

To: Business/Finance Editors

## CHINA UNICOM ANNOUNCES 2019 ANNUAL RESULTS

### Highlights :

- Actively transformed and implemented in-depth mixed-ownership reform, sustainably enhancing growth quality and profitability
- Timely adjusted mobile development priority to drive long-term development and value maximisation
- Innovative businesses continued to grow robustly with capabilities strengthened
- Rolled out 5G network “co-build and co-share” to effectively enhance edges and return
- To capture new opportunities and create new value by sharpening China Unicom’s 5G<sup>n</sup> unique edges
- Deepen “Five New” establishment to firmly promote high-quality development

Financial Highlights (RMB millions)	2018	2019	Change YoY
<b>Operating Revenue</b>	290,877	<b>290,515</b>	-0.1%
Service Revenue <sup>1</sup>	263,683	<b>264,386</b>	0.3%
of which: Industry Internet Revenue	23,008	<b>32,860</b>	42.8%
<b>EBITDA<sup>2</sup></b>	84,913	<b>94,358</b>	11.1%
<i>EBITDA as % of Service Revenue</i>	32.2%	<b>35.7%</b>	3.5pp
<b>Net Profit<sup>3</sup></b>	10,197	<b>11,330</b>	11.1%
<b>Basic EPS (RMB)</b>	0.333	<b>0.370</b>	11.1%

Hong Kong, 23 March 2020 – 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 annual results.

2019 was a crucial year for China Unicom to implement high-quality development transformation. During the year, the Company actively responded to the complex environment and the short-term pains arising from transformation, deeply practised the new development philosophy, adhered to rational and orderly competition with self-discipline, implemented the “co-build and co-share” of

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

<sup>2</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>3</sup> Net profit represented profit attributable to equity shareholders of the Company.

5G network and deeply advanced the mixed-ownership reform. China Unicom's "Five New" establishment continued to make inroads and achieved breakthrough in certain key strategic areas.

In 2019, the Company registered a service revenue of RMB264.4 billion, representing an increase of 0.3% year-on-year. Benefiting from an effective cost control, despite the continuous impact of "Speed Upgrade and Tariff Reduction", the Company's profitability maintained a decent growth, with EBITDA reaching RMB94.4 billion, representing a year-on-year increase of 11.1%; profit attributable to equity shareholders of the Company amounted to RMB11.3 billion, representing a year-on-year increase of 11.1%. The Company persisted in precise and highly efficient investment and innovatively rolled out the "co-build and co-share" of 5G network, saving substantial capital expenditure while ensuring the highly efficient deployment of 5G network. In 2019, the Company's capital expenditure amounted to RMB56.4 billion, and its free cash flow<sup>4,5</sup> remained strong, reaching RMB26.4 billion.

The Company attached great importance to shareholders' returns. With due regard to the Company's profitability, debt and cash flow level and capital requirements for future development, etc., the Board of Directors recommended the payment of a final dividend of RMB0.148 per share, as compared to a dividend of RMB0.134 per share for 2018. Going forward, the Company will continue to strive to enhance its profitability and shareholders' returns.

Mr. Wang Xiaochu, Chairman and CEO of China Unicom commented, "Having endeavoured and implemented the Focus Strategy for a number of years, China Unicom strengthened its overall competitive strength. Although the Company continues to face the impact of high saturation of the traditional market, adverse impacts brought by fierce market competition and "Speed Upgrade and Tariff Reduction", as well as new challenges such as the increase in capital expenditure and operating expenses arising from 5G deployment and the impact of the outbreak of COVID-19, the Company remains confident in actively responding to the challenges through grasping the valuable opportunities resulting from technological development and industry reform, committing to the strategy and firmly promoting the comprehensive Internet-oriented operation. Mixed-ownership reform will be further advanced, as we pursue the goals of "enhance value, pursue growth, solidify fundamentals and be passionate", leading to a new page of high quality development."

### **Timely adjusted mobile development priority and promoted business quality enhancement**

In 2019, the development of the Company's mobile service was heavily challenged by "Speed Upgrade and Tariff Reduction", market saturation, fierce market competition and diminishing 4G data bonus. The Company proactively adjusted the priority, adhered to differentiated development, deeply promoted the Internet-oriented operation transformation, striving to shift the focus from scale development to the growth quality enhancement and maintaining the value of the Company. The Company was committed to rational and orderly competition, strictly controlled the selling and marketing costs and actively addressed the ineffective and low-value products and channels.

