

MIXED-OWNERSHIP *REFORM*

&

Interim Results 2017



16 August 2017

HKEx: 0762 | NYSE: CHU
www.chinaunicom.com.hk

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. 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.

Management Present

Mr. Wang Xiaochu

Chairman & CEO

Mr. Lu Yimin

Executive Director & President

Mr. Li Fushen

Executive Director & CFO

Mr. Shao Guanglu

Executive Director & Senior VP

Agenda

MIXED-OWNERSHIP *REFORM*

INTERIM RESULTS *2017*

Highlights

- 1** Significant strategic opportunity in Unicom's history – the only pilot enterprise to adopt entire-group based mixed-ownership reform
- 2** Introduce strategic investors with strong fundamentals to create a powerful alliance
- 3** Leverage external capabilities & complementary edges to accelerate innovative development of business
- 4** Push forward system & mechanism reform to enhance corporate governance, strengthen incentives & lift vibrancy
- 5** Continue to deepen Focus Strategy & earnestly capitalise on the implementation of mixed-ownership reform to raise efficiency & returns

Proactively Implement Mixed-Ownership Reform

The only pilot enterprise to adopt entire group-based mixed-ownership reform

Targets:



Enhance corporate governance
Protrude core businesses

Strengthen incentives
Raise efficiency

▶ Leverage external resources & capabilities

▶ Innovate on business cooperation model

Introduce strategic investors
(via Unicom A Share Company)

+

▶ Reform system & mechanism

Establish effective corporate governance
& market-oriented incentive system

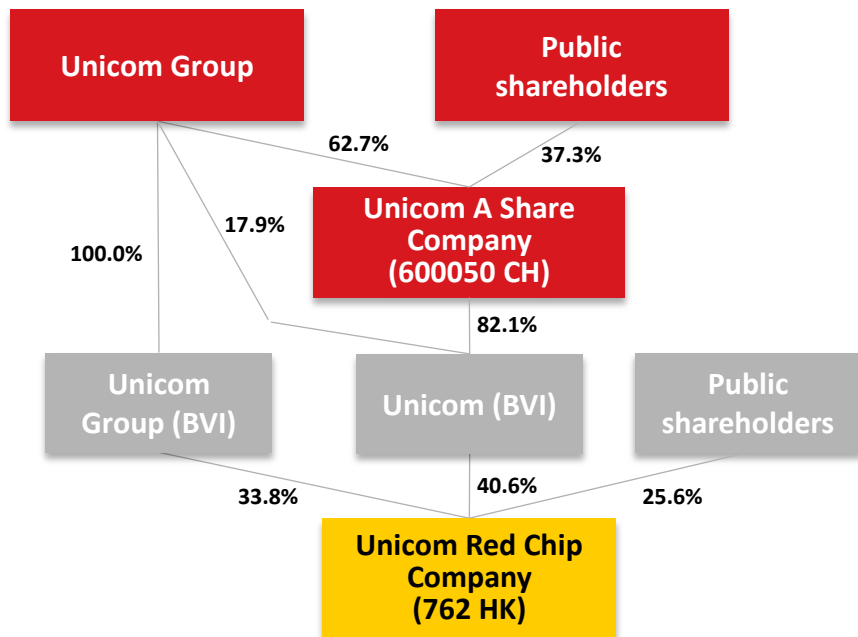
Achieve strategic business synergies

Lift vibrancy

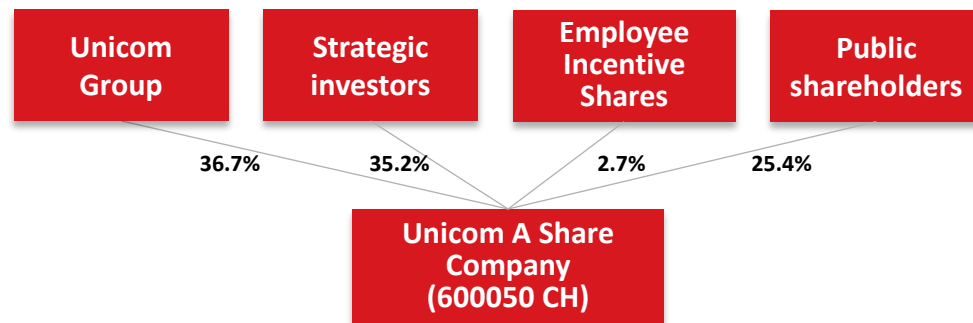
Enhance efficiency & returns for shareholders & employees

Financing Plan of Mixed-Ownership Reform

Current shareholding structure



Unicom A Share Company shareholding structure post mixed-ownership reform



- Strategic investors will subscribe for about 9 bil new shares of Unicom A Share Company and purchase 1.90 bil shares of Unicom A Share Company from Unicom Group, representing in aggregate 35.2% of Unicom A Share Company's enlarged share capital, at a price RMB 6.83 per share
- Propose to grant to key employees about 850 mil restrictive shares of Unicom A Share Company at a price of RMB 3.79 per share
- Total consideration will be about RMB 78 bil

Unicom OpCo* will apply the proceeds raised by mixed-ownership reform to enhance 4G capability, conduct 5G technical network trials and related business functions, build pre-commercial trial networks, and invest in innovative businesses.

