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中期報告 INTERIM REPORT

2016

中國聯合網絡通信(香港)股份有限公司

CHINA UNICOM (HONG KONG) LIMITED

HKEx : 0762 | NYSE : CHU

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report 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 and other filings with the U.S. Securities and Exchange Commission.

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CHAIRMAN'S STATEMENT

WANG XIAOCHU
Chairman and Chief Executive Officer

DEAR SHAREHOLDERS,

In the first half of 2016, the Company endeavoured to attain long-term sustainable development, actively promoted the implementation of the new development strategy centered on "Focus, Cooperation and Innovation" and strived to mitigate the underlying shortcomings, such as network, terminals, channels, services, IT, systems and mechanisms. The Company achieved initial success in turning around the unfavorable conditions in business development and saw the emergence of positive business momentum. A more solid foundation has been built for healthy development in the future with stronger growth momentum.

OVERALL RESULTS

In the first half of 2016, service revenue of the Company bottomed out and reached RMB121.91 billion, up by 1.4% year-on-year and 6.0% half-on-half. Revenues from non-voice services accounted for 73.1% of the service revenue, representing a year-on-year increase of 4.8 percentage points, evidencing further optimisation of the revenue structure.

To promote long-term sustainable development, the Company braved short-term profit pressure, strengthened its fundamental capabilities, and increased cost initiatives as appropriate to strive for a gradual turnaround. During the first half of the year, the Company's EBITDA amounted to RMB41.28 billion, down by 18.2% year-on-year and up by 11.5% half-on-half, and accounted for 33.9% of the service revenue. Net profit of the Company was RMB1.43 billion, down by 79.6% year-on-year. The year-on-year decline in EBITDA and net profit was mainly because sales and marketing expenses increased significantly year-on-year during the period, and tower usage fee kick-in, higher energy charges and property rentals, etc. led to a substantial increase year-on-year in network, operation and support expenses. Compared to the loss attributable to equity shareholders of the Company (excluding the gain on disposal of tower assets) of approximately RMB3.36 billion in the second half of last year, net profit for the first half of this year showed substantial improvement.

Leveraging our own resources and strengths and through "Focus Strategy" and cooperation, the Company swiftly enhanced its network capabilities despite decline of capital expenditure by 39% year-on-year to RMB18.10 billion in the first half of the year. Benefitted from the gradual improvement in service revenue and the substantial decline in capital expenditure, free cash flow of the Company improved significantly and reached RMB23.83 billion; liabilities-to-assets ratio dropped by 0.2 percentage point to 61.9%.

Taking into account the Company's profitability, debt obligations and cash flows, capital required for future development, etc., the Board of Directors does not recommend the payment of interim dividend for the current year. The Board will submit a proposal for final dividend payment based on our overall results for the year for consideration at the shareholders' general meeting.

BUSINESS DEVELOPMENT

Mobile Service Sets to Accelerate as 4G Gaining Edge

In the first half of 2016, the Company achieved initial success in overcoming operational challenges. Mobile service revenue reached RMB73.04 billion, the decline of which narrowed from -8.0% last year to -0.6% during the period. The number of mobile billing subscribers turned around the downward trend for consecutive months last year, registering a net addition of 8.39 million and reaching a total of 260.70 million mobile billing subscribers. During the first half of the year, the Company expedited the 4G network construction with a focus on key areas and capitalised on the abundant handset line-up to drive subscriber upgrade. The Company also sped up the migration of 2G/3G users to 4G, and strengthened the integrated development of 4G, fixed-line broadband, video and applications, etc. to enhance customer experience and value. Sales capability was fully enhanced through target marketing, improved services and innovative business models. With the improvement in 4G network quality, terminal market share and competitiveness, the number of 4G subscribers of the Company witnessed a rapid growth with a net increase of 28.26 million in the first half of the year to a total of 72.42 million. Improvement in the mobile subscriber mix accelerated with the proportion of 4G subscribers to mobile billing subscribers increasing to 28% from 18% as at the end of last year. Mobile billing subscribers ARPU steadily improved. The mobile service growth is set to accelerate.

Sustained Growth in Fixed-lined Service Amid Fierce Competition, Leveraging High-Bandwidth and Video Offerings

The Company actively leveraged its advantages in fibre network and informatisation to accelerate the development of its high-growth businesses such as Internet Date Centre (IDC), Information and Communications Technology (ICT), value-added and integrated information services, mitigating the risk of revenue decline in fixed-line voice. The Company continued to strengthen its integrated services offering including fixed-line, mobile and informatisation, and promoted the synergetic developments across various services. In the first half of the year, the fixed-line service revenue increased by 4.4% year-on-year to RMB48.23 billion, of which fixed-line voice revenue accounted for 14%, further lowering the impact of decline in fixed-line voice.

Faced with fierce market competition in the fixed-line broadband, the Company proactively strengthened and enhanced its differentiated competitive edge of “quality plus service” in the broadband service, upgraded network speed for subscribers, enriched offerings of high-bandwidth content and applications including 4K high-definition videos, improved end-to-end network user perception and service experience, and leveraged “Smart WO Family” to accelerate growth in innovative service for home Internet. In the first half of the year, the Company's fixed-line broadband access revenue amounted RMB22.23 billion, flat year-on-year, and fixed-line broadband subscribers increased by 4.7% year-on-year to 73.94 million, of which 62% were Fibre-to-the-home (FTTH) subscribers. “Smart WO Family” subscribers accounted for 21% of the fixed-line broadband subscribers, up by 8 percentage points compared to the end of last year.

Foster Scale Development in Key Innovative Services

The Company actively created new growth engines in innovative service, focusing on platform-based services and industrial Internet, and pushed forward development of innovative service including Internet of Things, IDC and cloud computing, Big Data, industry applications, payment/finance and so on. The Company expedited the informatisation deployment in key industries by setting up 7 industrial Internet bases and 9 incubators centered on 8 major areas, and won a number of large scale Internet+ projects. The Company accelerated overseas extension of IDC and cloud platform, enhancing business expansion capability. In the first half of the year, the Company's IDC and cloud computing revenue reached RMB4.76 billion, up 39% year-on-year. ICT revenue reached RMB3.28 billion, up 34% year-on-year.

The Company continued to innovate on data traffic operation, actively promoted its WO+ open capabilities, and facilitated the scale operation of dedicated and backward data traffic monetisation. In the first half of the year, the mobile handset data usage of the Company increased by 102% year-on-year; the monthly average DOU per 4G subscriber reached 1,246MB.

NETWORK DEPLOYMENT

Focusing on key areas and key services such as 4G and fixed-line broadband, the Company deepened cooperation and resources sharing to effectively deploy premium network. In the first half of the year, the proportion of investment in 4G network of the Company increased from 25% last year to 48%, with a net increase of 189,000 4G base stations to a total of 588,000. Leading advantage in network coverage, quality and speed in core areas gradually emerged, and user perception of network improved rapidly, building up foundation capabilities for accelerated development in the mobile service. As a result of an accelerated push in fibre broadband network upgrade, eight provinces in Northern China achieved “all fibre network”, and city areas basically have access capability to 100Mbps connection. The Company continued to enhance its basic network capabilities such as transmission and carrying network.

DEEPENED COOPERATION AND INNOVATIVE TRANSFORMATION

The Company actively promoted open cooperation in various aspects. It pushed forward comprehensive and strategic cooperation with China Telecom to facilitate resources sharing within the industry, promote cost-effectiveness, efficiency and rapid improvement in the network capability. In the meantime, the Company also promoted 6-mode all-access terminals together with China Telecom and unified the standards for 4K smart set-top box and broadband service to further enhance service quality.

The Company deepened innovation in its systems and mechanisms. For the fundamental services, the Company promoted simplification of administration and pushed forward appropriate delegation and empowerment. For the innovative services, it will promote the innovation of corporate governance mechanism, systems and organisational structure of its professional subsidiaries. The Company also improved the service capability of its IT systems; optimised the staff promotion and incentive system and the staff structure; initiated internal innovation incubation projects; facilitated cost control and efficiency enhancement, and continuously lifted management efficiency and operational vibrancy.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Company insists on its aim of high standard in corporate governance. It continued to improve internal control and risk management, strengthen execution, and increase corporate transparency, leading to wide-spread recognition in the capital market for its efforts in management and corporate governance. This year, the Company was awarded a number of accolades, including "Asia's No.1 Best Managed Company – TMT Sector" by *FinanceAsia*, and "Asia's No. 1 Most Honored Telecom Company" by *Institutional Investor*.

The Company has long been dedicated to fulfilling its social responsibility. It actively supported the construction of smart cities and development of information technologies that benefit the livelihood of the general public, facilitating the progress of national informatisation and the transformation and upgrade of traditional industries. The Company innovated its service model, and built a green and secure network environment to provide reliable and convenient services to customers. Through energy conservation, emission reduction, resources co-building and co-sharing and deepened cooperation across the value chain, the Company strived to become a green and environmental-friendly enterprise. The Company also promoted fairness and harmony, cared about the career development and all-round growth of its employees, continued to engage in targeted poverty relief, donation and scholarship activities to contribute to society and establish a positive social image of the Company.

