

To: Business/Finance Editors

## CHINA UNICOM ANNOUNCES 2019 INTERIM RESULTS

### Highlights :

- Deepened execution of the Strategy of Focus, Innovation and Cooperation to actively transform and overcome new challenges faced by the industry
- Implemented mixed-ownership reform in depth bringing notable enhancement in growth quality and return
- Innovative businesses registered robust growth and became the key revenue driver
- To capture new opportunities and create new value by nurturing and consolidating China Unicom's 5G<sup>n</sup> unique edges
- Accelerate “Five New” establishment, striving for a new paradigm of high-quality development

<b>Financial Highlights (RMB millions)</b>	<b>1H2018</b>	<b>1H2019</b>	<b>Change YoY</b>
<b>Operating Revenue</b>	149,105	<b>144,954</b>	-2.8%
<b>Service Revenue<sup>1</sup></b>	134,423	<b>132,957</b>	-1.1%
<b>Of which: Industry Internet Revenue</b>	11,703	<b>16,718</b>	42.9%
<b>EBITDA<sup>2</sup></b>	45,673	<b>49,507</b>	8.4%
<i>EBITDA as % of Service Revenue</i>	34.0%	<b>37.2%</b>	3.2pp
<b>Net Profit<sup>3</sup></b>	5,912	<b>6,877</b>	16.3%
<b>Basic EPS (RMB)</b>	0.193	<b>0.225</b>	16.3%

Hong Kong, 14 August 2019 – 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 2019 interim results.

In the first half of 2019, in the midst of increasingly complex external environment and facing new challenges in the industry development, the Company deepened execution of the Strategy of Focus, Innovation and Cooperation and accelerated the Internet-oriented transformation. It also strengthened the implementation of mixed-ownership reform, leading to continuous rapid growth in its innovative businesses and bringing notable enhancement in growth quality, return and

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

<sup>2</sup> 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 and amortisation.

<sup>3</sup> Net profit represented profit attributable to equity shareholders of the Company.

corporate vibrancy as well as making solid strides in China Unicom’s “Five New” establishment.

In the first half of 2019, the domestic telecommunications industry experienced short-term pain, which posted pressure to the revenue growth of the Company. During the period, the Company’s service revenue amounted to RMB133.0 billion, representing a decrease of 1.1% year-on-year. Nevertheless, the Company continued to report rapid profit growth as it persisted in implementing its new development philosophy by boosting new energy for innovative development and controlling cost to enhance return. EBITDA amounted to RMB49.5 billion, up by 8.4% year-on-year. Profit attributable to equity shareholders of the Company increased by 16.3% year-on-year to RMB6.9 billion.

The Company upheld its precise investment strategy with co-sharing and cooperation to enhance the return of its investment. Capital expenditure was under good control in the first half of the year and amounted to RMB22.0 billion. Thanks to the sound management on cost control, the Company’s free cash flow remained strong at RMB20.3 billion, sending continuous improvement in financial position and building stronger financial health to the Company.

Taking into account the Company’s profitability, debt obligations, cash flow level and capital requirements for future development, etc., the Board of Directors decided not to pay an interim dividend for the current year. The Board will submit a proposal in relation to final dividend payment based on our overall results for the year for consideration at the shareholders’ general meeting.

Mr. Wang Xiaochu, Chairman and CEO of China Unicom said, “Looking ahead, the Company will persevere in the implementation of the Internet-oriented operation and seek improvements in customer perception, operating efficiency and differentiated competitive advantages. It will strive to stabilise its fundamental business, expand the scale of its innovative businesses and make solid progress in 5G innovation, driving its overall business steady-to-rising. The Company will persist in its Focus Strategy and strive for 5G network “co-build and co-share”, while further improving its 4G networks. It will continue to streamline and optimise its network structure and construct the “5G+4G” premium networks on a precise and efficient basis to provide solid assurance on business development.”

### **Continued to push forward transformation of Internet-oriented operation to drive high-quality sustainable development in mobile service**

During the first half of 2019, while facing difficulties and challenges of development in mobile service, the Company persisted in driving differentiated operations with a focus on increasing the effort in Internet-oriented transformation on products, channels and marketing, striving to avoid simple price competition, with the aim to attaining high-quality sustainable growth. In the first half of the year, the Company’s mobile service revenue amounted to RMB78.7 billion, representing a decrease of 6.6% year-on-year, reflecting the impact of “Speed Upgrade and Tariff Reduction” policy, market saturation, keen market competition and diminishing 4G data bonus. Mobile billing subscribers achieved a net increase of 9.32 million, reaching a total of 320 million mobile billing subscribers, of which 4G subscribers registered a net addition of 19.01 million, reaching a total of

close to 240 million 4G subscribers. Our 4G subscriber market share was up by 0.8 percentage point year-on-year, while 4G penetration for mobile billing subscribers reached 74%, up by 6.4 percentage points year-on-year, underpinning ongoing improvements in the mobile subscriber mix. In tandem with the Company's implementation of "Speed Upgrade and Tariff Reduction" policy, the unit pricing for the Company's mobile data service decreased substantially year-on-year, while the mobile data traffic volume grew by 62%. The monthly average DOU per handset subscriber reached approximately 7GB.

