

2015 INTERIM RESULTS

21 AUGUST, 2015

CHINA UNICOM (HONG KONG) LIMITED
www.chinaunicom.com.hk



Management Present



Mr. Lu Yimin **Executive Director & President**

Mr. Li Fushen **Executive Director & CFO**

Agenda



- **Overall Results**
- **Operating & Financial Performance**

Overall Financial Results

(RMB millions)	1H2014 ⁽²⁾	1H2015	YoY
Operating Revenue	149,569	144,685	-3.3%
Service Revenue⁽¹⁾	126,973	120,267	-5.3%
<i>of which: Mobile</i>	81,343	73,464	-9.7%
<i>Fixed-line</i>	45,207	46,187	2.2%
EBITDA	47,689	50,464	5.8%
<i>EBITDA as % of Service Revenue</i>	37.6%	42.0%	4.4pp
Net Profit	6,689	6,990	4.5%
<i>Net Profit as % of Service Revenue</i>	5.3%	5.8%	0.5pp
Basic EPS (RMB)	0.281	0.292	3.9%

(1) Due to unallocated items, service revenue is not equal to the sum of mobile and fixed-line service revenues.

(2) Business tax was replaced with value-added tax in the telecom sector from 1 June 2014 ("VAT Reform").

Accelerating Subscriber Migration

Adapting to Market Trend and Promoting Subscriber Migration

Pushing Forward Integrated Mobile Operation

- Opened 4G network
- Promoted 4G terminals
- Sped up migration from 2G/3G to 4G
- Improved product portfolio to address both existing users and new subscribers

Accelerating Penetration of Fiber Optic Network and Users

- Sped up fiber optic upgrade
- Sped up FTTH user growth
- Improved customer service system

Migrating Mobile Users to 4G

Penetration of Mobile Broadband Users (yoy change): **+6.8pp**

% of Mobile Users who can have access to 4G network: ⁽¹⁾ **73%**

Penetration of 4G Terminals (compared with YE2014): ⁽¹⁾ **+8.3pp**

Fiber Optic Upgrade of Fixed-line Broadband Network

FTTH Subscribers (yoy change): **+99.1%**

FTTH Sub Penetration (yoy change): **+19.1pp**

(1) As of July 2015

Accelerating Consumption Upgrade

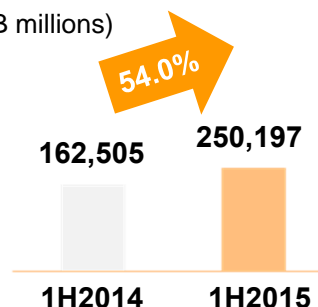
Promoting Consumption Upgrade

- Encouraged consumption upgrade from voice to data
- Promoted consumption upgrade for family customers
- Furthered data volume operation
- Promoted application innovation

Rapid Data Growth and Rising Share of Non-voice Services⁽¹⁾

Data Usage by Mobile Broadband Handset Users

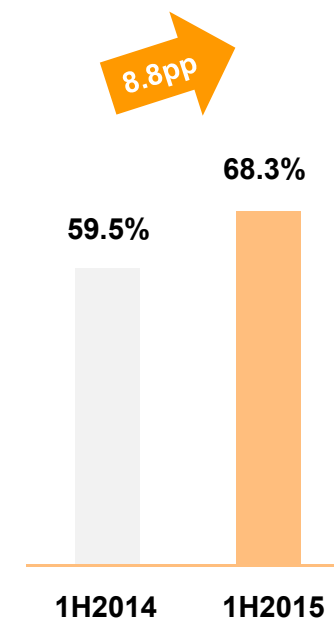
(MB millions)



Non-voice's Share of:

Mobile Service Revenue	58.5%
Fixed-line Service Revenue	83.3%

Non-voice's Share of Total Service Revenue



(1) Non-voice service revenue refers to service revenue other than voice, monthly fee and interconnection revenue.

Accelerating Business Innovation



Adapting to Internet Trend and Accelerating Business Innovation

China Unicom “Internet+” Plan

- Deployment in hot sectors such as manufacturing, environmental protection, automobile and education
- Laying foundation for “Internet+” development
- Aiming to be “Internet+” pioneer
- Cross-industry operation

Innovative Operation in Emerging Businesses

- Industry informatisation
- e-Commerce
- Internet finance
- Big data

Cross-industry Operation

- Automobile informatisation, education informatisation: *leading market position*

Infrastructure for “Internet+”

- **Network:** high-quality broadband networks
- **IDC:** leading operator in China
- **Internet of Things:** leading network provider

Big Data

- Providing risk control service to Internet financing firms such as *Ant Financial*
- Location-based big data service with *Telefonica*