OUTLOOK

Currently, the Company is undergoing a new stage of transformation, and facing both opportunities and challenges. As the government is vigorously promoting the integration of information technology and traditional industries to accelerate the development of new economy and nurture new driving forces, enormous market potential for the Internet of Things, cloud computing and Big Data, etc. are opening up. There is still room for mobile service consumption upgrade. In particular, businesses with significant growth prospects including data traffic, video service, smart applications, will become the key growth drivers. All of them provide major market opportunities for the Company's development. In the meantime, the traditional telecommunications sector is becoming saturated, and commoditised competition within the domestic telecommunications industry is intensifying. Cross-industry integration under new industry dynamics is exerting ever increasing pressure on the telecommunications industry. Policies such as "Speed Upgrade and Tariff Reduction" are also imposing certain challenges on the Company's business development and financial results improvement. The Company needs to firmly grasp favorable window of opportunity to swiftly overcome the difficulties.

We are more than confident in our future development. The Company will persist in its strategic focus and further deepen implementation of Focus Strategy, step up the improvement of capabilities in marketing, network support, operations and management. The Company aims to drive continuous improvement in operational performance with continuous enhancement in its basic capabilities, and speed up the turnaround in financial performance. The Company will deploy premium network with craftsmanship spirit, accelerate the development of selective advantages for its mobile network in key areas, proceed with fibre upgrade of its fixed-line broadband network steadily, and fully enhance its service support capability. The Company will pragmatically lay a solid foundation for its operation, expedite 4G development to drive mobile service growth, enhance the value of broadband products with high-quality applications to drive stable growth in fixed-line service, and create new growth engines with scale development in key innovative service. The Company will speed up implementation of cooperation projects, extend the width and depth of cooperation, expand the scale of social cooperation to realise solid achievement in cooperation. We will also deepen reform in systems and mechanisms, strengthen corporate culture establishment, lift corporate vibrancy, deepen quality and efficiency improvement, and enhance refined management capability of the Company to continuously enhance shareholder value.

Lastly, on behalf of the Board of Directors of the Company, I would like to express my sincere gratitude to all shareholders, customers and friends across the society for their support to the Company, and to all employees for their dedication and contribution along the way!

Wang Xiaochu
Chairman and Chief Executive Officer

Hong Kong, 17 August 2016

Note 1: EBITDA represents profit for the period before finance costs, interest income, share of net losses of associates, share of net profit/(loss) 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 Group.

FINANCIAL OVERVIEW

REVENUE

In the first half of 2016, total revenue was RMB140.26 billion, down by 3.1% as compared to the same period of last year. The Company continued to push forward the implementation of "Focus Strategy", operating results improved progressively. Service revenue was RMB121.91 billion in the first half of 2016, which turned around from negative growth to positive growth, up by 1.4% as compared to the same period of last year. The rapid decline trend of mobile service has been restrained, service revenue from the mobile service was RMB73.04 billion, down by 0.6% as compared to the same period of last year. Service revenue from the fixed-line service sustained stable growth, and service revenue from the fixed-line service was RMB48.23 billion, up by 4.4% as compared to the same period of last year.

As a result of the rapid development in the Internet service and continuous optimisation in the Company's business structure, revenue from non-voice service as a percentage of service revenue further improved from 68.3% in the first half of 2015 to 73.1% in the first half of 2016.

COSTS AND EXPENSES[1]

In the first half of 2016, total costs and expenses were RMB138.43 billion, up by 2.0% as compared to the same period of last year.

By the impact of increase in telecommunications towers usage fee on one hand and expansion of its network scale and increase in utilities charges and properties rental expenses on the other hand, network, operation and support expenses were RMB25.62 billion in the first half of 2016, increase by RMB6.47 billion and up by 33.8% as compared to the same period of last year.

As depreciation charge saving was benefited from the disposal of telecommunications towers related assets, depreciation and amortisation charge were RMB37.92 billion in the first half of 2016, decrease by RMB0.63 billion and down by 1.6% as compared to the same period of last year.

The Company accelerated market expansion and increased market investment. As a result, selling and marketing expenses were RMB17.13 billion in the first half of 2016, increase by RMB2.50 billion and up by 17.1% as compared to the same period of last year.

As a result from decrease in volume of interconnection voice calls, interconnection charges were RMB6.37 billion in the first half of 2016, down by 2.9% as compared to the same period of last year.

Costs of telecommunications products sold were RMB20.22 billion, down by 19.4% as compared to the same period of last year. It is primarily due to decrease in sales of mobile handsets. Loss on the sales of telecommunications products was RMB1.88 billion, of which terminal subsidy cost accounted to RMB1.76 billion, up by 43.5% as compared to the same period of last year.

The Company continued to deepen the reform in recruitment and remuneration as well as resources allocation. Employee benefit expenses were RMB18.27 billion in the first half of 2016, up by 1.9% as compared to the same period of last year.

General, administrative and other expenses were RMB11.36 billion, increased by RMB0.49 billion and up by 4.5% as compared to the same period of last year.

Benefited from the change of exchange gain/loss by RMB0.93 billion, finance costs, net of interest income, was RMB2.03 billion, decrease by RMB1.04 billion and down by 34.0% as compared to the same period of last year.

EARNINGS

In the first half of 2016, profit before income tax was RMB1.82 billion, down by 79.6% as compared to the same period of last year. Profit for the period was RMB1.43 billion. Basic earnings per share was RMB0.06 in the first half of 2016. EBITDA[2] was RMB41.28 billion in the first half of 2016, and EBITDA as a percentage of the service revenue was 33.9%. Decrease in EBITDA and profit for the period as compared to the same period of last year was primarily due to the significant increase as compared to the same period of last year in selling and marketing expenses and the significant increase as compared to the same period of last year in network, operation and support expenses resulted from increase in telecommunications towers usage fee and increase in utilities charges and properties rental expenses.

OPERATING CASH FLOW AND CAPITAL EXPENDITURE

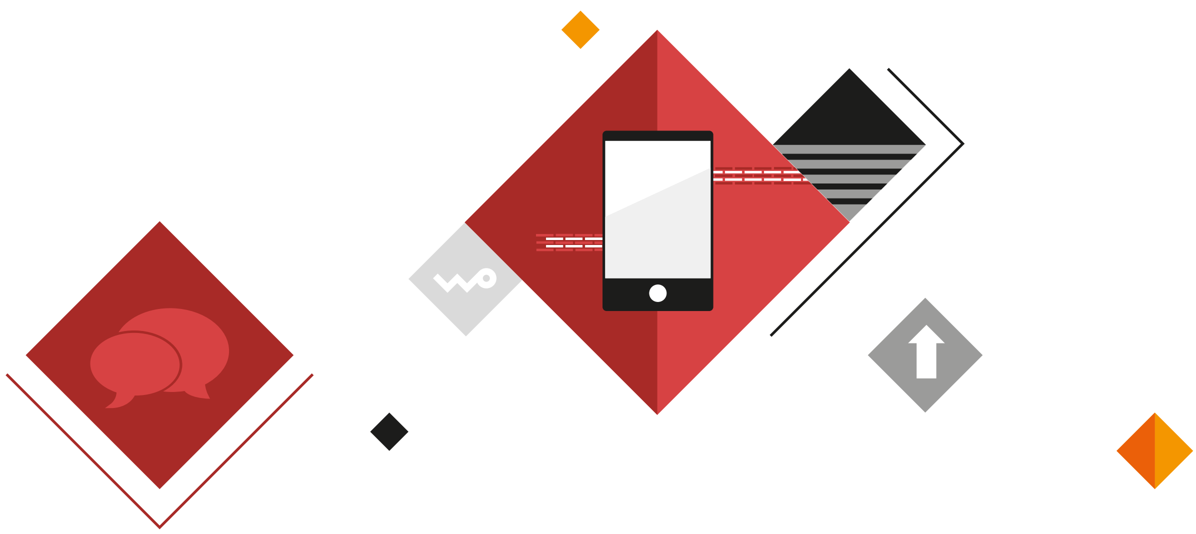
In the first half of 2016, the Company's net cash flow from operating activities was RMB41.93 billion, up by 9.5% as compared to the same period of last year. Capital expenditure was RMB18.10 billion in the first half of 2016.

STATEMENT OF FINANCIAL POSITION

Liabilities-to-assets ratio decreased from 62.1% as at 31 December 2015 to 61.9% as at 30 June 2016. Debt-to-capitalisation ratio changed from 39.2% as at 31 December 2015 to 40.4% as at 30 June 2016.

Note 1: Including interconnection charges, depreciation and amortisation, network, operation and support expenses, employee benefit expenses, selling and marketing expenses, costs of telecommunications products sold, general, administrative and other expenses, finance costs, interest income, share of net losses of associates, share of net profit/(loss) of joint ventures and other income-net.