*Unicom OpCo refers to China United Network Communications Corporation Limited, a wholly-owned subsidiary of Unicom Red Chip Company

List of Strategic Investors

Solid Fundamental

Synergetic Cooperation

Complementary Edges

Large Internet Companies

Tencent 腾讯

Baidu 百度

JD.COM 京东

Alibaba Group
阿里巴巴集团

SUNING 苏宁云商

Leading Companies
in Industry Verticals

KUANG-CHI

滴滴
滴滴一下 美好出行

网宿科技

用友
yonyou

宜通世纪
EASTONE

Financial Institutions
& Industry Groups

中国人寿
CHINA LIFE

中国中车
CRRC

Specialised Funds

中国国有企业结构调整基金股份有限公司
CHINA STRUCTURAL REFORM FUND CORPORATION LIMITED

前海母基金
QIANHAI FOF

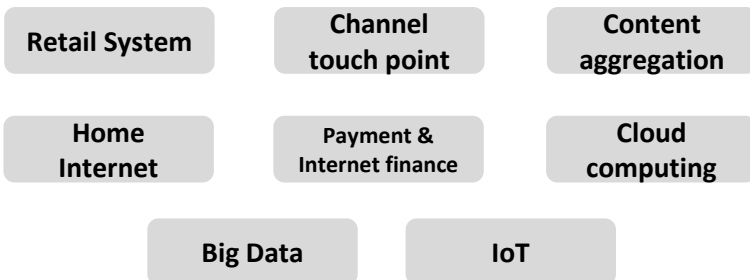
Powerful Alliance to Accelerate Innovative Development of Business

Leverage complementary edges & innovative cooperation with strategic investors to drive mutual-benefits

Large Internet Companies



Key areas for cooperation



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Companies in Industry Verticals



IoT



CDN

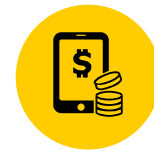


System Integration

Financial Institutions & Industry Groups



Industrial Internet



Payment & Internet Finance

Specialised Funds

- Explore business opportunities with their numerous investee companies, including State SOEs, provincial/regional SOEs & private enterprise, to achieve win-win

Push Forward System & Mechanism Reform to Lift Vibrancy

Establish sound & well-coordinated corporate governance mechanism for mixed-ownership enterprise with effective checks-and-balances

- Introduce representatives from new investors to serve as directors in Unicom A Share Company, further optimising the diversified composition of the board structure
- Well-define the board's core position in the company, strengthening the board's authorities in critical decision-making, personnel selection & appointment and compensation allocation, etc
- Strengthen the building of professional manager system and explore the market-oriented hiring & management mechanism

Establish market-oriented mechanism that aligns the risks & returns of employees with the enterprise

- Propose to establish share-based incentive system, aligning the interests of shareholders, employees & the Company
- Achieve better “salary up & down”, “posts up & down” and “staff in & out”, while protecting the basic rights of the employees
- Promote sub-division & contract-out in all production scenarios to stimulate the motivation & internal vibrancy of teams & employees
- Optimise the internal compensation distribution system to be more performance-based, achieving high performers with high rewards

Mixed-Ownership Reform Timetable

Completed

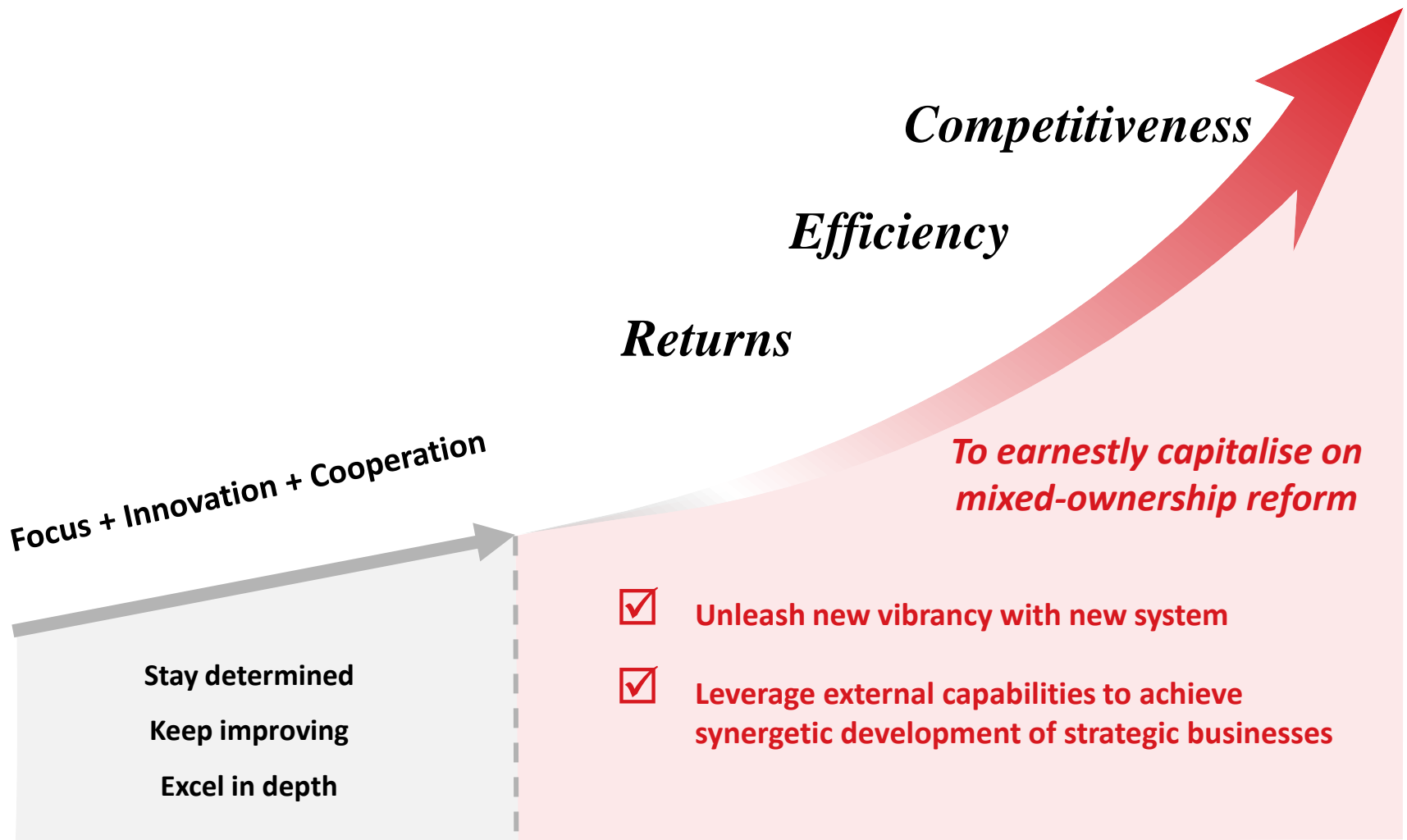
- ☑ The mixed-ownership reform proposal has been approved by the National Development and Reform Commission (NDRC)
- ☑ The share issue proposal has been approved by the board of Unicom A Share Company & announced



