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## Key Financial and Performance Indicators for the First Three Quarters of 2019

In the first three quarters of 2019, facing new challenges in the industry development, the Group deepened execution of the Strategy of Focus, Innovation and Cooperation and accelerated the Internet-oriented transformation. It also strengthened the implementation of mixed-ownership reform. Innovative businesses maintained strong growth momentum, supporting the largely stable performance of overall service revenue of the Group. Further bolstered by effective cost control, the Group's net profit continued to grow remarkably in the first three quarters of 2019. The key unaudited financial data in the period were as follows:

- Overall service revenue amounted to RMB 198,532 million, down by 0.7% year-on-year, better than the decline of 1.1% in the first half of this year.
- Industry Internet revenue amounted to RMB 24,291 million, up by 40.8% year-on-year.
- EBITDA<sup>1</sup> amounted to RMB 73,145 million, up by 10.4% year-on-year.
- Profit attributable to the equity shareholders of the Company amounted to RMB 9,823 million, up by 11.9% year-on-year.

Going forward, the Group will brave the challenges and endeavour to create a new paradigm featuring China Unicom's "Five New" establishment and high-quality sustainable growth, with consistent effort to enhance inherent corporate vibrancy and operating efficiency for greater shareholders' value.

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 2019.

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

Unit: RMB millions

	<b>For the nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
Total service revenue	198,532	200,013
Sales of telecommunications products	18,588	19,699
<b>Revenue</b>	<b>217,120</b>	<b>219,712</b>
Interconnection charges	(8,737)	(9,898)
Depreciation and amortisation	(62,504)	(57,421)
Network, operation and support expenses	(31,508)	(41,605)
Employee benefit expenses	(38,197)	(35,998)
Costs of telecommunications products sold	(19,154)	(19,884)
Other operating expenses	(46,379)	(46,082)
Finance costs	(1,615)	(1,451)
Interest income	933	1,305
Share of net profit of associates	1,007	2,284
Share of net profit of joint ventures	514	435
Other income – net	859	108
<b>Profit before income tax</b>	<b>12,339</b>	<b>11,505</b>
Income tax expenses	(2,497)	(2,677)
<b>Profit for the period</b>	<b>9,842</b>	<b>8,828</b>
<b>Profit attributable to:</b>		
Equity shareholders of the Company	9,823	8,780
Non-controlling interests	19	48
	<b>As at</b>	<b>As at</b>
	<b>30 September 2019</b>	<b>31 December 2018</b>
Total assets	569,241	540,320
Total liabilities	249,501	226,034
<b>Total equity</b>	<b>319,740</b>	<b>314,286</b>

## Business Data

	<u>As at 30 September 2019/ For the period from 1 January 2019 to 30 September 2019</u>	<u>As at 30 September 2018/ For the period from 1 January 2018 to 30 September 2018</u>
Mobile billing subscribers (Million)	324.729	309.826
of which 4G subscribers (Million)	251.145	213.850
Net addition of mobile billing subscribers (Million)	9.693	25.663
of which net addition of 4G subscribers (Million)	31.220	38.974
Mobile handset data traffic (Billion MB)	22,857.6	15,009.4
Mobile voice usage (Billion Minutes)	562.2	613.2
Fixed-line broadband subscribers (Million)	84.445	80.347
Net addition of fixed-line broadband subscribers (Million)	3.565	3.808
Fixed-line local access subscribers (Million)	54.247	56.825
Net loss of fixed-line local access subscribers (Million)	(1.652)	(3.172)

In the first three quarters of 2019, facing new challenges in the industry development, the Group deepened execution of the Strategy of Focus, Innovation and Cooperation and accelerated the Internet-oriented transformation. It also strengthened the implementation of mixed-ownership reform. Innovative businesses maintained strong growth momentum, supporting the largely stable performance of overall service revenue of the Group. Further bolstered by effective cost control, the Group's net profit continued to grow remarkably in the first three quarters of 2019.

Due to the impact of "Speed Upgrade and Tariff Reduction" policy, market saturation, keen market competition and diminishing 4G data bonus, the Group's mobile service revenue decreased by 6.1% year-on-year to RMB 117,733 million in the first three quarters of 2019. Mobile billing subscriber ARPU was RMB 40.6. The Group gradually leveraged the in-depth coverage and wide coverage in rural area of the LTE 900MHz network, and stepped up the effort in Internet-oriented transformation on products, channels and marketing. It rigorously controlled customer acquisition cost and ultra-low tariff plans, and persisted in differentiated development, striving to avoid simple price competition. In the first three quarters of 2019, mobile billing subscribers registered a net addition of 9.69 million, reaching a total of 325 million. Within that, 4G subscribers registered a net addition of 31.22 million, reaching a total of 251 million.