Note 2: EBITDA represents profit for the period before finance costs, interest income, share of net losses of associates, share of net profit/(loss) 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 Group.



UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016
(All amounts in Renminbi ("RMB") millions, except per share data)

	Note	Six months ended 30 June 2016	Six months ended 30 June 2015
Revenue	5	**140,255**	144,685
Interconnection charges		**(6,366)**	(6,558)
Depreciation and amortisation		**(37,915)**	(38,543)
Network, operation and support expenses	6	**(25,624)**	(19,154)
Employee benefit expenses	7	**(18,271)**	(17,925)
Costs of telecommunications products sold	8	**(20,217)**	(25,080)
Other operating expenses	9	**(28,493)**	(25,504)
Finance costs	10	**(2,468)**	(3,230)
Interest income		**441**	160
Share of net losses of associates		**(150)**	(460)
Share of net profit/(loss) of joint ventures		**56**	(9)
Other income – net	11	**576**	550
Profit before income tax		**1,824**	8,932
Income tax expenses	12	**(395)**	(1,942)
Profit for the period		**1,429**	6,990
Profit attributable to:			
Equity shareholders of the Company		**1,429**	6,990
Earnings per share for profit attributable to equity shareholders of the Company during the period:			
Basic earnings per share (RMB)	13	**0.06**	0.29
Diluted earnings per share (RMB)	13	**0.06**	0.28

The notes on pages 16 to 41 are an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016
(All amounts in RMB millions)

	Six months ended 30 June	
	2016	2015
Profit for the period	**1,429**	6,990
Other comprehensive income		
Items that will not be reclassified to statement of income:		
Changes in fair value of financial assets through other comprehensive income	**(679)**	(45)
Tax effect on changes in fair value of financial assets through other comprehensive income	**5**	11
Changes in fair value of financial assets through other comprehensive income, net of tax	**(674)**	(34)
Remeasurement of net defined benefit liability, net of tax	**3**	3
	(671)	(31)
Item that may be reclassified subsequently to statement of income:		
Currency translation differences	**73**	(7)
Other comprehensive income for the period, net of tax	**(598)**	(38)
Total comprehensive income for the period	**831**	6,952
Total comprehensive income attributable to:		
Equity shareholders of the Company	**831**	6,952

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UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016
(All amounts in RMB millions)

	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	14	435,111	454,631
Lease prepayments		9,353	9,148
Goodwill		2,771	2,771
Interest in associates		31,892	31,997
Interest in joint ventures		1,097	978
Amounts due from related parties	31	18,322	18,322
Deferred income tax assets	12	5,266	5,642
Financial assets at fair value through other comprehensive income	15	4,191	4,852
Other assets	16	28,445	25,335
		536,448	553,676
Current assets			
Inventories and consumables	17	3,497	3,946
Accounts receivable	18	16,974	14,957
Prepayments and other current assets	19	11,521	10,864
Amounts due from related parties	31	3,517	2,846
Amounts due from domestic carriers		5,113	1,994
Financial assets at fair value through profit and loss		135	106
Short-term bank deposits		77	202
Cash and cash equivalents		21,137	21,755
		61,971	56,670
Total assets		598,419	610,346
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	20	179,102	179,102
Reserves		(21,332)	(20,734)
Retained profits			
– Proposed 2015 final dividend	21	–	4,071
– Others		70,206	68,777
Total equity		227,976	231,216

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016
(All amounts in RMB millions)

	Note	30 June 2016	31 December 2015
LIABILITIES			
Non-current liabilities			
Long-term bank loans	22	**4,435**	1,748
Promissory notes	23	**27,841**	36,928
Corporate bonds	24	**7,984**	2,000
Deferred income tax liabilities	12	**16**	18
Deferred revenue		**2,683**	2,005
Other obligations		**219**	357
		43,178	43,056
Current liabilities			
Short-term bank loans	25	**48,741**	83,852
Commercial papers	26	**49,964**	19,945
Current portion of long-term bank loans	22	**127**	84
Current portion of promissory notes	23	**11,497**	2,499
Current portion of corporate bonds	24	**2,000**	–
Accounts payable and accrued liabilities	27	**145,802**	167,396
Taxes payable		**938**	3,163
Amounts due to ultimate holding company	31	**1,553**	1,437
Amounts due to related parties	31	**14,692**	3,930
Amounts due to domestic carriers		**2,634**	1,300
Dividend payable	21	**1,254**	920
Current portion of deferred revenue		**226**	394
Current portion of other obligations		**2,792**	2,797
Advances from customers		**45,045**	48,357
		327,265	336,074
Total liabilities		**370,443**	379,130
Total equity and liabilities		**598,419**	610,346
Net current liabilities		**(265,294)**	(279,404)
Total assets less current liabilities		**271,154**	274,272

The notes on pages 16 to 41 are an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016
(All amounts in RMB millions)

	Attributable to equity shareholders of the Company							
	Share capital	Employee share-based compensation reserve	Investment revaluation reserve	Statutory reserves	Convertible bonds reserve	Other reserve	Retained profits	Total equity
Balance at 1 January 2015	179,101	29	(4,227)	27,906	572	(43,762)	67,922	227,541
Total comprehensive income for the period	–	–	(34)	–	–	(4)	6,990	6,952
Equity-settled share option schemes:								
– Issuance of shares upon exercise of options	1	–	–	–	–	–	–	1
– Transfer between reserves upon lapsing of options	–	(29)	–	–	–	–	29	–
Dividends relating to 2014 (Note 21)	–	–	–	–	–	–	(4,789)	(4,789)
Balance at 30 June 2015	179,102	–	(4,261)	27,906	572	(43,766)	70,152	229,705
Balance at 1 January 2016	**179,102**	**–**	**(6,406)**	**28,780**	**–**	**(43,108)**	**72,848**	**231,216**
Total comprehensive income for the period	**–**	**–**	**(674)**	**–**	**–**	**76**	**1,429**	**831**
Dividends relating to 2015 (Note 21)	**–**	**–**	**–**	**–**	**–**	**–**	**(4,071)**	**(4,071)**
Balance at 30 June 2016	**179,102**	**–**	**(7,080)**	**28,780**	**–**	**(43,032)**	**70,206**	**227,976**

The notes on pages 16 to 41 are an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016
(All amounts in RMB millions)

	Note	Six months ended 30 June 2016	2015
Cash flows from operating activities			
Cash generated from operations		**43,337**	39,668
Income tax paid		**(1,407)**	(1,388)
Net cash inflow from operating activities		**41,930**	38,280
Cash flows from investing activities			
Purchase of property, plant and equipment		**(46,650)**	(39,796)
Proceeds from Tower Assets Disposal	31	**3,000**	–
Other cash flows arising from investing activities		**(1,109)**	(1,625)
Net cash outflow from investing activities		**(44,759)**	(41,421)
Cash flows from financing activities			
Dividend paid to equity shareholder of the Company	21	**(3,737)**	(4,643)
Other cash flows arising from financing activities		**5,906**	(1,207)
Net cash inflow/(outflow) from financing activities		**2,169**	(5,850)
Net decrease in cash and cash equivalents		**(660)**	(8,991)
Cash and cash equivalents, beginning of period		**21,755**	25,308
Effect of changes in foreign exchange rate		**42**	(5)
Cash and cash equivalents, end of period		**21,137**	16,312
Analysis of the balances of cash and cash equivalents:			
Cash balances		**2**	2
Bank balances		**21,135**	16,310
		21,137	16,312

The notes on pages 16 to 41 are an integral part of this unaudited condensed consolidated interim financial information.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB millions unless otherwise stated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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 service", the services aforementioned other than the mobile service are hereinafter collectively referred to as the "fixed-line service". The Company and its subsidiaries are hereinafter referred to as the "Group". The address of the Company's registered office is 75th Floor, The Center, 99 Queen's Road Central, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 22 June 2000 and the American Depositary Shares of the Company were listed on the New York Stock Exchange on 21 June 2000.

The substantial shareholders of the Company are China Unicom (BVI) Limited ("Unicom BVI") and China Unicom Group Corporation (BVI) Limited ("Unicom Group BVI"). The majority of equity interests in Unicom BVI is owned by China United Network Communications Limited ("A Share Company", a joint stock company incorporated in the PRC on 31 December 2001, with its A shares listed on the Shanghai Stock Exchange on 9 October 2002). The majority of the equity interest in A Share Company is owned by China United Network Communications Group Company Limited (a state-owned enterprise established in the PRC, hereinafter referred to as "Unicom Group"). Unicom Group BVI is a wholly-owned subsidiary of Unicom Group. As a result, the directors of the Company consider Unicom Group to be the ultimate holding company.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard ("IAS") 34 "Interim financial reporting" issued by the International Accounting Standards Board ("IASB"). IAS 34 is consistent with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accordingly this unaudited condensed consolidated interim financial information is also prepared in accordance with HKAS 34.

The unaudited condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's Audit Committee. It has also been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA.

