



2008 Annual Results

China Unicom (Hong Kong) Limited

31 March 2009

www.chinaunicom.com.hk

Management



Mr. Chang Xiaobing
Chairman & CEO

Mr. Lu Yimin
Executive Director & President

Mr. Zuo Xunsheng
Executive Director & Senior Vice President

Mr. Tong Jilu
Executive Director & CFO

Agenda

● Overall Performance

● Operating Performance

● Financial Results

Overall Performance

(RMB millions)	2008	2007	Change
Consolidated Net Profit⁽¹⁾	33,913	21,438	58.2%
Consolidated Earnings per Share⁽¹⁾ (RMB)	1.43	0.93	53.8%
Continuing Operations⁽²⁾			
Revenue	148,020	149,170	-0.8%
Mobile	65,254	62,559	4.3%
Fixed-line	82,766	86,611	-4.4%
Adjusted Net Profit⁽³⁾	14,332	15,209	-5.8%
Adjusted Earnings per Share (RMB) ⁽³⁾	0.60	0.66	-9.1%
Discontinued Operations			
Net Profit	27,573	1,280	
Dividend per Share (RMB) ⁽⁴⁾	0.2	0.2	
One-off Items			
Gain from CDMA Business Disposal	26,135	0	
PHS Asset Impairment Loss	11,837	0	
Re-investment Tax Refund	0	4,001	
Convertible Bond Fair Value Change	0	569	

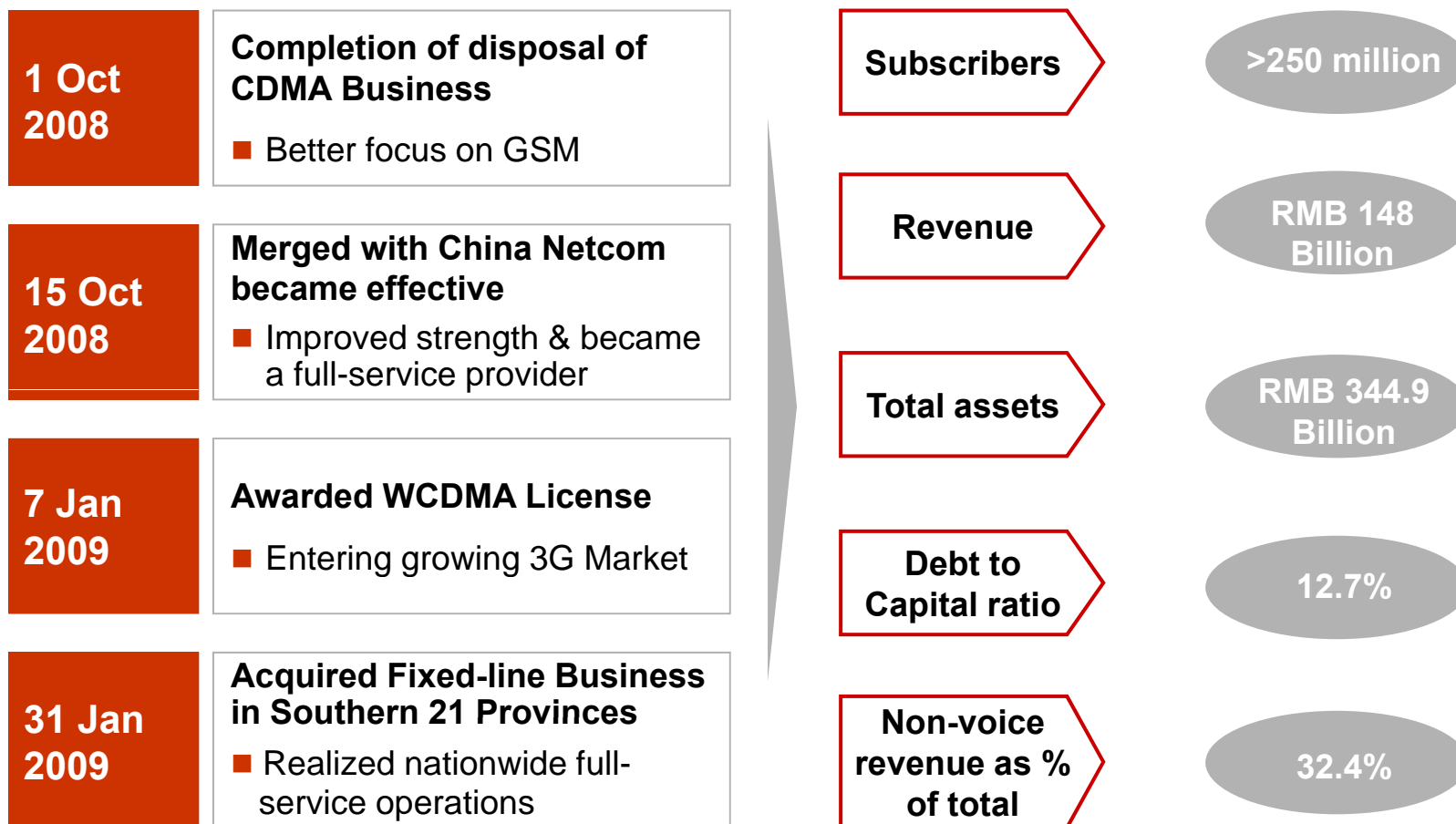
(1) Includes fixed-line deferred upfront connection fees of RMB 1.517 billion for 2007 and RMB 886 million for 2008

(2) Excludes effect of upfront connection fees, unless otherwise noted, all figures contained in this presentation for continuing operations will exclude such effect.

(3) Excludes effects of one-time tax refund of RMB 4.001 billion and convertible bond fair value change of RMB 569 million in 2007, and excludes effect of asset impairment loss from PHS and related assets of RMB 11.837 billion in 2008

(4) On 27 March 2008, China Unicom declared a 2007 final dividend of RMB 0.20 per share

Improved Strength and Market Position After Strategic Restructurings in 2008



Note: 1) All data listed are applicable as at 31 December 2008

2) Subscriber numbers includes GSM, fixed-line broadband and local access subscribers

3) Non-voice businesses include mobile value-added services, fixed-line value-added services, broadband services and data communication services.

Post-Restructuring Integration Progressing Smoothly



Corporate Governance	<ul style="list-style-type: none"> Re-appointed Board of Directors & improved corporate governance
Organization Structure	<ul style="list-style-type: none"> Re-aligned organization structure
People	<ul style="list-style-type: none"> All levels of management in place
Procurement	<ul style="list-style-type: none"> Centralized procurement and starting to realize scale advantage
Sales Channels	<ul style="list-style-type: none"> Realized full-service enrollment in self-owned outlets
Converged Services	<ul style="list-style-type: none"> Promote converged services step by step
IT Systems	<ul style="list-style-type: none"> Provide full-service business support by year end
Networks	<ul style="list-style-type: none"> Integrate step by step, minimize leased networks from 3rd parties, and improve resource utilization

Completed
 Work-in-progress

Re-aligned organization structure to support innovation and growth

- Established a segmented marketing system around individual, family and corporate customer segments
- Set up a dedicated subsidiary for mobile network deployment, operations and optimization in order to better support 2G/3G development
- Created a ecosystem that supports management, support and incubation of product innovation to promote broadband mobile Internet development

Significantly Improved Network Capability Positioned for Continued Healthy Growth



Capital Expenditure ⁽¹⁾

(RMB millions)	2007	2008
Total	45,959	70,485
GSM	15,845	32,948
Fixed-line	2,642	729
Broadband & Data	8,088	9,049
VAS Platforms	487	4,126
IT Systems	2,654	2,401
Infrastructure & Transport Networks	13,996	18,183
Others	2,247	3,049

