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CHINA UNICOM (HONG KONG) LIMITED
中國聯合網絡通信（香港）股份有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 0762)

ANNOUNCEMENT

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2014.

GROUP RESULTS

China Unicom (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2014.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
 (All amounts in Renminbi (“RMB”) millions)

	<u>30 September 2014</u>	<u>31 December 2013</u>
ASSETS		
Non-current assets		
Property, plant and equipment	407,879	431,625
Lease prepayments	7,926	8,038
Goodwill	2,771	2,771
Interest in associate	2,040	—
Interest in joint venture	20	—
Deferred income tax assets	8,800	6,734
Financial assets at fair value through other comprehensive income	6,276	6,497
Other assets	<u>24,758</u>	<u>21,296</u>
	<u>460,470</u>	<u>476,961</u>
Current assets		
Inventories and consumables	3,806	5,536
Accounts receivable	16,925	14,842
Prepayments and other current assets	10,490	9,664
Amounts due from related parties	6	11
Amounts due from domestic carriers	2,941	597
Short-term bank deposits	55	54
Cash and cash equivalents	<u>18,747</u>	<u>21,506</u>
	<u>52,970</u>	<u>52,210</u>
Total assets	<u>513,440</u>	<u>529,171</u>
EQUITY		
Equity attributable to equity shareholders of the Company		
Share capital	178,702	2,328
Share premium	—	175,204
Capital redemption reserve	<u>—</u>	<u>79</u>
Share capital and other statutory capital reserve	178,702	177,611
Other reserves	(20,118)	(19,529)
Retained profits		
- Proposed 2013 final dividend	—	3,805
- Others	<u>67,584</u>	<u>57,012</u>
	<u>226,168</u>	<u>218,899</u>
Non-controlling interests	<u>15</u>	<u>—</u>
Total equity	<u>226,183</u>	<u>218,899</u>

30 September 2014 31 December 2013

LIABILITIES

Non-current liabilities

Long-term bank loans	443	481
Promissory notes	16,457	—
Convertible bonds	11,217	11,002
Corporate bonds	2,000	2,000
Deferred income tax liabilities	23	26
Deferred revenue	900	1,269
Other obligations	<u>264</u>	<u>255</u>
	<u>31,304</u>	<u>15,033</u>

Current liabilities

Short-term bank loans	78,727	94,422
Commercial papers	19,968	35,000
Current portion of long-term bank loans	46	48
Accounts payable and accrued liabilities	95,689	102,212
Taxes payable	5,345	2,634
Amounts due to ultimate holding company	687	1,634
Amounts due to related parties	2,268	4,176
Amounts due to domestic carriers	2,314	1,504
Dividend payable	773	644
Current portion of deferred revenue	873	452
Current portion of other obligations	2,671	2,672
Advances from customers	<u>46,592</u>	<u>49,841</u>
	<u>255,953</u>	<u>295,239</u>

Total liabilities

Total equity and liabilities

Net current liabilities

Total assets less current liabilities

287,257

513,440

529,171

(202,983)

(243,029)

257,487

233,932

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME
 (All amounts in RMB millions, except per share data)

		<u>Nine months ended 30 September</u>	
	<u>Note</u>	<u>2014</u>	<u>2013</u>
Revenue		215,339	220,170
Interconnection charges		(11,118)	(15,051)
Depreciation and amortisation		(55,139)	(51,058)
Network, operation and support expenses		(27,774)	(24,669)
Employee benefit expenses		(25,833)	(22,904)
Costs of telecommunications products sold		(32,245)	(48,180)
Other operating expenses		(46,365)	(45,391)
Finance costs		(3,784)	(2,428)
Interest income		210	136
Other income - net		776	531
Profit before income tax		14,067	11,156
Income tax expenses		(3,504)	(2,782)
Profit for the period		<u>10,563</u>	<u>8,374</u>
Profit attributable to:			
Equity shareholders of the Company		10,563	8,374
Non-controlling interests		—	—
		<u>10,563</u>	<u>8,374</u>
Earnings per share for profit attributable to equity shareholders of the Company during the period :			
Basic earnings per share (RMB)	3	<u>0.44</u>	<u>0.35</u>
Diluted earnings per share (RMB)	3	<u>0.43</u>	<u>0.35</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
(All amounts in RMB millions)