B2B e-Commerce

- **“Woego”:** transaction of *RMB10 billion* in 1H2015

Internet Finance

- CMB-Unicom Consumer Financing Co. Ltd.: *1.88 million registered users*

Further Enhancing Network Capabilities



Building High-quality Broadband Networks with Leading User Experience

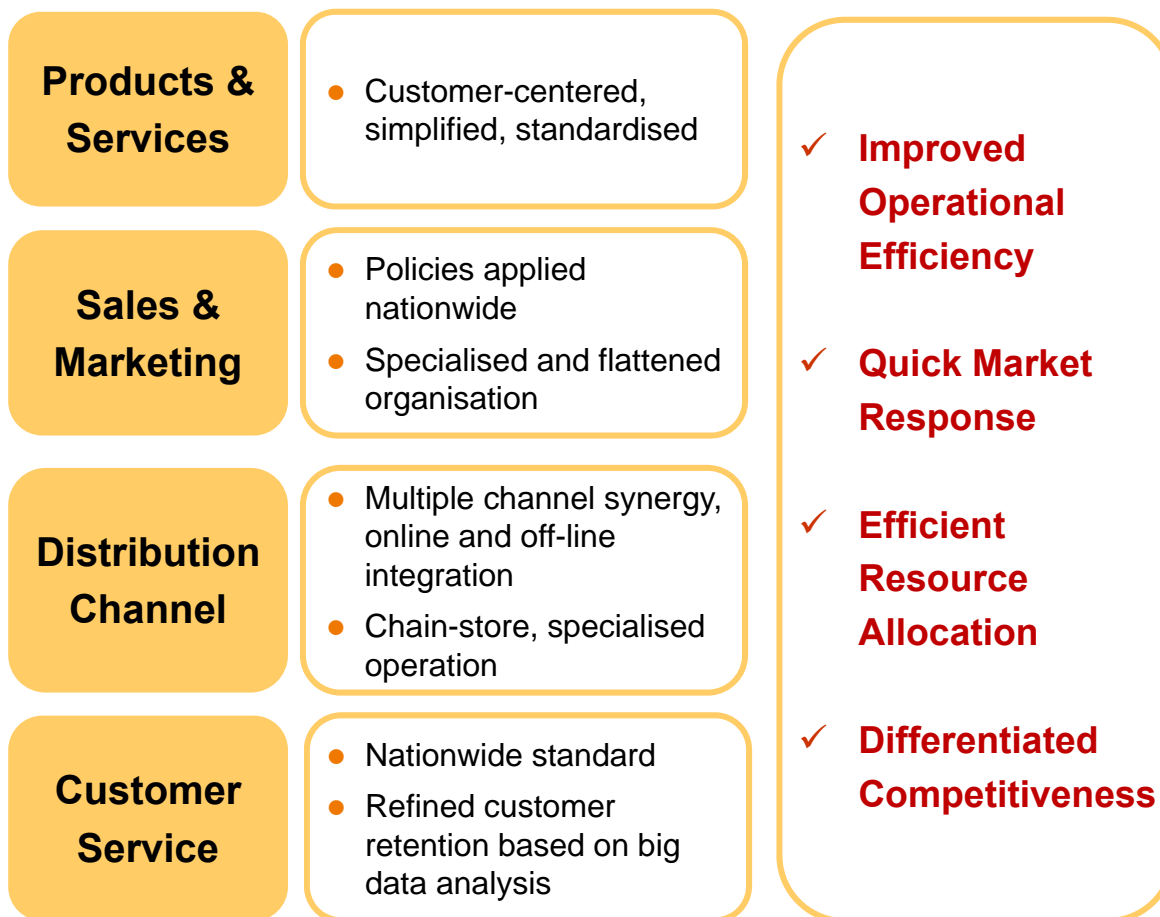
		1H2015	YE2015	2016
Mobile Broadband Network	Maximum Downlink Speed:	<ul style="list-style-type: none"> 150Mbps 	<ul style="list-style-type: none"> 300Mbps 	<ul style="list-style-type: none"> 330Mbps
	Base Stations:	<ul style="list-style-type: none"> 837 thousand 	<ul style="list-style-type: none"> Around 1.2 million 	
	Technology Evolution:	<ul style="list-style-type: none"> LTE FDD/TD-LTE 	<ul style="list-style-type: none"> Trial launch of dual carrier aggregation Trial launch of VoLTE First SDN deployment 	<ul style="list-style-type: none"> Official launch of dual carrier aggregation, trial launch of triple carrier aggregation Full VoLTE and SDN deployment
Fixed-line Broadband Network	Access Speed:		<ul style="list-style-type: none"> 100M in most urban areas and 8M+ in rural areas (northern China) 	<ul style="list-style-type: none"> 100M in urban areas and fiber optic to village (northern China)
	Fiber Optic Coverage:	<ul style="list-style-type: none"> FTTX penetration: 83% 	<ul style="list-style-type: none"> FTTX penetration: more than 90% 	<ul style="list-style-type: none"> All fiber optic network

To Support Self Development and National “Internet+” Strategy

Further Implementing Unified Operation

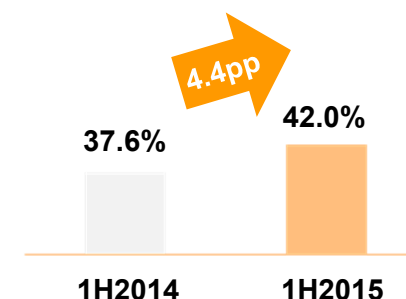


Pushing Forward Unified Operation to Build New Differentiated Advantages

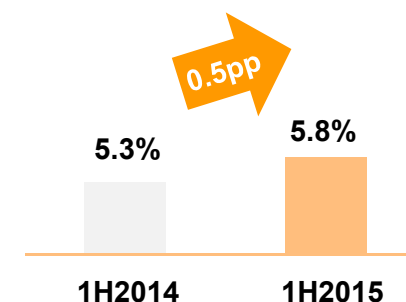


Further Improved Profitability

EBITDA as % of Service Revenue



Net Profit as % of Service Revenue



2H2015 Outlook

1

- Accelerate 4G-oriented integrated operation of mobile business, push forward subscriber migration from 2G/3G to 4G by opening 4G network and raising 4G smartphone penetration, speed up fixed-line fiber optic upgrade and bundled packages, and focus on both customer acquisition and retention, so as to improve quality and efficiency through continuous development.

2

- Accelerate business innovation, seize opportunities of informatisation, and promote China Unicom's own "Internet+", so as to create new differentiated advantages and new growth drivers.

3

- Accelerate the construction of high-quality mobile and fixed-line broadband networks to support the Company's business transformation and future development as well as national "Internet+" strategy.

4

- Accelerate centralised and unified operation as well as integrated online and off-line operations, and explore the specialised and market-oriented operation, so as to constantly enhance corporate vitality.