(1) Excludes CAPEX for discontinued operations

GSM Networks

YoY Change

of Base Stations **+35%**

Switching Capacity **+38%**

of Radio Carriers **+40%**

Broadband Networks

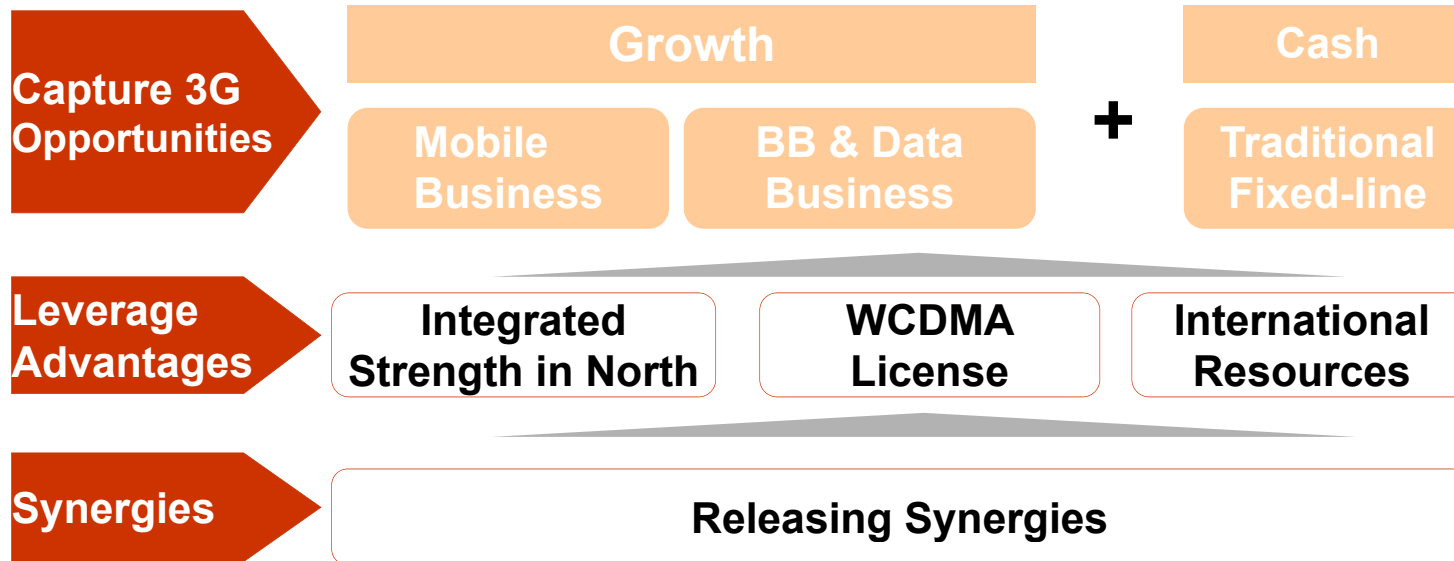
YoY Change

of IP Access Ports **+36%**

Trunk Bandwidth of IP backbone **+120%**

% of subs with access speed of 2M & over **+5.5pp**

Strive to Become a “World-class Broadband Communications and Information Service Provider”



Increase Shareholders' Value

2009 Strategies

2008: Restructuring and reorganization to realize full-service operations

2009: Enhancing competitive strength and sustainability for growth

Goal: World-class Broadband Comm. and Info. Service Provider

2009 Strategies

- Capture 3G opportunities to sustain a healthy & coordinated 2G/3G development
- Promote converged fixed-line and mobile services
- Continue broadband upgrade to maintain high growth of subscribers and revenue
- Strengthen innovation to realize scale development of value-added services
- Leverage multi-service advantages to mitigate the decline of fixed-line business
- Improve customer perception to recreate corporate brand image

Coordinate 2G/3G and establish 3G leading advantage

- Leading in networks
- Leading in prod. & services
- Leading in customer services

Continue Broadband speed upgrade plan

- Basis for full-service and informatization
- Increasing access speed
- Wireless + Wireline
- Integrated info. services for enterprise & household

Future Outlook

Actively adapt to new changes

- Evolving market needs
- Technology evolution in telecom industry
- Broadband mobile Internet development

Capture new opportunities

- Convergence of informatization and industrialization in China
- Government initiatives “boosting domestic demand, sustaining growth”

Accelerate new development

- Convergence creating new advantages
- 3G promoting new development

Agenda

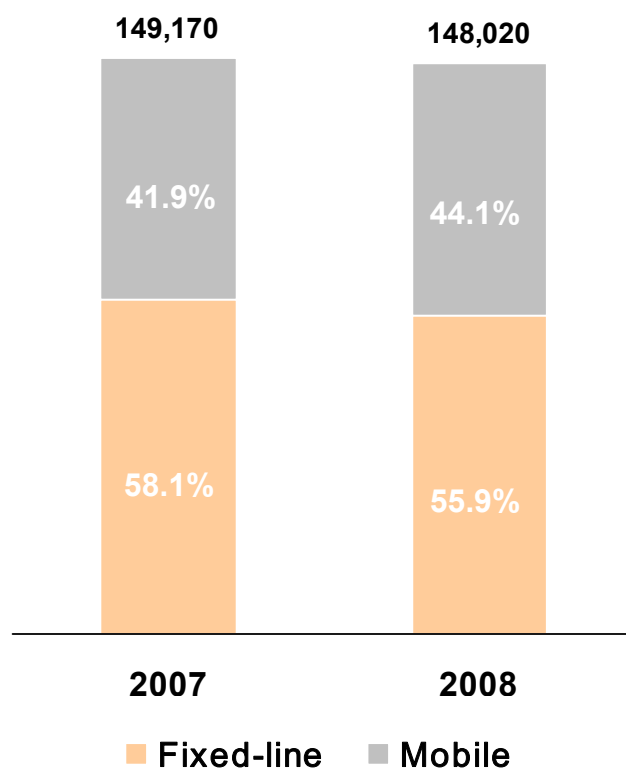
- Overall Performance
- **Operating Performance**
- Financial Results

Business Overview

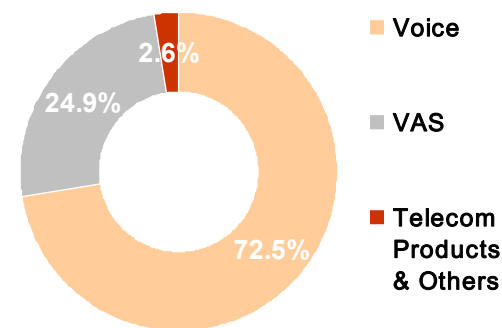
- Overall business remained relatively stable
- 44.1% of revenue comes from mobile business, and 55.9% from fixed-line business

Revenue and Breakdown ⁽¹⁾

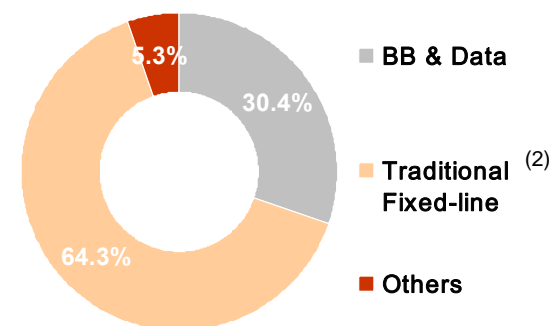
(RMB millions)



Mobile Business Revenue



Fixed-line Business Revenue



(1) Revenue from continuing operations

(2) Includes revenue from local voice, long distance, fixed-line value-added services, interconnection fees and others

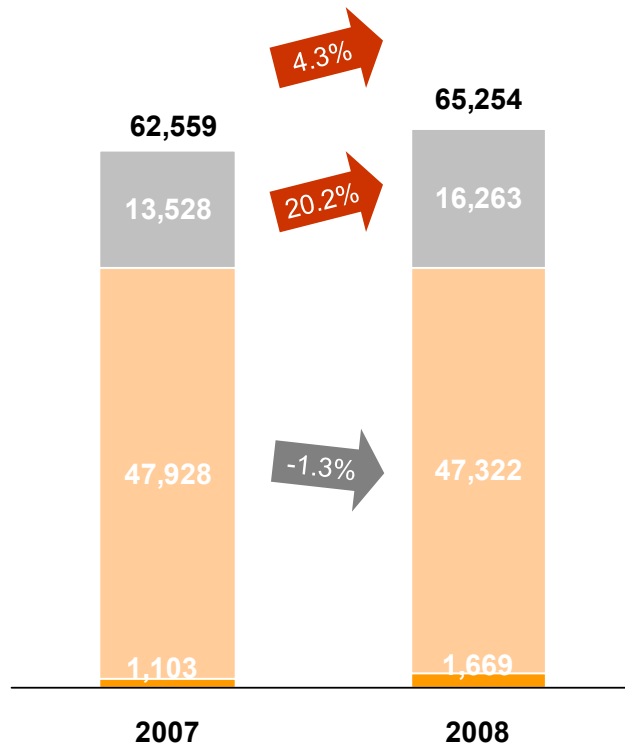
Mobile Business

Revenue, subscribers, and usage continued to grow



Revenue

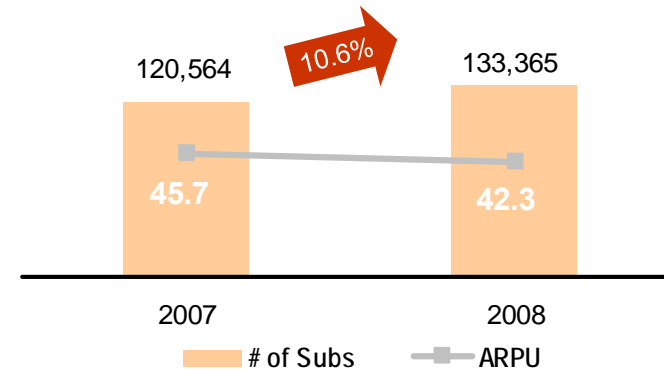
(RMB millions)



