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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 2015.

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 2015.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in Renminbi (“RMB”) millions)

30 September 2015 31 December 2014

ASSETS

Non-current assets

Property, plant and equipment	442,019	438,321
Lease prepayments	9,168	9,211
Goodwill	2,771	2,771
Interest in associates	2,164	3,037
Interest in joint ventures	1,002	—
Deferred income tax assets	6,806	6,215
Financial assets at fair value through other comprehensive income	5,157	5,902
Other assets	<u>24,295</u>	<u>23,041</u>
	<u>493,382</u>	<u>488,498</u>

Current assets

Inventories and consumables	5,003	4,378
Accounts receivable	19,041	14,671
Prepayments and other current assets	13,246	10,029
Amounts due from related parties	16	12
Amounts due from domestic carriers	2,544	2,120
Short-term bank deposits	56	56
Cash and cash equivalents	<u>26,358</u>	<u>25,308</u>
	<u>66,264</u>	<u>56,574</u>

Total assets

559,646 545,072

EQUITY

**Equity attributable to equity
shareholders of the Company**

Share capital	179,102	179,101
Other reserves	(20,043)	(19,482)
Retained profits		
- Proposed 2014 final dividend	—	4,789
- Others	<u>71,343</u>	<u>63,133</u>

Total equity

230,402 227,541

30 September 2015 31 December 2014

LIABILITIES

Non-current liabilities

Long-term bank loans	2,251	420
Promissory notes	29,450	21,460
Corporate bonds	2,000	2,000
Deferred income tax liabilities	18	17
Deferred revenue	1,424	1,497
Other obligations	<u>159</u>	<u>217</u>

35,302 25,611

Current liabilities

Short-term bank loans	87,645	91,503
Commercial papers	9,997	9,979
Current portion of long-term bank loans	39	45
Convertible bonds	11,730	11,167
Accounts payable and accrued liabilities	127,010	120,371
Taxes payable	1,490	1,466
Amounts due to ultimate holding company	1,807	1,622
Amounts due to related parties	2,842	3,542
Amounts due to domestic carriers	1,877	1,402
Dividend payable	920	771
Current portion of deferred revenue	439	462
Current portion of other obligations	2,639	2,698
Advances from customers	<u>45,507</u>	<u>46,892</u>

293,942 291,920

Total liabilities 329,244 317,531

Total equity and liabilities 559,646 545,072

Net current liabilities (227,678) (235,346)

Total assets less current liabilities 265,704 253,152

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

	<u>Note</u>	<u>Nine months ended 30 September</u>	
		<u>2015</u>	<u>2014</u>
Revenue		211,913	215,339
Interconnection charges		(9,889)	(11,118)
Depreciation and amortisation		(58,013)	(55,139)
Network, operation and support expenses		(29,261)	(27,774)
Employee benefit expenses		(26,654)	(25,833)
Costs of telecommunications products sold		(33,538)	(32,245)
Other operating expenses		(38,322)	(46,365)
Finance costs		(5,785)	(3,784)
Interest income		237	210
Share of loss of associates		(868)	—
Other income - net		<u>739</u>	<u>776</u>
Profit before income tax		10,559	14,067
Income tax expenses		<u>(2,378)</u>	<u>(3,504)</u>
Profit for the period		<u>8,181</u>	<u>10,563</u>
Profit attributable to:			
Equity shareholders of the Company		<u>8,181</u>	<u>10,563</u>
Earnings per share for profit attributable to equity shareholders of the Company during the period:			
Basic earnings per share (RMB)	3	<u>0.34</u>	<u>0.44</u>
Diluted earnings per share (RMB)	3	<u>0.33</u>	<u>0.43</u>

