



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
CORPORATION FINANCE

Mail Stop 3720

February 17, 2017

Li Fushen  
Chief Financial Officer  
China Unicom (Hong Kong) Limited  
75<sup>th</sup> Floor, The Center  
99 Queen's Road Central  
Hong Kong

**Re: China Unicom (Hong Kong) Limited  
Form 20-F for Fiscal Year Ended December 31, 2015  
Response dated December 2, 2016  
File No. 001-15028**

Dear Mr. Fushen:

We have reviewed your December 2, 2016 response to our comment letter and have the following comments. In our comments, we ask you to provide us with information so we may better understand your disclosure.

Please respond to these comments within ten business days by providing the requested information or advise us as soon as possible when you will respond. If you do not believe our comments apply to your facts and circumstances, please tell us why in your response.

After reviewing your response to these comments, we may have additional comments. Unless we note otherwise, our references to prior comments are to comments in our November 4, 2016 letter.

Form 20-F for the Fiscal Year Ended December 31, 2015

2. Summary of Significant Accounting Policies

1. We have reviewed your response to comment one. Please address each of the following.
  - a) Please provide us with the background and the laws and/or regulations which resulted in the government-backed initiative to centralize the telecommunication tower assets in the PRC.

- b) Please identify who is responsible for carrying out the PRC's telecommunication asset centralization.
  - c) Please explain how the laws and/or regulations that resulted in the centralization of the telecommunication assets in China impact you.
  - d) Please explain why you participated in the formation of China Tower. Specifically indicate if your participation was mandated by law, regulation or by your ultimate controlling shareholder.
  - e) Please tell us if you had the ability to not participate in the asset centralization. If you had decided to not participate, please tell us how that decision would have impacted you. Address, without limitation, any monetary impact, your access to telecommunication infrastructure, your ability to operate in the telecommunications industry and your ability to build new telecommunication infrastructure assets, including towers.
  - f) Please describe the governance structure of China Tower, including your role and authority in your capacity as a shareholder and a major customer, as well as each party that will have a seat on China Tower's board of directors. Additionally, please tell us if China Tower can be unilaterally dissolved by the PRC or any of its directly or indirectly controlled entities.
  - g) Please tell us the key terms of each contract that is related to the sale of your telecommunication infrastructure and your subsequent use of that infrastructure. In addition tell us when those agreements were finalized. Without limitation, specifically address the asset sale agreement, the asset lease agreements and the tower network restructuring arrangement.
2. We note your response to comment one where you state, "the Tower Company transaction-are conducted on normal commercial terms" and you compared the cost method with the "market method at the point of Tower Assets disposal." However, in your response to comment two, you state, "there had been few if any comparable and representative rental arrangements within mainland China... In mainland China, in terms of the nature, location and volume, there are few if any market transactions involving such assets that reflect the fair value of those tower assets owned by the Tower Company." These two statements appear to be inconsistent with each other. Please clarify. Also, if there are no market transactions with comparable arrangements in the

domestic market, tell us what evidence you have that the transactions were entered into at market terms. We refer to paragraph B4(a) of IFRS 13.

3. We have reviewed your response to comment two. Please address each of the following.
- a) We note that China Tower was founded in July 2014 and as of the date of the transaction, October 2015, it “only had minimal operations, and its assets comprised primarily cash and the Tower Assets contributed by its investors.” Please explain the nature and extent of the business China Tower carried out from its formation in 2014 through October 2015, the date of the transaction.
  - b) We note news articles from as early as July 2015 that indicate China Tower was contemplating a private placement and/or initial public offering. Please tell us if China Tower estimated its fair value at any time between its formation in 2014 and the finalization of the lease terms in July 2016. If China Tower did estimate its fair value, how did that fair value compare to the RMB 1 share price used in the asset transfer transaction.
  - c) You state that China Reform Holding Corporation Limited (“CRHC”) is a third party investing company. Please tell us who owns and controls CRHC. Additionally please indicate if it is a related party. We note news articles that state that CRHC is a wholly-owned subsidiary of China's State-owned Assets Supervision and Administration Commission. If CRHC is a related party, please tell us how you determined that the cash subscription by CRHC for new shares issued by China Tower at the stock price of RMB1 per share was entered into at market terms.
  - d) Please tell us the relationship, if any, of China Enterprise Appraisals with the PRC, including any of its agencies, and your independent accountants.
  - e) Please explain why the “replacement cost” valuation method was used. Please address IFRS 13.B9, which describes the replacement cost and how it is used. Specifically address how the valuation of only the tower assets using the replacement cost capture the other aspects of the China Tower business, such as synergies and economies of scale.
  - f) We note your reference to paragraphs 27 and 29 of IFRS 13 with respect to highest and best use. We note that paragraph 29 of IFRS 13 states that an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the

value of the asset. In your circumstance, the government-based initiative to centralize the telecommunication infrastructure appears to have changed how the value from these assets will be determined. Please support your conclusion that your use of the replacement cost method yields a fair value measure that reflects the highest and best use of the tower assets, which would appear to need to reflect the requirements of the government-based initiative.

- g) We note your statement in your response that “the Tower Company transaction are conducted on normal commercial terms.” We note that the asset transfer to China Tower was recorded in October 2015 and the lease terms were not finalized until July 2016.
- Please explain why you entered into a transaction without knowing how much it will cost you to use the telecommunication assets.
  - Explain if you were able to determine that the transaction would be economically beneficial to you.
  - Tell us if you have any remedies if your cost to use the telecommunication assets is or becomes uneconomic.
  - Explain how you were able to determine if you entered into an onerous contract if the terms of your transaction were still under negotiation at the time you recorded it. Specifically address paragraphs 10 and 66 through 69 of IAS 37.
4. We note your response to comment three. Please address each of the following.
- a) Please further explain how the sharing of the use of the towers by each of the telecom operators will be determined during the service period.
  - b) Tell us how you determined that your arrangement to use China Tower’s tower products is, or contains, a lease. Refer to IAS 17 and IFRIC 4.
  - c) Please tell us more information about the sharing rate and how it is used in the lease contract(s). You state that you took into account the sharing rate of the Tower Assets with the other two telecom operators when calculating the present value of minimum lease payments. Notwithstanding the comment above, please further explain how you utilized the sharing rate in your calculation and your basis for using the sharing rate to determine the fair value of minimum lease payments. Refer to IAS 17.4.
  - d) Tell us if there is one lease agreement for all of the Tower Assets, or individual leases for each tower.

- e) Tell us the degree to which you lease the towers that you previously owned, and whether you also lease any portion of the towers previously owned by China Mobile and China Telecom.
- f) Please provide us with an example of a lease contract with China Tower.
- g) Please explain how the centralization of the telecommunication assets into China Tower changes your access to your previously owned telecommunication assets as well as telecommunication assets previously owned by others.
- h) Clarify if your lease contracts provide you with the access and use of telecommunication assets that is equitable when compared to your competitors.

You may contact Dean Suehiro, Senior Staff Accountant, at 202-551-3384 or Robert Littlepage, Accountant Branch Chief, at 202-551-3361 if you have questions regarding comments on the financial statements and related matters. Please contact me at (202) 551-3810 with any other questions.

Sincerely,

/s/ Terry French for

Carlos Pacho  
Senior Assistant Chief Accountant  
AD Office 11 – Telecommunications