



China
unicom 中国联通

2010

Annual Results
29 March 2011



www.chinaunicom.com.hk

Management

Mr. Chang Xiaobing
Chairman & CEO

Mr. Lu Yimin
Executive Director & President

Mr. Tong Jilu
Executive Director & CFO

Agenda

● Overall Performance

● Operating Performance

● Financial Results

Overall Performance

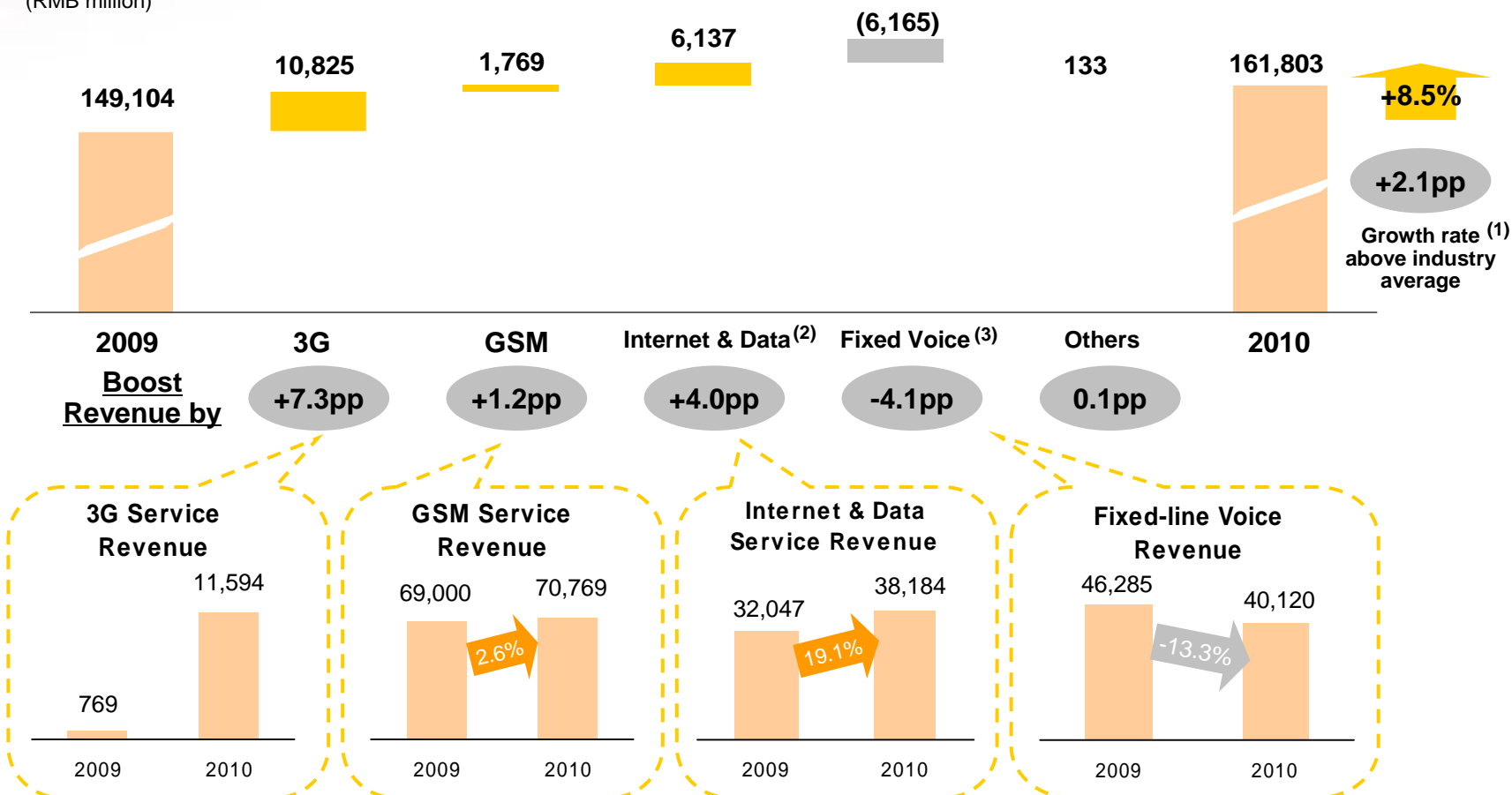
(RMB million)	2010	2009	Change
Operating Revenue⁽¹⁾	171,105	153,456	11.5%
of which: Mobile	89,550	71,991	24.4%
Fixed-line	79,863	80,864	-1.2%
Service Revenue⁽²⁾	161,803	149,104	8.5%
of which: Mobile	82,362	69,769	18.0%
Fixed-line	78,704	79,059	-0.4%
EBITDA⁽³⁾	59,398	58,117	2.2%
Net Profit	3,851	9,556	-59.7%
Adjusted Net Profit⁽³⁾	3,658	8,137	-55.0%
EPS (RMB)	0.163	0.402	-59.4%
DPS (RMB)	0.08	0.16	-

