



To: Business/Finance Editors

## CHINA UNICOM ANNOUNCES 2017 ANNUAL RESULTS

### Highlights:

- Profitability rebounded as planned benefiting from deepened implementation of the Strategy of Focus, Innovation and Cooperation
- Innovative business model underpinned fast and effective growth in mobile service
- Achieved competitive network quality and efficiency enhancement with precise investment leveraging focus and cooperation
- Promoted synergetic cooperation with strategic investors to boost new energy for innovative development
- Deeply pushed forward market-oriented system and mechanism reform to lift vibrancy and efficiency
- To leverage mixed-ownership reform to deepen Internet-oriented operation and strive to start a new paradigm of high-quality development
- Reinstate dividend: recommended to pay a final dividend per share of RMB0.052, ≈40% of net profit excluding net loss on asset disposal related to fibre network upgrade in 2017

Financial Highlights (RMB millions)	2016	2017	YoY Change
<b>Operating Revenue</b>	274,197	<b>274,829</b>	0.2%
Service Revenue <sup>1,2</sup>	238,033	<b>249,015</b>	4.6%
<b>EBITDA<sup>3</sup></b>	79,498	<b>81,425</b>	2.4%
<b>EBITDA (Excluding net loss on asset disposal related to fibre network upgrade in 2017 )</b>	79,498	<b>84,325</b>	6.1%
<i>as % of Service Revenue</i>	33.4%	<b>33.9%</b>	0.5pp
<b>Net Profit<sup>4</sup></b>	625	<b>1,828</b>	192.5%
<b>Net Profit (Excluding net loss on asset disposal related to fibre network upgrade in 2017 )</b>	625	<b>4,003</b>	540.4%
<b>Basic EPS (RMB)</b>	0.026	<b>0.074</b>	185.1%
<b>Free Cash Flow<sup>5</sup></b>	2,483	<b>42,920</b>	1,628.8%

- **In January-February 2018, the Company’s mobile billing subscribers registered a net addition of 5.677 million, up by about 214.7% year-on-year. Overall service revenue was approximately RMB43.22 billion<sup>6</sup>, up by about 8.2% year-on-year. Mobile service revenue was approximately RMB26.52 billion<sup>6</sup>, up by about 11.6% year-on-year. Revenue from industrial Internet business was approximately RMB3.76 billion<sup>6</sup>, up by about 30.7% year-on-year. The profit attributable to the equity shareholders of the Company was approximately RMB1.76 billion<sup>6</sup>, up by about 287% year-on-year**

**Hong Kong, 15 March 2018 – 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 annual results.

In 2017, the Company comprehensively deepened the implementation of Focus Strategy and emphasised on scale and profitable development, as well as growth promotion, cost control and mechanism reform, enabling the Company to achieve outstanding results via business model transformation. A substantive breakthrough was made on mixed-ownership reform and the Company saw fundamental improvement in operating results, marching a solid step forward towards its transformational development.

In 2017, the Company successfully turned around its operating results with significant improvement. Service revenue for the year was RMB249.02 billion, up by 4.6% year-on-year, and EBITDA amounted to RMB81.43 billion, up by 2.4% year-on-year. Profit before income tax reached RMB2.59 billion and profit attributable to equity shareholders of the Company increased by 192.5% year-on-year to RMB1.83 billion. In 2017, the Company incurred a net loss on asset disposal related to optical fibre network upgrade of RMB2.9 billion which had no impact on cash flow. Excluding the net loss on asset disposal related to optical fibre network upgrade, the Company’s EBITDA reached RMB84.33 billion, representing 33.9% of service revenue and an increase of 0.5 percentage point year-on-year while profit before income tax reached RMB5.49 billion and profit attributable to equity shareholders of the Company increased by 540.5% year-on-year to RMB4.00 billion.

By focusing on improving quality and efficiency, the Company pushed forward precise investment, cooperation, sharing and proactively unleash value from resources to improve returns. In 2017, the Company offered competitive network quality despite a significant reduction in capital expenditure of 41.6% year-on-year to RMB42.13 billion. Benefiting from the gradual improvement in service revenue and the substantial decline in capital expenditure, the Company’s free cash flow reached RMB42.92 billion, up by 16.3 times year-on-year.

The Company attached great importance to shareholders’ returns. Taking into consideration the Company’s profitability, debt and cash flow level and capital requirements for its future



development, the Board recommended the payment of a final dividend of RMB0.052 per share. Going forward, the Company will continue to strive to enhance its profitability to improve corporate efficiency and shareholders' returns.