The unaudited condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015. The Group's policies on financial risk management, including management of market risk, credit risk and liquidity risk, as well as capital risk management, were set out in the financial statements included in the Company's 2015 Annual Report and there have been no significant changes in any financial risk management policies for the six months ended 30 June 2016.

2. BASIS OF PREPARATION (CONTINUED)

The financial information relating to the financial year ended 31 December 2015 that is included in this interim financial report of 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap 622).

(a) Going Concern Assumption

As at 30 June 2016, current liabilities of the Group exceeded current assets by approximately RMB265.3 billion (31 December 2015: approximately RMB279.4 billion). Given 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 RMB328.6 billion of revolving banking facilities and registered quota of corporate bonds, of which approximately RMB262.9 billion was unutilised as at 30 June 2016; 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 interim financial information of the Group for the six months ended 30 June 2016 have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2016 and are applicable to the Group:

- Annual Improvements to IFRSs/HKFRSs 2012-2014 Cycle

- Amendments to IAS/HKAS 1, "Disclosure initiative"

- Amendments to IAS/HKAS 27, "Equity method in separate financial statements"

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

In addition, the IASB and HKICPA also published a number of new standards, amendments to standards and interpretations which are effective for the financial year beginning after 1 January 2016 and have not been early adopted by the Group except IFRS/HKFRS 9 "Financial instruments". Management is assessing the impact of such new standards, amendments to standards and interpretations and will adopt the relevant standards, amendments to standards and interpretations in the subsequent periods as required.

4. SEGMENT INFORMATION

The Executive Directors of the Company have been identified as the Chief Operating Decision Maker (the "CODM"). Operating segments are identified on the basis of internal reports that the CODM reviews regularly in allocating resources to segments and in assessing their performances.

The CODM make resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group primarily operates in Mainland China and accordingly, no geographic information is presented. No single external customer accounted for 10 percent or more of the Group's revenue in all periods presented.

(All amounts in RMB millions unless otherwise stated)

5. REVENUE

After June 2014, revenue from telecommunications services are subject to value-added tax ("VAT") and VAT rates applicable to various telecommunications services. The VAT rate for basic telecommunications services is 11%; the VAT rate for value-added telecommunications services is 6% and the VAT rate for sales of telecommunications products remains at 17%. Basic telecommunications services include business activities for the provision of voice services, as well as business activities in relation to rental or sales of bandwidth, wavelength and other network elements etc; value-added telecommunications services include business activities for the provision of Short Message Service and Multimedia Message Service, electronic data and information transmission and application services, Internet access service etc. VAT is excluded from the revenue.

The major components of revenue are as follows:

	Six months ended 30 June	
	2016	2015
Mobile service		
– Usage and monthly fees	**20,237**	24,535
– Value-added services revenue	**46,214**	42,450
– Interconnection fees	**5,760**	5,933
– Other mobile service revenue	**829**	546
Total service revenue from mobile service	**73,040**	73,464
Fixed-line service		
– Usage and monthly fees	**5,003**	5,780
– Broadband, data and other Internet-related services revenue	**30,176**	28,258
– Interconnection fees	**1,701**	1,814
– Value-added services revenue	**2,438**	2,600
– Leased line income	**5,214**	4,834
– Information communications technology services revenue	**3,279**	2,443
– Other fixed-line service revenue	**419**	458
Total service revenue from fixed-line service	**48,230**	46,187
Other service revenue	**643**	616
Total service revenue	**121,913**	120,267
Sales of telecommunications products	**18,342**	24,418
	140,255	144,685

(All amounts in RMB millions unless otherwise stated)

6. NETWORK, OPERATION AND SUPPORT EXPENSES

	Six months ended 30 June	
	2016	2015
Repairs and maintenance	**5,570**	6,220
Power and water charges	**6,777**	6,325
Operating lease charges for network, premises, equipment and facilities	**4,824**	5,868
Charges for the use of telecommunications towers and related assets (Note 31.2)	**7,723**	–
Others	**730**	741
	25,624	19,154

7. EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2016	2015
Salaries and wages	**13,598**	13,585
Contributions to defined contribution pension schemes	**2,559**	2,426
Contributions to medical insurance	**877**	810
Contributions to housing fund	**1,227**	1,095
Other housing benefits	**10**	9
	18,271	17,925

8. COSTS OF TELECOMMUNICATIONS PRODUCTS SOLD

	Six months ended 30 June	
	2016	2015
Handsets and other customer end products	**20,015**	24,840
Telephone cards	**159**	163
Others	**43**	77
	20,217	25,080

(All amounts in RMB millions unless otherwise stated)

9. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2016	2015
Impairment losses for doubtful debts and write-down of inventories	**2,069**	2,373
Cost in relation to information communications technology services	**2,742**	2,176
Commission expenses	**12,107**	10,071
Customer acquisition cost and advertising and promotion expenses	**1,407**	1,401
Customer installation cost	**1,983**	1,848
Customer retention cost	**1,633**	1,313
Property management fee	**1,067**	1,114
Office and administrative expenses	**807**	883
Transportation expense	**769**	828
Miscellaneous taxes and fees	**448**	464
Technical support expenses	**858**	752
Repairs and maintenance expenses	**351**	386
Losses on disposal of property, plant and equipment	**798**	223
Others	**1,454**	1,672
	28,493	25,504

10. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
Finance costs:		
– Interest on bank loans repayable within 5 years	**1,369**	1,581
– Interest on corporate bonds, promissory notes and commercial papers repayable within 5 years	**1,333**	907
– Interest on convertible bonds repayable within 5 years	**–**	105
– Interest on related party loans repayable within 5 years	**30**	33
– Interest on bank loans repayable over 5 years	**26**	2
– Less: Amounts capitalised in CIP	**(394)**	(404)
Total interest expense	**2,364**	2,224
– Exchange (gain)/loss, net	**(78)**	855
– Others	**182**	151
	2,468	3,230

(All amounts in RMB millions unless otherwise stated)

11. OTHER INCOME – NET

	Six months ended 30 June	
	2016	2015
Dividend income from financial assets at fair value through other comprehensive income	**188**	180
Others	**388**	370
	576	550

12. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2015: 16.5%) on the estimated assessable profits for the six months ended 30 June 2016. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2016 at the rates of taxation prevailing in the countries in which the Group operates. The Company's subsidiaries operate mainly in the PRC and the applicable statutory enterprise income tax rate is 25% (for the six months ended 30 June 2015: 25%). Taxation for certain subsidiaries in PRC was calculated at a preferential tax rate of 15% (for the six months ended 30 June 2015: 15%).

	Six months ended 30 June	
	2016	2015
Current tax – Hong Kong profits tax	**35**	14
Current tax – Mainland China and other countries	**1,285**	1,771
Deferred taxation	**(925)**	157
Income tax expenses	**395**	1,942

(All amounts in RMB millions unless otherwise stated)

12. TAXATION (CONTINUED)

The movement of the net deferred tax assets/(liabilities) is as follows:

		Six months ended 30 June	
	Note	**2016**	2015
Net deferred income tax assets after offsetting:			
– Beginning of period		**5,642**	6,215
– Deferred tax credited/(charged) to the statement of income		**923**	(156)
– Deferred tax credited to other comprehensive income		**5**	11
– Reclassified from current taxes payable	(i)	**(1,304)**	–
– End of period		**5,266**	6,070
Net deferred income tax liabilities after offsetting:			
– Beginning of period		**(18)**	(17)
– Deferred tax credited/(charged) to the statement of income		**2**	(1)
– End of period		**(16)**	(18)

(i) On 14 October 2015, the Group disposed of certain telecommunications towers and related assets ("Tower Assets Disposal") to China Tower Corporation Limited ("Tower Company") in exchange for cash and shares issued by Tower Company (see Note 31.2). According to the applicable tax laws issued by the Ministry of Finance and the State Administration of Taxation ("SAT") of the PRC, the gain from Tower Assets Disposal in exchange for investment in Tower Company ("Qualified Income") is, upon fulfilling the filing requirement with in-charge tax bureau, eligible to be deferred and treated as taxable income on a straight-line basis over a period not exceeding five years. Before completing the filing, the Group accrued current taxes payable based on the total gain from Tower Asset Disposal. During the six months ended ended 30 June 2016, the Group successfully completed the filing requirement with in-charge tax bureau with respect to the Qualified Income and since then has become eligible for deferring part of tax liability with respect to the Qualified Income, which will be reversed in the four years from 2016 to 2019. Accordingly, a balance of RMB1,304 million was reclassified from current taxes payable to net deferred income tax assets at 30 June 2016.

13. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2016 and 2015 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 six months ended 30 June 2016 and 2015 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. No dilutive potential ordinary shares existed for the six months ended 30 June 2016. All dilutive potential ordinary shares for the six months ended 30 June 2015 arose from the convertible bonds.