	<u>Nine months ended 30 September</u>	
	<u>2014</u>	<u>2013</u>
Profit for the period	<u>10,563</u>	<u>8,374</u>
Other comprehensive income		
Items that will not be reclassified to statement of income:		
Changes in fair value of financial assets through other comprehensive income	(245)	674
Tax effect on changes in fair value of financial assets through other comprehensive income	<u>67</u>	<u>(170)</u>
Changes in fair value of financial assets through other comprehensive income, net of tax	(178)	504
Remeasurement of net defined benefit liability, net of tax	<u>(2)</u>	<u>—</u>
	<u>(180)</u>	<u>504</u>
Items that may be reclassified to statement of income:		
Currency translation differences	<u>(1)</u>	<u>(13)</u>
Other comprehensive income for the period, net of tax	<u>(181)</u>	<u>491</u>
Total comprehensive income for the period	<u>10,382</u>	<u>8,865</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	10,382	8,865
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>10,382</u>	<u>8,865</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (All amounts in RMB millions)

	<u>Nine months ended 30 September</u>	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Cash generated from operations	68,809	65,938
Income tax paid	(3,998)	(2,308)
Net cash inflow from operating activities	<u>64,811</u>	<u>63,630</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(42,939)	(52,761)
Other cash flows arising from investing activities	(6,930)	(3,059)
Net cash outflow from investing activities	<u>(49,869)</u>	<u>(55,820)</u>
Cash flows from financing activities		
Dividends paid to equity shareholders of the Company	(3,677)	(2,713)
Other cash flows arising from financing activities	(14,033)	(4,344)
Net cash outflow from financing activities	<u>(17,710)</u>	<u>(7,057)</u>
Net (decrease)/increase in cash and cash equivalents	(2,768)	753
Cash and cash equivalents, beginning of period	21,506	18,250
Effect of changes in foreign exchange rate	9	(34)
Cash and cash equivalents, end of period	<u>18,747</u>	<u>18,969</u>
Analysis of the balances of cash and cash equivalents:		
Cash balances	6	7
Bank balances	<u>18,741</u>	<u>18,962</u>
	<u>18,747</u>	<u>18,969</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

1. GENERAL INFORMATION

China Unicom (Hong Kong) Limited (the “Company”) was incorporated as a limited liability company in the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) on 8 February 2000. The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are the provision of cellular and fixed-line voice and related value-added services, broadband and other Internet-related services, information communications technology services, and business and data communications services in the PRC. The GSM cellular voice, WCDMA cellular voice, TD-LTE cellular voice, LTE FDD cellular voice and related value-added services are referred to as the “mobile business”, the services aforementioned other than the mobile business are hereinafter collectively referred to as the “fixed-line business”. The Company and its subsidiaries are hereinafter referred to as the “Group”.

2. BASIS OF PREPARATION

Going Concern Assumption

As at 30 September 2014, current liabilities of the Group exceeded current assets by approximately RMB203.0 billion (31 December 2013: approximately RMB243.0 billion). Given the current global economic conditions and the Group’s expected capital expenditures in the foreseeable future, management has comprehensively considered the Group’s available sources of funds as follows:

- The Group’s continuous net cash inflows from operating activities;
- Approximately RMB298.5 billion of revolving banking facilities and registered quota of commercial papers, promissory notes and corporate bonds of which approximately RMB182.4 billion was unutilised as at 30 September 2014; and
- Other available sources of financing from domestic banks and other financial institutions given the Group’s credit history.

In addition, the Group believes that it has ability to raise funds from the short, medium and long-term perspectives and maintain reasonable financing costs through appropriate financing portfolio.

Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital requirements and debt obligations. As a result, the unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2014 has been prepared on a going concern basis.

3. EARNINGS PER SHARE

Basic earnings per share for the nine months ended 30 September 2014 and 2013 were computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the periods.

Diluted earnings per share for the nine months ended 30 September 2014 and 2013 were computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the periods, after adjusting for the effects of dilutive potential ordinary shares. All potential ordinary shares for the nine months ended 30 September 2014 and 2013 arose from (i) share options granted under the amended Share Option Scheme; (ii) share options granted under the amended Special Purpose Share Option Scheme and (iii) convertible bonds.

The following table sets forth the computation of basic and diluted earnings per share:

	<u>Nine months ended 30 September</u>	
	<u>2014</u>	<u>2013</u>
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company		
used in computing basic earnings per share	10,563	8,374
Imputed finance cost on the liability component of convertible bonds	157	157
Profit attributable to equity shareholders of the Company		
used in computing diluted earnings per share	10,720	8,531
Denominator (in millions):		
Weighted average number of ordinary shares outstanding		
used in computing basic earnings per share	23,829	23,620
Dilutive equivalent shares arising from share options	20	142
Dilutive equivalent shares arising from convertible bonds	939	922
Shares used in computing diluted earnings per share	24,788	24,684
Basic earnings per share (in RMB)	<u>0.44</u>	<u>0.35</u>
Diluted earnings per share (in RMB)	<u>0.43</u>	<u>0.35</u>

FINANCIAL OUTLINE

Revenue

In the first three quarters of 2014, total revenue was RMB215.34 billion. Out of the total revenue, service revenue was RMB186.84 billion, up by 5.3% as compared to the same period of last year.