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

	<u>Nine months ended 30 September</u>	
	<u>2015</u>	<u>2014</u>
Profit for the period	<u>8,181</u>	<u>10,563</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	(745)	(245)
Tax effect on changes in fair value of financial assets through other comprehensive income	<u>186</u>	<u>67</u>
Changes in fair value of financial assets through other comprehensive income, net of tax	(559)	(178)
Remeasurement of net defined benefit liability, net of tax	<u>—</u>	<u>(2)</u>
	<u>(559)</u>	<u>(180)</u>
Items that may be reclassified subsequently to statement of income:		
Currency translation differences	<u>27</u>	<u>(1)</u>
Other comprehensive income for the period, net of tax	<u>(532)</u>	<u>(181)</u>
Total comprehensive income for the period	<u><u>7,649</u></u>	<u><u>10,382</u></u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	<u><u>7,649</u></u>	<u><u>10,382</u></u>

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

	<u>Nine months ended 30 September</u>	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash generated from operations	66,936	68,809
Income tax paid	<u>(1,915)</u>	<u>(3,998)</u>
Net cash inflow from operating activities	<u>65,021</u>	<u>64,811</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(60,073)	(42,939)
Other cash flows arising from investing activities	<u>(2,901)</u>	<u>(6,930)</u>
Net cash outflow from investing activities	<u>(62,974)</u>	<u>(49,869)</u>
Cash flows from financing activities		
Dividends paid to equity shareholders of the Company	(4,643)	(3,677)
Other cash flows arising from financing activities	<u>4,142</u>	<u>(14,033)</u>
Net cash outflow from financing activities	<u>(501)</u>	<u>(17,710)</u>
Net increase/(decrease) in cash and cash equivalents	1,546	(2,768)
Cash and cash equivalents, beginning of period	25,308	21,506
Effect of changes in foreign exchange rate	<u>(496)</u>	<u>9</u>
Cash and cash equivalents, end of period	<u>26,358</u>	<u>18,747</u>
Analysis of the balances of cash and cash equivalents:		
Cash balances	2	6
Bank balances	<u>26,356</u>	<u>18,741</u>
	<u>26,358</u>	<u>18,747</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

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 2015, current liabilities of the Group exceeded current assets by approximately RMB227.7 billion (31 December 2014: approximately RMB235.3 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 inflow from operating activities;
- Approximately RMB332.0 billion of revolving banking facilities and registered quota of commercial papers, promissory notes and corporate bonds, of which approximately RMB201.5 billion was unutilised as at 30 September 2015; and
- Other available sources of financing from domestic banks and other financial institutions given the Group’s credit history.

In addition, the Group believes it has the 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 2015 has been prepared on a going concern basis.

3. EARNINGS PER SHARE

Basic earnings per share for the nine months ended 30 September 2015 and 2014 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the periods.

Diluted earnings per share for the nine months ended 30 September 2015 and 2014 were computed by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the periods, after adjusting for the effects of dilutive potential ordinary shares. All dilutive potential ordinary shares for the nine months ended 30 September 2015 arose from the convertible bonds. All dilutive potential ordinary shares for the nine months ended 30 September 2014 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) the convertible bonds.

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

	<u>Nine months ended 30 September</u>	
	<u>2015</u>	<u>2014</u>
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic earnings per share	8,181	10,563
Imputed finance cost on the liability component of convertible bonds	<u>160</u>	<u>157</u>
Profit attributable to equity shareholders of the Company used in computing diluted earnings per share	<u>8,341</u>	<u>10,720</u>
Denominator (in millions):		
Weighted average number of ordinary shares outstanding used in computing basic earnings per share	23,947	23,829
Dilutive equivalent shares arising from share options	—	20
Dilutive equivalent shares arising from convertible bonds	<u>958</u>	<u>939</u>
Shares used in computing diluted earnings per share	<u>24,905</u>	<u>24,788</u>
Basic earnings per share (in RMB)	<u>0.34</u>	<u>0.44</u>
Diluted earnings per share (in RMB)	<u>0.33</u>	<u>0.43</u>