- VAS
- Voice(1)
- Sales of telecom products and others

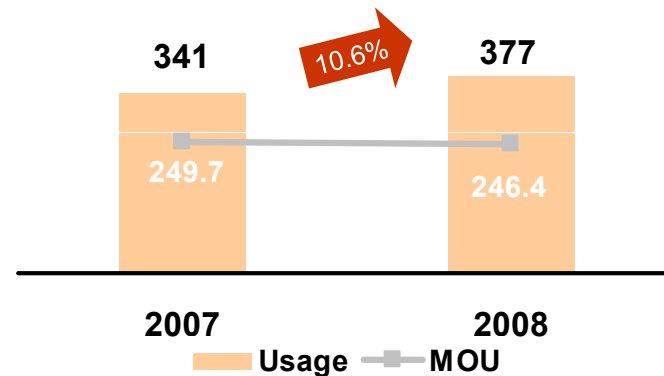
Subscribers & ARPU⁽²⁾

(' 000 Subs / RMB)



Voice Usage and MOU⁽²⁾

(Billion minutes / minutes)



(1) Includes revenue from interconnection fees
 (2) 2007 ARPU and MOU figures were restated (see slide 36)

Mobile Business

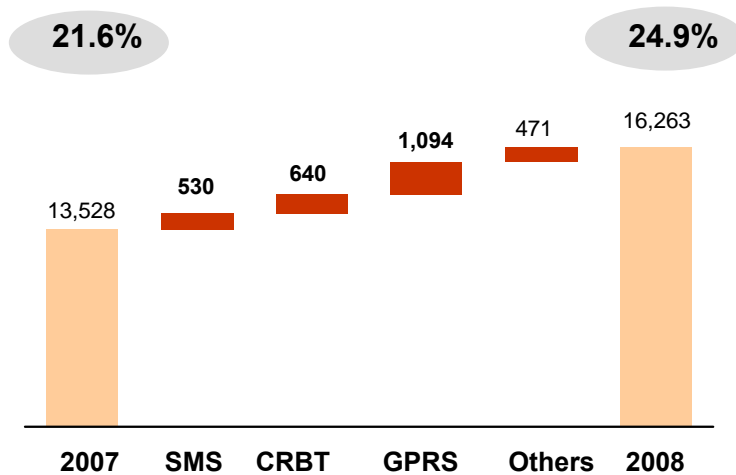
VAS business indicated strong growth potential



VAS Business Revenue

(RMB millions)

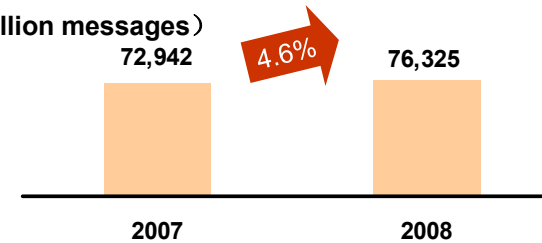
As % of mobile revenue:



- VAS Revenue grew 20.2%, as % of mobile revenue, increased by 3.3pp
- GPRS expanded to nationwide in June 08
- As the end of 2008, active GPRS outbound roaming services with 46 operators in 27 countries & regions

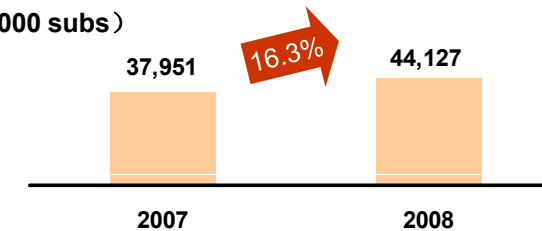
SMS Volume

(Million messages)



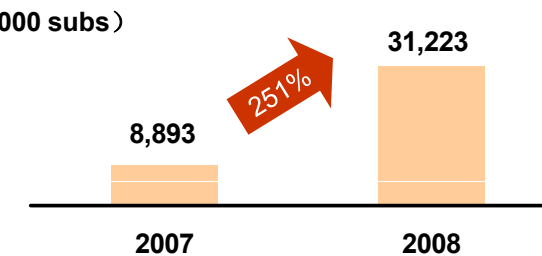
Cool Ringtone (CRBT) Subscribers

(' 000 subs)



GPRS Subscribers

(' 000 subs)



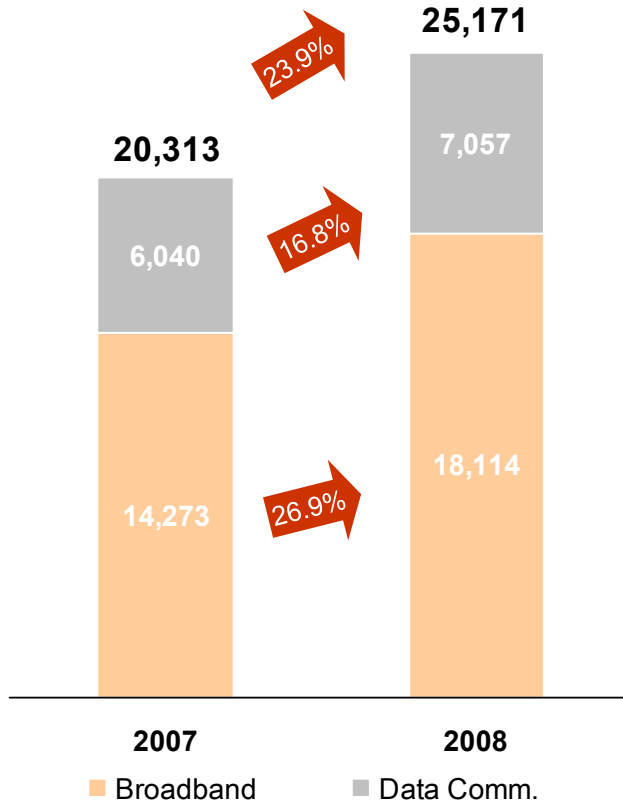
Fixed-line Business

Broadband and data comm. business continued to grow



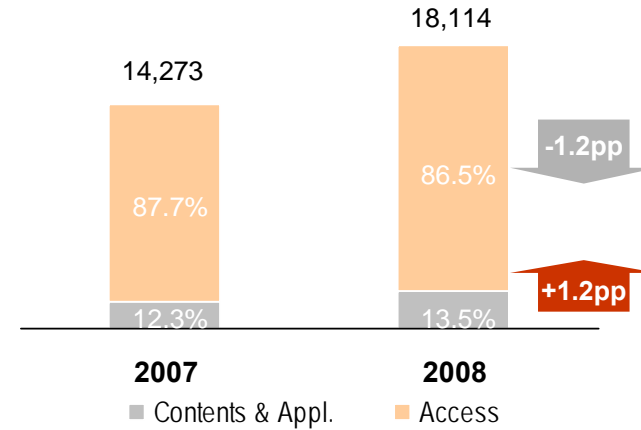
Revenue from BB & Data

(RMB millions)



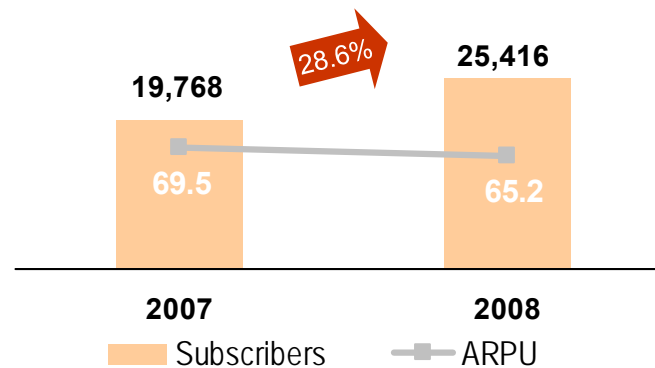
BB Revenue and Breakdown

(RMB millions)