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

	Six months ended 30 June	
	2016	2015
Numerator (in RMB millions):		
Profit attributable to equity shareholders of the Company used in computing basic earnings per share	**1,429**	6,990
Imputed finance cost on the liability component of convertible bonds	**–**	105
Profit attributable to equity shareholders of the Company used in computing diluted earnings per share	**1,429**	7,095
Denominator (in millions):		
Weighted average number of ordinary shares outstanding used in computing basic earnings per share	**23,947**	23,947
Dilutive equivalent shares arising from convertible bonds	**–**	953
Shares used in computing diluted earnings per share	**23,947**	24,900
Basic earnings per share (in RMB)	**0.06**	0.29
Diluted earnings per share (in RMB)	**0.06**	0.28

(All amounts in RMB millions unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the six months ended 30 June 2016 and 2015 are as follows:

	Six months ended 30 June 2016					
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	Construction-in-progress ("CIP")	Total
Cost:						
Beginning of period	62,969	838,995	19,464	3,878	97,601	1,022,907
Additions	45	165	89	97	16,914	17,310
Transfer from CIP	1,165	31,192	253	208	(32,818)	–
Transfer to other assets	–	–	–	–	(1,630)	(1,630)
Disposals	(24)	(19,830)	(295)	(111)	(1)	(20,261)
End of period	64,155	850,522	19,511	4,072	80,066	1,018,326
Accumulated depreciation and impairment:						
Beginning of period	(26,612)	(525,244)	(14,059)	(2,256)	(105)	(568,276)
Charge for the period	(1,311)	(31,133)	(752)	(344)	–	(33,540)
Disposals	24	18,215	274	87	1	18,601
End of period	(27,899)	(538,162)	(14,537)	(2,513)	(104)	(583,215)
Net book value:						
End of period	36,256	312,360	4,974	1,559	79,962	435,111
Beginning of period	36,357	313,751	5,405	1,622	97,496	454,631

(All amounts in RMB millions unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Six months ended 30 June 2015					
	Buildings	Tele-communications equipment	Office furniture, fixtures, motor vehicles and other equipment	Leasehold improvements	CIP	Total
Cost:						
Beginning of period	68,768	882,834	19,108	4,429	58,739	1,033,878
Additions	3	187	92	95	29,556	29,933
Transfer from CIP	713	12,938	277	116	(14,044)	–
Transfer to other assets	–	–	–	–	(1,217)	(1,217)
Disposals	(13)	(10,521)	(265)	(95)	–	(10,894)
End of period	69,471	885,438	19,212	4,545	73,034	1,051,700
Accumulated depreciation and impairment:						
Beginning of period	(27,339)	(552,294)	(13,411)	(2,339)	(174)	(595,557)
Charge for the period	(1,644)	(32,269)	(789)	(434)	–	(35,136)
Impairment loss	–	(58)	–	–	(10)	(68)
Disposals	13	9,803	226	86	–	10,128
End of period	(28,970)	(574,818)	(13,974)	(2,687)	(184)	(620,633)
Net book value:						
End of period	40,501	310,620	5,238	1,858	72,850	431,067
Beginning of period	41,429	330,540	5,697	2,090	58,565	438,321

For the six months ended 30 June 2016, the Group recognised a loss on disposal of property, plant and equipment of approximately RMB798 million (for the six months ended 30 June 2015: loss of approximately RMB223 million).

(All amounts in RMB millions unless otherwise stated)

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2016	31 December 2015
Listed in the PRC	144	164
Listed outside the PRC	4,006	4,665
Unlisted	41	23
	4,191	4,852

For the six months ended 30 June 2016, decrease in fair value of financial assets at fair value through other comprehensive income amounted to approximately RMB679 million (for the six months ended 30 June 2015: decrease of approximately RMB45 million). The decrease, net of tax impact, of approximately RMB674 million (for the six months ended 30 June 2015: decrease, net of tax impact, of approximately RMB34 million) were recorded in the unaudited condensed consolidated interim statement of comprehensive income.

16. OTHER ASSETS

	Note	30 June 2016	31 December 2015
Purchased software		10,205	10,714
Prepaid rental for premises, leased lines and electricity cables		3,783	4,071
Installation costs		419	478
Direct incremental costs for activating broadband subscribers		7,599	7,340
Receivable for the sales of mobile handsets	(i)	1,884	1,273
VAT recoverable	(ii)	3,114	–
Others		1,441	1,459
		28,445	25,335

(i) The amount represents receivable for the sales of mobile handsets that are recoverable during the contract period, which will be gradually recovered beyond one year. Receivables to be gradually recovered within one year are included in prepayments and other current assets (see Note 19(i)).

(ii) VAT recoverable includes input VAT and prepaid VAT which will likely be deducted beyond one year. VAT recoverable which will be deducted within one year are included in prepayments and other current assets (see Note 19(ii)).

17. INVENTORIES AND CONSUMABLES

	30 June 2016	31 December 2015
Handsets and other customer end products	3,029	3,453
Telephone cards	192	185
Consumables	157	188
Others	119	120
	3,497	3,946

(All amounts in RMB millions unless otherwise stated)

18. ACCOUNTS RECEIVABLE

	30 June 2016	31 December 2015
Accounts receivable	**23,860**	19,867
Less: Allowance for doubtful debts	**(6,886)**	(4,910)
	16,974	14,957

The aging analysis of accounts receivable, based on the billing date and net of allowance for doubtful debts, is as follows:

	30 June 2016	31 December 2015
Current and within one month	**11,687**	11,679
More than one month and within three months	**2,524**	1,805
More than three months and within one year	**1,572**	655
More than one year	**1,191**	818
	16,974	14,957

The normal credit period granted by the Group to individual subscribers is 30 days from the date of billing unless they meet certain specified credit assessment criteria. For corporate customers, the credit period granted by the Group is based on the service contract terms, normally around 1 year.

There is no significant concentration of credit risk with respect to customers receivables, as the Group has a large number of customers.

19. PREPAYMENTS AND OTHER CURRENT ASSETS

The nature of prepayments and other current assets, net of allowance for doubtful debts, are as follows:

	Note	30 June 2016	31 December 2015
Receivable for the sales of mobile handsets	(i)	**2,860**	2,328
Prepaid rental		**2,145**	2,098
Deposits and prepayments		**2,036**	1,824
Advances to employees		**40**	50
VAT recoverable	(ii)	**3,055**	3,125
Prepaid enterprise income tax		**32**	33
Others		**1,353**	1,406
		11,521	10,864

(All amounts in RMB millions unless otherwise stated)

19. PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

(i) The Group offers preferential packages to the customers which include the bundle sale of mobile handset and provision of service. The total contract consideration of such preferential packages is allocated to service revenue and sales of handsets based on their relative fair values. For those contractual preferential packages with guarantees by third parties, the revenue relating to the sale of the handsets is recognised when the titles are passed to the customers and are calculated under the aforementioned relative fair value method, which results in the corresponding receivable for the sales of mobile handsets. The receivable for the sales of mobile handsets is gradually recovered during the contract period when the customers pay the monthly package fee. Receivables to be gradually recovered beyond one year amounted to RMB1,884 million (31 December 2015: RMB1,273 million), and are included in long term other assets (see Note 16(i)).

(ii) VAT recoverable includes input VAT and prepaid VAT which will be deducted within one year.

The aging analysis of prepayments and other current assets is as follows:

	30 June 2016	31 December 2015
Within one year	11,250	10,700
More than one year	271	164
	11,521	10,864

As at 30 June 2016, there was no significant impairment for the prepayments and other current assets.

20. SHARE CAPITAL

Issued and fully paid:	Number of shares millions	Share capital	Total
At 1 January 2015	23,947	179,101	179,101
Issuance of shares upon exercise of options	–	1	1
At 31 December 2015 and at 30 June 2016	**23,947**	**179,102**	**179,102**

(All amounts in RMB millions unless otherwise stated)

21. DIVIDENDS

At the annual general meeting held on 12 May 2016, the shareholders of the Company approved the payment of a final dividend of RMB0.17 per ordinary share for the year ended 31 December 2015 totaling approximately RMB4,071 million (for the year ended 31 December 2014: final dividend of RMB0.20 per ordinary share, totaling approximately RMB4,789 million) which has been reflected as a reduction of retained profits for the six months ended 30 June 2016. Among the dividend payable of approximately RMB1,216 million was due to Unicom BVI as at 30 June 2016.

Pursuant to the PRC enterprise income tax law, a 10% withholding income tax is levied on dividends declared on or after 1 January 2008 by foreign investment enterprises to their foreign enterprise shareholders unless the enterprise investor is deemed as a PRC Tax Resident Enterprise ("TRE"). On 11 November 2010, the Company obtained an approval from SAT, pursuant to which the Company qualifies as a PRC TRE from 1 January 2008. Therefore, as at 30 June 2016 and 31 December 2015, the Company's subsidiaries in the PRC did not accrue for withholding tax on dividends distributed to the Company and there has been no deferred tax liability accrued in the Group's unaudited condensed consolidated financial information for the undistributed profits of the Company's subsidiaries in the PRC.

For the Company's non-PRC TRE enterprise shareholders (including HKSCC Nominees Limited), the Company would distribute dividends after deducting the amount of enterprise income tax payable by these non-PRC TRE enterprise shareholders thereon and reclassify the related dividend payable to withholding tax payable upon the declaration of such dividends. The requirement to withhold tax does not apply to the Company's shareholders appearing as individuals in its share register.