Next Step

- Unicom A Share Company and Unicom Red Chip Company shall discuss the means for capital injection by way of a private placement or through participation of a rights issue of the shares of Unicom Red Chip Company or other means & attend to relevant approval
- Unicom A Share Company shall hold a shareholder meeting to consider the said non-public share issue proposal & submit the same to the relevant regulatory authorities for approval

Embrace New Development Opportunities



Agenda

MIXED-OWNERSHIP *REFORM*

INTERIM RESULTS *2017*

**OVERALL
RESULTS**

OPERATING
PERFORMANCE

FINANCIAL
PERFORMANCE

Highlights

- 1 Overall development momentum remained robust & driven by comprehensive & deepened implementation of Focus Strategy**
- 2 Innovation in business model posted initial success & underpinned revenue & profit growth**
- 3 Mobile service revenue growth surpassed the industry average, benefitted from strengthened data traffic operation & marketing model transformation**
- 4 Innovative businesses & revenue saw rapid growth & boosted the development of fundamental businesses**
- 5 Enhanced value through focused investment & cooperation**

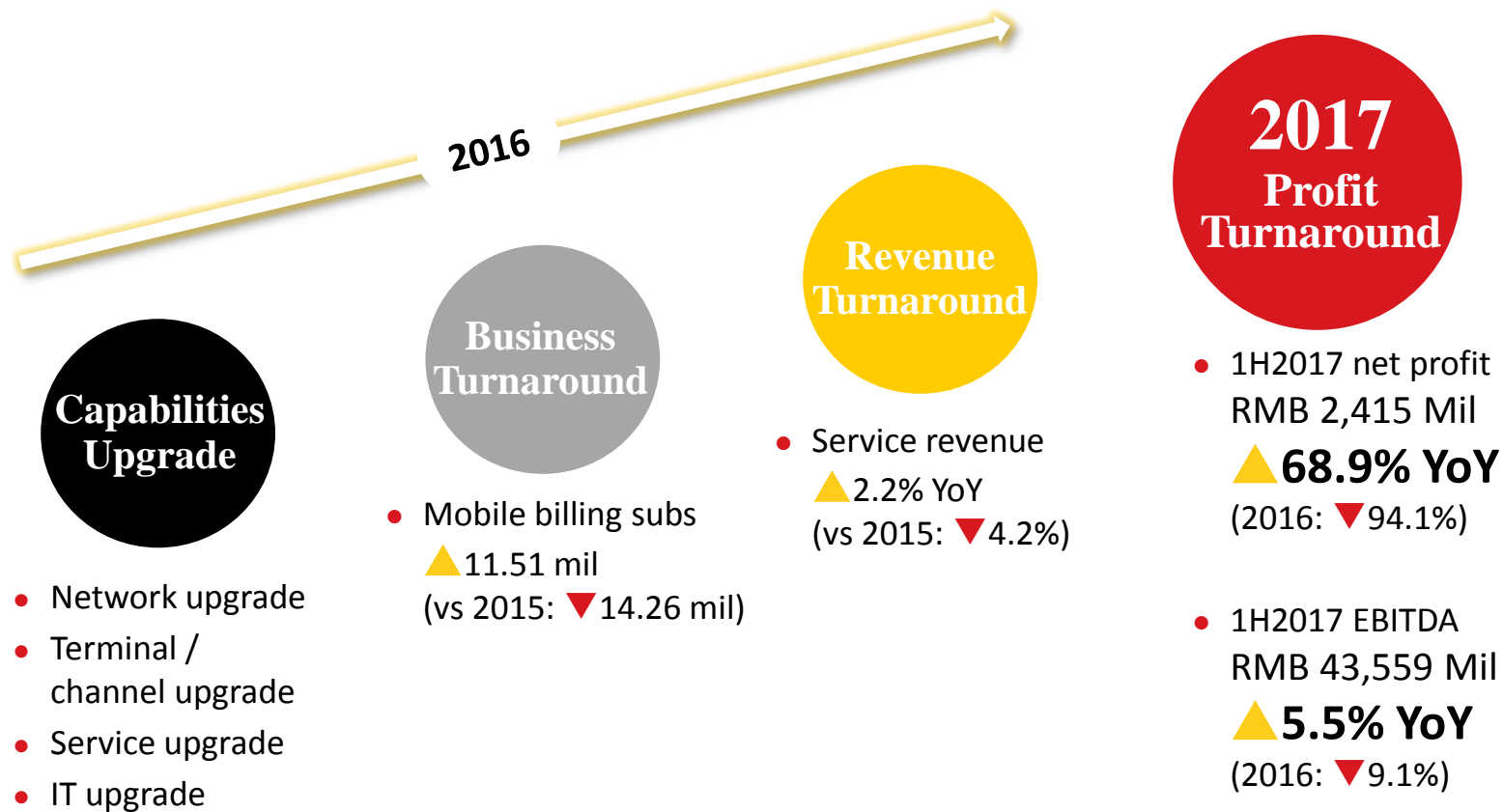
Overall Development Momentum Remained Robust