Agenda



- Overall Results
- **Operating & Financial Performance**

Overall Business

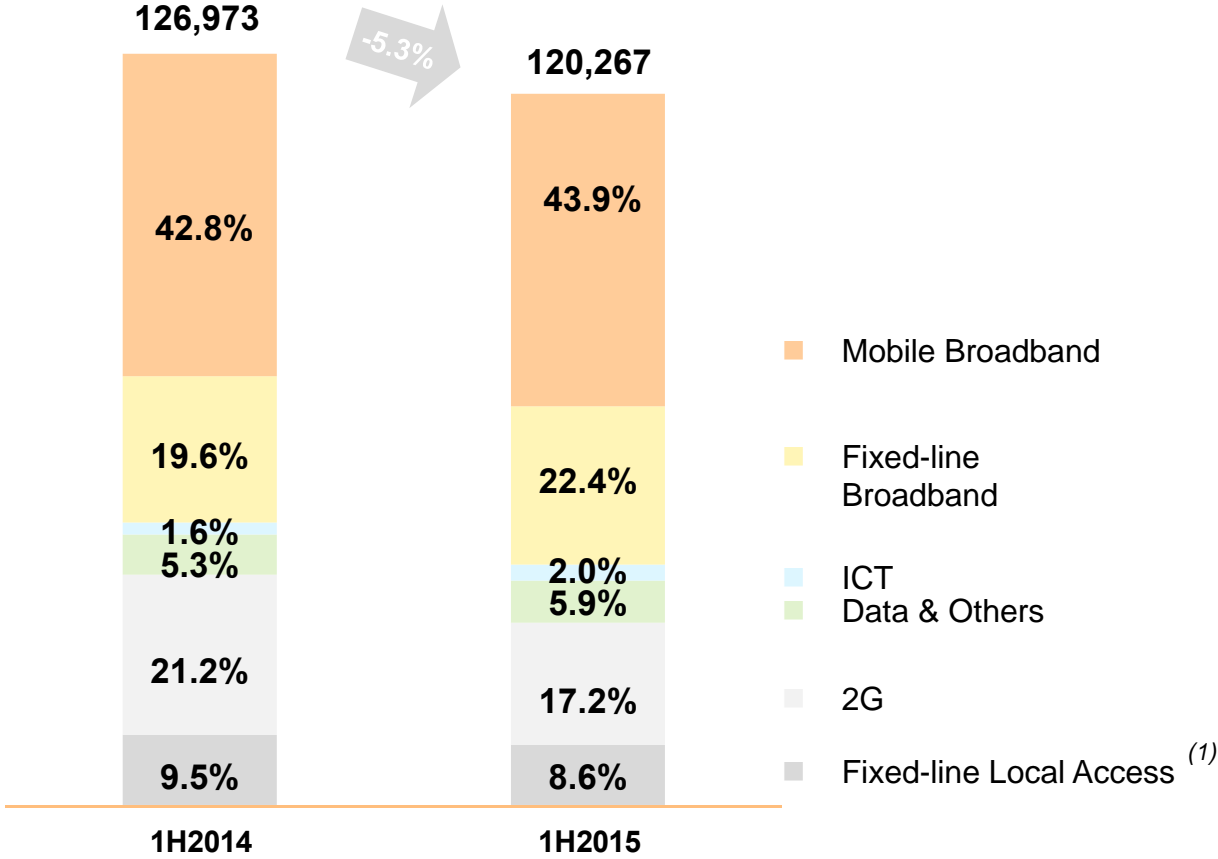
focusing on development quality & transformation



- Focusing on development quality
- Transforming sales and marketing model
- Optimising development model
- Fully deepening transformation

Service Revenue and Structure

(RMB millions)



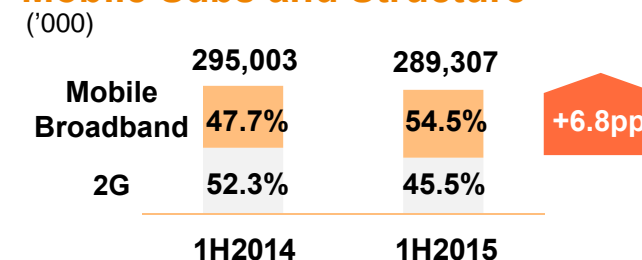
(1) Including local voice, long distance, fixed-line VAS and interconnection revenues.

Mobile Business

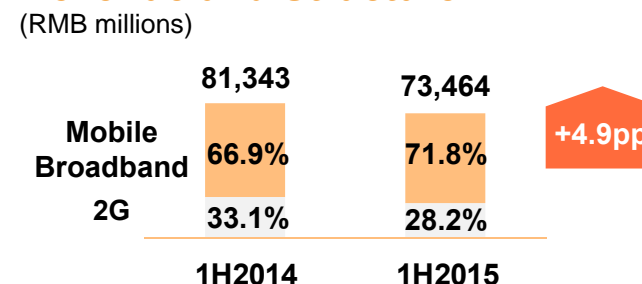
promoting integrated operation of mobile business

Building Broadband Networks	<ul style="list-style-type: none"> Built high-quality mobile broadband networks Mobile broadband base stations at 837 thousand as of the end of June 2015
Opening 4G Network	<ul style="list-style-type: none"> Fully opened 4G network to all users Focused on improving user experience
4G Terminals	<ul style="list-style-type: none"> Promoted 4G terminals to raise 4G penetration Leveraged on terminals to drive subscriber growth
Product Portfolio	<ul style="list-style-type: none"> Optimised integrated mobile product portfolio Established integrated customer service system that addresses both customer acquisition and retention Promoted subscriber migration to 4G