22. LONG-TERM BANK LOANS

	Interest rates and final maturity	30 June 2016	31 December 2015
RMB denominated bank loans	Fixed interest rates ranging from 1.08% to 1.20% (31 December 2015: 1.08%) per annum with maturity through 2036 (31 December 2015: maturity through 2030)	4,142	1,399
USD denominated bank loans	Fixed interest rates ranging from Nil to 1.55% (31 December 2015: Nil to 1.55%) per annum with maturity through 2039 (31 December 2015: maturity through 2039)	319	325
Euro denominated bank loans	Fixed interest rates ranging from 1.10% to 2.50% (31 December 2015: 1.10% to 2.50%) per annum with maturity through 2034 (31 December 2015: maturity through 2034)	101	108
Sub-total		4,562	1,832
Less: Current portion		(127)	(84)
		4,435	1,748

(All amounts in RMB millions unless otherwise stated)

22. LONG-TERM BANK LOANS (CONTINUED)

As at 30 June 2016, long-term bank loans of approximately RMB69 million (31 December 2015: approximately RMB88 million) were guaranteed by third parties.

The repayment schedule of the long-term bank loans is as follows:

	30 June 2016	31 December 2015
Balances due:		
– not later than one year	127	84
– later than one year and not later than two years	262	88
– later than two years and not later than five years	1,032	302
– later than five years	3,141	1,358
	4,562	1,832
Less: Portion classified as current liabilities	(127)	(84)
	4,435	1,748

23. PROMISSORY NOTES

On 3 April 2014, the Company established a Medium Term Note Programme (the "MTN Programme"), under which the Company could offer and issue notes of aggregate principal amount of up to RMB10 billion. Notes under the MTN Programme will be denominated in RMB and are to be issued to professional investors outside the United States. On 16 April 2014, the Company completed the issue of notes in an aggregate nominal amount of RMB4 billion pursuant to the MTN Programme, with a maturity of 3 years and at an interest rate of 4.00% per annum. On 24 July 2014, the Company completed the issue of notes in an aggregate nominal amount of RMB2.5 billion with a maturity period of 2 years and at an interest rate of 3.80% per annum.

On 16 April 2014, China United Network Communications Corporation Limited ("CUCL") issued tranche one of 2014 promissory notes in the amount of RMB5 billion, with a maturity period of 3 years from the date of issue and which carries interests at 5.35% per annum.

On 14 July 2014, CUCL issued tranche two of 2014 promissory notes in an amount of RMB5 billion, with a maturity period of 3 years from the date of issue and which carries interest at 4.84% per annum.

On 28 November 2014, CUCL issued tranche three of 2014 promissory notes in an amount of RMB5 billion, with a maturity period of 3 years from the date of issue and which carries interest at 4.20% per annum.

On 15 June 2015, CUCL issued tranche one of 2015 promissory notes in an amount of RMB4 billion, with a maturity period of 3 years from the date of issue and which carries interest at 3.85% per annum.

On 18 June 2015, CUCL issued tranche two of 2015 promissory notes in an amount of RMB4 billion, with a maturity period of 3 years from the date of issue and which carries interest at 3.85% per annum.

On 30 November 2015, CUCL issued tranche three of 2015 promissory notes in an amount of RMB3.5 billion, tranche four of 2015 promissory notes in an amount of RMB3.5 billion and tranche five of 2015 promissory notes in an amount of RMB3 billion, all with a maturity period of 3 years from the date of issue and which carries interest at 3.30% per annum.

(All amounts in RMB millions unless otherwise stated)

24. CORPORATE BONDS

On 8 June 2007, the Group issued RMB2 billion 10-year corporate bonds, bearing interest at 4.50% per annum. The corporate bonds are secured by a corporate guarantee granted by Bank of China Limited.

On 7 June 2016, the Group issued RMB7 billion 3-year corporate bonds and RMB1 billion 5-year corporate bond, bearing interest at 3.07% and 3.43% per annum respectively.

25. SHORT-TERM BANK LOANS

	Interest rates and final maturity	30 June 2016	31 December 2015
RMB denominated bank loans	Fixed interest rates ranging from 2.35% to 3.92% (31 December 2015: 2.35% to 3.92%) per annum with maturity through 2017 (31 December 2015: maturity through 2016)	48,741	83,852
		48,741	83,852

26. COMMERCIAL PAPERS

On 20 November 2015, CUCL issued tranche two of 2015 super short term commercial papers in an amount of RMB10 billion, with a maturity period of 270 days from the date of issue and which carries interest at 3.15% per annum.

On 27 November 2015, CUCL issued tranche one of 2015 short term commercial papers in an amount of RMB10 billion, with a maturity period of 366 days from the date of issue and which carries interest at 3.15% per annum.

On 8 April 2016, CUCL issued tranche one of 2016 super short term commercial papers in an amount of RMB12 billion, with a maturity period of 90 days from the date of issue and which carries interest at 2.47% per annum.

On 26 April 2016, CUCL issued tranche two of 2016 super short term commercial papers in an amount of RMB12 billion, with a maturity period of 90 days from the date of issue and which carries interest at 2.70% per annum.

On 3 June 2016, CUCL issued tranche three of 2016 super short term commercial papers in an amount of RMB6 billion, with a maturity period of 270 days from the date of issue and which carries interest at 2.72% per annum.

(All amounts in RMB millions unless otherwise stated)

27. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2016	31 December 2015
Payables to contractors and equipment suppliers	105,524	131,202
Payables to telecommunications products suppliers	4,812	5,045
Customer/contractor deposits	4,715	4,564
Repair and maintenance expense payables	5,363	5,003
Salary and welfare payables	5,083	3,283
Interest payables	1,321	926
Amounts due to service providers/content providers	1,282	1,175
Accrued expenses	13,381	12,006
Others	4,321	4,192
	145,802	167,396

The aging analysis of accounts payable and accrued liabilities based on the invoice date is as follows:

	30 June 2016	31 December 2015
Less than six months	117,861	146,336
Six months to one year	18,959	9,772
More than one year	8,982	11,288
	145,802	167,396

28. MUTUAL INVESTMENT OF THE COMPANY AND TELEFÓNICA S.A. (“TELEFÓNICA”) IN EACH OTHER

On 6 September 2009, the Company announced that in order to strengthen the cooperation between the Company and Telefónica, the parties entered into a strategic alliance agreement and a subscription agreement, pursuant to which each party conditionally agreed to invest an equivalent of USD1 billion in each other through an acquisition of each other’s shares.

On 23 January 2011, the Company entered into an agreement to enhance the strategic alliance with Telefónica that: (a) Telefónica would purchase ordinary shares of the Company for a consideration of USD500 million through acquisition from third parties; and (b) the Company would acquire from Telefónica 21,827,499 ordinary shares of Telefónica held in treasury (“Telefónica Treasury Shares”) for an aggregate purchase price of Euro374,559,882.84. On 25 January 2011, the Company completed the purchase of Telefónica Treasury Shares in accordance with the strategic agreement. During 2011, Telefónica completed its investment of USD500 million in the Company.

On 14 May 2012, Telefónica declared a dividend. The Company chose to implement it by means of a scrip dividend and received 1,646,269 ordinary shares of approximately RMB146 million.

As at 30 June 2016, the related financial assets at fair value through other comprehensive income amounted to approximately RMB4,006 million (31 December 2015: approximately RMB4,665 million). For the six months ended 30 June 2016, the decrease in fair value of the financial assets through other comprehensive income was approximately RMB659 million (for the six months ended 30 June 2015: decrease of approximately RMB82 million). The decrease, net of tax impact, of approximately RMB659 million (for the six months ended 30 June 2015: decrease, net of tax impact, of approximately RMB62 million) has been recorded in the unaudited condensed consolidated interim statement of comprehensive income.

(All amounts in RMB millions unless otherwise stated)

29. EQUITY-SETTLED SHARE OPTION SCHEMES

On 16 April 2014, the Company adopted a new share option scheme ("the 2014 Share Option Scheme"). The 2014 Share Option Scheme is valid and effective for a period of 10 years commencing on 22 April 2014 and will expire on 22 April 2024. No share options had been granted since adoption of the 2014 Share Option Scheme.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended 30 June			
	2016		2015	
	Average exercise price in HKD per share	**Number of share options involved**	Average exercise price in HKD per share	Number of share options involved
Balance, beginning of period	**–**	**–**	6.35	3,540,000
Lapsed	**–**	**–**	6.35	(3,432,000)
Exercised	**–**	**–**	6.35	(108,000)
Balance, end of period	**–**	**–**	–	–

Exercise of share options during the six months ended 30 June 2015 resulted in 108,000 shares being issued, with exercise proceeds of approximately RMB1 million.

No options outstanding as at 30 June 2016 and 2015.