(RMB Mil)	1H2016	1H2017	Change YoY
Operating Revenue	140,255	138,160	-1.5%
Of which: Service Revenue ^{1, 2}	120,250	124,106	3.2%
EBITDA³	41,282	43,559	5.5%
<i>As % of Service Revenue</i>	34.3%	35.1%	0.8pp
Net Profit⁴	1,429	2,415	68.9%
Basic EPS (RMB)	0.060	0.101	68.9%
Free Cash Flow⁵	23,827	37,520	57.5%

Note: Unless otherwise stated in this presentation,

1. Service revenue = operating revenue – sales of telecommunications products.
2. In order to better satisfy the internal operation and management requirements, revenue from sales of products associated with the ICT business, which was previously recorded as part of the fixed-line service revenue, has been reclassified as part of the revenue from sales of telecommunications products. The related figures for the first half of 2016 have also been restated.
3. EBITDA = profit for the period before finance costs, interest income, shares of net profit/loss of associates & joint ventures, other income - net, income tax, depreciation & amortisation.
4. Net profit represented profit attributable to equity shareholders of the Company.
5. Free cash flow = operating cash flow – CAPEX.

Profitability Substantially Improved as Planned



Fully deepened the implementation of Focus Strategy, promoted growth, controlled costs, reformed mechanism

Innovation in Business Model Posted Initial Success

- Strengthened data traffic operation & targeted marketing for sub-divided segments to drive scale & profitable business development
- Achieved breakthrough in market structure & promoted win-win-win

Edges of 2I2C, 2B2C, etc. business models

- Targeted marketing with effective new customer touch points
- Access to youth market
- Increase revenue with low incremental cost (savings on channel commission & handset subsidy)
- Proprietary centralised BSS system & nationwide e-commerce platform

	1H2016	1H2017
Selling & Marketing Expense	▲ 17.1%	▼ 6.0%
Handset Subsidy	▲ 43.5%	▼ 54.7%
Mobile Service Revenue	▼ 0.6%	▲ 5.2%
Total Service Revenue	▲ 1.4%	▲ 3.2%

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Revenue Breakdown

(RMB Mil)	1H2016	1H2017	Change YoY
Mobile Service Revenue	73,040	76,844	5.2%
Voice	25,997	21,659	-16.7%
Data Traffic	35,934	43,527	21.1%
Other Value-added Services	10,280	11,063	7.6%
Others ¹	829	595	-28.2%
Fixed-line Service Revenue	46,567	46,568	0.0%
Voice	6,788	6,253	-7.9%
Broadband Access	22,231	21,557	-3.0%
Other Internet & Data	7,945	9,225	16.1%
ICT ²	1,616	1,867	15.5%
Others ³	7,987	7,666	-4.0%
Other Service Revenue	643	694	7.9%
Sales of Telecommunications Products²	20,005	14,054	-29.7%
Total	140,255	138,160	-1.5%

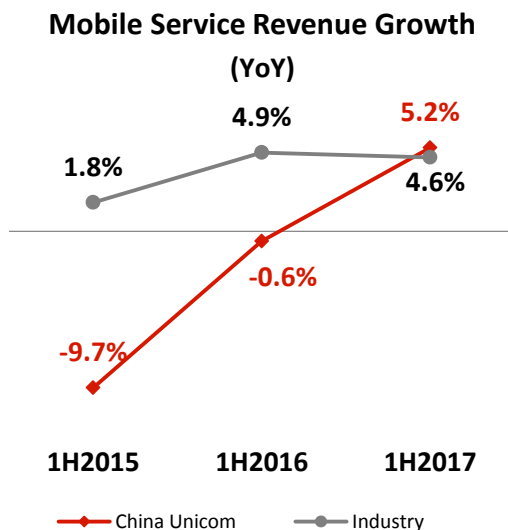
Note:

1. Mainly included revenue from MVNO.
2. In order to better satisfy the internal operation and management requirements, revenue from sales of products associated with the ICT business, which was previously recorded as part of the fixed-line service revenue, has been reclassified as part of the revenue from sales of telecommunications products. The related figures for the first half of 2016 have also been restated.
3. Mainly included revenue from leased line services & others.