- (1) Operating revenue from company external sources, total operating revenue not equals to the sum of mobile and fixed-line operating revenue due to non-allocated revenue items; excludes the effects of deferred fixed-line upfront connection fees (192 million in 2010, 490 million in 2009)
- (2) Excludes the effects of deferred fixed-line upfront connection fees; except otherwise, the service revenue used in this document refers to the adjusted service revenue and service revenue refers to the telecommunication service revenue;
- (3) Excludes the effects of deferred fixed-line upfront connection fees and the realized gain of 1.24 billion on changes in fair value of derivative financial instrument in 2H2009

Fast Growing Revenues

Revenue growth faster than industry average ⁽¹⁾

(RMB million)



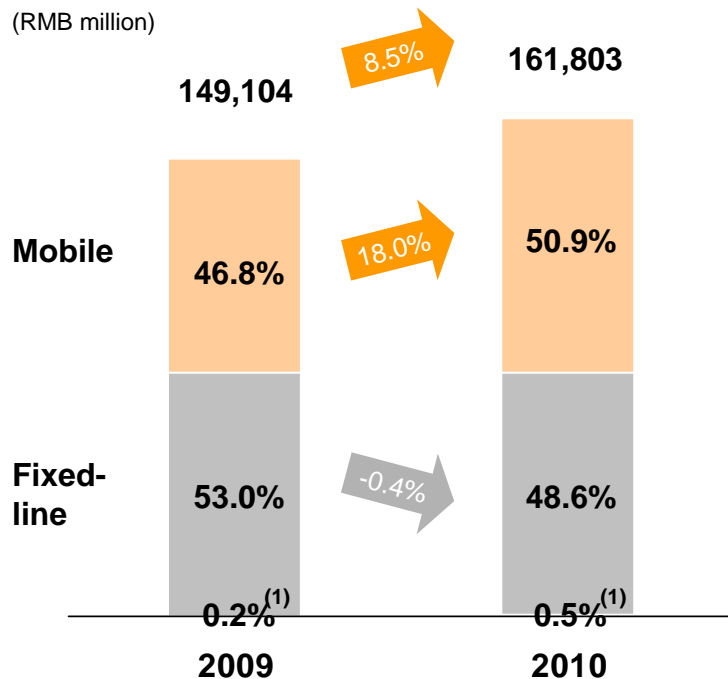
- (1) Industry revenue growth rate was based on MIIT reported 2010 telecom revenue growth rate of 6.4% yoy
 (2) Includes broadband, data communications and other Internet businesses
 (3) Includes local voice, long distance, fixed-line value added services and interconnection revenues

Revenue Structure Continued to Optimize

- Mobile service revenue surpassed fixed-line service revenue for the first time
- Fixed-line non-voice revenue surpassed fixed-line voice revenue also for the first time

Service Revenue and Structure

(RMB million)