30. FAIR VALUE ESTIMATION

Financial assets of the Group mainly include cash and cash equivalents, short-term bank deposits, financial assets at fair value through other comprehensive income, financial asset at fair value through profit and loss, accounts receivable, receivable for the sales of mobile handsets, amounts due from related parties and domestic carriers. Financial liabilities of the Group mainly include accounts payable and accrued liabilities, short-term bank loans, commercial papers, corporate bonds, promissory notes, long-term bank loans, other obligations and amounts due to ultimate holding company, related parties and domestic carriers.

(All amounts in RMB millions unless otherwise stated)

30. FAIR VALUE ESTIMATION (CONTINUED)

(a) Financial assets and liabilities measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 valuation: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuation: observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs for which market data are not available
- Level 3 valuation: fair value measured using significant unobservable inputs

The following table presents the Group's assets that are measured at fair value at 30 June 2016:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Financial assets at fair value through other comprehensive income				
– Equity securities				
– Listed	4,150	–	–	4,150
– Unlisted	–	–	41	41
	4,150	–	41	4,191
Financial assets at fair value through profit and loss				
– Equity securities				
– Unlisted	–	–	135	135
Total	4,150	–	176	4,326

The following table presents the Group's assets that are measured at fair value at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Financial assets at fair value through other comprehensive income				
– Equity securities				
– Listed	4,829	–	–	4,829
– Unlisted	–	–	23	23
	4,829	–	23	4,852
Financial assets at fair value through profit and loss				
– Equity securities				
– Unlisted	–	–	106	106
Total	4,829	–	129	4,958

(All amounts in RMB millions unless otherwise stated)

30. FAIR VALUE ESTIMATION (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 and comprise primarily equity securities of Telefónica which are classified as financial assets at fair value through other comprehensive income.

During the six months ended 30 June 2016 and 2015, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2016 and 31 December 2015. Their carrying amounts and fair values and the level of fair values hierarchy are disclosed below:

	Carrying amount as at 30 June 2016	Fair value as at 30 June 2016	Fair value measurement as at 30 June 2016 categorised into			Carrying amount as at 31 December 2015	Fair value as at 31 December 2015
			Level 1	Level 2	Level 3		
Non-current portion of long-term bank loans	4,435	4,506	–	–	4,506	1,748	1,752
Non-current portion of promissory notes	27,841	28,913	–	28,913	–	36,928	38,141
Non-current portion of corporate bonds	7,984	8,012	–	8,012	–	2,000	2,111

The fair value of the non-current portion of long-term bank loans is based on the expected cash flows of principal and interests payment discounted at market rates ranging from 1.51% to 4.15% (31 December 2015: 1.81% to 4.08%) per annum.

The fair value of the non-current portion of promissory notes is based on the expected cash flows of principal and interests payment discounted at market rates ranging from 2.81% to 3.26% (31 December 2015: 2.84% to 5.62%) per annum.

The fair value of the non-current portion of corporate bonds is based on the expected cash flows of principal and interests payment discounted at market rates ranging from 2.69% to 3.14% (31 December 2015: 2.35%) per annum.

Besides, the carrying amounts of the Group's other financial assets and liabilities carried at amortised cost approximated their fair values as at 30 June 2016 and 31 December 2015 due to the nature or short maturity of those instruments.

(All amounts in RMB millions unless otherwise stated)

31. RELATED PARTY TRANSACTIONS

Unicom Group is a state-owned enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. Neither Unicom Group nor the PRC government publishes financial statements available for public use.

The PRC government controls a significant portion of the productive assets and entities in the PRC. The Group provides telecommunications services as part of its retail transactions, thus, is likely to have extensive transactions with the employees of other state-controlled entities, including their key management personnel and their close family members. These transactions are carried out on commercial terms that are consistently applied to all customers.

Management considers certain state-owned enterprises have material transactions with the Group in its ordinary course of business, which include but not limited to 1) rendering and receiving telecommunications services, including interconnection revenue/charges; 2) purchasing of goods, including use of public utilities; and 3) placing of bank deposits and borrowing money. The Group's telecommunications network depends, in large part, on interconnection with the network and on transmission lines leased from other domestic carriers. These transactions are mainly carried out on terms comparable to those conducted with third parties or standards promulgated by relevant government authorities and have been reflected in the financial statements.

Management believes that meaningful information relating to related party transactions has been disclosed.

31.1 Connected transactions with Unicom Group and its subsidiaries

(a) Recurring transactions

The following is a summary of significant recurring transactions carried out by the Group with Unicom Group and its subsidiaries. In the directors' opinion, these transactions were carried out in the ordinary course of business.

	Six months ended 30 June	
	2016	2015
Transactions with Unicom Group and its subsidiaries:		
Charges for value-added telecommunications services	**18**	22
Rental charges for property leasing	**490**	463
Charges for lease of telecommunications resources	**116**	136
Charges for engineering design and construction services	**1,938**	1,363
Charges for shared services	**52**	53
Charges for equipment procurement services	**40**	38
Charges for ancillary telecommunications services	**1,272**	1,231
Charges for comprehensive support services	**745**	570
Income from comprehensive support services	**3**	3

(All amounts in RMB millions unless otherwise stated)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

31.1 Connected transactions with Unicom Group and its subsidiaries (continued)

(a) Recurring transactions (continued)

On 24 October 2013, CUCL entered into the agreement, "2013 Comprehensive Services Agreement" with Unicom Group to renew certain continuing connected transactions. 2013 Comprehensive Services Agreement has a term of three years commencing on 1 January 2014 and expiring on 31 December 2016, and the service fees payable shall be calculated on the same basis as under previous agreements. Annual caps for certain transactions have changed under the agreement. On 21 August 2015, CUCL and Unicom Group entered into the supplemental agreement to revise the annual cap for the total charges payable by CUCL to Unicom Group for comprehensive support services under the 2013 Comprehensive Services Agreement for each of the two years of 2015 and 2016.

(b) Amounts due from and to Unicom Group and its subsidiaries

Amount due to Unicom Group as at 30 June 2016 and 31 December 2015 included the unsecured entrusted loan from Unicom Group of RMB1,344 million with interest rate at 4.37% per annum.

Apart from the unsecured entrusted loan as aforementioned, amounts due from and to Unicom Group and its subsidiaries are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business in respect of transactions with Unicom Group and its subsidiaries as described in (a) above.

(c) Commitments to Unicom Group and its subsidiaries

As at 30 June 2016 and 31 December 2015, the Group had total future aggregate minimum operating lease payments to Unicom Group and its subsidiaries under non-cancellable operating leases as follows:

	30 June 2016	31 December 2015
Unicom Group and its subsidiaries	**977**	926

(All amounts in RMB millions unless otherwise stated)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

31.2 Related party transactions with Tower Company

(a) Related party transactions

	Note	Six months ended 30 June 2016	2015
Transactions with Tower Company:			
Interest income from Cash Consideration	(i)	**337**	–
Charges for the use of telecommunications towers and related assets	(ii)	**7,723**	–
Income from engineering design and construction services	(iii)	**57**	–

(i) On 14 October 2015, CUCL and Unicom New Horizon Telecommunications Company Limited ("Unicom New Horizon", a wholly-owned subsidiary of CUCL and an indirectly wholly-owned subsidiary of the Company) entered into a transfer agreement (the "Transfer Agreement") , amongst China Mobile Communications Company Limited and its related subsidiaries ("China Mobile"), China Telecom Corporation Limited ("China Telecom"), China Reform Holdings Corporation Limited ("CRHC") and Tower Company. Pursuant to the Transfer Agreement, the Group, China Mobile and China Telecom sold certain of their telecommunications towers and related assets (the "Tower Assets") to Tower Company (hereinafter referred to as the "Tower Assets Disposal") in exchange for shares issued by Tower Company and cash consideration. In addition, CRHC made a cash subscription for shares of Tower Company.

The final consideration amount for the Tower Assets Disposal attributed to the Group was determined as RMB54,658 million. Tower Company issued 33,335,836,822 shares ("Consideration Shares") to CUCL at an issue price of RMB1.00 per share and the balance of the consideration of approximately RMB21,322 million payable in cash ("Cash Consideration").

Upon the issuance of new shares by Tower Company, the Group, China Mobile, China Telecom and CRHC own 28.1%, 38.0%, 27.9% and 6.0% of Tower Company respectively. As at 30 June 2016, interest in Tower Company is RMB31,787 million.

As at 30 June 2016, the first tranche of the Cash Consideration of RMB3,000 million was settled. The remaining balance of the Cash Consideration of RMB18,322 million will be settled before 31 December 2017. The outstanding Cash Consideration carries interest at 3.92% per annum. For the six months ended 30 June 2016, interest income arisen from outstanding Cash Consideration was approximately RMB337 million.

(ii) As at 30 June 2016, the Group was in the process of negotiating with Tower Company to finalise the framework and other detailed agreements which cover the usage of certain telecommunications towers and related assets. On the basis of the latest terms under negotiation, the Group's management has estimated and recognised an usage fee for the six months ended 30 June 2016 of approximately RMB7,723 million in connection with its usage of the relevant assets during the period.