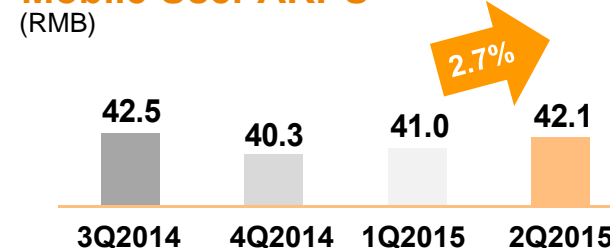
Mobile Subs and Structure



Mobile Service Revenue and Structure



Mobile User ARPU



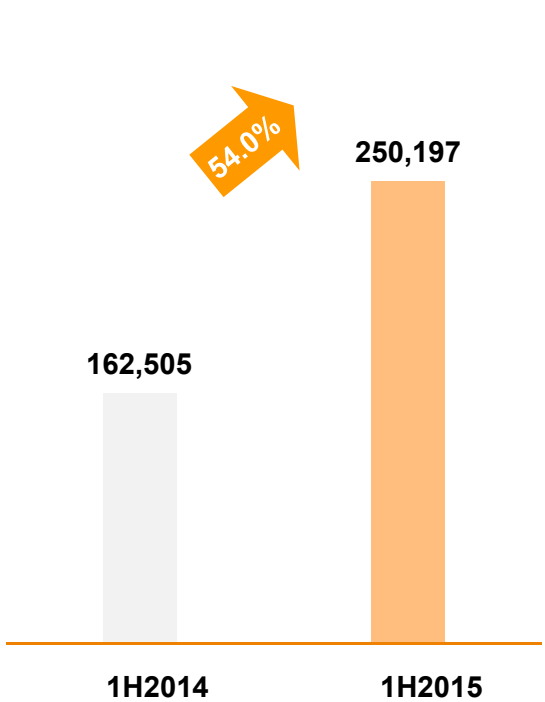
Mobile Business

rapid growth in data usage

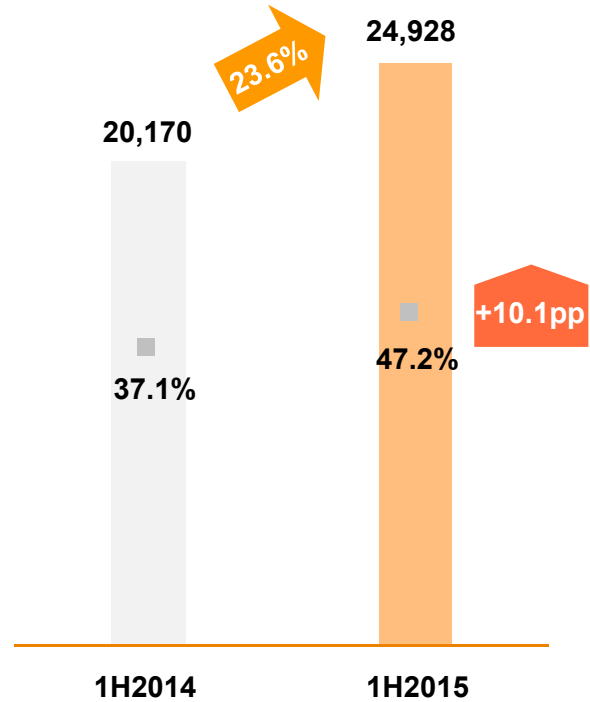


- Accelerating the integrated operation of mobile business
- Promoting data volume operation and application innovation
- Enhancing operational capability of WO+ Platform
- Strengthening co-operation with Internet companies

Data Usage by Mobile Broadband Handset Users
(MB millions)



Data Revenue by Mobile Broadband Handset Users
(RMB millions)



■ As % mobile broadband service revenue

Mobile Business

leading mobile service resale in the industry

Further Optimising Co-operation to Promote Mobile Service Resale Business

- One-stop access activates unified operation and standardised services, which creates differentiated competitive advantages:
 - ✓ *Enhanced unified operation*
 - ✓ *Innovated resale business model*
 - ✓ *Improved resale co-operation*
 - ✓ *Enhanced network support*
- Opened 4G network to mobile service resellers since July 2015 so as to provide customers with high-speed network experience.

Continuing to Lead in Mobile Service Resale Business

*Industry-leading in
Number of Signed
Resellers in Operation:*

17

*Revenue Generated
in June 2015 (RMB):*

**>60
million**

*Market Share in
Subscribers
Developed by
Resellers:*

≈90%

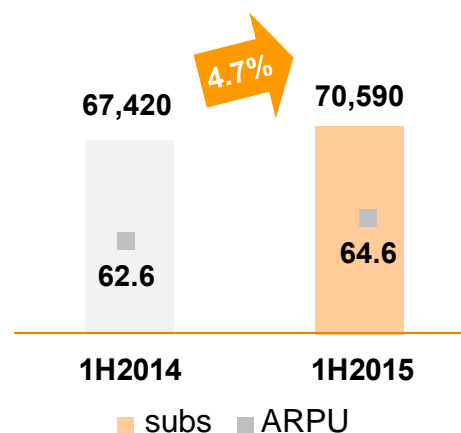
Fixed-line Business

fiber optic upgrade to drive business transformation

- Speeding up fiber optic network coverage and accelerating subscriber migration to FTTX
- Promoting “Smart Wo Family” to provide family users with total communication and information solutions
- Optimising customer service and retention systems

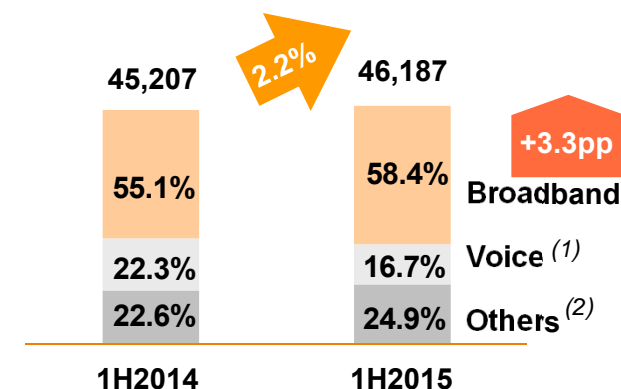
Broadband Subs & ARPU

('000/RMB)



Fixed-line Service Revenue

(RMB millions)



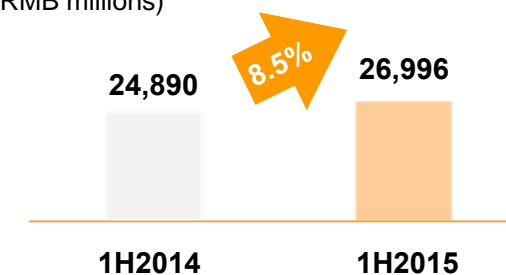
FTTH Broadband Users

FTTH's Share of Broadband Subs (yoy change)