BB Subscribers & ARPU ⁽¹⁾

('000 Subs / RMB)



(1) 2007 ARPU was restated (see slide 36)

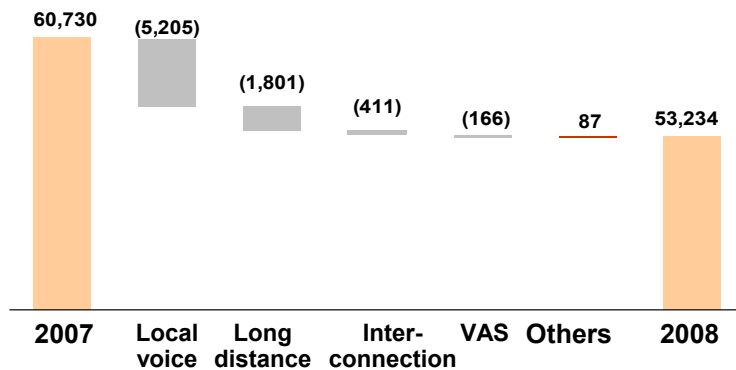
Fixed-line Business

Traditional business remained under pressure



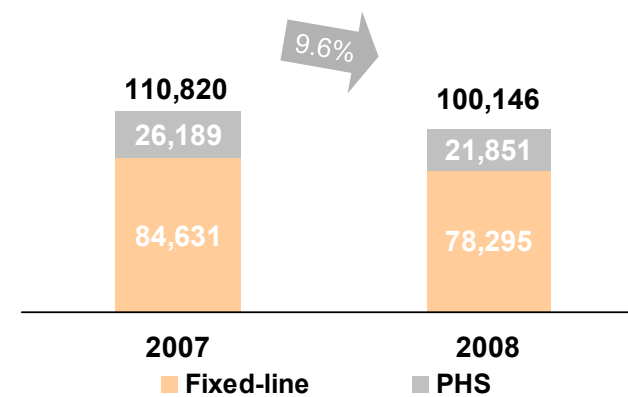
Revenue

(RMB millions)



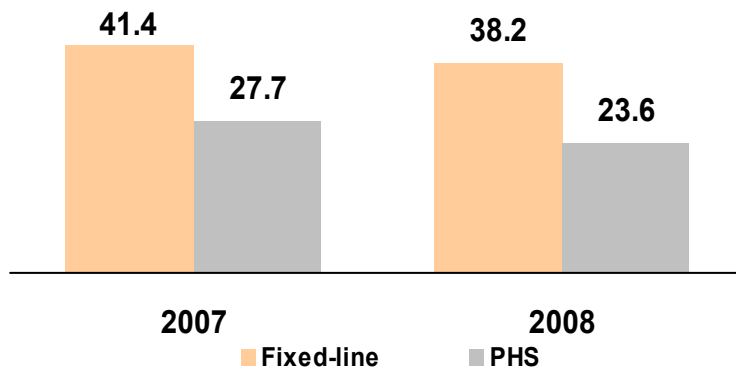
Subscribers

(' 000 subs)



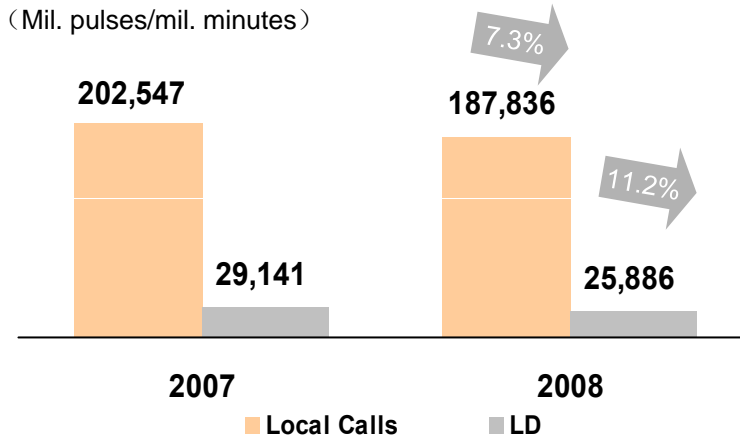
ARPU ⁽¹⁾

(RMB)



Usage

(Mil. pulses/mil. minutes)



(1) Includes local voice, LD voice and Value-added services; 2007 ARPU figures were restated (see slide 36)

