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Key Financial and Performance Indicators for the First Quarter of 2020

In the first quarter of 2020, facing challenges such as market saturation, keen market competition and the novel coronavirus outbreak, the Group deepened transformation and innovation, strengthened differentiated and Internet-oriented operation while expediting the capability development and scale expansion of industry Internet business. It enhanced integrated offerings and rigorously controlled customer acquisition cost, striving to safeguard corporate value and drive high-quality development.

So far this year, the novel coronavirus outbreak has posed challenges to the Group, especially in terms of business development, customer acquisition, 5G network deployment and risk of bad debt, etc. The outbreak has also accelerated demand by economy and society for transformation on digitisation, cyberisation and intelligence, thereby creating new opportunities to the Group. The Group made use of new technologies such as Big Data, AI and 5G to support precise epidemic control and smart public administration as well as resumption of work and business production. Meanwhile, it also accelerated the transformation of Internet-oriented operation, provided innovative communications service offerings and actively promoted new informatisation applications, striving to turn adversity into opportunities.

The key unaudited financial data in the period were as follows:

- Overall service revenue amounted to RMB 68,307 million, up by 2.3% year-on-year.
- Industry Internet revenue amounted to RMB 11,448 million, up by 32.2% year-on-year.
- EBITDA¹ amounted to RMB 23,561 million, down by 5.8% year-on-year, but up by 11.1% quarter-on-quarter.
- The profit attributable to the equity shareholders of the Company amounted to RMB 3,166 million, down by 13.9% year-on-year, but up by 110.1% quarter-on-quarter.

Going forward, the Group will stay committed to the strategy of focus, innovation and cooperation, firmly promote the comprehensive Internet-oriented operation and further advance mixed-ownership reform while pursuing the goals of “enhance value, pursue growth, solidify fundamentals and be passionate”, in order to unveil a new page of high-quality development. The Group will strive to enhance profitability to create greater value for shareholders.

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 quarter of 2020.

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

Unit: RMB millions

	For the three months ended 31 March	
	2020	2019
Total service revenue	68,307	66,802
Sales of telecommunications products	5,517	6,345
Revenue	73,824	73,147
Interconnection charges	(2,309)	(2,737)
Depreciation and amortisation	(20,208)	(20,493)
Network, operation and support expenses	(10,905)	(10,732)
Employee benefit expenses	(13,352)	(11,585)
Costs of telecommunications products sold	(5,319)	(6,605)
Selling and marketing expenses	(7,689)	(9,045)
General, administrative and other expenses	(10,689)	(7,432)
Finance costs	(437)	(592)
Interest income	312	293
Share of net profit of associates	348	316
Share of net profit of joint venture	139	171
Other income – net	389	98
Profit before income tax	4,104	4,804
Income tax expenses	(922)	(1,121)
Profit for the period	3,182	3,683
Profit attributable to:		
Equity shareholders of the Company	3,166	3,675
Non-controlling interests	16	8
	As at	As at
	31 March 2020	31 December 2019
Total assets	563,855	562,499
Total liabilities	240,798	241,744
Total equity	323,057	320,755

Business Data

	As at 31 March 2020/ For the period from 1 January 2020 to 31 March 2020	As at 31 December 2019/ For the period from 1 October 2019 to 31 December 2019
Mobile billing subscribers (Million) ²	311.009	318.475
of which 4G subscribers (Million) ²	254.522	253.766
Net addition/(loss) of mobile billing subscribers (Million) ²	(7.466)	(6.254)
of which net addition/(loss) of 4G subscribers (Million) ²	0.756	2.621
Mobile handset data traffic (Billion MB)	8,732.3	8,763.0
Mobile voice usage (Billion Minutes)	141.9	181.7
Fixed-line broadband subscribers (Million)	84.831	83.478
Net addition/(loss) of fixed-line broadband subscribers (Million)	1.353	(0.967)
Fixed-line local access subscribers (Million)	53.468	54.215
Net addition/(loss) of fixed-line local access subscribers (Million)	(0.747)	(0.032)

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So far this year, the novel coronavirus outbreak has posed challenges to the Group, especially in terms of business development, customer acquisition, 5G network deployment and risk of bad debt, etc. The outbreak has also accelerated demand by economy and society for transformation on digitisation, cyberisation and intelligence, thereby creating new opportunities to the Group. The Group made use of new technologies such as Big Data, AI and 5G to support precise epidemic control and smart public administration as well as resumption of work and business production. Meanwhile, it also accelerated the transformation of Internet-oriented operation, provided innovative communications service offerings and actively promoted new informatisation applications, striving to turn adversity into opportunities.

