

reboot

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2016 INTERIM RESULTS

17 August 2016
CHINA UNICOM (HONG KONG) LIMITED

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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.

Mr. Wang Xiaochu

Chairman & CEO

Mr. Lu Yimin

Executive Director & President

Mr. Li Fushen

Executive Director & CFO

1

Overall Results

2

Operating Performance

3

Financial Performance

1

Strived to mitigate underlying shortcomings in 1H2016, with positive business momentum emerging

2

Mobile business sets to accelerate as 4G gaining edge

3

Sustained growth in fixed-line business amid fierce competition, leveraging high bandwidth & video offerings

4

Foster scale development of key innovative businesses to create new growth drivers

5

Enhanced by “Focus Strategy” & “Cooperation”, network advantages further strengthened despite substantial reduction in CAPEX

6

To speed up progressive turnaround, capitalising on firm execution of “Focus Strategy”, innovation & cooperation

Positive Business Momentum Emerging

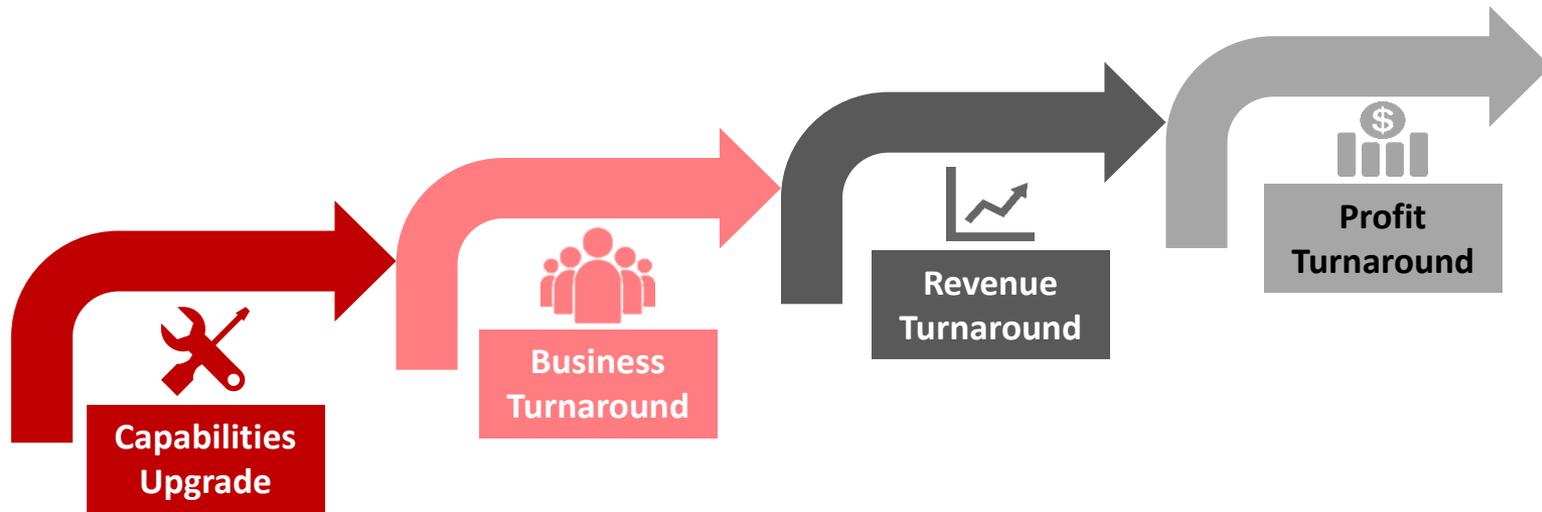
>> Brave the short-term profit pressure to drive
long-term sustainable development <<

(RMB Mil)	1H2016	Change HoH	Change YoY
Operating Revenue	140,255	6.0%	-3.1%
Of which: Service Revenue ¹	121,913	6.0%	1.4%
EBITDA²	41,282	11.5%	-18.2%
<i>As % of Service Revenue</i>	33.9%	1.7pp	-8.1pp
Net Profit³	1,429	Turn profitable ⁴	-79.6%
Basic EPS (RMB)	0.060	Turn profitable ⁴	-79.5%
Free Cash Flow⁵	23,827	Turn positive	181.9%

Note: Unless otherwise stated in this presentation,

1. Service revenue = operating revenue – sales of telecommunications products;
2. EBITDA = profit for the period before finance costs, interest income, share of profit/loss of associates and joint ventures, other income - net, income tax, depreciation & amortisation;
3. Net profit represented profit attributable to equity shareholders of the Company;
4. The net loss for 2H2015 was RMB3.36 billion, excluding the gain on disposal of towers;
5. Free cash flow = Operating cash flow – CAPEX.