Main Operational Measures in 2009

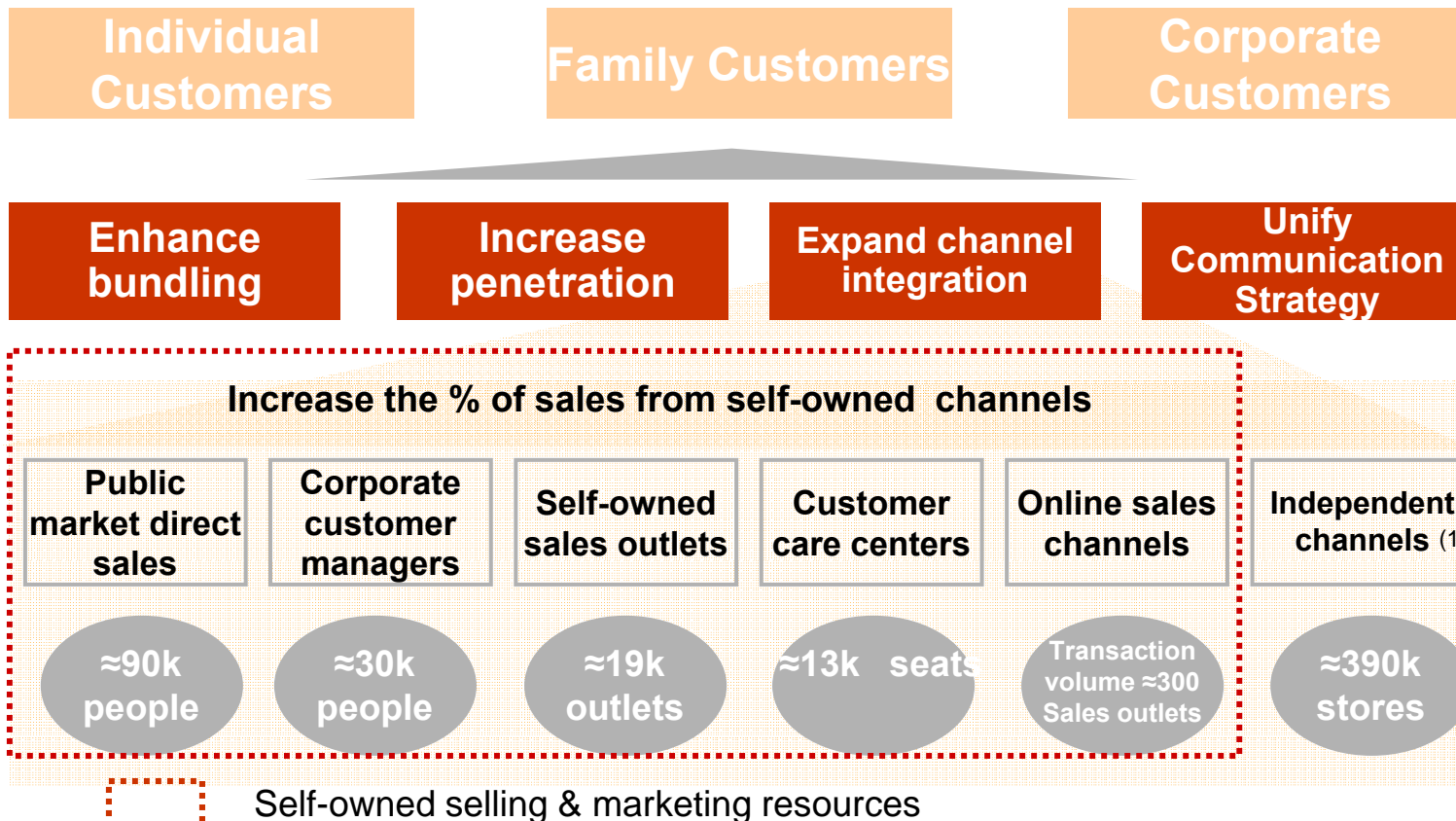
Business Development Strategy

Mobile Business	3G	2G	Differentiate Between North & South, Differentiated Strategies
	<ul style="list-style-type: none"> ■ Roll-out services in 284 cities ■ Promote 9 key services ■ Innovate & optimize operational & business models, and realize scale operations of VAS business ■ Unify branding, services, pricing, packaging, handset policy & customer service standard ■ Sell through self-owned channels initially 	<ul style="list-style-type: none"> ■ Improve & optimize GSM networks ■ Strengthen packaged marketing of VAS (i.e. GPRS), and increase % of total revenue contributed by VAS ■ Increase customer scale and optimize customer structure ■ Enhance customer retention 	
Fixed-line Business	Broadband and Data	Traditional Fixed-line	
	<ul style="list-style-type: none"> ■ Drive broadband speed upgrade to push for BB scale development ■ North: Retention + new growth, improve ARPU, attention to rural ■ South: focus on selected key markets to improve market share ■ Capture opportunities in key industries & fields to develop high quality ICT business 	<ul style="list-style-type: none"> ■ Leverage converged fixed/mobile advantage to improve usage of fixed-line telephony services ■ Utilize multi-service bundling to reduce customer churn ■ Develop telephone info. services to increase VAS penetration ■ Promote voice packaged plans to improve network utilization 	

Main Operational Measures in 2009

Marketing Strategy

- Conduct marketing around three customer segments to improve customer experience and increase speed of response
- Integrate and optimize channel structure, with priority on 3G channel development
- Increase % of sales from self-owned channels, improve marketing efficiency



(1) Including partners' sales outlets and distribution agents

Main Operational Measures in 2009

Network Strategy



2009 CAPEX Plan

(RMB billions)

Total	110.0	100%
3G	38.7	35.2%
GSM	23.7	21.5%
Fixed-line	0.7	0.6%
Broadband & Data	18.0	16.4%
VAS Platforms	3.0	2.7%
IT Systems	4.0	3.6%
Infrastructure & Transport Networks	19.7	17.9%
Others	2.2	2.0%

Network Capabilities

3G

- Cover 284 cities by year end
- 2G+3G POP coverage to reach 96% by 2011

2G

- Enhance network continuous coverage in major cities, especially indoor coverage
- Improve capabilities to offer data services

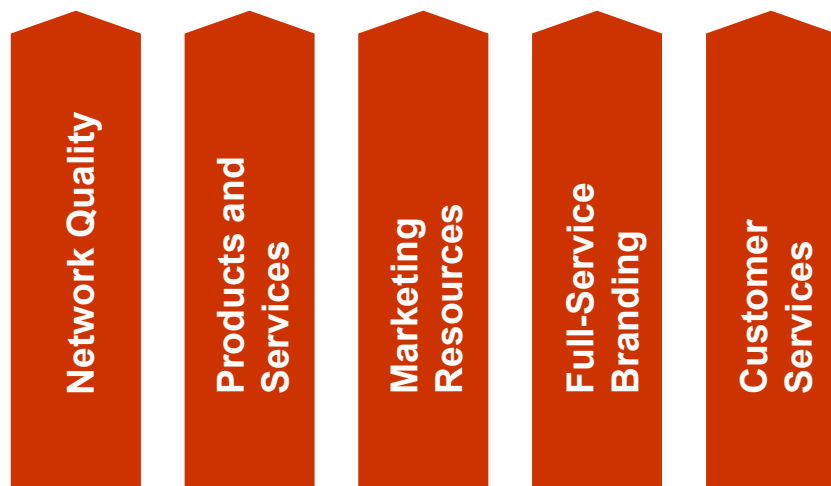
Broadband

- Rationally develop optical access network to replace copper networks
- Incremental BB access in cities with 4Mbps access capability

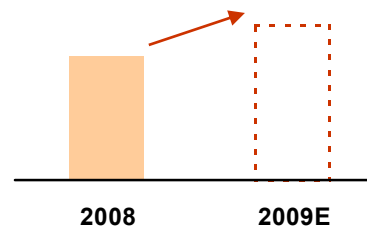
Improve Customer Experience and Recreate Corporate Brand Image

World-class Broadband Comm. and Information Service Provider

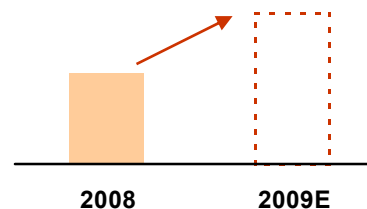
- Customer experience improvement
- Customer satisfaction improvement
- Corporate image improvement



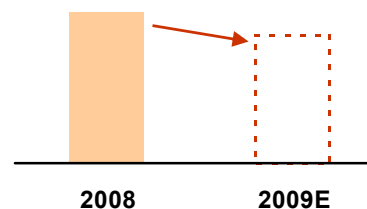
Expand % of mid-to-high end subscribers



Increase VAS penetration



Reduce customer churn



Improve
Customer
Experience

Elevate
Corporate
Brand
Image

Agenda

- Overall Performance
- Operating Performance
- **Financial Results**

The Basis for Financial Reporting

Disposal of CDMA Business

Discontinued Operations

- According to international and Hong Kong financial reporting rules, the CDMA operating results and one-off gain should be reported in 2008 income statement as discontinued operations, 2007 results should also be restated in 2007 income statement as discontinued operations.

Merger with China Netcom

Merger under common control

- The merger was a business combination under common control, accounted for by using pooling of interest method, as if China Netcom has always been part of the Company. China Netcom's operating results from current period and historic years are reported in the Company's continuing operations.

Acquisition of Fixed-line Business from Parent and Network Lease

- Profit and loss from the target assets and business assumed by the Group with effect from January 1st, 2009
- Network lease commenced with effect from January 1st, 2009

Continuing Operations

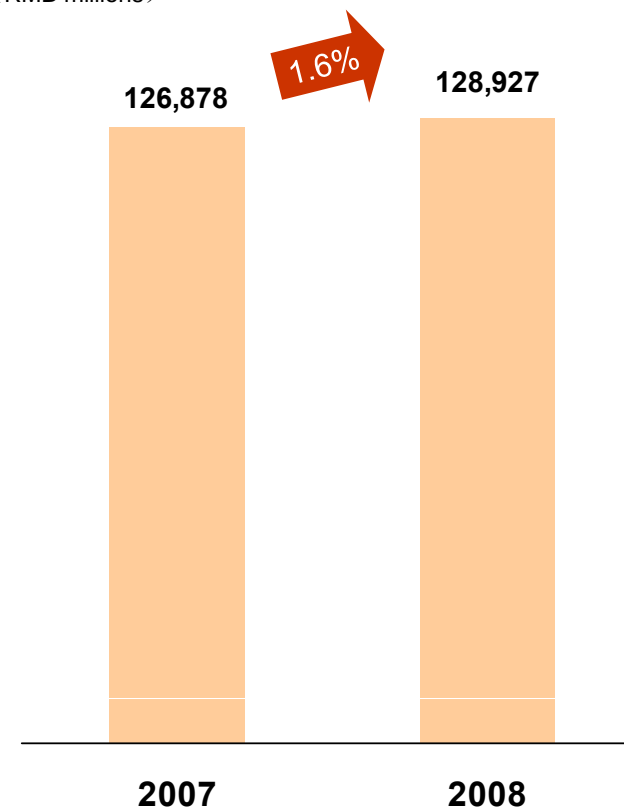
Operating Revenue and Expenses



(RMB millions)	2008	Change
Operating revenue	148,020	-0.8%
Service revenue	146,366	-1.3%
Sales of telecom products	1,654	76.1%
Operating expenses	128,750	3.1%
Service expenses	126,682	2.4%
Interconnection	12,011	7.1%
Net. operations & support	16,577	3.5%
Personnel	18,902	7.8%
Selling & marketing	17,384	-1.0%
G&A and others	14,131	1.1%
Depreciation & amortization	47,678	0.7%
Cost of telecom product sold	2,067	67.6%
Net finance costs	2,172	-26.3%
Net other incomes (expenses)	-1,994	101.6%
Adjusted profit before tax ⁽¹⁾	19,092	-14.3%

Total Expenses⁽¹⁾

(RMB millions)



Note: total expenses = operating expenses + net finance costs + net other incomes (expenses)