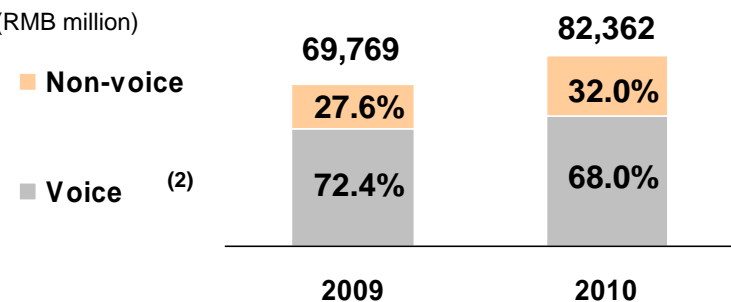


(1) Non-allocated revenue

(2) Includes revenue from fixed-line voice, monthly rental and interconnections

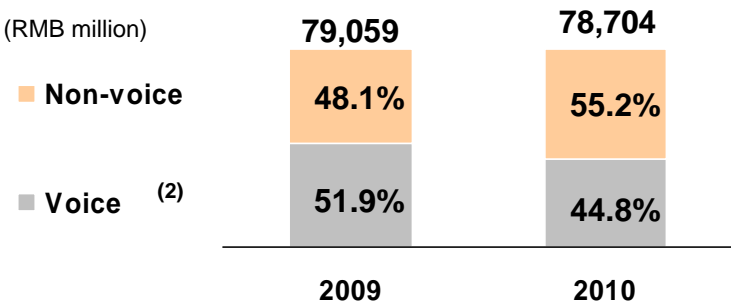
Mobile Service Revenue

(RMB million)



Fixed-line Service Revenue

(RMB million)



3G Business Showing Scale of Growth

Actively adapted to market changes

Continued to optimize marketing policies:

- Adhered to the “six-unified” marketing policy
- Gradually expanded the target user groups

Improved channel sales capabilities:

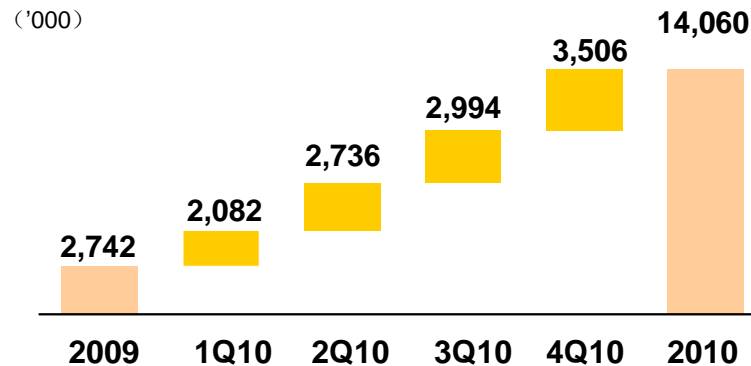
- Sped up e-channel development
- Breakthrough in cooperation with mainstream channels

Leveraged on handset industry chain advantages:

- Smartphone portfolio that adapts to all level of user spending power
- Rational use of subsidies to boost contract-user growth

(1) Percentage for the year of 2010
(2) Average Quarter over Quarter growth rate

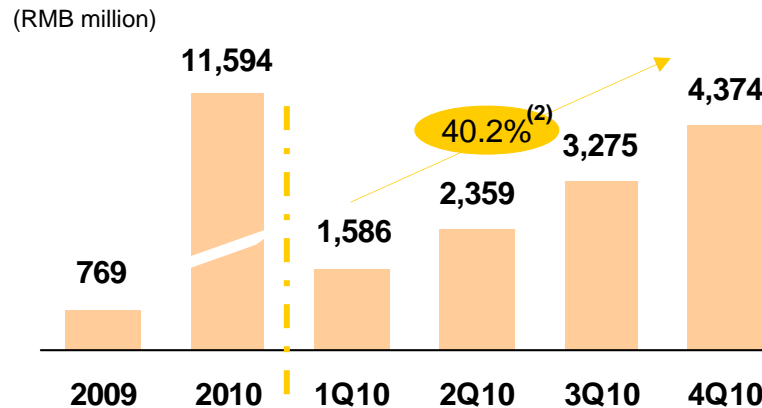
Subscriber Growing Rapidly



As % of ⁽¹⁾
mobile subs

8.4%

Revenue Growth Accelerated QoQ



As % of mobile ⁽¹⁾
service revenue

14.1%

Network Capabilities Continued to Improve

Enhanced the network capacity, to provide assurance for sustained growth

Continued to build 3G network excellence

# of BTS	183K +70.8%
# of Carrier Sectors	547K +67.0%
Network Coverage	All county&above-level cities & developed townships in the East
International Roaming Coverage	101 countries & regions, 207 operators

Improved 2G network coverage

# of BTS	329K +15.5%
# of Carrier Sectors	1614K +14.3%
Network Coverage	Basically covered all towns and major administrative villages
GPRS Intl' Roaming Coverage	176 countries & regions, 371 operators

Advanced broadband network speed upgrade

# of BB Access Ports	65.83 million +29.3%
% of Ports with >=20M capability	38%
Over 25 million households with >=20Mbps broadband access capabilities	

Further Promoted the Management Reform

Innovated Institutional Mechanism

Org. Structure

- Integrated market operations for the public and corporate customers
- Integrated network deployment and maintenance
- Integrated product innovation platform

