

To: Business/Finance Editors (For Immediate Release)

16 March 2016

CHINA UNICOM (HONG KONG) LIMITED
ANNOUNCES ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

Highlights :

- Challenging business environment put revenue & profit under considerable pressure
- Timely adjusted operating priorities by focusing resources on 4G to fuel mobile business momentum
- Driven by 100Mbps offerings & video, fixed-line business maintained steady growth
- Investing for leading network experience & future growth
- To drive gradual turnaround with full strength, leveraging opportunities, “Focus Strategies”, innovation & cooperation development

<u>Financial Summary</u>	For the Year Ended 31 December (RMB millions)		
	2014	2015	Change (%)
Operating Revenue	284,681	277,049	-2.7%
Service Revenue ¹	244,878	235,278	-3.9%
EBITDA²	92,771	87,502	-5.7%
EBITDA as % of Service Revenue	37.9%	37.2%	-0.7pp
Net Profit³	12,055	10,562	-12.4%
Net Profit as % of Service Revenue	4.9%	4.5%	-0.4pp
Net Profit (Ex. Gain on Disposal of Tower Assets)	120.55	36.27	-69.9%
Basic EPS (RMB)	0.505	0.441	-12.7%
Proposed Final Dividend per Share (RMB)	0.20	0.17	-15.0%

Hong Kong, 16 March 2016 – 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 annual results for the year ended 31 December 2015.

In 2015, facing the complex changes of the business environment and the stiff challenges including, among others, “Speed Upgrade and Tariff Reduction”⁴, “One-month Mobile Data

¹ Service Revenue = Operating Revenue – Sales of telecommunications products;

² EBITDA=profit for the year before finance costs, interest income, shares of profit/loss of associates, net other income, income tax, depreciation and amortisation;

³ Net Profit represented profit attributable to equity shareholders of the Company

⁴ According to “Guiding Opinions on Accelerating the construction of high-speed broadband network to promote the network speed and lowering the data tariffs” issued by General Office of the State Council of the PRC in 2015, telecommunication industry should accelerate the construction of high-speed broadband network and further promote the network speed and lower the data tariffs in order to improve the service.

Carry-over”⁵, the replacement of business tax with value-added tax (“VAT Reform”⁶) and intensifying competition, both the revenue and profit of the Company were under considerable pressure. The service revenue for the year amounted to RMB235.28 billion, down by 3.9% compared with the previous year, while revenues from non-voice business accounted for 69.1% of the service revenue, representing a year-on-year increase of 7.2 percentage points.

The Company’s EBITDA declined by 5.7% year-on-year to RMB87.50 billion. EBITDA as a percentage of service revenue was 37.2%, down by 0.7 percentage points year-on-year. Including the gain on disposal of certain telecommunications towers and related assets, net profit was RMB10.56 billion, down 12.4% year-on-year. Committed to delivering leading network experience for customers, the Company made investments for future growth with capital expenditure reaching RMB133.88 billion in 2015.

During the year, the Group disposed of certain telecommunications towers and related assets to China Tower Corporation Limited (the “Tower Company”) and realised a gain on disposal before taxes of RMB9.25 billion. The disposal of the towers assets will facilitate the sharing of telecommunications towers among operators, thus promoting a quick and efficient 4G network rollout while saving capital expenditures of the Company. Meanwhile, the Company, as one of the major shareholders of the Tower Company, expects to benefit from the future earnings and value enhancement of the Tower Company. The Company and the Tower Company are in the process of negotiation on the fee of using telecommunications towers. The tower usage fee is expected to bring short-term pressure on the profit of the Company.

Based on the Company’s overall financial position in 2015 and taking into account the shareholder returns, profitability, debt obligations and cash flows of the Company, and the capital required for future development, the Board of Directors recommended a final dividend payout of RMB0.17 per share for the fiscal year ended 31 December 2015.

Promptly adjusting operating priority to focus resources on 4G to fuel mobile business momentum. The overall development of the Company’s mobile business was under pressure in 2015. Mobile service revenue was RMB142.62 billion, representing a year-on-year decrease of 8.0%. The number of its mobile billing subscribers declined by 14.26 million to 252.32 million. During the year, our competitor made a strong push in promoting 4G business, the Company’s competitive advantages on 3G had been fading out fast. Leveraging the opportunity of sharing of towers, the Company accelerated mobile network deployment, fully opened its 4G network to all the subscribers, promoted 4G terminals penetration and optimised its product portfolio to expedite the subscriber migration to 4G network. Promptly refining strategy in the fourth quarter, the Company fully focused on 4G, launched “WO 4G+”, and comprehensively enhanced customer experience by improving its network, products, terminals, channels and operations capabilities, undergoing a 4G-led business transformation and development. As at the end of 2015, the total 4G subscribers of the Company reached 44.16 million, accounting for 17.5% of

⁵ The Company launched the promotion plan which allowed the unused monthly data under the monthly package to be carried over for use till the end of the following month from 1 October 2015.