In mobile business, the Group has timely adjusted the development priority since the second half of last year. It strengthened self-discipline on rational and orderly competition. It shifted focus from subscriber scale to subscriber quality and value. It deepened innovative transformation and rigorously controlled selling expenses and ineffective and low-value products and channels. Despite the short-term impact on mobile business development, the Group believes that it will benefit long-term corporate development and value maximisation. In the first quarter of 2020, mobile billing subscribers² registered a net loss of 7.47 million, reaching a total of 311 million. Within that, 4G subscribers² reached 255 million. Mobile billing subscriber ARPU was RMB 40.0. Mobile service revenue amounted to RMB 37,749 million, down by 4.1% year-on-year, where the rate of decline narrowed as compared to -5.3% for the full year of last year. Going forward, the Group will focus resources on the development of mid-to-high-end differentiated products, leverage privileges, content and financial tools to enhance product value and make use of Big Data analytics to enhance targeted marketing and customer retention. Meanwhile, the Group will actively capitalise on 5G network “co-build co-share” advantage to sharpen competitive edges and return, striving to drive gradual mobile service revenue

rebound via consumption upgrade led by 5G innovative applications. It is expected that 5G network user growth will accelerate in the second half of this year, in pace with accelerated network deployment, proliferation and declining price of 5G terminals and more prevalent innovative applications.

In fixed-line broadband business, facing the fierce market competition, the Group was persistent in rational and orderly competition. It continued to consolidate the advantages of its high bandwidth and integrated product with a view to actively coping with challenges. In the first quarter of 2020, fixed-line broadband subscribers registered a net addition of 1.35 million, reaching a total of 84.83 million. Fixed-line broadband access revenue rebounded to RMB 10,785 million, up by 4.4% year-on-year. In innovative businesses, the Group drove the mutual development of innovative businesses and fundamental services through the integrated operation of “cloud + smart network + smart application”. It built a cloud business capability platform and industrial Internet solutions and products through ecological cooperation. It collaborated with leading players in certain key industries to actively create typical 5G use cases and accelerate the incubation of innovative 5G industry applications, generating energy for future growth. For the first quarter of 2020, revenue from industry Internet business amounted to RMB 11,448 million, up by 32.2% year-on-year. Driven by the rapid growth of the innovative businesses, the Group’s fixed-line service revenue reached RMB 29,894 million, up by 11.1% year-on-year. Overall service revenue amounted to RMB 68,307 million, up by 2.3% year-on-year.

In the first quarter of 2020, interconnection charges decreased by 15.6% year-on-year mainly due to the decline in interconnection voice traffic. Depreciation and amortisation decreased by 1.4% year-on-year mainly driven by the good control of capital expenditure in recent years. Network, operation and support expenses increased by 1.6% year-on-year mainly due to higher tower usage fee as a result of larger network scale. The Group continued to deepen the reform of incentive systems and strengthen performance-linked incentives while at the same time stepping up recruitment of talents in innovative business to boost new energy for innovative development. Employee benefit expenses increased by 15.2% year-on-year. The costs of telecommunications products sold decreased by 19.5% year-on-year mainly due to the lower sales of telecommunications products during the period. During the period, the Group rigorously controlled customer acquisition cost, driving selling and marketing expenses to decrease by 15.0% year-on-year to RMB 7,689 million. General, administrative and other expenses increased by 43.8% year-on-year mainly due to the increasing costs associated with the rapid growth of ICT business, more technical support spending for innovative businesses and higher loss on disposal of fixed assets and bad debt provisions. For the first quarter of 2020, the Group’s EBITDA¹ amounted to RMB 23,561 million, down by 5.8% year-on-year, but up by 11.1% quarter-on-quarter. EBITDA as a percentage of service revenue was 34.5%. The profit attributable to the equity shareholders of the Company amounted to RMB 3,166 million, down by 13.9% year-on-year, but up by 110.1% quarter-on-quarter.

Going forward, the Group will stay committed to the strategy of focus, innovation and cooperation, firmly promote the comprehensive Internet-oriented operation and further advance mixed-ownership reform while pursuing the goals of “enhance value, pursue growth, solidify fundamentals and be passionate”, in order to unveil a new page of high-quality development. The Group will strive to enhance profitability to create greater value for shareholders.

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, 22 April 2020

Note 1: EBITDA represents profit for the period before finance costs, interest income, share of net profit of associates, share of net profit of joint ventures, other income-net, income tax expense, 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.

Note 2: Mobile business data includes 5G subscribers.

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 Fushen, Zhu Keping and Fan Yunjun
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