Resource Allocation

- Established a full cost assessment system for local operating units
- Further centralized capital management

Incentive Mechanism

- Optimized performance evaluation system
- More dynamic compensation mechanism

Improved Operational Efficiency

Operational Model

- Product Innovation
- Terminal Innovation
- Channel cooperation and innovation

IT Support

- A nationwide system of electronic sales and service (ESS)
- Nationwide implementation of the ERP core system
- Promoted construction of centralized databases

Customer Cares

- 3G exclusive cares
- “Continuous Service Quality Improvement Program”

Outlook

Follow Industry Trends...

New technologies, new services and new industry models are changing the information and communication industry profoundly

Explosive growth in mobile internet

- Global 3G penetration nearly 20%; of which 90% in Japan and South Korea and >30% in Britain, US and France etc.
- Global mobile data traffic surpassed mobile voice traffic in 2009
- Smart terminal shipments in 4Q10 surpassed that of PCs for the first time
- The global application downloads broke 10 billion times cumulatively

Emerging new technologies & new services



Fixed-Mobile Convergence (FMC)



Triple-Play Convergence



Internet of Things (M2M)



Cloud Computing

...

Rapid evolution of network technology

Mobile Narrowband
GSM/GPRS/EDGE
384Kbps

Mobile Broadband
WCDMA/HSPA HSPA+
14.4M 21-84M

Ultra Broadband
LTE (B3G)
>100M

Drive telecom operators to accelerate the strategic transformation

Outlook...Accelerate innovation transformation, to be "Innovation and Service Leader for Information Life"

Focus on growth, improve efficiency

Improve
Industry
Position

Leading in
Core
Businesses

Improve
Operational
Efficiency

Excellence in
Customer
Experience

Innovation
Capability
Breakthrough

"Leading 3G & Integrated Innovation Strategy"

Core
Businesses

Achieve 3G leadership to
reverse mobile market position

Strengthen the dominant position in
broadband market to enhance the
value of the fixed-line

Selectively promote FMC

Innovative contents and
applications

Develop network-centric ICT
services

Integrated market operation
Personal+household+business

Centralized
product
innovation
Fixed + Mobile

Integrated
Product
Management
Fixed + Mobile

Integrated
Network
Operations
Fixed+Mobile

Integrated IT
Support
BSS+MSS+ESS

Integrated
Operations

Outlook

Breakthrough in scale in 2011, to increase market share

Scale breakthrough in key businesses, to grow revenue faster

- Accelerate growth in 3G revenue and subscribers
- Continued rapid growth of broadband services
- Promote service convergence, achieve scale in industry vertical applications
- Enrich contents & applications, continue to increase non-voice revenue contribution

Leading customer cares for 3G & broadband services, to improve customer perception

- Establish a customer care system that covers all pre-sale, sales and after-sale stages
- Strengthen 3G exclusive customer cares
- Implement broadband commitment services
- Enhance service capabilities at point of contact

Continuously improve operational efficiency, to gradually improve profitability

- Speed up IT system construction, to provide assurance for business and management reforms
- Optimize investment resource allocation
- Implement cost assessment mgmt. for local operating units, to optimize the cost allocation

Promote innovation in system & mechanism, to enhance team dynamics

- Optimize organization and human resources allocation
- Improve employee career development
- Improve and strengthen performance evaluation system and compensation incentive mechanism