Mobile Service Revenue Growth Outperformed Industry Average

Effectively transforming cost-driven development model to one with low subscriber acquisition cost & subsidies

- Mobile service revenue growth reached 5.2%, outperforming industry average & significantly improving profitability



Note: Industry mobile service revenue growth rates were based on MIIT disclosure

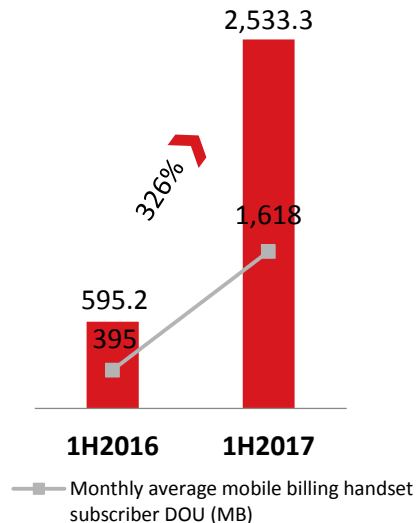
- 1H2017 mobile billing subs ARPU: RMB 48.0 (vs 2016: RMB 46.4)
- Mid-to-high-end subs (ARPU ≥ RMB 30):
 - ▲ 2.4pp vs 12.2016
- Subs growth & value enhancement led by 4G growth
 - 4G subs net add: ▲ 34.26 mil vs 12.2016
 - 4G ARPU: RMB 66.5

- Precise release of data capacity with rich data product offerings (2I2C, 2B2C, “ice-cream” unlimited packages, etc.) to satisfy sub-divided market segments
- Strengthened alignment among customers’ need, products & channels
- Enhanced the synergy & mutual-promotion between online & offline channels

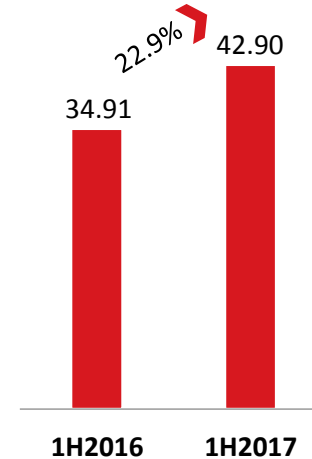
Mobile Data Business Maintained Rapid Growth

- Pushed forward product transformation toward data-oriented products, led by the release of data capacity & simplified design of contract packages
- Developed a differentiated content system based on “Unlimited Video Enjoyment” + “WO Video” to promote the transition to “data + content” product model
- Leveraged the promotion of minimum spend commitment & scenario marketing, etc to accelerate the release of data capacity & customer value enhancement, reducing low-value subscribers

Total Handset Data Usage
(MB Bil)



Handset Internet Access Revenue
(RMB Bil)



Powered Up Marketing Model Transformation

Product

- Meet the needs & heal the sore of customers

Marketing

- Gain customer touch points in the Internet era & conduct targeted marketing

Channel

- Digitalise outlet operation & drive O2O integration

Service

- Leverage Internet to promote service automation & e-commerce



Customer Value



Customer Satisfaction



Precision Marketing



Cost Reduction & Efficiency

**Unleash Big Data
Advantages**



**Collaboration with
Internet Companies**



**Return Enhancement
Oriented**

Fast Growth in Key Innovative Businesses (1)



IDC/Cloud

Revenue:

RMB 5.80 Bil ▲22.0%

- 2nd largest IDC service provider in China
- 12 national-standard cloud data centres & >300 local data centres, ~122k cabinets in service
- Brand-building for data-oriented solutions with network & cloud integration strategy



ICT

Revenue:

RMB 1.87 Bil ▲15.6%

- Focus on key verticals (public administration, environmental protection, healthcare, education & manufacturing) & deeply collaborate with the top 3 industry players on resources, talents and capital



Video Services

Of which, IPTV Revenue:

RMB 0.81 Bil ▲36.1%

- Kicked off “Unlimited Video Enjoyment” programme to offer differentiated video products
- “WO Video” subscribers reached ~16 mil
- Built TV value-added services operation base & leveraged TV to drive fibre broadband & integrated fixed-line/mobile businesses



IoT

- Focused on Internet of Vehicles (IoV) & other key industries
- Launched NB-IoT pre-commercial network
- Connections reached >50 mil

Leveraging mixed-ownership reform to boost synergy with strategic investors & drive rapid scale development of innovative businesses

Fast Growth in Key Innovative Businesses (2)



Overseas Market

- Grasped the opportunities of Belt & Road Initiatives
- Negotiated with overseas operators on IoT business cooperation



Internet Finance

- Built up general payment capability & integrated in the operation process
- Gross transaction value on payment reached RMB 94.6 bil, up by 1.8x YoY
- Merchants Union Consumer Finance's outstanding loan balance reached RMB 32 bil



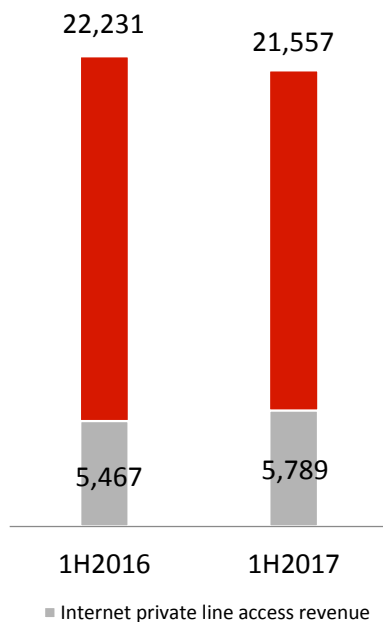
Big Data

- Leading position in Big Data - personal credit rating & location services
- Smart Steps Digital Technology (a JV): contracted with 40+ brand clients; leading in urban planning, transportation & commercial site selection products