+19.1pp

Fixed-line Broadband Service Revenue

(RMB millions)



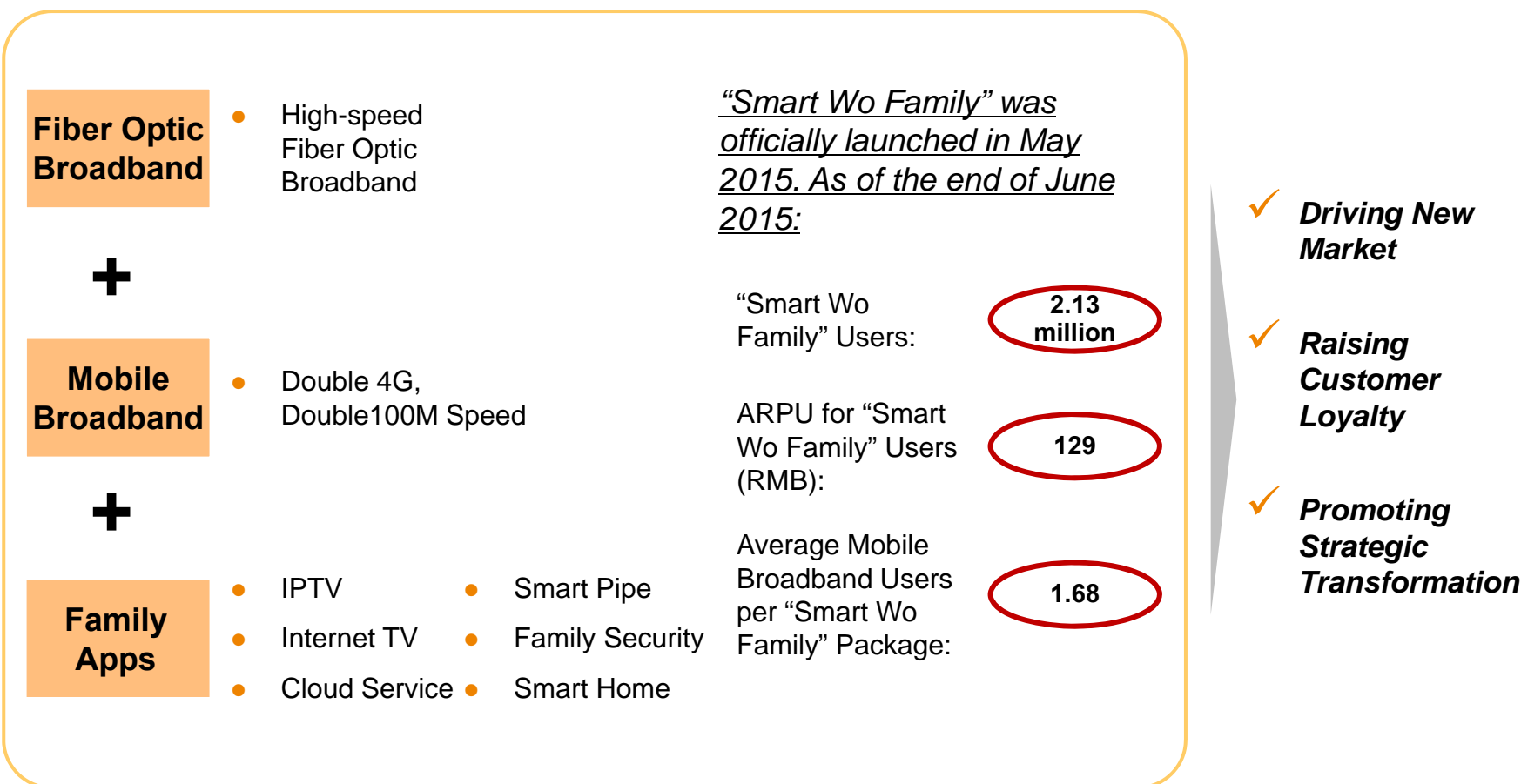
(1) Including voice, monthly fee and interconnection revenue.

(2) Including fixed-line VAS, ICT, data and others.