Innovation & Service Leader for
Information Life

Agenda

● Overall Performance

● **Operating Performance**

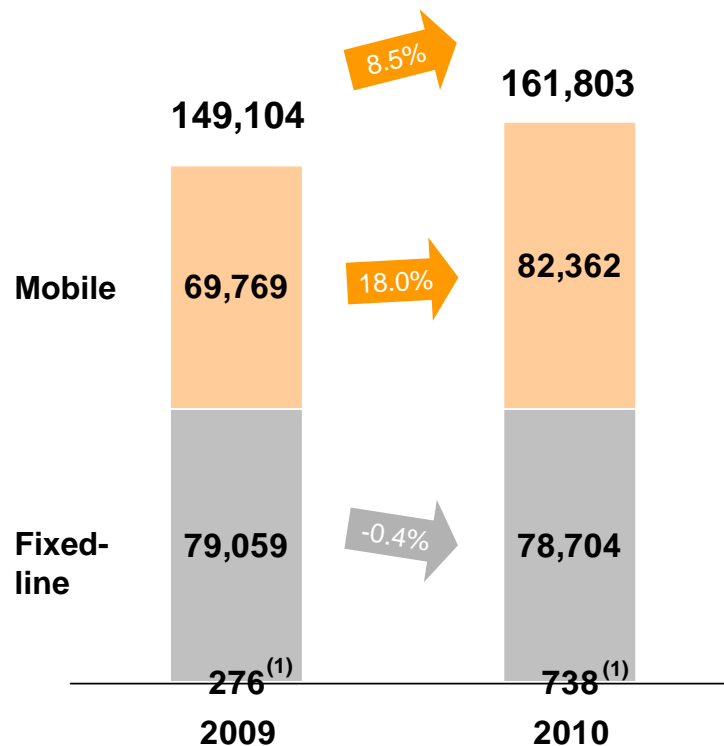
● Financial Results

Overall Business Performance

	Key Metrics	2010	2009	YoY%
Mobile	Subscribers ('000)	167,426	147,587	13.4%
	Including: GSM	153,366	144,845	5.9%
	3G	14,060	2,742	-
	ARPU (RMB)	43.7	41.6	5.0%
	Including: GSM	39.5	41.2	-4.2%
	3G	124.0	141.7	-
Fixed-line	Subscribers ('000)	96,635	102,822	-6.0%
	Including: Fixed lines	83,212	84,080	-1.0%
	PHS	13,423	18,742	-28.4%
	ARPU (RMB)	28.9	31.4	-8.2%
Broad band	Subscribers ('000)	47,224	38,550	22.5%
	ARPU (RMB)	57.1	57.2	-0.2%

Telecom. Service Revenue

(RMB million)



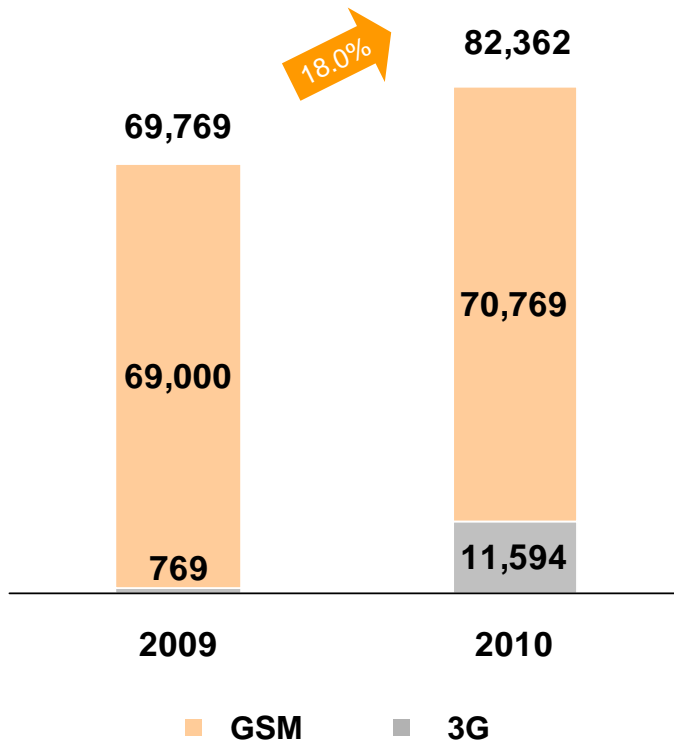
(1) Non-allocated revenue

Mobile Business

Revenue grew rapidly, with optimized customer mix

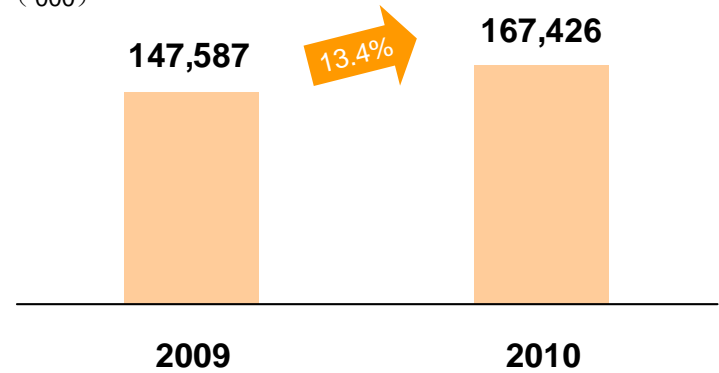
Mobile Service Revenue

(RMB million)