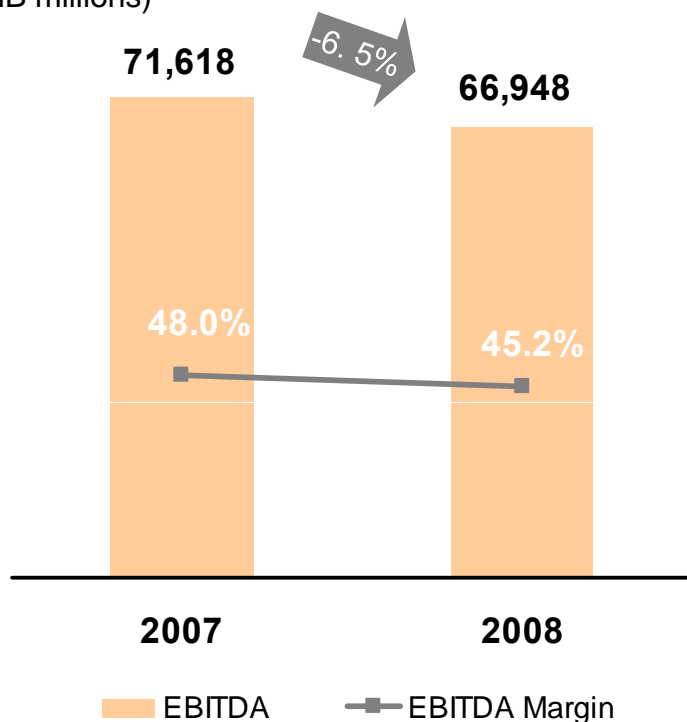
(1) Excludes PHS asset impairment loss of RMB11.837 billion in 2008 and excludes one-off tax refund of RMB4.001 billion and convertible bond fair value change of RMB569 million in 2007

Continuing Operations

Adjusted EBITDA and profit before tax

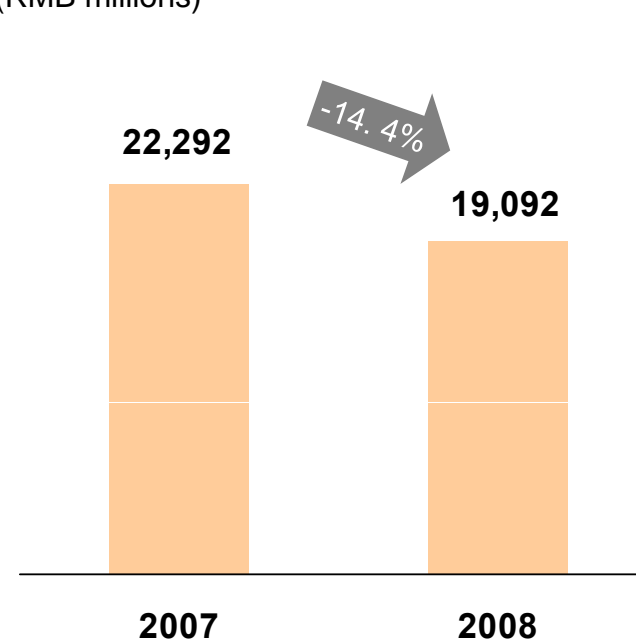
Adjusted EBITDA⁽¹⁾

(RMB millions)



Adjusted Profit Before Tax⁽¹⁾

(RMB millions)



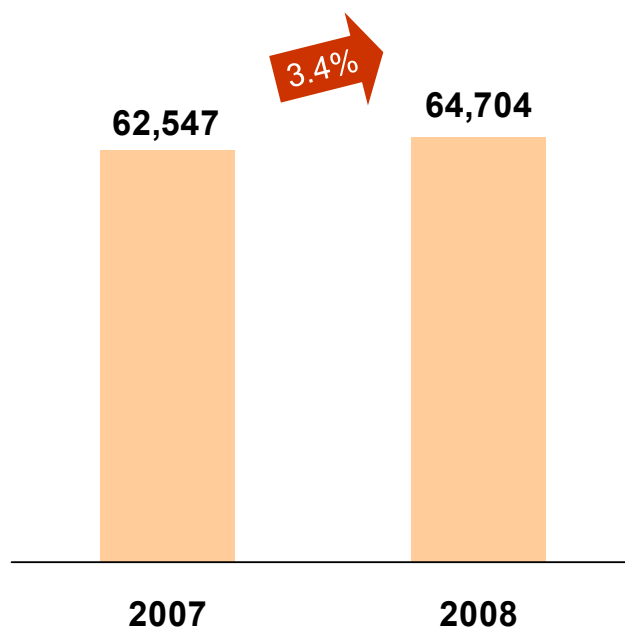
(1) Excludes PHS asset impairment loss of RMB11.837 billion in 2008 and excludes tax refund of RMB 4.001 billion and convertible bond fair value change of RMB569 million in 2007

Continuing Operations

Mobile business revenue

Service Revenue

(RMB millions)



(RMB millions)	2008	Change
External Revenue	65,254	4.3%
Service Revenue	64,704	3.4%
Usage fee	34,084	-2.9%
Monthly fee	6,378	-8.4%
VAS	16,263	20.2%
Interconnection	6,860	17.2%
Others	1,119	2.6%
Sales of telecom products	550	4676%
Intersegment revenue	157	-9.2%
Operating Revenue	65,411	4.3%

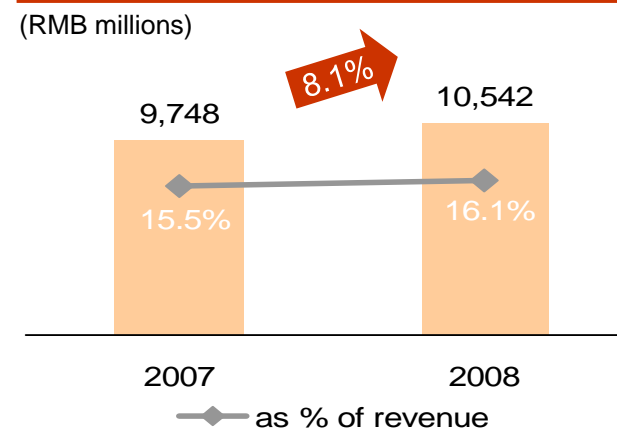
Continuing Operations

Mobile business operating expenses and profit

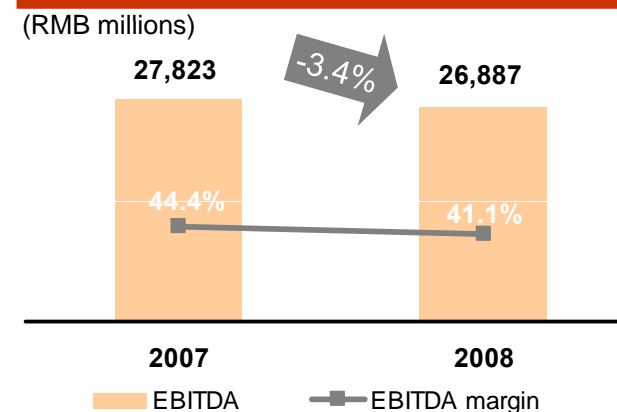


(RMB millions)	2008	Change
Expenses	56,716	5.9%
Operating expenses	57,310	6.2%
Service expenses	56,410	5.0%
Interconnection	10,753	7.3%
Net. operation & support	6,658	6.4%
Personnel	5,137	14.2%
Sales & marketing	10,542	8.1%
G&A and others	4,534	9.1%
Deprec. & amortization	18,786	-1.4%
Cost of telecom prod. sold	900	293%
Net finance costs	-484	101%
Net other income (expenses)	-110	-17.2%
Adjusted profit before tax	8,695	-5.0%