Fixed-line Business

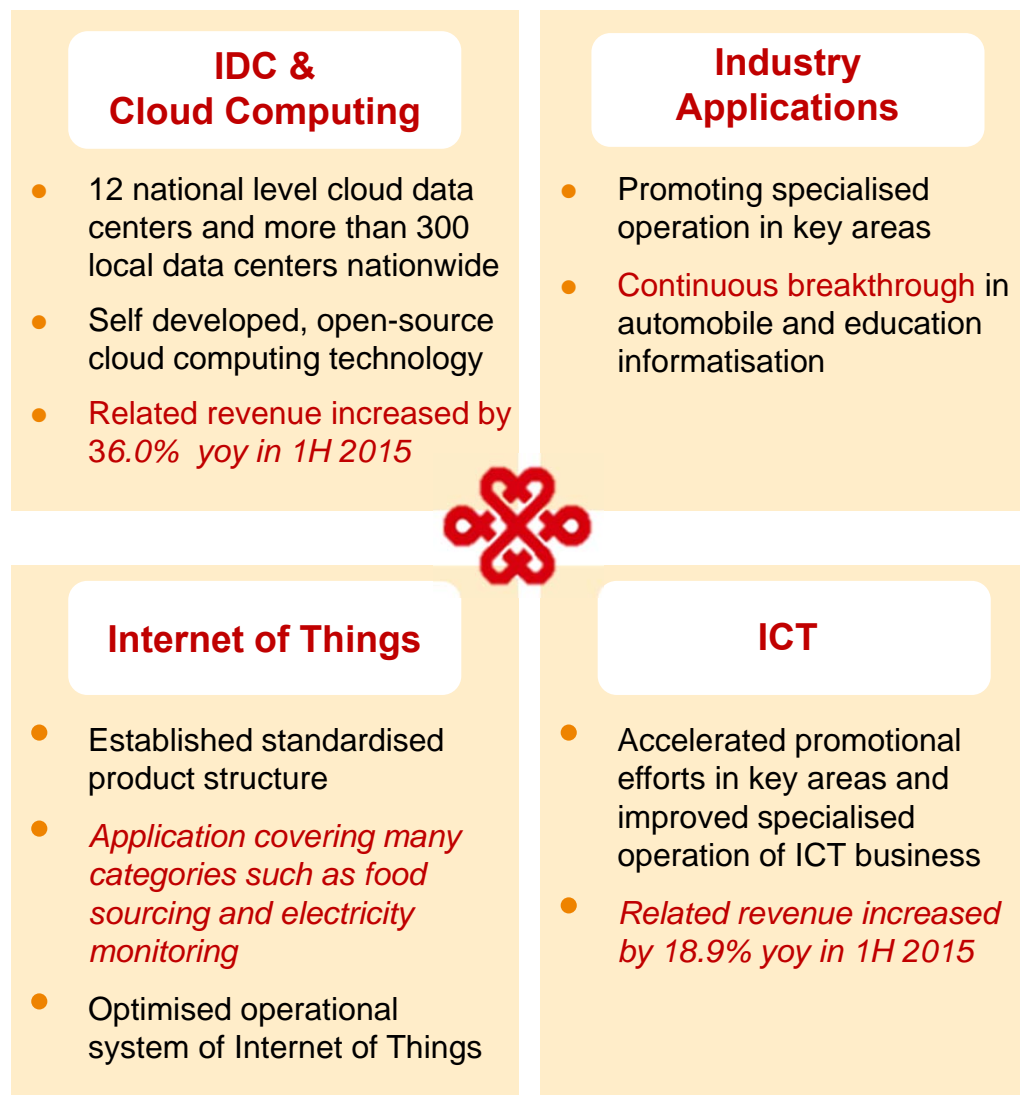
“Smart Wo Family” to facilitate family consumption upgrade

“Smart Wo Family”: Total Communication and Information Solutions for Family



Enterprise Customer Business

enhanced promotion to cultivate new growth drivers



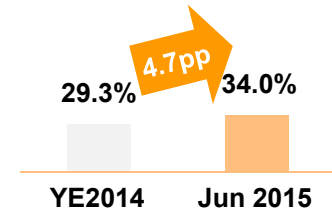
Sales and Marketing promoting online and off-line integration



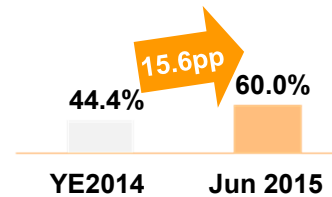
Adapting to Internet Trend and Promoting Online and Off-line Integration

- **Product:** simple, standardised, unified
- **S&M:** unified policies, flattened structure, specialised execution
- **Channel:** chain store, specialised operation, online and off-line synergy
- **Customer Service:** standardised, online

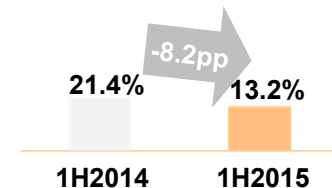
Market Share in Mobile Broadband Terminal Sales: ⁽¹⁾



Non-subsidized Users as % of Contract Subscribers: ⁽²⁾



Selling & Marketing Expenses (including handset subsidy) as % of Service Revenue:



Leveraging on “Woego” to Facilitate Integrated Operation in Terminals and Channel

Terminals Channel Business

Subsidy Commission

Number of Registered Channels as of End of June 2015:

296 thousand

Rapid Growth over YE2014

Turnover on “Woego” Platform in 1H2015 (RMB):

10 billion

HoH +133%

(1) Market share of terminals that can support China Unicom’s networks; Source of Data: Sino Marketing Consulting Co. Ltd.

(2) Non-subsidized subscribers as % of mobile broadband contract subscribers.

Costs and Expenses

year-on-year down 3.5%

(RMB millions)	1H2015	YoY ▲	YoY %
Operating Expenses	132,764	-5,998	-4.3%
Adjusted Operating Expenses ⁽¹⁾	108,907	-7,505	-6.4%
Interconnection Charges ⁽²⁾	6,558	-1,007	-13.3%
Depreciation & Amortisation	38,543	1,661	4.5%
Networks, Operations & Support	19,154	1,119	6.2%
Employee Benefit	17,925	956	5.6%
Selling & Marketing	14,633	-9,191	-38.6%
Handset Subsidy	1,223	-2,109	-63.3%
G&A and Others	10,871	1,066	10.9%
Net Financial Costs	3,070	496	19.3%
Net Other Income ⁽³⁾	81	-523	-86.6%
Total Costs & Expenses	135,753	-4,979	-3.5%

(1) In 1H2015, costs of telecom products sold amounted to RMB25,080 million, down 2.3% yoy; sales of telecom products amounted to RMB24,418 million, up 8.1% yoy; and loss of telecom products sold amounted to RMB662 million, of which handset subsidy RMB1,223 million. Adjusted operating expenses are defined as operating expenses minus costs of telecom products sold plus handset subsidy.

(2) Public telecommunications network interconnection settlement standards of basic telecommunications operators were adjusted from 1 January 2014.

