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Key Financial and Performance Indicators for the First Three Quarters of 2016

- In the first three quarters of 2016, the Group strived to mitigate its underlying shortcomings, with positive business momentum emerging. Our mobile business has achieved initial success in overcoming operational challenges. Mobile billing subscribers reached 262.074 million, registering a net addition of 9.757 million during the period and successfully turning around the downward trend in mobile subscribers for consecutive months last year. Within that, the number of 4G subscribers reached 88.906 million, representing a net addition of 44.750 million. For September alone, the net addition of 4G subscribers amounted to 6.054 million. During the period, mobile service revenue turned around its decline and grew by 0.1% year-on-year, which showed ongoing improvement from the decline of 0.6% year-on-year in the first half of this year.
- In the first three quarters of 2016, the Group's service revenue was RMB 182,752 million, up by 1.7% year-on-year, which showed continuous improvement from the 1.4% increase year-on-year in the first half of this year.
- In the first three quarters of 2016, the profit attributable to the equity shareholders of the Company was RMB 1,588 million, down by 80.6% year-on-year, but it showed significant improvement from the loss attributable to the equity shareholders of the Company (excluding the gain on disposal of tower assets) of approximately RMB3.363 billion in the second half of last year.
- Going forward, the Group will capitalize on the firm execution of "Focus Strategies", innovation and cooperation development to drive gradual business turnaround with full strength.

To enable shareholders, investors and the general public to better appraise the operational performance of the Group, the board of directors (the "Board") of China Unicom (Hong Kong) Limited (the "Company", together with its subsidiaries, the "Group") announces certain selected unaudited key financial and performance indicators of the Group for the first three quarters of 2016.

Financial Data (Extracted from financial records prepared in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards)

Unit: RMB millions

	<u>For the nine months ended 30 September</u>	
	<u>2016</u>	<u>2015</u>
Mobile service revenue	109,638	109,517
Fixed-line service revenue	71,908	69,203
Other service revenue	1,206	1,031
Total service revenue	182,752	179,751
Sales of telecommunications products	24,387	32,162
Revenue	207,139	211,913
Interconnection charges	(9,580)	(9,889)
Depreciation and amortisation	(57,417)	(58,013)
Networks, operation and support expenses	(38,626)	(29,261)
Employee benefit expenses	(27,825)	(26,654)
Costs of telecommunications products sold	(27,032)	(33,538)
Other operating expenses	(42,327)	(38,322)
Finance costs	(3,782)	(5,785)
Interest income	728	237
Share of net loss of associates	(65)	(868)
Share of net profit / (loss) of joint venture	108	(18)
Other income – net	778	757
Profit before income tax	2,099	10,559
Income tax expenses	(510)	(2,378)
Profit for the period	<u>1,589</u>	<u>8,181</u>
Profit attributable to:		
Equity shareholders of the Company	<u>1,588</u>	<u>8,181</u>
Non-controlling interests	<u>1</u>	<u>-</u>
	As at	As at
	<u>30 September 2016</u>	<u>31 December 2015</u>
Total assets	595,301	610,346
Total liabilities	366,549	379,130
Total equity	<u>228,752</u>	<u>231,216</u>

Business Data

	As at 30 Sep 2016/ For the period from 1 January 2016 to 30 September 2016	As at 30 Sep 2015/ For the period from 1 January 2015 to 30 September 2015
Mobile billing subscribers (Million)	262.074	254.116
of which 4G subscribers (Million)	88.906	32.552
Net addition of mobile billing subscribers (Million)	9.757	(12.463)
of which net addition of 4G subscribers (Million)	44.750	30.444
Mobile handset data traffic (Billion MB)	998.78	474.95
Mobile voice usage (Billion Minutes)	639.19	668.40
Fixed-line broadband subscribers (Million)	75.050	71.692
Net addition of fixed-line broadband subscribers (Million)	2.720	2.902
Fixed-line local access subscribers (Million)	69.027	76.522
Net addition of fixed-line local access subscribers (Million)	(4.831)	(5.534)

In the first three quarters of 2016, the Group strived to mitigate its underlying shortcomings, with positive business momentum emerging. Our mobile business has achieved initial success in overcoming operational challenges. Mobile billing subscribers reached 262.074 million, registering a net addition of 9.757 million during the period. Mobile billing subscriber ARPU was RMB 47.0, up slightly as compared to the full-year average of last year. Within that, the number of 4G subscribers reached 88.906 million, representing a net addition of 44.750 million. For September alone, the net addition of 4G subscribers amounted to 6.054 million. 4G subscriber ARPU was RMB 79.3. Mobile service revenue turned around its decline and reached RMB 109,638 million, up by 0.1% year-on-year, which showed ongoing improvement from the decline of 0.6% year-on-year in the first half of this year.