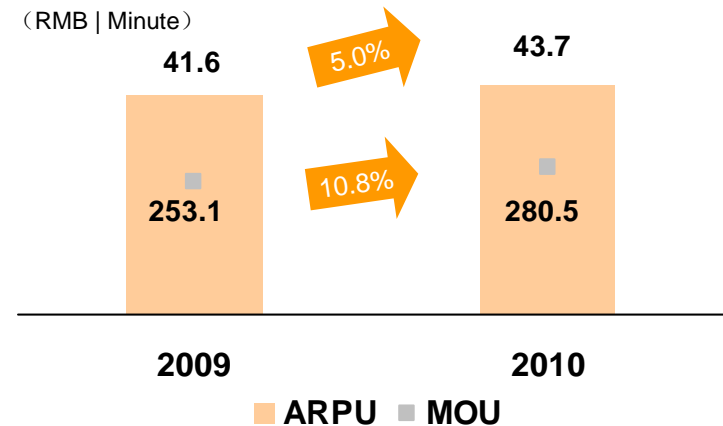
Mobile Subscribers

('000)



Mobile ARPU & MOU

(RMB | Minute)

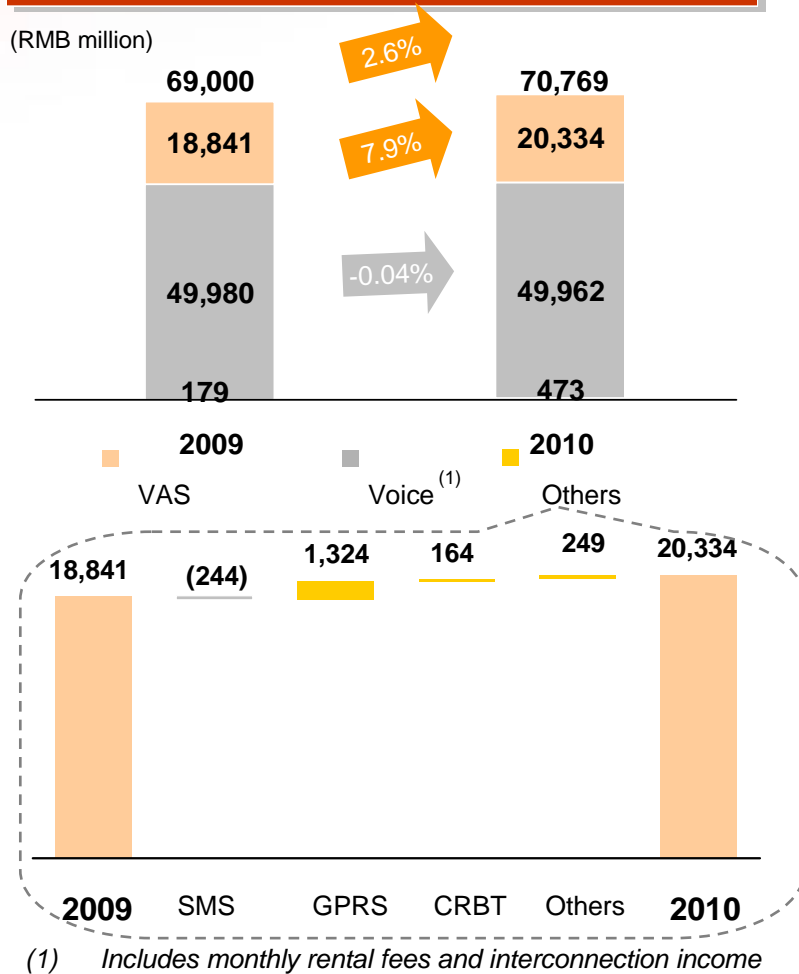


Mobile Business

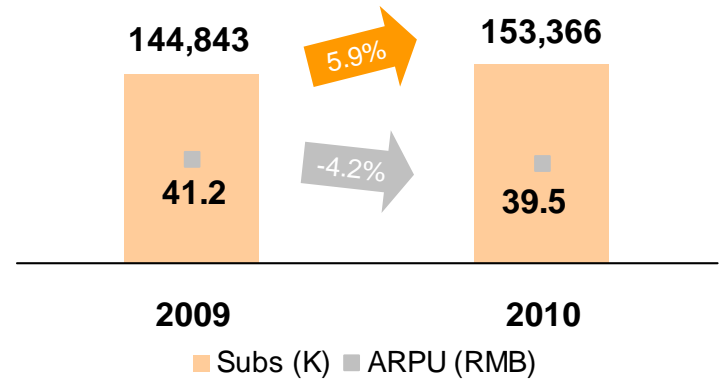
GSM business remained stable

GSM Service Revenue

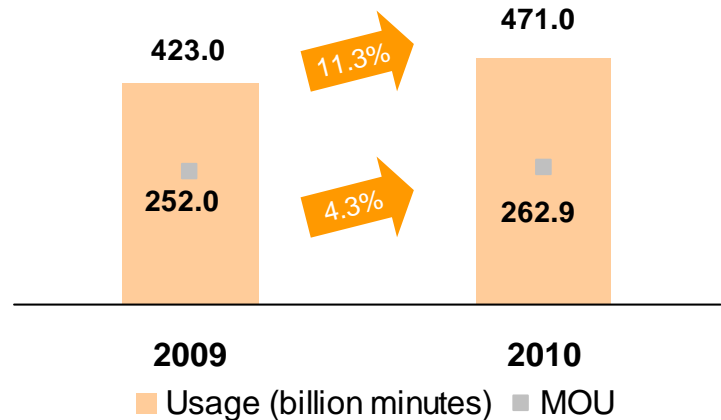
(RMB million)



GSM Subscriber & ARPU



GSM Usage & MOU

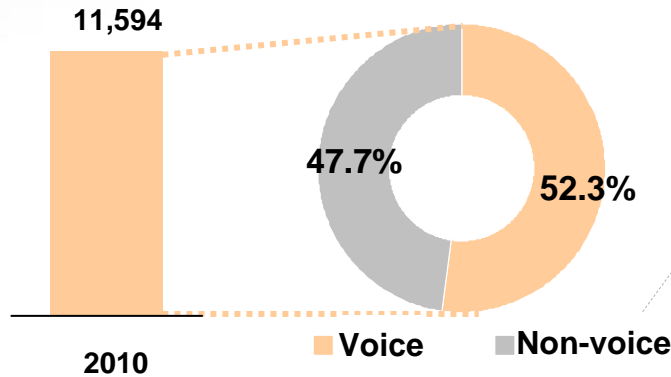


Mobile Business

Rapid growth of 3G services, consuming habit of data services gradually forming