Strived to Mitigate Underlying Shortcomings



✓ Network Upgrade

- **Mobile** - Focus on 4G & key cities
- **Broadband**
 - Northern China: accelerated comprehensive fibre upgrade in 10 provinces;
 - Southern China: focus on high-value areas with extensive cooperation

✓ Terminal & Channel Upgrade

- Leveraged "All Network Access" terminals to drive 4G handset compatible with China Unicom standards: 63% market share (▲ 21pp vs 2015.12)
- Sale capability of channels enhanced as the differentiated platform advantage strengthened

✓ Service Upgrade

- Strengthened comprehensive service system to improve NPS & reduce complaint rate
- Enhanced IT support

✓ Mechanism Upgrade

- Sped up delegation & simplification of administration, upheld the alignment of responsibility, authority & rewards
- Optimised management workflow
- Lifted the corporate vibrancy

Mobile Business Gaining Momentum



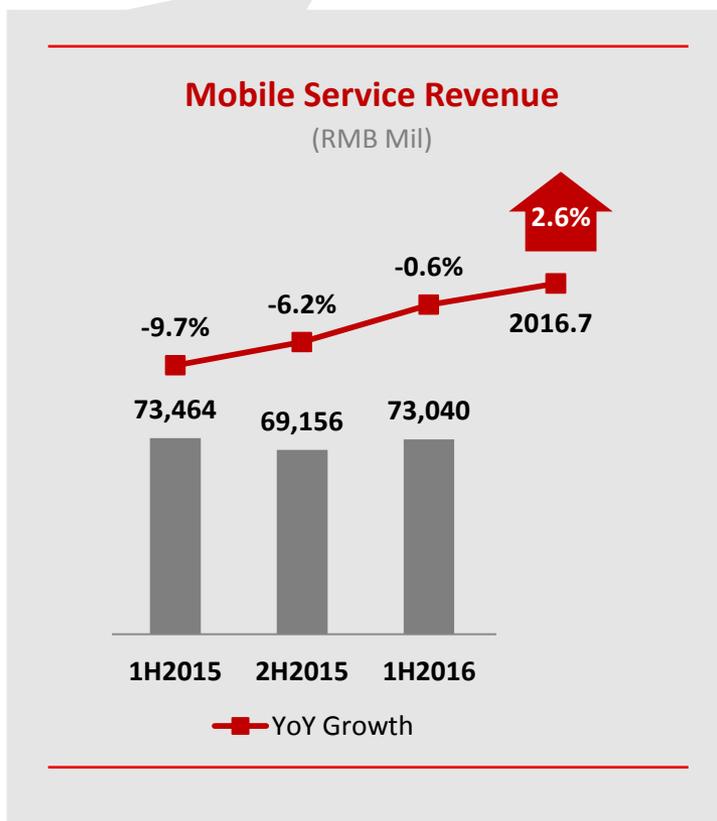
1H2016



Achieved Initial Success in Overcoming Operational Challenges



Accelerate Future Growth



4G net add for Jul: 5.42 mil (vs 4.71 mil monthly average in 1H2016)



Leading **4G network** quality in key cities by end of Aug



Capitalise on abundant **handset** line-up to drive subscriber upgrade to 4G



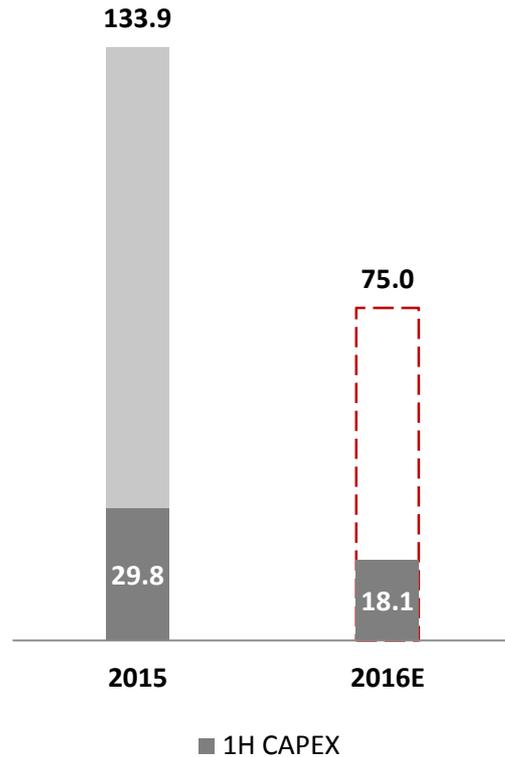
Strengthen **integrated offerings** (4G, broadband, video, application) to enhance interactive promotion