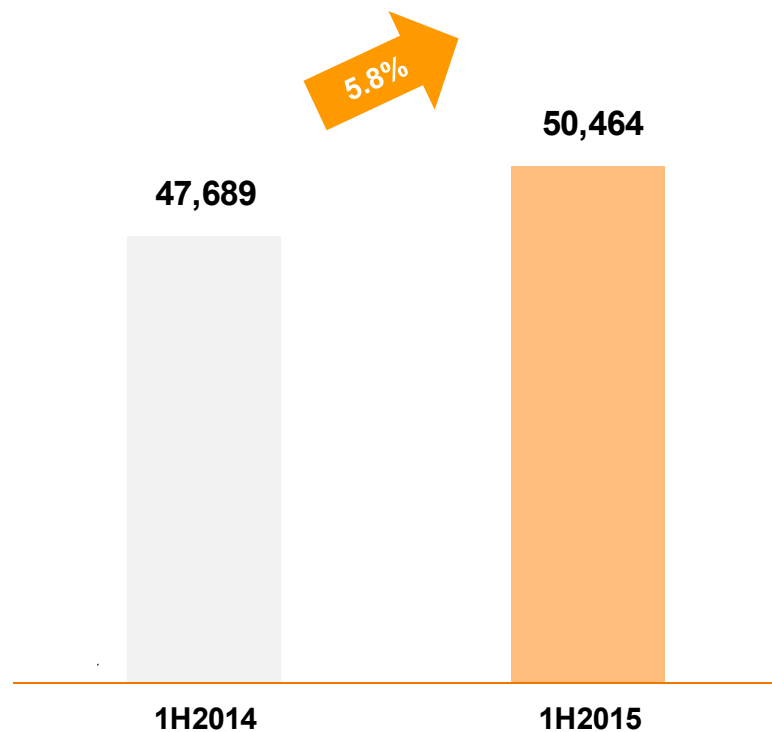
(3) Net other income is defined as other income minus other costs.

Profits

continuous growth in EBITDA and net profit

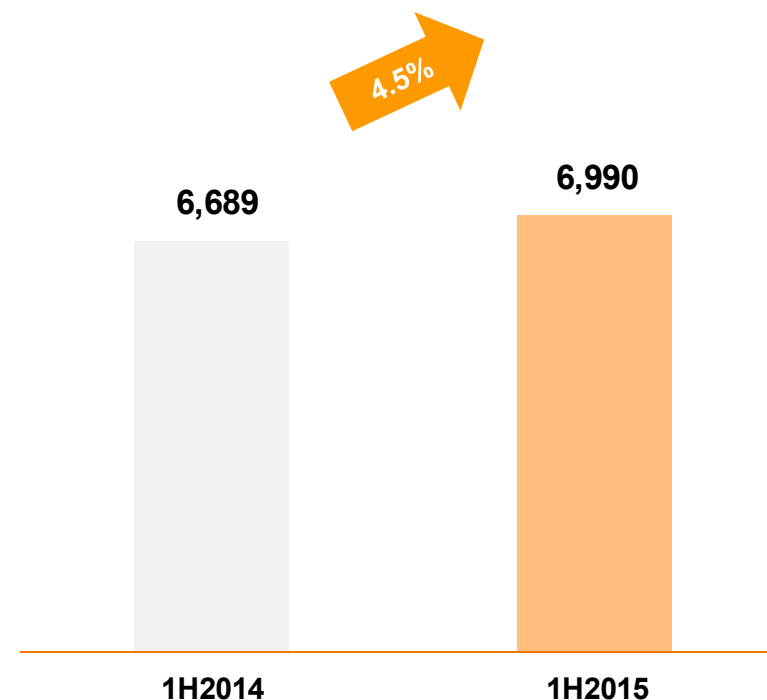
EBITDA

(RMB millions)



Net Profit

(RMB millions)

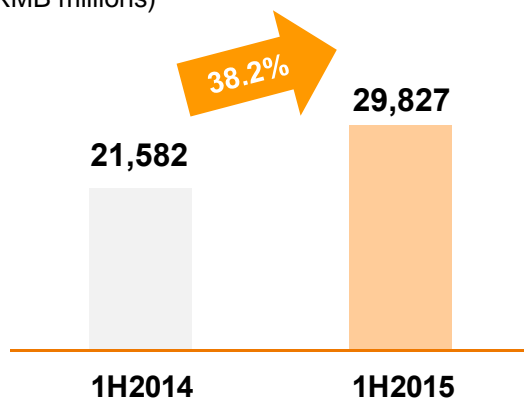


Cash Flow and Debt

financial status remains solid

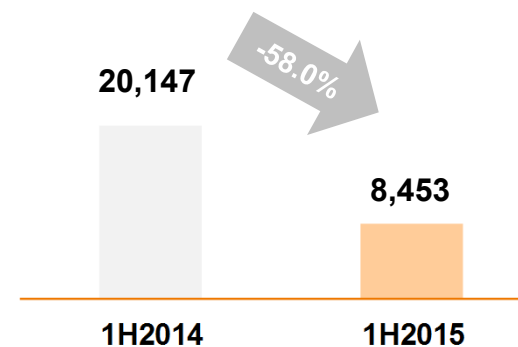
Capital Expenditure

(RMB millions)



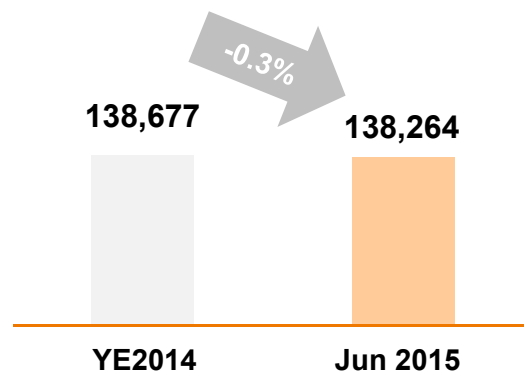
Free Cash Flow

(RMB millions)

