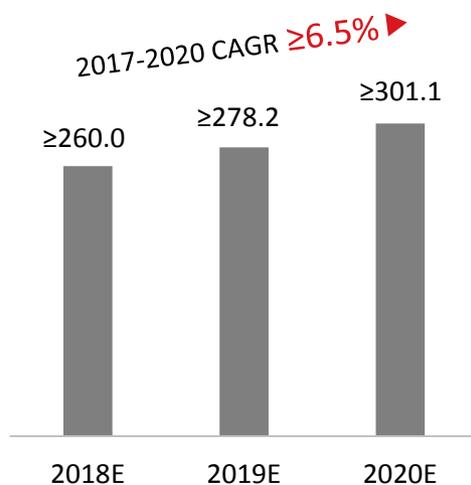


		Unit	1H2017	1H2018
	Billing Subscribers	Mil	269.448	302.018
	Billing Subscriber ARPU	RMB	48.0	47.9
Mobile Business	Handset User MOU	Mins	254.0	233.9
	Total Handset Data Traffic	Bil MB	2,533.3	9,038.7
	Handset User DOU	GB	1.6	5.1
Incl.: 4G	Subscribers	Mil	138.808	203.109
	ARPU	RMB	66.5	56.6
	DOU	GB	3.2	7.6
Fixed-line Broadband Business	Subscribers	Mil	76.921	78.916
	Access ARPU	RMB	47.0	46.1
Fixed-line Local Access Business	Subscribers	Mil	63.289	57.873
	ARPU	RMB	15.9	14.9

Appendix III: Key Unlocking Conditions under Unicom A Share Company's Employee Share Incentive Scheme¹

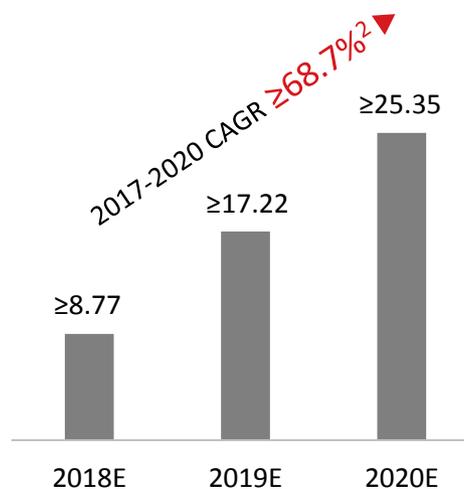


**Service Revenue Target -
Unicom A Share Company**
(RMB Bil)



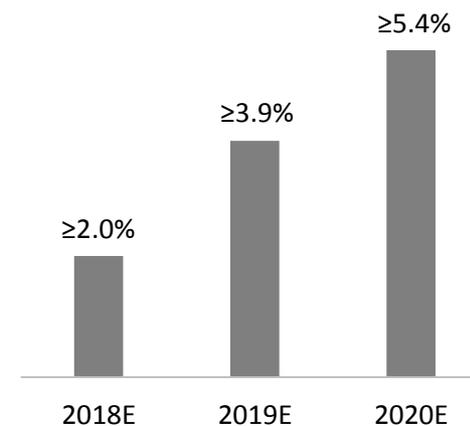
Service revenue growth in 2018-2020 vs 2017 basis shall not be less than the average of industry peers respectively

**Pre-Tax Profit Target -
Unicom A Share Company**
(RMB Bil)



Pre-tax profit growth in 2018-2020 vs 2017 basis shall not be less than 75th percentile of industry peers respectively

**ROE Target -
Unicom A Share Company**



Note:

- For the details of Unicom A Share Company's employee share incentive scheme, please refer to the related Unicom A Share Company's public announcements filed with The Shanghai Stock Exchange on 11 February 2018.
- Pre-tax profit of Unicom A Share Company in 2017 of RMB 5.3 bil excluded net loss on asset disposal related to fibre network upgrade.