Step up initiatives in **data traffic operation** & target marketing

CAPEX

(RMB Bil)



Focus

Cooperation

2016 Plan

4G Network

- >680k BTS¹ (▲ >280K)
- Contiguous coverage in cities & towns nationwide with 97% mobile data traffic under 4G coverage
- Leading 4G network quality & customers' perception in key cities

Fibre Broadband

- Northern China: Network leadership with "All Fibre Network" in 10 provinces; 100Mbps access capability generally in city areas
- Southern China: Focus on fibre upgrade in high-value areas & strengthen local cooperation on broadband access

Note: 1. 4G BTS number included outdoor base stations & indoor distribution systems.

Actively Promote Open Cooperation

➔ **Network Coverage & Quality**

➔ **Development Capability**

➔ **Cost Reduction & Efficiency Enhancement**



Strategic Cooperation with China Telecom

- 1. Mobile Network:** Formulated projects for sharing ≈60k 4G base stations
- 2. Transmission Network:** Formulated projects for sharing ≈14,500km transmission fibre cables
- 3.** Jointly promoted 6-mode handset, standardised 4K smart set-top boxes & broadband service standards
- 4.** Operational maintenance, innovative business, interconnection, international roaming.....



Industry Resources Sharing

Co-build & co-share basic telecommunications infrastructure



MVNO

Leading with 25 million MVNO subscribers



Leverage Private Capital

Strengthen cooperation with private capital on local access in Southern China



Diversified Cooperation

Capital, business, resources & cross-industry cooperation

Tower Sharing to Enhance Long-term Value

Accelerating Network Deployment with Less CAPEX

- Actively take advantage of the towers & cell sites of TowerCo

Tower Co-use Discount

- With increasing co-use rate, future tower co-use discount on usage fee is expected to rise gradually

Potential Return

- As one of the major shareholders (28.1%), expect to benefit from the TowerCo's future profits & value enhancement

But expect tower usage fee to pressure on profit in the short-term

- **1H2016 tower usage fee:** RMB 7.7 bil
> *saving in depreciation & maintenance expenses by ≈10-15%
- Hope TowerCo would strive to increase operating efficiency & co-use rate to lower usage fee & enhance co-sharing value

Note: *The internal estimate of savings is for illustration purpose only, which is unaudited and calculated based on various assumptions. In particular, it is not indicative of the future, given potential change in co-usage and new tower usage. Investors are cautioned not to rely on the above internal estimate.