In the second half of the year, the Company will gradually leverage the edges of its new LTE 900MHz network in terms of in-depth coverage and wide coverage in rural area and build a premium "5G+4G" network to support business development. The Company will optimise the Internet-oriented product portfolio and exercise stringent control over user acquisition costs and ultra-low tariff packages to enhance quality development. Through strengthening integrated operation, the Company will step up the promotion of its new product "telecommunication capability + smart hardware + content applications", while enhancing user experience by offering differentiated products and services in active response to the challenges brought by mobile number portability. All in all, the Company will commit full efforts to drive mobile service revenue steady-to-rising. Mobile service revenue in July 2019 was up 1.6% as compared to that of June.

### **Continuous rapid growth of the industry Internet business facilitated decent growth in fixed-line business**

During the first half of 2019, the Company expedited the capability development and scale expansion of key innovative businesses such as Cloud Computing, Big Data and Internet of Things (IoT), etc. achieving continuous rapid breakthrough in the development of industry Internet business. Led by the model of "cloud + smart networks + smart applications", the Company actively engaged in the marketing initiative of "Cloud Fibre Smart Enterprise", driving cloud adoption by enterprise customers through cooperation in ecosystem and creation of a capability platform. The Company expedited the deployment and promotion of key smart network products, such as "government and enterprise premium network" and connected cloud network, etc. to unleash the strengths in cloud-network integration into full play and enhance the differentiated servicing ability. Continuous efforts were made to develop smart application solutions for industry Internet and promote mature standardised products in scale, with a focus on key industries, e.g. public administration, education, healthcare, ecological environment, transportation, culture and tourism. Meanwhile, the Company also engaged in consistent efforts to enhance innovation in mechanism and accelerated the innovative talent development while reforming the incentive and compensation system, so as to constantly inject new energy for innovative development. During the first half of 2019, innovative business became a key driver in stabilising the revenue of the Company. The industry Internet business revenue reported a 42.9% year-on-year growth to RMB16.7 billion, with contribution as a percentage of the overall service revenue increased to 13%. Driven by rapid growth in the innovative businesses, the Company's fixed-line business revenue reached RMB53.1 billion, up by 8.2% year-on-year.

### **Active establishment of 5G ecosystem and driving preemptive moves in 5G deployment**

The Company was engaged in active deployment of 5G network and development in partnership with other parties along the value chain to capture the fast-mover market opportunities. During the first half of 2019, the Company led the market in the rollout of its 5G brand (5G<sup>n</sup>), and focused the 5G trial in “7+33+N” cities in scale while launching friendly-user trial programmes in Beijing, Shanghai, Guangzhou and Shenzhen. In the future, the Company will conduct paced and precise investment in 5G construction with due regards to technological advancement, market demand and business requirements and the competitive landscape. It will drive the development of the 5G ecosystem while nurturing and consolidating its unique competitive edges in 5G. It will seize new business opportunities to deliver new value while enabling the capability and intelligence of the broader industry verticals.

### **Deepened strategic cooperation to boost new energy for innovative development**

The Company sought to strengthen strategic and business cooperation with the respective strategic investors focusing on areas where synergies could be claimed. In connection with touchpoints, it continued to advance online touchpoint and privilege cooperation with Internet companies, while exploring offline cross-sector cooperation with a view to precisely and effectively acquiring new users. As at the end of June 2019, the Company had close to 100 million 2I2C subscribers. It engaged in ongoing cooperation with Baidu’s iQIYI and Tencent in IPTV contents and mobile video contents, with a view to enhancing user stickiness. In payment and finance, efforts were made to advance cooperation in “WO wallet” payment and the promotion of consumer credit, anti-financial fraud products as well as the jointly developed risk control-based credit score payment and financial products. As for smart home, efforts were directed towards the deep integration of fundamental telecommunication capabilities with the smart hardware and content applications of Internet companies, in order to create novel products with strong competitiveness. The Company continued to cooperate with Alibaba and Tencent in public cloud and hybrid cloud with the provision of cloud-network integration products, services and solutions to customers, which was in turn driving rapid growth in its government and enterprise customers business. At the same time, in Big Data, IoT and AI, the Company continued to further its in-depth cooperation and exploration with strategic investors to seek win-win cooperation, focusing on hot demands for, among others, financial risk control, target marketing, IoT security and smart home.

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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)