4. EVENTS AFTER THE REPORTING PERIOD

- 4.1 On 14 October 2015, China United Network Communications Corporation Limited and Unicom New Horizon Telecommunications Company Limited (both wholly-owned subsidiaries of the Company) entered into the Transfer Agreement with, among others, China Tower Corporation Limited (the “Tower Company”), to sell certain telecommunications towers and related assets to the Tower Company. Please refer to the announcement made by the Company on 14 October 2015 for details.
- 4.2 On 18 October 2010, Billion Express Investments Limited, a wholly-owned subsidiary of the Company, issued 0.75% guaranteed convertible bonds in an aggregate principal amount of USD1,838,800,000 (at the fixed exchange rate of USD1 equivalent to HKD7.7576) which were due in October 2015 at a redemption price of 100% of the principal amount. The bonds are guaranteed by the Company as to repayments, and are convertible into ordinary shares of the Company at an initial conversion price of HKD15.85 per share. The conversion price is subject to certain anti-dilution and change in control adjustments set out in the Trust Deed dated 18 October 2010.

No bondholders exercised conversion rights during the conversion period (i.e. 28 November 2010 up to the close of business on 8 October 2015). On 18 October 2015, all convertible bonds were fully redeemed.

OTHER INFORMATION

The supplementary financial indicators are summarised as follow (All amounts in RMB millions):

	Nine months ended 30 September	
	2015	2014
Total service revenue from mobile business	109,517	119,103
Total service revenue from fixed-line business	69,203	66,924
Other service revenue	<u>1,031</u>	<u>811</u>
Total service revenue	179,751	186,838
Sales of telecommunications products	<u>32,162</u>	<u>28,501</u>
Revenue	<u>211,913</u>	<u>215,339</u>
Profit for the period	<u>8,181</u>	<u>10,563</u>
EBITDA	<u>74,249</u>	<u>72,004</u>
EBITDA as a percentage of service revenue	<u>41.3%</u>	<u>38.5%</u>

For the first three quarters of 2015, service revenue was RMB179.8 billion, down by 3.8% as compared to the same period of last year. The decrease in service revenue was mainly attributed to the impact of output value-added tax (“VAT”) which arose from the replacement of business tax with VAT¹ (“VAT Reform”) and the transformation of sales and marketing mode etc., but revenue structure continued to optimise.

For the first three quarters of 2015, profit for the period was RMB8.18 billion, down by 22.6% as compared to the same period of last year as a result of VAT Reform and other factors. EBITDA² was RMB74.25 billion for the first three quarters of 2015, up by 3.1% as compared to the same period of last year. EBITDA as a percentage of service revenue was 41.3% for the first three quarters of 2015, up by 2.8 percentage points compared to the same period of last year.

According to the announcement “Mobile Data Carry-over Policy” made by the Company on 29 September 2015, the Company allowed the unused monthly data under the monthly package committed by the handset subscribers (hereinafter referred to as “unused monthly data”) to be carried over for use till the end of the following month starting from 1 October 2015. The mentioned policy will defer the revenue recognition for the corresponding unused monthly data, and hence affect the revenue and profit of the Company for the fourth quarter of 2015.

According to the announcement “Major Transaction - Disposal of Telecommunications Towers and Related Assets” made by the Company on 14 October 2015, the Company entered into the agreement with, among others, China Tower Corporation Limited (hereinafter referred to as the “Tower Company”), to sell certain telecommunications towers and related assets (the “Related Assets”) held by the Company to the Tower Company, the Completion Date will be 31 October 2015. The Company intends to lease the Related Assets from the Tower Company following Completion, and the parties are in the process of finalising the terms of such lease. The operating expense of the Company will increase if the lease expense for the Related Assets is set at a high level, even some of the increase in the expense may be returned to the Company through the investment income from the Tower Company.

Note 1: The replacement of business tax with VAT implemented nationwide for the telecommunications industry from 1 June 2014.

Note 2: EBITDA represents profit for the period before finance costs, interest income, shares of loss of associates, other income-net, income tax, depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditures 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 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 2015 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 2014 are extracted from the unaudited financial information of the Group; and the financial information for the year ended 31 December 2014 are extracted from the audited financial statements as contained in the 2014 Annual Report. Investors are cautioned not to unduly rely on financial data, statistics and comparison for the nine months ended 30 September 2015. **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, 22 October 2015

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

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