⁶ The replacement of business tax with value-added tax implemented nationwide for the telecommunications industry from 1 June 2014 (hereinafter referred to as “VAT Reform”).

mobile billing subscribers, accelerating the optimisation of the mobile subscriber structure and fueling the mobile business momentum.

Expanding broadband and informatisation businesses to sustain steady growth of fixed-line businesses. The Company actively leveraged its advantages in fiber network and informatisation to accelerate the development of its growth businesses such as Internet access, video and integrated information services. The Company continued to strengthen its integrated services and packages including fixed-line, mobile and informatisation, and launched “Smart WO Family” products to promote the synergetic developments across various businesses. In 2015, the Company’s fixed-line broadband service revenue grew by 7.5% year-on-year to RMB53.96 billion, and its fixed-line broadband subscribers increased by 5.1% year-on-year to 72.33 million, with Fiber-to-the-home (FTTH) subscribers accounting for more than 50% of fixed-line broadband subscribers. “Smart WO Family” subscribers reached 9.59 million. In the future, while promoting the expansion of FTTH subscriber scale, the Company will strengthen the investment efficiency management in broadband terminals, reducing the impact on the profit for the period. Driven by its fixed-line broadband business growth, the fixed-line service revenue for 2015 increased by 3.1% year-on-year to RMB91.26 billion, of which 83.6% was from fixed-line non-voice revenue, up by 4.7 percentage points year-on-year, resulting in a further optimised fixed-line business structure.

Investing for leading network experience and future growth. In 2015, the Company accelerated the deployment of high-speed broadband network with a focus on 4G and fiber broadband. During the year, the Company added 306,000 4G base stations, making a total number of 399,000 4G base stations. The 4G network basically achieved continuous coverage in urban area, county cities and developed towns and villages. The Company expedited the upgrade towards “4G+”, and started carrier aggregation pilot schemes, increasing its network peak downlink speed to 300Mbps. The Company accelerated the construction and upgrade of its fiber broadband network and completed the construction of six fully fiber-connected provinces and over 100 fully fiber-connected cities. The number of broadband access ports increased by 22.2% year-on-year to 165 million, of which 93% are FTTX. The Company continued to improve its basic network capabilities including the transmission and carrying networks, leading to enhanced overall network capabilities. The Company launched an in-depth cooperation with China Telecom to accelerate the improvement on network service qualities and operating efficiency of assets.

Exploring new development areas and accelerating deployment in innovative businesses. Facing ample room for development in industrial Internet, the Company focused on key areas in its innovative businesses such as the Internet of Things, Internet Data Centre (IDC), cloud computing, Big Data, Information and Communications Technology (ICT) and smart city and so on, fully optimised the overall business deployment, centralised the planning of platform construction, and streamlined its operations system to create new driver for sustainable growth. It focused on differentiated markets such as healthcare, education, manufacturing, environmental protection, transportation and logistics to promote a breakthrough in scale in key industry applications. In 2015, the Company’s IDC and cloud computing revenue reached RMB7.07 billion, up 37.5% year-on-year. ICT revenue reached RMB4.33 billion, up 24.9% year-on-year.



Mr. Wang Xiaochu, Chairman and CEO of China Unicom said: “The new year marks the beginning of the all-round implementation of the “Focus Strategies” and the fostering of innovation and cooperation. Looking forward, we are fully confident. With “focus, innovation, cooperation” as the core, the Company will strengthen the driving effect of corporate strategy to accelerate the resolution of development hurdles, thereby contributing to a gradual turnaround of its operating results.”

Currently, the Company is facing difficulties and challenges as well as numerous opportunities and growth potential. Under the guidance of “focus, innovation, cooperation” strategy the Company will focus on key businesses and key regions to improve the value of fundamental business. On the other hand, the focus will lie on 4G and acceleration of network roll-out, re-shaping our brand image, upgrade of our product offering, stepping up terminal-led effect, enhancing channel capability, deepening effort in customer retention and data traffic operation, in order to achieve breakthrough in key differentiated markets and an overall stabilisation and rebound of the mobile business. Driven by applications, the Company will strive to enhance the value of broadband business. Committed to leveraging high quality services, such as, TV and video to push fiber broadband adoption, and innovate family Internet services, the Company aims to maintain steady growth in fixed-line business. Another area of focus will be the platform-based business and industrial Internet. By effectively expanding capacity and enhancing capability, the Company will vigorously expand the businesses of Internet of Things, cloud computing/IDC, Big Data, data traffic operation, industry applications, payment/finance and international business, in an effort to cultivate new growth engines for innovative business. In addition, the Company will focus on the reform in both systems and structure and develop market-oriented management system, with an aim to lift the corporate vibrancy and improve operational efficiency. The Company actively leverages on complementary edges and in-depth cooperation among operators in the industry in the areas, such as resources and innovative business, seeking to reduce network investment and operating cost whilst enhancing the quality of customer service and the operating efficiency of assets, charting a sustainable way to create greater value for shareholders.

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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 filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filings with the SEC.

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