---

<sup>4</sup> Free cash flow = operating cash flow – CAPEX – capital element of lease rentals paid

<sup>5</sup> Excluded the impact of adopting of IFRS/HKFRS 16 - "leases" on 2019 data

In 2019, mobile service revenue of the Company amounted to RMB156.4 billion, representing a year-on-year decrease of 5.3% and the rate of decline slowed down as compared with the first three quarters. The Company saw a net addition of 3.44 million mobile billing subscribers, reaching a total of 318 million mobile billing subscribers, of which, the net addition of 4G subscriber amounted to 33.84 million, reaching a total of 254 million 4G subscribers and accounting for 80% of mobile billing subscribers, which represented a year-on-year increase of 10 percentage points. The mobile subscriber mix continued to improve during the year. The unit pricing of mobile data service decreased significantly year-on-year, but the total mobile data traffic volume and the monthly average DOU per mobile handset user continued to increase significantly. In 2019, the total mobile data traffic volume increased by 46% and the monthly average DOU per handset user reached 8GB.

### **Accelerating transformation of growth drivers with continuous rapid growth of innovative services**

The Company seized the opportunities arising from the digital transformation across industries, focused on key innovative businesses such as cloud computing, big data and artificial intelligence (AI) and Internet of Things (IoT) and drove the development of innovative businesses and fundamental services through the integrated operation of “cloud + smart network + smart application”. We strengthened the centralised operation, leveraged huge synergy of the “cloud-network-edge-node-business” and built a cloud business capability platform through ecological cooperation. The deployment of premium network for government and enterprises customers (SDN intelligent network) was accelerated and industrial Internet solutions and products were actively developed.

In 2019, the Company’s revenue from industry Internet business increased by 43% year-on-year to RMB32.9 billion, accounting for 12.4% of the total service revenue, becoming an important driver in stabilising service revenue momentum. Driven by the rapid growth of innovative business, the Company’s fixed-line service revenue reached RMB105.7 billion, representing a year-on-year increase of 9.7%.

### **Actively executed new vision with remarkable achievement in the “co-build and co-share” of 5G network**

In September 2019, the Company entered into a cooperation agreement with China Telecom to jointly build one 5G access network across the country. While significantly saving capital expenditure, the Company would enjoy the doubling of 5G network coverage, bandwidth, capacity and transmission speed, providing users with better experience. Currently, the two companies (China Unicom and China Telecom) shared 50,000 5G base stations and jointly saved investment costs of RMB10 billion.

In the future, the Company will leverage the advantages of “co-build and co-share” and invest steadily, precisely and dynamically on 5G network deployment, with due regard to the

technological progress, maturity of the value chain, as well as market and business demand, etc. While achieving material saving in capital expenditure and operating expenses, the Company would see its 5G network quality comparable with the leading operator. In addition, the Company will actively and comprehensively step up the “co-build and co-share” with China Telecom in areas such as 4G indoor distributed antenna systems, server rooms, optical fibre and pipelines to further enhance network advantages and corporate value.

### **Continued to strengthen strategic cooperation and advanced Internet-oriented transformation to next level**

During the year, as the Company actively and continuously leveraged the edges in resources and capabilities of its strategic investors to deepen and innovate the cooperation, further synergy emerged. In cloud computing, ongoing cooperation with Alibaba, Tencent and Baidu on public cloud and cloud networking, etc., was carried out, enhancing the business development capability driven by the synergy of cloud and network. In terms of big data, the smart cultural tourism joint venture established between the Company and Tencent kicked off a number of key projects across the country. Smart Steps, a joint venture, successfully introduced the investment from JD.com and became No. 1 service provider in the country in demographic planning and big data. In IoT, the Company carried out all-around cooperation in smart connectivity in areas such as mobile payment, travel service and smart wearable, with an increase of nearly 10 million connections during the year. At the same time, the Company deepened business cooperation and continued to explore joint investment opportunities in industrial Internet, 5G + AI, content aggregation, payment finance and basic communication, while strengthening the alliance and creating new energy for innovative business development.

### **Strive to turn adversity into opportunities in addition to precise epidemic control**

Since the beginning of this year, facing the outbreak of a novel coronavirus, the Company has been proactively undertaking social responsibility, assuring the effective communication services delivery and making use of new technologies such as big data, AI and 5G to support a precise epidemic control. The outbreak poised short-term challenges to the Company, however, it also accelerated demand by economy and society for transformation on digitisation, cyberisation and intelligence, thereby creating new opportunities to the Company. Striving to turn adversity into opportunities, the Company accelerated the transformation of Internet-oriented operation, provided innovative communications service offerings, strengthened O2O integrated operation and actively promoted new informatisation applications, thereby providing customers with accessible, convenient and highly efficient smart living services.

- End -



*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)