Rapid growth in the mobile broadband business. In the first three quarters of 2014, service revenue from the mobile business was RMB119.10 billion. The total number of the mobile subscribers reached 297.070 million as at 30 September 2014. The average revenue per user per month (“ARPU”) was RMB45.5 for the mobile business in the first three quarters of 2014. Out of service revenue from the mobile business, service revenue from the mobile broadband business¹ was RMB80.36 billion in the first three quarters of 2014, up by 24.3% as compared to the same period of last year and as a percentage of service revenue from the mobile business, there was an increase from 57.8% in the first three quarters of 2013 to 67.5% in the first three quarters of 2014. The total number of mobile broadband subscribers reached 145.710 million as at 30 September 2014. ARPU for mobile broadband business was RMB65.7 in the first three quarters of 2014.

Stable growth in the fixed-line broadband business. In the first three quarters of 2014, service revenue from the fixed-line business was RMB66.92 billion. Out of service revenue from the fixed-line business, service revenue from the fixed-line broadband business was RMB37.52 billion, up by 9.7% as compared to the same period of last year and as a percentage of service revenue from the fixed-line business, there was an increase from 52.7% in the first three quarters of 2013 to 56.1% in the first three quarters of 2014. The total number of fixed-line broadband subscribers reached 68.482 million as at 30 September 2014. ARPU for fixed-line broadband business was RMB62.4 in the first three quarters of 2014.

Costs and Expenses

In the first three quarters of 2014, total costs and expenses² were RMB201.27 billion, down by 3.7% as compared to the same period of last year.

The Company continued to strengthen its network capacities, depreciation and amortisation charge were RMB55.14 billion in the first three quarters of 2014, up by 8.0% as compared to the same period of last year. At the same time, the Company appropriately increased in network operation investment, network, operation and support expenses were RMB27.77 billion, up by 12.6% as compared to the same period of last year.

The Company proactively promoted the transformation of its sale and marketing model and continued to enhance an efficient market expansion capacity. As a result, selling and marketing expenses were RMB31.79 billion in the first three quarters of 2014, down by 0.3% as compared to the same period of last year. Mobile broadband business terminal subsidy cost was RMB3.91 billion in the first three quarters of 2014, down by 32.7% as compared to the same period of last year.

Under the influence of the adjustments to interconnection settlement policy, interconnection charges were RMB11.12 billion in the first three quarters of 2014, down by 26.1% as compared to the same period of last year.

Earnings

In the first three quarters of 2014, profit before income tax was RMB14.07 billion and profit for the period was RMB10.56 billion, up by 26.1% as compared to the same period of last year. Basic earnings per share was RMB0.443 in the first three quarters of 2014. EBITDA³ was RMB72.00 billion in the first three quarters of 2014, up by 12.5% as compared to the same period of last year. EBITDA as a percentage of service revenue was 38.5% in the first three quarters of 2014.

Note 1: Mobile broadband business included 3G business and 4G business.

Note 2: Including interconnection charges, depreciation and amortisation, network, operation and support expenses, employee benefit expenses, costs of telecommunications products sold, other operating expenses, finance costs, interest income and other income-net.

Note 3: EBITDA represents profit for the period before finance costs, interest income, other income-net, income tax, depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analysing the operating results of a telecommunications service operator like our Group.

CAUTION STATEMENT

The Board wishes to remind investors that the unaudited financial information and the financial outline for the nine months ended 30 September 2014 are based on the Group's internal records and management accounts and have not been reviewed or audited by the auditors. The financial information for the nine months ended 30 September 2013 are extracted from the unaudited financial information of the Group; and the financial information for the year ended 31 December 2013 are extracted from the audited financial statements as contained in the 2013 Annual Report. Investors are cautioned not to unduly rely on financial data, statistics and comparison for the nine months ended 30 September 2014. **In the meantime, investors are advised to exercise caution in dealing in the shares of the Company.**

By Order of the Board of
China Unicom (Hong Kong) Limited
Chu Ka Yee
Company Secretary

Hong Kong, 23 October 2014

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

Executive Directors:	Chang Xiaobing, Lu Yimin, Li Fushen and Zhang Junan
Non-executive Director:	Cesareo Alierta Izuel
Independent Non-executive Directors:	Cheung Wing Lam Linus, Wong Wai Ming, John Lawson Thornton, Chung Shui Ming Timpson, Cai Hongbin and Law Fan Chiu Fun Fanny