Leveraging mixed-ownership reform to boost synergy with strategic investors & drive rapid scale development of innovative businesses

Actively Countered Exceptionally Intense Competition in Broadband Market

Fixed-line Broadband Access Revenue¹
(RMB Mil)



Note: Excluded revenue from IPTV

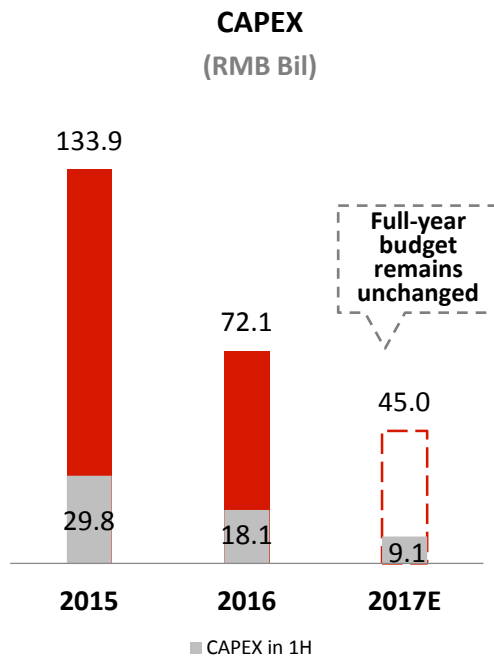
Key Initiatives in 2H2017

- Appropriately increase resources in broadband services & step up efforts on private capital cooperation to further enhance network coverage capability & quality
- Accelerate the implementation of the integrated grid contract-out pilot reform to stimulate front line vitality and enhance sales & service capabilities
- Actively rationalise broadband integrated product strategy: Leverage “ice-cream integrated package” to expand high-end subs scale; simplify administration with increased delegation to enhance product competitiveness & respond to market competition; roll-out integrated packages targeting low-end subs & counter to competitors’ low-pricing strategies
- Emphasise on the driving role of IPTV in broadband services, appropriately increase terminal subsidy, further enrich content & strengthen centralised operation capability to significantly enhance customer perception
- Promote home Internet services, offer attractive home Internet packages and accelerate the deployment of home gateway

Precise Investment to Drive Value Enhancement

Achieved network quality & customers' perception on par with industry in focused regions despite considerable reduction in CAPEX

Focus
+ *Cooperation*



2015-16

- Over RMB200 bil investment resulted in substantial improvement in network capability & capacity

1H2017

- Actively increase network utilisation & improve returns
 - 4G network utilisation: 35%, (vs 6.2016: <10%)
 - FTTH subs penetration: 74%, (vs 6.2016: ~62%)

FY2017

- Precise & demand-driven investment, assuring network competitiveness & customer perception
- Investments focus on key cities, 4G network, regions with high existing assets utilisation & promising returns

2H2017 Priorities



Cease to charge mobile domestic long-distance & roaming fee effective September



Cyclically intensified market competition in 2H

Actively cope with challenges & step onto the path of healthy development

1

To strengthen business model transformation & match customers with right products at right channels to accelerate 4G development

2

To strengthen the incentive of front line & leverage integrated products to speed up the turnaround in broadband business

3

To strengthen capability development & optimise business organisation to drive scale development in innovative businesses

4

To tackle both the form & substance of the problems to lift customer service standard

5

To adhere to focus & cooperation, streamlined & efficient business operation in order to continuously enhance resources & assets efficiency

6

To deepen reform & improve operation management to establish the foundation for sustainable & healthy development

Agenda

MIXED-OWNERSHIP *REFORM*

INTERIM RESULTS *2017*

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Key Financial Information

(RMB Mil)	1H2016	1H2017	Change YoY
Operating Revenue	140,255	138,160	-1.5%
Operating Expenses	(136,886)	(133,475)	-2.5%
Operating Profit	3,369	4,685	39.1%
Finance Costs	(2,468)	(3,130)	26.8%
Interest Income	441	703	59.4%
Share of Net Profit / (Loss) of Associates ¹	(150)	487	Turn profitable
Share of Net Profit of Joint Ventures	56	261	366.1%
Other Income – Net	576	411	-28.6%
Income Tax	(395)	(994)	151.6%
Net Profit	1,429	2,415	68.9%

Note:

1. Share of net profit/(loss) of associates mainly included share of net profit/(loss) of TowerCo

Effective Cost Control

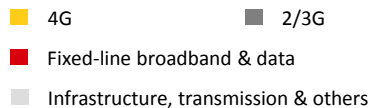
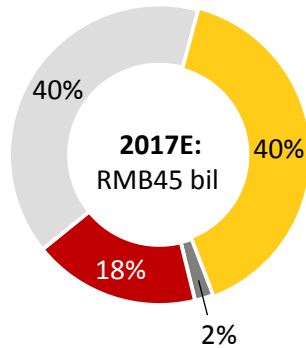
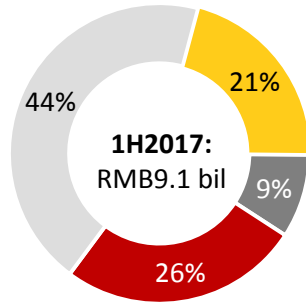
(RMB Mil)	1H2016	1H2017	Change YoY
Operating Expenses	(136,886)	(133,475)	-2.5%
Interconnection Charges	(6,366)	(6,331)	-0.5% <ul style="list-style-type: none"> Mainly due to decline in interconnection traffic
Depreciation & Amortisation	(37,915)	(38,874)	2.5%
Network, Operation & Support	(25,624)	(26,365)	2.9% <ul style="list-style-type: none"> Excluding tower usage fee, network, operation & support expenses stayed flat
- Tower Usage Fee (excl. related electricity charges)	(7,723)	(8,418)	9.0% <ul style="list-style-type: none"> Mainly due to expanded network scale yoy
Employee Benefit	(18,271)	(20,074)	9.9% <ul style="list-style-type: none"> Mainly due to deepening reform of the labour & distribution system while appropriately increased compensation for front-line staff
Costs of Telecommunications Products Sold ¹	(21,753)	(14,638)	-32.7% <ul style="list-style-type: none"> Mainly due to the sharp decrease in telecommunications products sold
- Handset Subsidy ²	(1,756)	(796)	-54.7% <ul style="list-style-type: none"> Benefitted from the comprehensive promotion of business model transformation
Selling & Marketing	(17,131)	(16,096)	-6.0% <ul style="list-style-type: none"> Benefitted from the comprehensive promotion of business model transformation
G&A & Others ¹	(9,826)	(11,097)	12.9% <ul style="list-style-type: none"> Mainly due to increasing costs associated with the rapid growth in ICT & IPTV

Note:

- In order to better satisfy the internal operation and management requirements, revenue from sales of products associated with the ICT business, which was previously recorded as part of the fixed-line service revenue, has been reclassified as part of the revenue from sales of telecommunications products. The related figures for the first half of 2016 have also been restated.
- Costs of telecommunications products sold in 1H2017 was RMB14,638 mil, down by 32.7% yoy. Sales of telecommunications products was RMB14,054 mil, down by 29.7% yoy. Loss of telecommunications products sold was RMB584 mil, among which RMB796 mil was handset subsidy.

Investment Tilted toward Key Regions & Key Businesses

CAPEX Structure



4G

- Focused on key regions & businesses, precise deployment & rapid capacity expansion to improve network competitiveness
- Deployed second carrier in the existing 4G equipment, upgraded existing 3G equipment & other means to efficiently expand network capacity in selected hotspot areas
- Fully commercialised dual-carrier aggregation & pre-commercial launch of the tri-carrier aggregation in metropolitan areas, peak downlink speed reached 375Mbps
- 1H2017: Net add of 30K, reaching a total of 770K 4G BTS

Broadband

- Achieved all-fibre network in all 10 provinces in Northern China & actively deployed 10G PON & other new technologies
- Fully pushed forward cooperation with private capital in Southern China

Backhaul

- Latency continued to decline, maintaining the best performance for 16 consecutive months nationwide

NB-IoT

- Built the world's largest single-city NB-IoT network in Shanghai & comprehensively introduced NFV technology

Tower Sharing to Enhance Long-term Value

Tower Usage Fee

- Tower usage fee (excl. electricity charges) in 1H2017: RMB8.4 bil (▲9.0% YoY), mainly due to larger network scale YoY with increased number of towers under use
- With increasing sharing ratio, tower sharing discount on usage fee is expected to rise gradually
- Hope TowerCo would strive to improve operating efficiency & co-use rate, lower tower usage fee & enhance co-sharing value

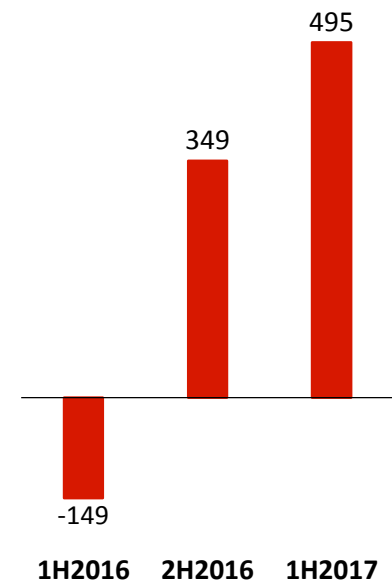
Accelerating Network Deployment with CAPEX Saving

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

Potential Future Return

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

Share of Net Profit/(Loss) from TowerCo
(RMB Mil)

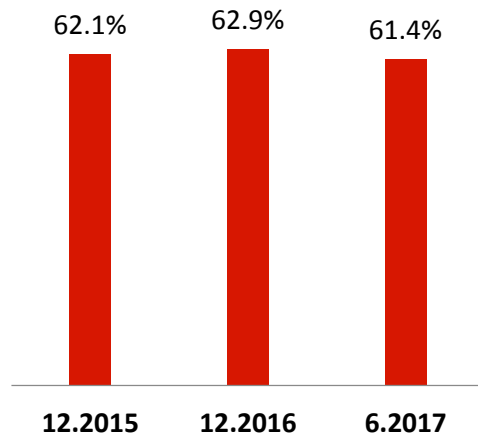


Deleverage & Control Risks

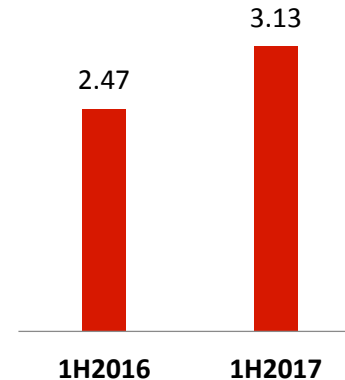
Facilitate sustainable development in the future

Capitalising on the opportunity of mixed-ownership reform, the Company will actively discuss with the parent company to inject new capital through private placement/rights issue, etc. which would enhance investment & financing capacity for key projects in future, as well as reducing existing debt & finance costs, thus improving the Company's ability to control risks.