Sales & Marketing Expenses



EBITDA



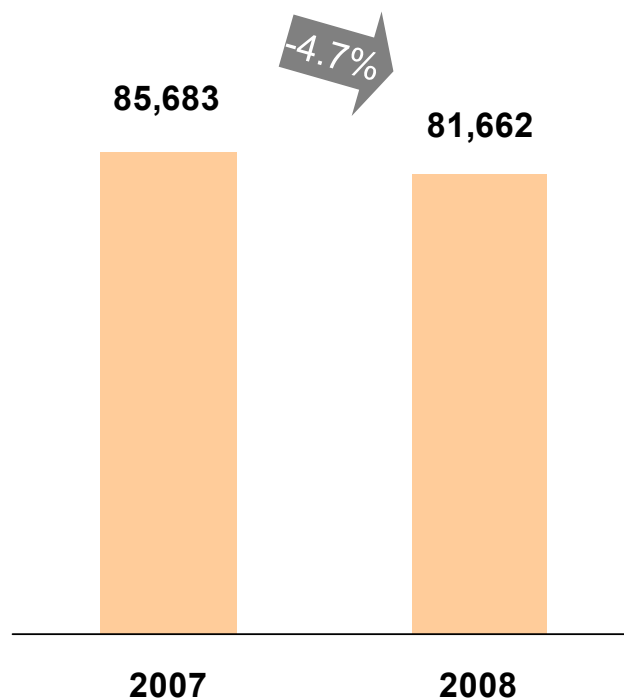
Continuing Operations

Fixed-line business revenue



Service Revenue

(RMB millions)



(RMB millions)	2008	Change
Revenue	82,766	-4.4%
Service revenue	81,662	-4.7%
Local voice	28,455	-15.5%
Long distance	10,051	-15.2%
Interconnection	7,500	-5.2%
Value-added services	6,591	-2.5%
Broadband	18,114	26.9%
Data communications	7,057	16.8%
Others	3,894	-25.0%
Sales of telecom products	1,104	19.0%
Intersegment revenue	3,314	-11.0%
Operating Revenue	86,080	-4.7%

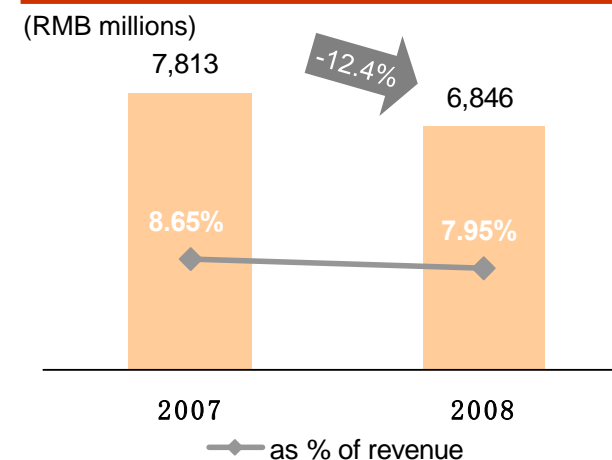
Continuing Operations

Fixed-line business operating expenses and profit

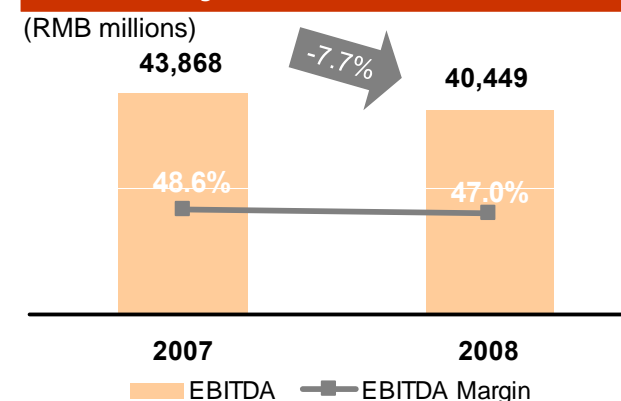


(RMB millions)	2008	change
Expenses⁽¹⁾	75,166	-2.5%
Operating expenses	74,523	-0.4%
Service expenses	73,356	-0.6%
Interconnection	4,603	-8.5%
Net. ops. & support	10,038	2.2%
Personnel	13,718	5.6%
Sales & Marketing	6,846	-12.4%
G&A and others	9,259	-5.5%
Depr. & amortization	28,892	2.0%
Cost of telco prod. sold	1,167	16.2%
Net finance costs	2,527	-20.1%
Net other incomes (expenses)	-1,884	120%
Adjusted profit before tax⁽¹⁾	10,914	-17.5%

Sales & Marketing Expenses



Adjusted EBITDA ⁽¹⁾



(1) Excludes PHS asset impairment loss of RMB11.837 billion in 2008 and excludes impact of RMB 1.221 billion from one-off tax refund in 2007

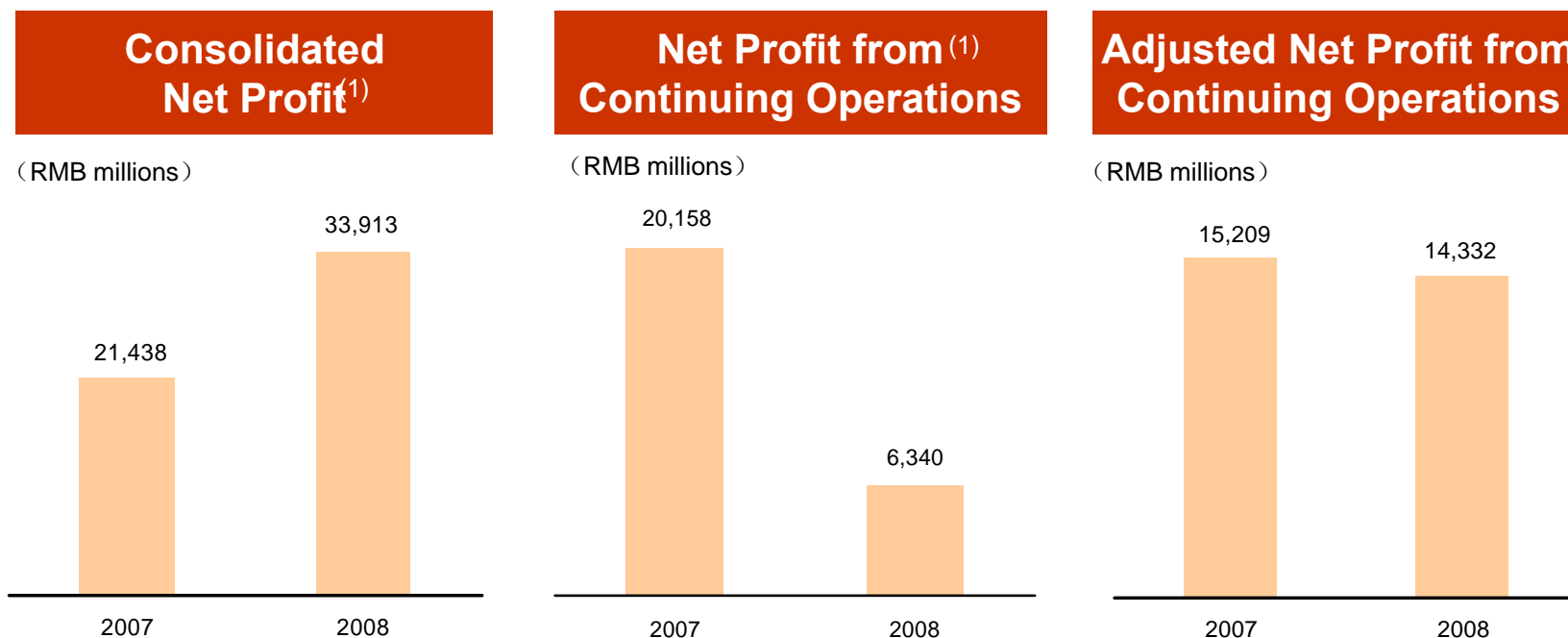
Discontinued Operations Financial Results

2008 CDMA Business Performance

(RMB millions)	2008
Net profit from discontinued operations	27,573
Including: 1-3Q operating net profit	1,438
One-time gain from disposal	26,135

- For first 9 months of 2008, net profit from CDMA business was RMB1.438 billion
- One-time realized gain of RMB 26.135 billion after deducting related asset book value and relevant taxes from total deal transaction price of RMB 43.8 billion

Net Profit



One-off adjustments for net profit from continuing operations

- Excludes asset impairment loss of RMB11.837 billion from PHS and related assets in 2008
- Excludes Re-investment Tax refund of RMB 4.001 billion and convertible bond fair value change of RMB569 million in 2007
- Excludes fixed-line deferred upfront connection fees of RMB 1.517 billion for 2007 and RMB 886 million for 2008

(1) Includes fixed-line deferred upfront connection fees of RMB 1.517 billion for 2007 and RMB 886 million for 2008

Financial Status

Financial Status

(RMB millions)	2008
Assets	344,924
Liabilities	138,214
Interest-bearing debt	29,993
Net Assets	206,710
Debt to Capital Ratio	12.7%
Net Debt to Capital Ratio	8.8%
Asset Liability Ratio	40.1%
Operating Cash Flow from Continuing Operations	62,010