(iii) The Group provide engineering design and construction services, including system integration and engineering design services to Tower Company.

(All amounts in RMB millions unless otherwise stated)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

31.2 Related party transactions with Tower Company (continued)

(b) Amounts due from and to Tower Company

Amount due from Tower Company as at 30 June 2016 and 31 December 2015 included outstanding Cash Consideration from Tower Company of RMB18,322 million, which carries interest at 3.92% per annum, with the principal to be settled before 31 December 2017.

Apart from the outstanding Cash Consideration as aforementioned, amounts due from and to Tower Company are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business in respect of transactions with Tower Company as described in (a) above.

32. CONTINGENCIES AND COMMITMENTS

32.1 Capital commitments

As at 30 June 2016 and 31 December 2015, the Group had capital commitments, mainly in relation to the construction of telecommunications network, as follows:

	30 June 2016			31 December 2015
	Land and buildings	Equipment	Total	Total
Authorised and contracted for	239	13,705	13,944	18,129
Authorised but not contracted for	13,132	16,420	29,552	21,851
	13,371	30,125	43,496	39,980

32.2 Operating lease commitments

As at 30 June 2016 and 31 December 2015, the Group had total future aggregate minimum operating lease payments under non-cancellable operating leases as follows:

	30 June 2016			31 December 2015
	Land and buildings	Equipment	Total	Total
Leases expiring:				
– not later than one year	2,088	2,895	4,983	4,838
– later than one year and not later than five years	1,581	4,124	5,705	7,572
– later than five years	271	771	1,042	1,731
	3,940	7,790	11,730	14,141

32. CONTINGENCIES AND COMMITMENTS (CONTINUED)

32.3 Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities and no material financial guarantees issued.

33. EVENT AFTER REPORTING PERIOD

On 8 July 2016, CUCL and Tower Company entered into a framework agreement in relation to the usage of certain telecommunications towers and related assets (the "Agreement"). The Agreement stipulated specific terms including assets categories, pricing basis for usage charges, and relevant service period etc. Provincial service agreements will be formed between respective provincial companies of CUCL and Tower Company according to the Agreement and their negotiation subsequently.

34. APPROVAL OF FINANCIAL INFORMATION

This unaudited condensed consolidated interim financial information was approved by the Board of Directors on 17 August 2016.

INDEPENDENT REVIEW REPORT

To the Board of Directors of China Unicom (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 41 which comprises the unaudited condensed consolidated interim statement of financial position of China Unicom (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2016 and the related unaudited condensed consolidated interim statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board or Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, depending on whether the issuer's annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs") respectively. As the annual financial statements of the Group are prepared in accordance with both IFRSs and HKFRSs, the directors are responsible for the preparation and presentation of the interim financial information in accordance with both International Accounting Standard 34 and Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and Hong Kong Accounting Standard 34 "Interim Financial Reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 August 2016

SHARE OPTION SCHEME OF THE COMPANY

2014 Share Option Scheme

Pursuant to a resolution passed at the annual general meeting held on 16 April 2014, the Company adopted a new share option scheme (the "2014 Share Option Scheme"). The purpose of the 2014 Share Option Scheme was to recognise the contribution that certain individuals have made to the Company, to attract and retain the best available personnel and to promote the success of the Company. The 2014 Share Option Scheme is valid and effective for a period of 10 years commencing on 22 April 2014 and will expire on 22 April 2024. Following the expiry of the 2014 Share Option Scheme, no further share option can be granted under the 2014 Share Option Scheme, but the provisions of the 2014 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2014 Share Option Scheme.

No share options had been granted since adoption of the 2014 Share Option Scheme and up to and including 30 June 2016.

Directors', Chief Executives' and Employees' Interests Under the Share Option Scheme of the Company

During the six months ended and as at 30 June 2016, none of the directors of the Company (the "Directors") or chief executives or employees of the Company had any interests under any share option scheme of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests and short positions of Directors and chief executives of the Company and their respective close associates in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity	Ordinary Shares Held	Percentage of Issued Shares
Cheung Wing Lam Linus	Beneficial owner (Personal)	200,000	0.0008%
Chung Shui Ming Timpson	Beneficial owner (Personal)	6,000	0.0000%

Save as disclosed in the foregoing, as at 30 June 2016, none of the Directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Furthermore, save as disclosed in the foregoing, during the six months ended 30 June 2016, none of the Directors or chief executives (including their spouses and children under the age of 18) of the Company had any interests in or was granted any right to subscribe in any shares, underlying shares, or debentures of the Company or any of its associated corporations, or had exercised any such rights.

MATERIAL INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, the following persons (other than disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures") had the following interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Ordinary Shares Held Directly	Ordinary Shares Held Indirectly	Percentage of Issued Shares
(i) China United Network Communications Group Company Limited ("Unicom Group")[1,2]	–	18,032,853,047	75.30%
(ii) China United Network Communications Limited ("Unicom A Share Company")[1]	–	9,725,000,020	40.61%
(iii) China Unicom (BVI) Limited ("Unicom BVI")[1]	9,725,000,020	–	40.61%
(iv) China Unicom Group Corporation (BVI) Limited ("Unicom Group BVI")[2,3]	8,082,130,236	225,722,791	34.69%

Notes:

1. Unicom Group and Unicom A Share Company directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of Unicom BVI, and in accordance with the SFO, the interests of Unicom BVI are deemed to be, and have therefore been included in, the respective interests of Unicom Group and Unicom A Share Company.

2. Unicom Group BVI is a wholly-owned subsidiary of Unicom Group. In accordance with the SFO, the interests of Unicom Group BVI are deemed to be, and have therefore been included in, the interests of Unicom Group.

3. Unicom Group BVI holds 8,082,130,236 shares (representing 33.75% of the issued shares) of the Company directly. In addition, Unicom Group BVI is also deemed under the SFO to be interested in 225,722,791 shares (representing 0.94% of the issued shares) of the Company held as trustee on behalf of a PRC shareholder.

Apart from the foregoing, as at 30 June 2016, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Please also refer to Note 20 to unaudited condensed consolidated interim financial information for details of the share capital of the Company.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities.

CHANGES OF DIRECTORS' INFORMATION

Changes of Directors' information since the publication of the Company's 2015 annual report are set out below:

- Mr. Cesareo Alierta Izuel resigned as Executive Chairman of Telefónica, S.A. with effect from 8 April 2016. He remained as a member of the Board of Directors of Telefónica, S.A., and maintained as Executive Chairman of Fundación Telefónica. He was appointed as a director of DTS, Distribuidora de Televisión Digital, S.A.U. with effect from 12 April 2016. In addition, he resigned as a member of the Board of Directors of International Consolidated Airlines Group with effect from 16 June 2016.

- Mr. Cheung Wing Lam Linus resigned as Chairman of the Council of Centennial College of the University of Hong Kong and remained as a member of the Board of Governors of Centennial College, with effect from 1 July 2016.

- Mr. Chung Shui Ming Timpson resigned as an Independent Non-executive Director of Henderson Land Development Company Limited with effect from 2 June 2016 and appointed as the Pro-Chancellor of the City University of Hong Kong with effect from 1 August 2016.

Save as stated above, no other information on the Directors of the Company is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors are available on the website of the Company (www.chinaunicom.com.hk).

AUDIT COMMITTEE

The Audit Committee, together with the management and the auditor of the Company, KPMG, has reviewed the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters, including the review of interim financial information for the six months ended 30 June 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance. The Company has complied with the code provisions in the Corporate Governance Code (the "Code Provisions") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2016 except the following:

The roles and responsibilities of chairman and chief executive of the Company were performed by the same individual for the six months ended 30 June 2016. Mr. Wang Xiaochu serves as Chairman and Chief Executive Officer of the Company. Mr. Lu Yimin serves as President of the Company. Mr. Wang Xiaochu is responsible for chairing the Board and for all material affairs, including development, business strategy, operation and management, of the Company. Mr. Lu Yimin is responsible for the daily operation and management of the Company. The Board believes that at the present stage, Mr. Wang Xiaochu and Mr. Lu Yimin have achieved the aforesaid principle of separation of responsibilities, and to ensure balance of power and authority. These arrangements also facilitate the formulation and implementation of the Company's strategies in a more effective manner so as to support the effective development of the Company's business.

Non-executive directors of the Company should be appointed for a specific term, subject to re-election. The Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation at general meetings of the shareholders and re-election by shareholders pursuant to the Company's articles of association. All Directors are subject to retirement by rotation at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors. Further to the specific enquiries made by the Company to Directors, all directors have confirmed their compliance with the Model Code for the six months ended 30 June 2016.

COMPLIANCE WITH APPENDIX 16 OF THE LISTING RULES

According to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed herein, the Company confirmed that the current company information in relation to those matters set out in paragraph 32 of Appendix 16 has not changed materially from the information disclosed in the Company's 2015 annual report.

http://www.chinaunicom.com.hk

中國聯合網絡通信（香港）股份有限公司
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