Mr. Wang Xiaochu, Chairman and CEO of China Unicom said, "Looking ahead, the Company is embarking on a new historic journey and will seize firmly the brand new opportunities brought by global technological and industrial reform, China's economic development model reform and mixed-ownership reform, aiming to instil into China Unicom new DNA, new governance, new operation, new energy and new ecology (the "Five New"). The Company will continue to deepen the Strategy of Focus, Innovation and Cooperation, vigorously accelerate Internet-oriented operation, forcefully pushes ahead in-depth synergetic business cooperation with strategic investors, speed up improvement in innovative capability and deepen system and mechanism reforms to raise vibrancy and efficiency, striving to start a new era for its innovative development."

### **Strengthened Data Traffic Operation and Development Model Transformation Underpinned Fast and Effective Mobile Business Development with Industry-leading Growth Rate**

In 2017, the Company actively promoted the mobile business model transformation and enhanced the quality of new subscribers through innovating products and marketing models. Using a low cost and subsidy model for expanding subscriber base, the Company achieved accelerated growth in mobile service. Mobile service revenue reached RMB156.44 billion, representing a year-on-year growth of 7.9%, exceeded industry average by 2.2 percentage points. Mobile billing subscribers achieved a net increase of 20.34 million to 284.16 million in total in 2017. The average revenue per user (ARPU) of mobile billing subscribers amounted to RMB48.0, up by 3.5% year-on-year.

During the year, the Company strengthened its data traffic operation by launching and expanding in scale the innovative and transformational products, like 2I2C, 2B2C and "Ice-cream Package" targeting medium-to-high end subscribers. It segmented the market and adopted targeted marketing to reach target users effectively, especially the youth market, with low marketing costs, achieving a breakthrough in the 4G subscriber base. In 2017, the Company's 4G subscriber base witnessed a net increase of 70.33 million to a total of 174.88 million. The 4G subscriber market share was up by 3.7 percentage points year-on-year. The monthly average DOU per handset subscriber was 2,433MB, up by 359.0% year-on-year, still with enormous growth potential.



### **Actively Deployed and Nurtured Key Innovative Services to Stabilise Fixed-line Development, while Creating New Energy for Future Growth**

In 2017, the Company actively promoted the scale development of innovative services, striving to offset the decline in fixed-line voice revenue and the competitive pressure on the fixed-line broadband market. Fixed-line service revenue was RMB90.87 billion, which was largely stable. The Company actively developed its business by focusing on the complementary resources and business synergies brought in by the strategic investors. Focusing on key industries and key services, it embraced open cooperation and adopted innovative incentive systems to jointly develop an innovative and win-win industry ecosystem. In 2017, the Company achieved new breakthroughs in key innovative services. ICT revenue reached RMB3.32 billion, up by 11.0% year-on-year. IDC and Cloud computing revenue reached RMB11.02 billion, up by 16.6% year-on-year.

### **Actively Countered Intense Market Competition through Promoting User Consumption Upgrade and Integrated Development with “High-bandwidth, Mass Video and Big Integration”**

Facing intense competition in the broadband market, the Company further enhanced its network coverage capability and quality. Leveraging its strengths in network capability and television and video content, the Company actively promoted the use of high-bandwidth and integrated products to facilitate user consumption upgrade and mutual growth of fixed-line and mobile services. It propelled an Internet-oriented transformation in sales of broadband service to enhance customer perception. In 2017, the Company’s fixed-line broadband access revenue amounted to RMB42.71 billion, down by 2.6% year-on-year. Fixed-line broadband subscribers increased by 1.30 million to 76.54 million. Integrated package subscribers accounted for 43.5% of the total fixed-line broadband subscribers, up by 4.9 percentage points year-on-year.

### **Mixed-ownership reform**

In 2017, adhering to the principle of “enhance governance, strengthen incentives, protrude core businesses and raise efficiency”, the Company implemented mixed-ownership reform by using Unicom A Share Company, the controlling shareholder of the Company, as the platform. By introducing strategic investors and leveraging external resources and capabilities, the Company’s financial strengths, investment and operation capabilities improved substantially, innovated the business cooperation model, achieved strategic business collaboration and enhanced new energy for innovative development. It pushed forward system and mechanism reforms, established sound and effective corporate governance and market-oriented incentive mechanism to elevate corporate vitality and efficiency, creating better returns for shareholders and employees.



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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.*

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](mailto:ivanw@chinaunicom.com.hk) / [joeling.law@chinaunicom.com.hk](mailto:joeling.law@chinaunicom.com.hk) / [billy@chinaunicom.com.hk](mailto:billy@chinaunicom.com.hk)

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<sup>1</sup> Service revenue = operating revenue – sales of telecommunications products.

<sup>2</sup> 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 2016 have been restated.

<sup>3</sup> EBITDA = profit for the year 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.

<sup>4</sup> Net profit represented profit attributable to equity shareholders of the Company.

<sup>5</sup> Free cash flow = operating cash flow – CAPEX.

<sup>6</sup> The financial data for January-February of 2017-2018 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 to rely on the above internal data.