Firm Execution of Strategy in Future



1H2016

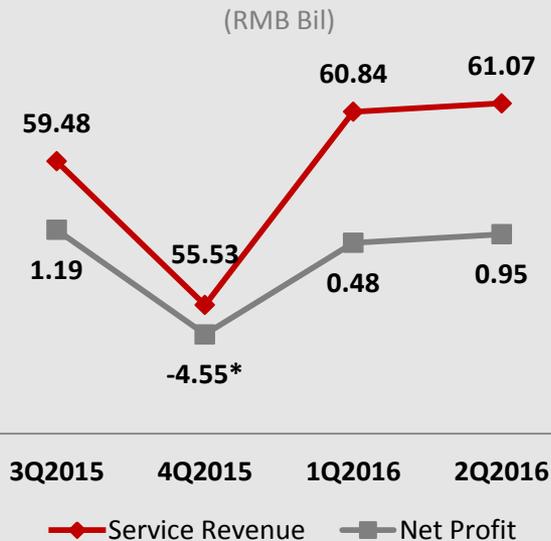


**Pulse Check: "Focus Strategy"
Fits the Company**



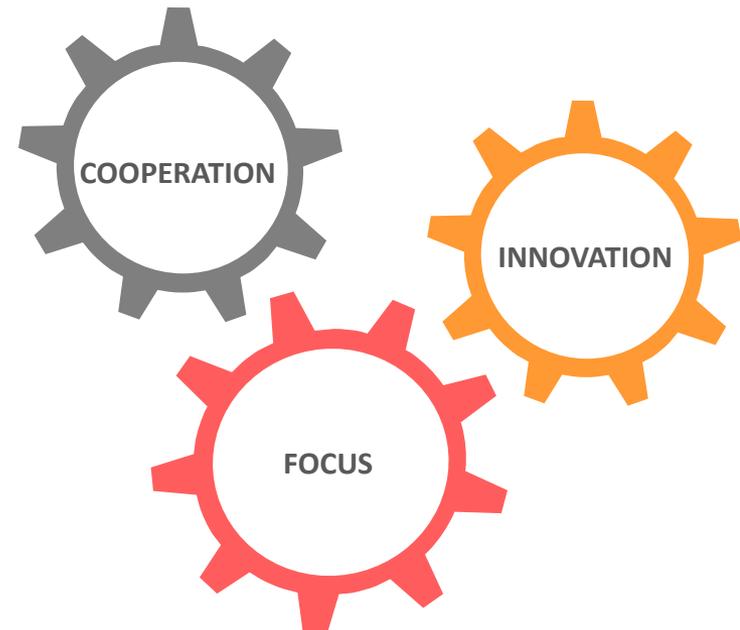
Persistence • Execution

- Revenue & profit continued to grow QoQ in 1H2016, initially turning around the passive situation of operational downturn last year



* The net loss attributable to the equity shareholders of the Company excluded the gain on disposal of tower assets in 4Q2015

- Strive to accelerate development to enhance corporate value



1

Overall Results

2

Operating Performance

3

Financial Performance

Revenue Breakdown

(RMB Mil)	1H2015	1H2016	Change YoY
Mobile Service Revenue	73,464	73,040	-0.6%
Voice	30,468	25,997	-14.7%
Data Traffic	30,332	35,934	18.5%
Other Value-added Services	12,118	10,280	-15.2%
Others	546	829	51.8%
Fixed-line Service Revenue	46,187	48,230	4.4%
Voice	7,702	6,788	-11.9%
Internet & Data	28,258	30,176	6.8%
ICT	2,443	3,279	34.2%
Others	7,784	7,987	2.6%
Other Service Revenue	616	643	4.4%
Sales of Telecommunications Products	24,418	18,342	-24.9%
Total	144,685	140,255	-3.1%

Improving 4G Edge to Drive Mobile Business Turnaround



1H2016



Turned Around Continuous
Subscriber Loss Last Year

2H2016



Initiatives

Mobile Billing Subscriber

(Mil)



Speed up migration of 2G/3G subscribers to 4G to enhance user experience & value



Strengthen data traffic operation with focus on video application



Boost capability in terminal operation to drive subscriber upgrade to 4G



Deepen chained operation of self-owned outlets to improve sale efficiency



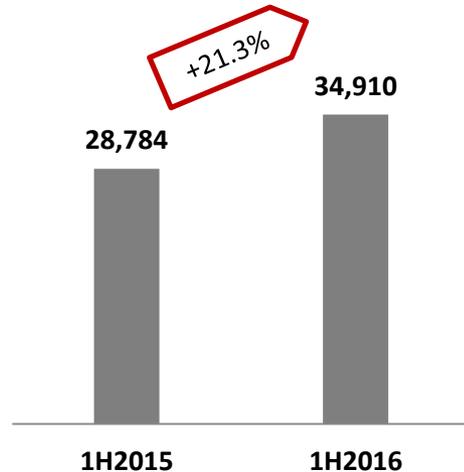
Achieve breakthrough in segment markets through differentiated & target marketing

Rapid Growth in Mobile Data Business

- 4G subscriber and mobile data grew rapidly as 4G network quality & terminal supply improved fast
 - 4G subscriber DOU: 1,246MB, 4G ARPU: RMB 81.3
- Focus on key cities & areas to further promote high-speed 4G+ experience
- Leverage targeted marketing of data capacity & contents to enhance customer value