In the first three quarters of 2016, the overall fixed-line business maintained solid development. Growth businesses like IDC, ICT, VAS and integrated information services continued their robust growth momentum, which effectively offset the impact of the decline in fixed-line voice services. Faced with fierce market competition in the fixed-line broadband, the Group proactively strengthened and enhanced its differentiated competitive edge of “quality plus service” in the broadband service. The number of fixed-line broadband subscribers reached 75.050 million, representing a net addition of 2.720 million during the period, but the fixed-line broadband access ARPU decreased compared with the full-year average of last year. Fixed-line service revenue was RMB 71,908 million, up by 3.9% year-on-year. Overall service revenue amounted to RMB 182,752 million, which grew by 1.7% as compared to the same period last year, showing continuous improvement from the 1.4% increase year-on-year in the first half of this year.

In the first three quarters of 2016, the Group increased cost initiatives as appropriate to strive for a gradual business turnaround. Selling and marketing expenses increased by 14.3% year-on-year to RMB 25,434 million during the period. Network, operation and support expenses increased by 32.0% year-on-year mainly due to the addition of tower usage fee, higher energy charges and property rentals, etc. Depreciation and amortisation decreased by 1.0% year-on-year as the savings in depreciation associated with the disposal of tower assets at the end of October last year effectively offset the increase in depreciation brought about by an expanded network scale. EBITDA for the period was RMB 61,749 million, down by 16.8% year-on-year. EBITDA as a percentage of service revenue was 33.8%. In the first three quarters of 2016, the profit attributable to the equity shareholders of the Company amounted to RMB 1,588 million, down by 80.6% year-on-year, but it showed significant improvement from the loss attributable to the equity shareholders of the Company (excluding the gain on disposal of tower assets) of approximately RMB3.363 billion in the second half of last year.

Going forward, the Group will persevere and firmly execute its “Focus Strategies”, innovation and cooperation development. It will step up the improvement of capabilities and drive gradual business turnaround with full strength. The Group will deploy premium network with craftsmanship spirit, accelerate the development of selective advantages for its mobile network in key areas, proceed with fibre upgrade of its fixed-line broadband network steadily, and fully enhance its service support capability. The Company will pragmatically lay a solid foundation for its operation, expedite 4G development to drive mobile service growth, enhance the value of broadband products with high-quality applications, and create new growth engines with scale development in key innovative service. The Company will speed up implementation of cooperation projects, extend the width and depth of cooperation, expand the scale of social cooperation to realise solid achievement in cooperation. We will also deepen reform in systems and mechanisms, strengthen corporate culture establishment, lift corporate vibrancy, deepen quality and efficiency improvement, and enhance refined management capability of the Company to continuously enhance shareholder value.

Caution Statement

The Board wishes to remind shareholders of the Company and investors that the above financial and business data are based on the Group’s internal records and management accounts and have not been reviewed or audited by the auditors. The Company’s shareholders and investors are cautioned not to unduly rely on such data. In the meantime, the Company’s shareholders and investors are advised to exercise caution in dealing in the securities of the Company.

By order of the Board
China Unicom (Hong Kong) Limited
Yung Shun Loy Jacky
Company Secretary

Hong Kong, 21 October 2016

Certain statements contained in this announcement 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.

As at the date of this announcement, the board of directors of the Company comprises:

Executive directors:	Wang Xiaochu, Lu Yimin, Li Fushen and Zhang Junan
Non-executive director:	Cesareo Alierta Izuel
Independent non-executive directors:	Cheung Wing Lam Linus, Wong Wai Ming, Chung Shui Ming Timpson, and Law Fan Chiu Fun Fanny