The Group actively addressed the challenge of intense competition in the broadband market by adopting the strategy of "Big Video, Big Integration and Big Bandwidth". It built new 2I2H and 2B2H broadband marketing models to enhance marketing capabilities. In the first three quarters of 2019, fixed-line broadband subscribers registered a net addition of 3.57 million, reaching a total of 84.45 million. Fixed-line broadband access revenue amounted to RMB 30,959 million. In innovative businesses, the Group expedited the capability development and scale expansion of key innovative businesses such as Cloud Computing, Big Data and IoT, etc. It engaged in consistent efforts to enhance innovation in mechanism and accelerated the innovative talent development while reforming the incentive and compensation system. With the "cloud + smart networks + smart applications" integrated sales model, the Group achieved continuous rapid breakthrough in innovative businesses. For the first three quarters of 2019, revenue from industry Internet business amounted to RMB 24,291 million, up

by 40.8% year-on-year. Driven by the rapid growth of the innovative businesses, the Group's fixed-line service revenue reached RMB 78,863 million, up by 7.7% year-on-year. Overall service revenue amounted to RMB 198,532 million, down by 0.7% year-on-year, better than the decline of 1.1% in the first half of this year.

The Group has adopted IFRS/HKFRS 16, "Leases" since 1 January 2019. Subject to practical expedients allowed by the standard, the Group recognised lease liabilities and corresponding "right-of-use" assets for all applicable leases, and recognised interest expense accrued on the outstanding balance of the lease liabilities and depreciation of the right-of-use assets. The Group has elected to use the modified retrospective approach for the adoption of the standard, i.e. it will not restate the comparative figures for years/periods prior to its initial application, and will recognise the cumulative effect of initial application as adjustments to the opening balances of total assets, total liabilities and retained profits in the current period. As a result, the adoption of IFRS/HKFRS 16 caused depreciation and amortisation, finance costs to increase in the first three quarters of 2019 while the lease expenses within network, operation and support expenses reduced correspondingly. For the first three quarters of 2019, interconnection charges decreased by 11.7% year-on-year mainly due to the decline in interconnection voice traffic. During the period, the Group rigorously controlled customer acquisition cost leading to effective control of selling and marketing expense, which amounted to RMB 25,705 million, up slightly by 1.7% year-on-year. Share of net profit of associates decreased by 55.9% year-on-year mainly because China Tower Corporation Limited ("China Tower"), an associate company of the Group, was listed on the Stock Exchange of Hong Kong and issued new shares in August 2018, leading to a change in the Group's shareholding percentage in China Tower and causing the Group's share of net profit of associates accounted for under equity method to record an extra gain of RMB 1,474 million during the third quarter of last year. For the first three quarters of 2019, the Group's EBITDA<sup>1</sup> amounted to RMB 73,145 million, up by 10.4% year-on-year. EBITDA as a percentage of service revenue was 36.8%. The profit attributable to the equity shareholders of the Company amounted to RMB 9,823 million, up by 11.9% year-on-year.

Excluding the impact of the adoption of IFRS/HKFRS 16 in the period, depreciation and amortisation in the first three quarters of 2019 would have decreased by 4.5% year-on-year mainly driven by the good control of capital expenditure in recent years. Finance costs would have decreased by 56.9% year-on-year mainly due to substantially lower average interest-bearing debts during the period backed by healthy free cash flow. Network, operation and support expenses would have decreased by 4.5% year-on-year mainly due to the effective control of maintenance costs and lower utility charges.

In September 2019, the Group entered into a cooperation agreement with China Telecom Corporation Limited ("China Telecom") to co-build one 5G access network nationwide. The Group is of the view that the cooperation with China Telecom on 5G network co-build co-share, especially co-sharing the continuous 5G spectrum of both parties, will enhance the reduction of 5G network construction, operation and maintenance costs, while achieving 5G network coverage efficiently. It will also benefit the establishment of 5G service capabilities rapidly and strengthen the market competitiveness of 5G networks and services, while improving network investment return and asset operation efficiency, and leading to win-win for both parties.

Going forward, the Group will brave the challenges and endeavour to create a new paradigm featuring China Unicom's "Five New" establishment and high-quality sustainable growth. The Group will persevere in the implementation of the Internet-oriented operation and seek improvements in customer perception, operating efficiency and differentiated competitive advantages. It will proactively counter the challenges brought by mobile number portability, and strive to stabilise its fundamental business. It will expand the scale of its innovative businesses and make solid progress in 5G innovation, driving

its overall business to stabilise and resume growth. The Group will continue to enhance its business and capital cooperation with strategic investors, and seek to deepen and broaden its innovative reforms in various aspects, with consistent effort to enhance inherent corporate vibrancy and operating efficiency for greater shareholders' 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**  
**Wang Xiaochu**  
*Chairman and Chief Executive Officer*

Hong Kong, 21 October 2019

Note 1: EBITDA represents profit for the period before finance costs, interest income, shares of net profit of associates, share of net profit of joint ventures, 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 the Company. However, it is a non-GAAP financial measure which does not have a standardised meaning and therefore may not be comparable to similar measures presented by other companies.

*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, Li Guohua, Li Fushen, Shao Guanglu and Zhu Keping
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