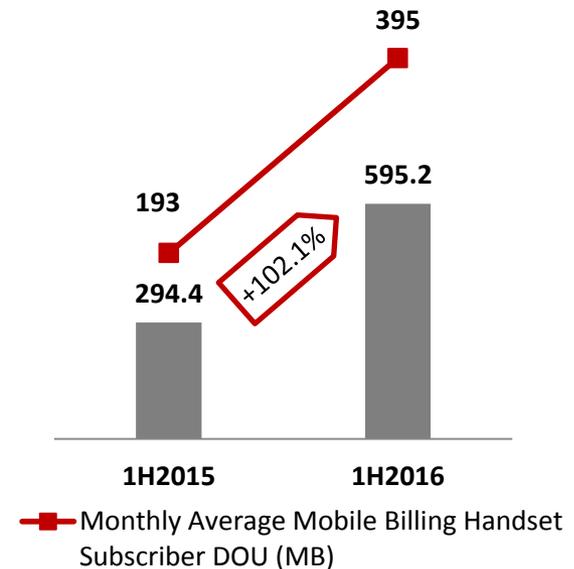
Handset Internet Access Revenue

(RMB Mil)



Total Handset Data Usage

(MB Bil)

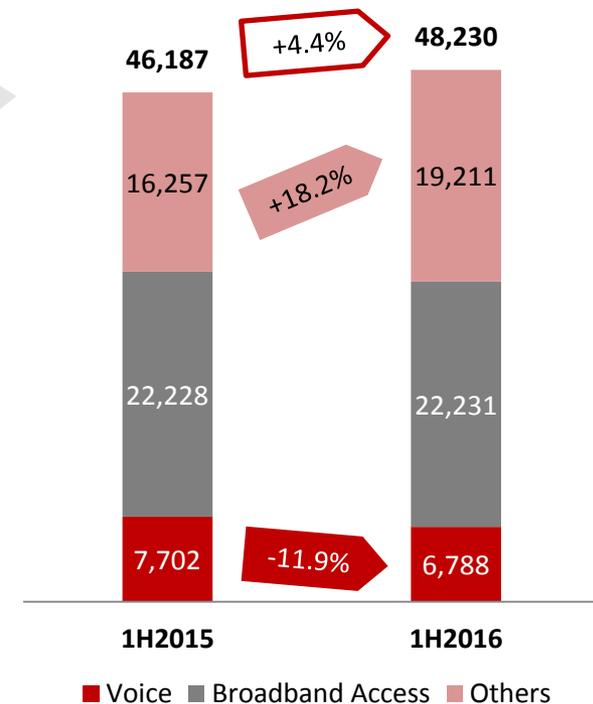


Fixed-line Business Maintained Steady & Healthy Growth

- Leveraged fibre network & informatisation service strengths to accelerate development of growth businesses (IDC, ICT, VAS & integrated information services) & effectively offset voice revenue decline
- Actively tackle the competitive challenges in broadband market, maintaining steady broadband access revenue
- Declining revenue contribution from fixed-line voice effectively mitigated operating risks
- Further strengthened integrated services of fixed-line, mobile & informatisation to enhance interactive-promotion

Fixed-line Service Revenue

(RMB Mil)

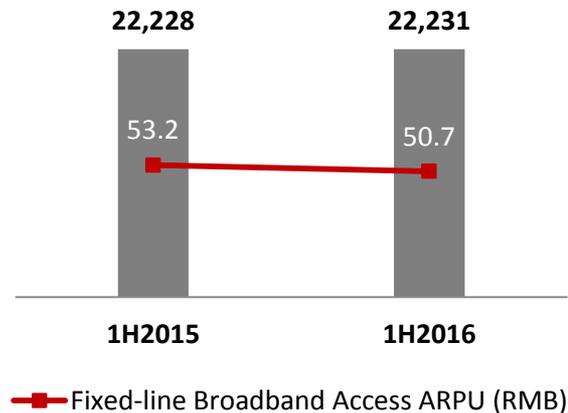


Actively Counter Competitive Challenges in Broadband Market

- Promote high-bandwidth products ($\geq 20\text{Mbps}$, mainstream 50/100Mbps) to showcase edge & brand advantage
- Enrich applications offering (e.g. 4K /HD video) to drive bandwidth demand
- Enhance end-to-end network quality experience & service edge
- Strong growth potential in integrated services: “Smart WO Family” penetration in broadband subscribers merely 21% ($\blacktriangle 8\text{pp}$ vs 2015.12)