Liabilities-to-Assets Ratio

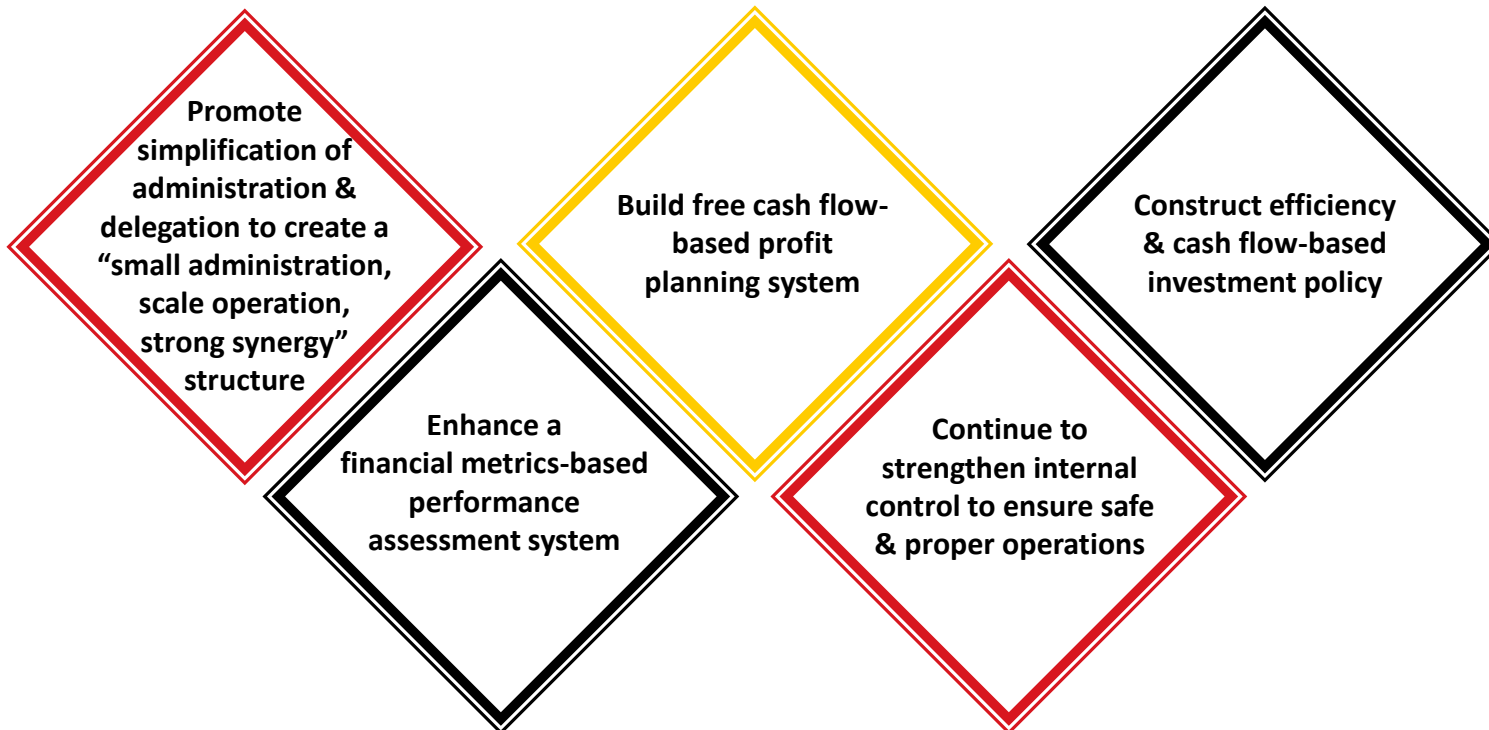


Finance Costs
(RMB Bil)



Note: Finance costs increased mainly due to the rise of interest-bearing debt & interest rate

To Elevate Shareholder Value through Quality & Efficiency Enhancement



**Institutional
Investor**
2017 ALL-ASIA EXECUTIVE TEAM
MOST HONORED COMPANY



Thank You!

Appendix I: Extracts from Unaudited Consolidated Statement of Financial Position as at 2017.6.30

(RMB Mil)	2016.12.31	2017.6.30
Current Assets	82,218	96,099
Non-current Assets	531,936	500,422
Total Assets	614,154	596,521
Current Liabilities	342,655	329,536
Non-current Liabilities	43,817	36,572
Total Liabilities	386,472	366,108
Total Equity	227,682	230,413

Appendix II: Key Operating Metrics

		Unit	1H2016	1H2017
Mobile Business	Billing Subscribers	Mil	260.70	269.45
	Billing Subscriber ARPU	RMB	47.1	48.0
	Handset User MOU	Mins	282.1	254.0
	Handset User DOU	MB	394.8	1,617.5
Incl.: 4G	Subscribers	Mil	72.42	138.81
	ARPU	RMB	81.3	66.5
	DOU	MB	1,246.3	3,329.7
Fixed-line Broadband Business	Subscribers	Mil	73.94	76.92
	Access ARPU	RMB	50.7	47.0
Fixed-line Local Access Business	Subscribers	Mil	70.52	63.29
	ARPU	RMB	17.4	15.9