Note: Operating cash flow from continuing operations equals net profit plus depreciation and amortization

Improved Financial Strength

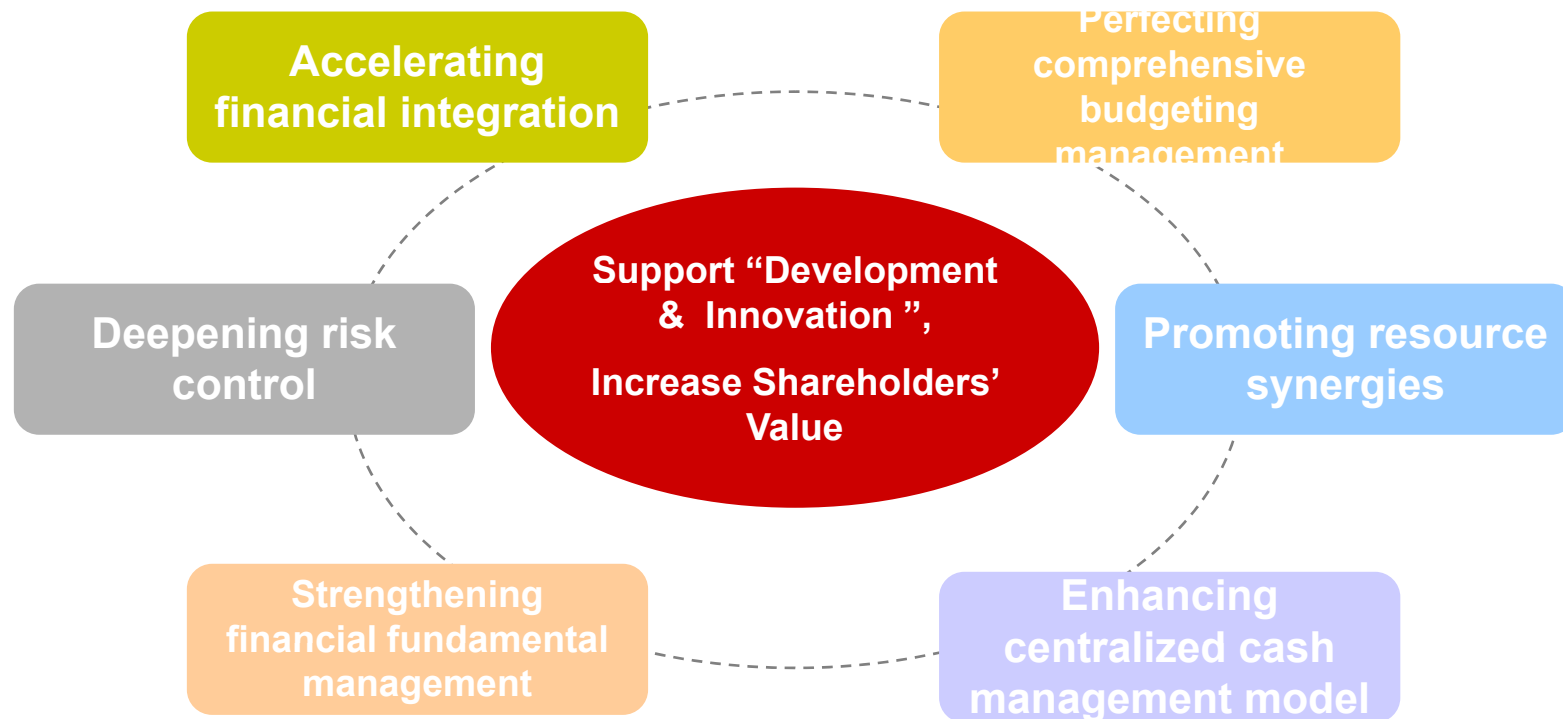
**Debt to
Capital
Ratio**

12.7%

**Operating
Cash Flow
from
Continuing
Operations**

**≈ RMB
62 billion**

Enhance Financial Support and Increase Shareholders' Value





Thank you!

Appendix I: Income Statement

(Continuing Operations)



(RMB millions)	2008	2007		2008	2007
Revenue:			Including: Sales & Marketing	(17,384)	(17,561)
Service Revenue	147,252	149,747	Cost of comm. Product sold	(2,067)	(1,233)
including: upfront connection fees	886	1,517	Total Operating Expenses	(128,750)	(124,921)
Sales of Comm. Products	1,654	940	Operating Profit:	20,156	25,766
Total Revenue	148,906	150,687	Net Finance Cost	(2,172)	(2,946)
Operating Expenses:			Asset Impairment Loss	(11,837)	-
Interconnection Charges	(12,011)	(11,214)	Convertible Bond Fair Value Change	-	(569)
Depreciation & Amortization	(47,678)	(47,369)	Net Other Income (Expenses)	1,994	4,990
Network, Operation & Support	(16,577)	(16,022)	Profit Before Tax	8,141	27,241
Personnel Cost	(18,902)	(17,540)	Taxation	(1,801)	(7,083)
G&A and Others	(33,582)	(32,776)	Net Profit	6,340	20,160

Appendix 2: Balance Sheet (selected)

(Continuing Operations)



(RMB millions)	2008	2007		2008	2007
Current Assets:			Current Liabilities		
Bank Balance & Cash	9,238	11,979	Payables & Provisions	65,687	49,312
Short-term Bank Deposit	238	735	Tax Payables	11,304	4,990
Account Receivable, net	8,587	11,014	Short-term Bonds	10,000	20,000
Inventories	1,171	2,815	Short-term Loans	10,780	11,850
Prepayments & Others	2,427	4,314	Advances from Customers	13,374	16,909
Receivables from Domestic Carriers	14,005	816	Total Current Liabilities	125,219	124,046
Total Current Assets:	36,120	32,175	Long-term Liabilities		
Non-current Assets:			Long-term Bank Loans	997	16,086
PPE, net	283,912	276,110	Bonds	7,000	2,000
Prepaid Leasing Payment	7,799	8,063	Deferred Revenue	3,383	5,246
Goodwill, net	2,771	3,144	Total Long-term Liabilities	12,995	31,525
Other Assets	8,996	12,081	Total Liabilities	138,214	155,571
Total Non-current Assets:	308,804	301,912	Shareholders' Equity	206,710	178,516
Total Assets	344,924	334,087	Total Liabilities and Equity	344,924	334,087

Appendix 3: Key Operating Metrics

		2008	2007
GSM Business	Subscribers ('000)	133,365	120,564
	ARPU (RMB) ⁽¹⁾	42.3	45.7
	Usage (Billion minutes)	377	341
	MOU (minutes) ⁽¹⁾	246.4	249.7
	Voice Revenue per Minute (RMB)	0.126	0.140
Fixed-line Local Access	Subscribers ('000)	100,146	110,820
	Including: Fixed Lines	78,295	84,631
	PHS	21,851	26,189
	ARPU (RMB) ⁽¹⁾	34.8	38.1
	Including: Fixed Lines	38.2	41.4
	PHS	23.6	27.7
	Local voice usage (million pulses)	187,836	202,547
Long distance usage (million minutes)	25,886	29,141	
Fixed-line Broadband	Subscribers ('000)	25,416	19,768
	ARPU (RMB) ⁽¹⁾	65.2	69.5

(1) Average number of subscribers for a period = sum of all monthly average number of subscribers in the period divided by total number of months in the period; monthly average number of subscribers for a given month = (the number of subscribers at the end of previous month + the number of subscribers at the end of the given month) / 2; The 2007 ARPU & MOU figures in this presentation has been restated accordingly

Forward-looking Statements



Certain statements contained in this announcement may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended). Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. These risks, uncertainties and other factors include: the uncertainties in the development of telecommunication industry and technology in the PRC; future growth of the market demand for telecommunication services; changes in the competitive environment, regulatory environment and the PRC government’s regulatory and/or industry policy, the effects of tariff reduction initiatives; the availability, terms and deployment of capital; changes in assumptions upon which the Company has prepared its projected financial information and capital expenditure plans; the effect of the Company’s proposed adjustment in its business strategies relating to the PHS business; changes in political, economic, legal and social conditions in the PRC; the potential continued slowdown of economic activities at home and abroad, and other factors that will affect the execution of our business plans and strategies as well as our business condition and financial results.