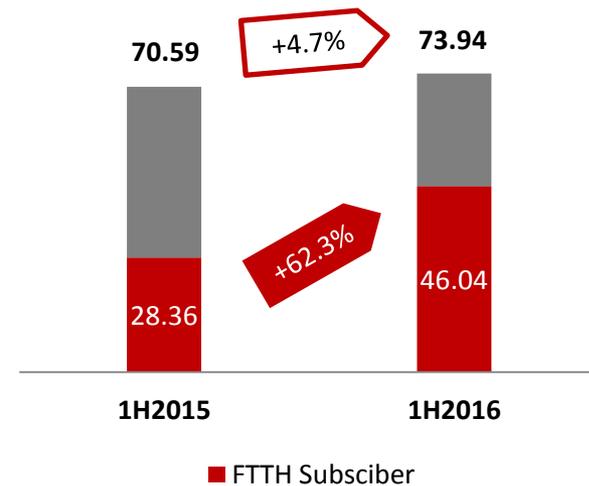
Fixed-line Broadband Access Revenue

(RMB Mil)



Fixed-line Broadband Subscriber

(Mil)



Foster Scale Development in Key Innovative Businesses

IDC/ Cloud Computing

+38.6% yoy

- 1H2016 Revenue: RMB4.76 bil



ICT

- 1H2016 Revenue: RMB3.28 bil

+34.2% yoy



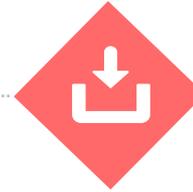
Industrial Internet/ IoT/ Big Data

- Focus on key areas such as education, healthcare, auto & government administration
- Accelerate NB-IoT network trial
- Focus on strong market potential products, such as credit-rating & target marketing



Data Traffic Operation

- Promote WO+ open capabilities, develop backward/dedicated data traffic monetisation in scale



International Market

- Accelerate IDC/ cloud platforms overseas deployment, enhance expansion capability



Payment/ Finance

- Establish basic Internet finance capability by launching payment, wealth management & credit functions



>> Strive to Drive Gradual Turnaround <<

1

To leverage 4G & Focus Strategy to accelerate mobile business growth with full strength

2

To leverage high-quality applications to drive broadband value & sustain growth in fixed-line business

3

To accelerate scale development in key innovative businesses to create new growth drivers

4

To deploy premium network & strengthen support for front-line & customer services

5

To strengthen innovation in systems & mechanisms to lift corporate vibrancy

6

To deepen quality & efficiency enhancement to bolster management capability

1

Overall Results

2

Operating Performance

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Financial Performance

Key Financial Information

(RMB Mil)	1H2015	1H2016	Change YoY
Operating Revenue	144,685	140,255	-3.1%
Operating Expenses	(132,764)	(136,886)	3.1%
Operating Profit	11,921	3,369	-71.7%
Finance Costs	(3,230)	(2,468)	-23.6%
Interest Income	160	441	175.6%
Share of Loss of Associates ¹	(460)	(150)	-67.4%
Share of Profit/(Loss) of Joint Ventures	(9)	56	N/A
Other Income - Net	550	576	4.7%
Income Tax	(1,942)	(395)	-79.7%
Net Profit	6,990	1,429	-79.6%

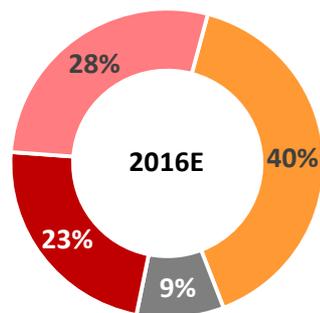
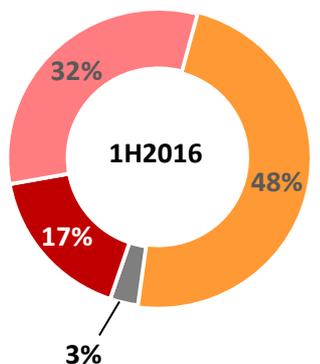
Note: 1. Share of loss of associates mainly included share of loss of TowerCo

Appropriate Increase in Costs to Drive Business Development

(RMB Mil)	1H2015	1H2016	Change YoY
Operating Expenses	132,764	136,886	3.1%
Interconnection Charges	6,558	6,366	-2.9% <ul style="list-style-type: none">● Mainly due to decline in interconnection traffic
Depreciation & Amortisation	38,543	37,915	-1.6% <ul style="list-style-type: none">● Benefited from savings in depreciation due to disposal of towers & related assets
Networks, Operations & Support	19,154	25,624	33.8% <ul style="list-style-type: none">● Mainly due to tower usage fee kick-in & increased expenses associated with larger network scale, energy costs & property rentals, etc.
- Tower Usage Fee	-	7,723	N/A
Employee Benefit	17,925	18,271	1.9%
Costs of Telecommunications Products Sold	25,080	20,217	-19.4% <ul style="list-style-type: none">● Mainly due to decrease in handset sales
- Handset Subsidy ¹	1,223	1,756	43.5% <ul style="list-style-type: none">● Appropriately increase to drive business growth
Selling & Marketing	14,633	17,131	17.1% <ul style="list-style-type: none">● Appropriately increase to drive business growth
G&A & Others	10,871	11,362	4.5%