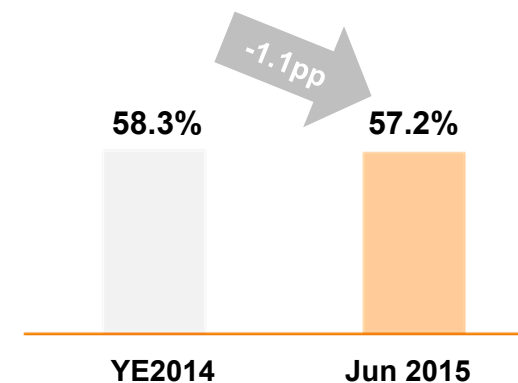


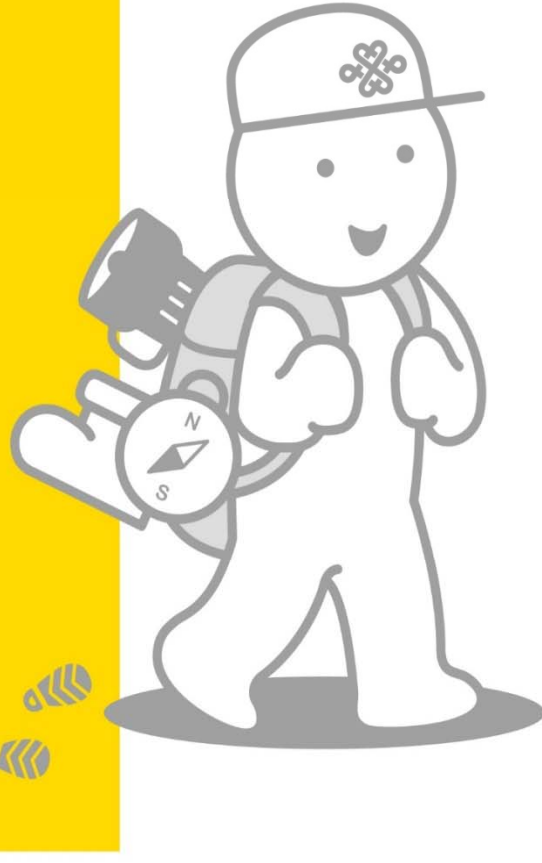
Total Interest Bearing Debt

(RMB millions)



Debt-to-Asset Ratio





THANK YOU

Appendix I: Income Statement ⁽¹⁾⁽²⁾



(RMB millions)	1H2014	1H2015		1H2014	1H2015
Revenue:			Including: Selling & Marketing	(23,824)	(14,633)
Service Revenue	126,973	120,267	Costs of Products Sold	(25,682)	(25,080)
Sales of Telecom Products	22,596	24,418	Total Operating Expenses	(138,762)	(132,764)
Total Operating Revenue	149,569	144,685	Operating Profit	10,807	11,921
Operating Expenses:			Finance Costs	(2,709)	(3,230)
Interconnection Charges	(7,565)	(6,558)	Interest Income	135	160
Depreciation & Amortisation	(36,882)	(38,543)	Net Other Income	604	81
Networks, Operations & Support	(18,035)	(19,154)	Profit Before Income Tax	8,837	8,932
Employee Benefit	(16,969)	(17,925)	Income Tax	(2,148)	(1,942)
SG&A and Others	(59,311)	(50,584)	Net Profit	6,689	6,990

(1) Business tax was replaced with value-added tax in the telecom sector from 1 June 2014 ("VAT Reform").

(2) Public telecommunications network interconnection settlement standards of basic telecommunications operators were adjusted from 1 January 2014.

Appendix II: Selected Balance Sheet

(RMB millions)	YE2014	Jun 2015		YE2014	Jun 2015
Non-current Assets (selected):			Non-current Liabilities (selected):		
PPE	438,321	431,067	Promissory Notes	21,460	29,444
Lease Prepayments	9,211	9,119	Corporate Bonds	2,000	2,000
Goodwill	2,771	2,771	Convertible Bonds	-	-
Deferred Income Tax Assets	6,215	6,070	Total Non-current Liabilities:	25,611	33,489
Financial Assets at Fair Value through Other Comprehensive Income	5,902	5,856	Current Liabilities (selected):		
Total Non-current Assets:	488,498	481,831	Accounts Payable & Accrued Liabilities	120,371	113,094
Current Assets (selected):			Convertible Bonds	11,167	11,220
Inventories & Consumables	4,378	5,731	Commercial Papers	9,979	19,992
Accounts Receivable	14,671	18,198	Short-term Bank Loans	91,503	74,991
Prepayments & Others	10,029	11,558	Advances from Customers	46,892	44,543
Cash and Cash Equivalents	25,308	16,312	Total Current Liabilities:	291,920	273,523
Total Current Assets	56,574	54,886	Total Liabilities	317,531	307,012
Total Assets	545,072	536,717	Total Equity	227,541	229,705
			Total Liabilities and Equity	545,072	536,717

Appendix III: Key Operating Metrics

		1H2014	1H2015
Mobile Business	Subscribers ('000)	295,003	289,307
	ARPU (RMB)	47.0	41.6
Of which: Mobile Broadband ⁽¹⁾	Subscribers ('000)	140,808	157,788
	ARPU (RMB)	68.7	58.0
Fixed-line Local Access	Subscribers ('000)	86,071	78,427
	ARPU (RMB)	19.2	17.6
Fixed-line Broadband	Subscribers ('000)	67,420	70,590
	ARPU (RMB)	62.6	64.6

(1) Mobile broadband business includes both 3G and 4G businesses.

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. These risks, uncertainties and other factors include: changes in the regulatory regime and policies for the PRC telecommunications industry; changes in the PRC telecommunications industry resulting from the issuance of licenses for telecommunications services by the central government of the PRC; changes in telecommunications and related technologies and applications based on such technologies; the level of demand for telecommunications services; competitive forces from more liberalized markets and the Company’s ability to retain market share in the face of competition from existing telecommunications companies and potential new market entrants; effects of restructuring and integration (if any) in the PRC telecommunications industry and any cooperation among the PRC telecommunications operators; the availability, terms and deployment of capital and the impact of regulatory and competitive developments on capital outlays; changes in the assumptions upon which the Company has prepared its projected financial information and capital expenditure plans; effects of the imposition of and changes in value-added tax relating to the PRC telecommunications business; effects of any anti-monopoly investigation by the National Development and Reform Commission of the PRC relating to the price charged for Internet dedicated leased line access service provided by the Company to Internet service providers; changes in the political, economic, legal, tax and social conditions in the PRC; and other factors that will affect the execution of the Company’s business plans and strategies, as well as the Company’s business condition and financial results. 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.