Note: 1. In 1H2016, costs of telecommunications products sold amounted to RMB 20,217 mil, down by 19.4% yoy. Sales of telecommunications products in 1H2016 was RMB 18,342 mil, down by 24.9% yoy. Loss of telecommunications products sold was RMB 1,875 mil, among which RMB 1,756 mil was handset subsidy

CAPEX Structure



1H2016

4G Network

- ≈588k BTS (▲≈189k vs 2015.12)
- Basic coverage in cities nationwide, in-depth coverage in key cities
- Strengthened synergized deployment of 2G/3G/4G network resources

Fibre Broadband

- FTTH access port: ≈68% (▲≈10pp vs 2015.12)
- Completed “All Fibre Network” projects in 8 provinces of Northern China & 130 cities
- Industry-lowest backhaul latency

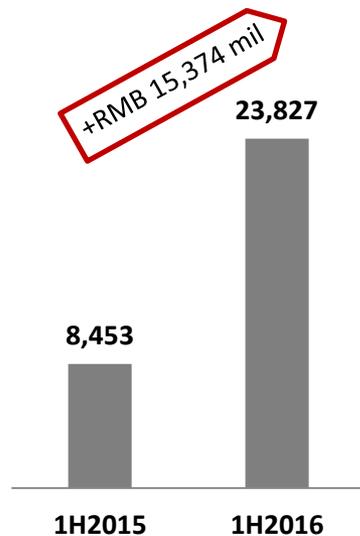
Note: 4G BTS number included outdoor base stations & indoor distribution systems

Progressive Improvement in Financial Strength

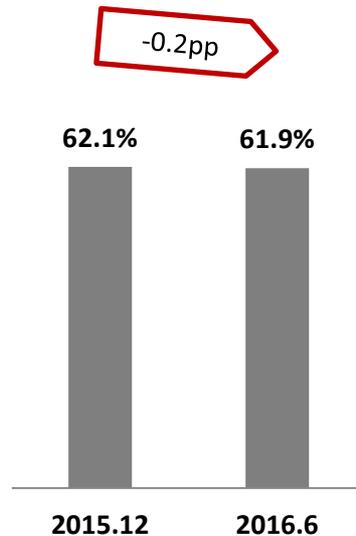
- Free cash flow significantly increased due to gradual improvement in service revenue & substantial reduction in CAPEX

Free Cash Flow

(RMB Mil)

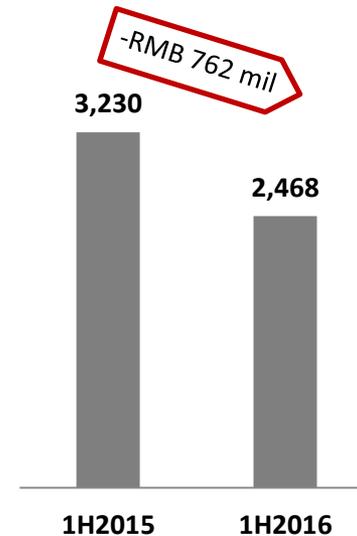


Liabilities-to-assets Ratio



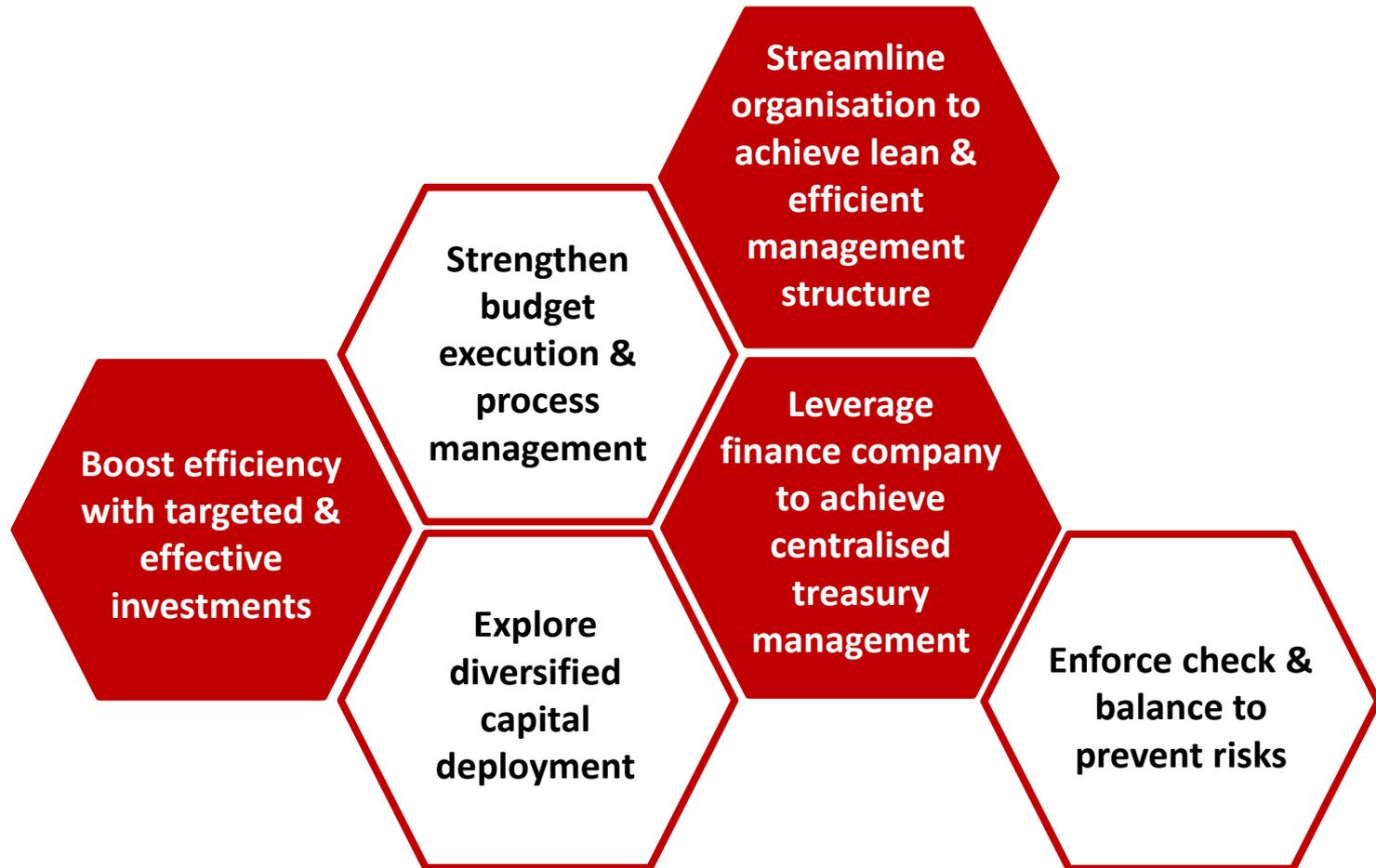
Finance Costs¹

(RMB Mil)



Note: 1. Finance costs declined yoy mainly due to the absence of FX loss subsequent to the repayment of foreign currency debts last year

To Elevate Shareholder Value through Quality & Efficiency Enhancement





Thank you !



Appendix I: Extracts from Unaudited Condensed Consolidated Interim Statement of Financial Position

(RMB Mil)	2015.12	2016.6
Current Assets	56,670	61,971
Non-current Assets	553,676	536,448
Total Assets	610,346	598,419
Current Liabilities	336,074	327,265
Non-current Liabilities	43,056	43,178
Total Liabilities	379,130	370,443
Total Equity	231,216	227,976

Appendix II: Key Operating Metrics

		Unit	2015	1H2016
Mobile Business	Billing Subscribers	Mil	252.32	260.70
	ARPU	RMB	46.3	47.1
	Handset User MOU	Mins	293.4	282.1
	Handset User DOU	MB	230.8	394.8
Inc.: 4G	Subscribers	Mil	44.16	72.42
	ARPU	RMB	87.8*	81.3
	DOU	MB	1,203.4*	1,246.3
Fixed-line Broadband Business	Subscribers	Mil	72.33	73.94
	Access ARPU	RMB	51.7	50.7
Fixed-line Local Access Business	Subscribers	Mil	73.86	70.52
	ARPU	RMB	17.5	17.4

* as of December 2015