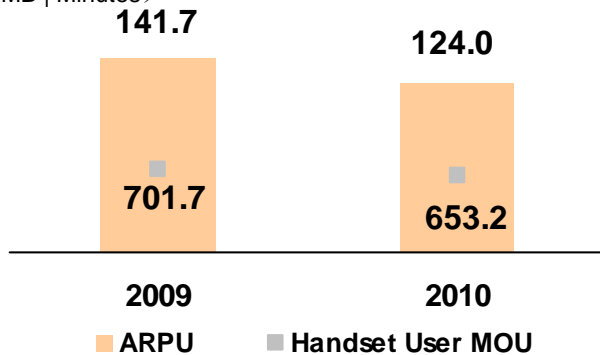
3G Service Revenue Mix

(RMB million)



3G Subscriber ARPU & MOU

(RMB | Minutes)



Mobile Internet Services



Penetration
43%

Mobile Music



120 channels
Penetration 20%

Mobile Video



~10 million
subs

Mobile Reading



Penetration
17%

Mobile Mailbox



WO Store



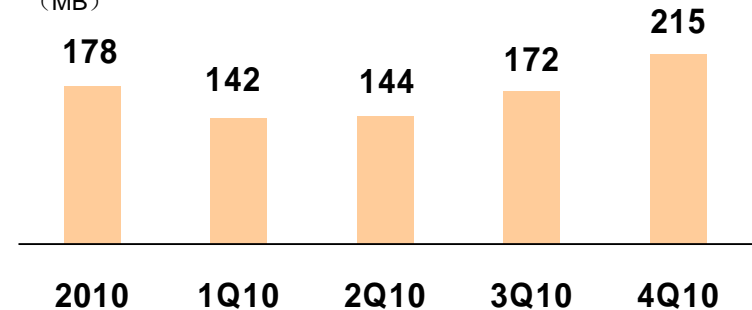
Mobile
Payment



Community
Services

Avg. 3G data usage/user/month

(MB)



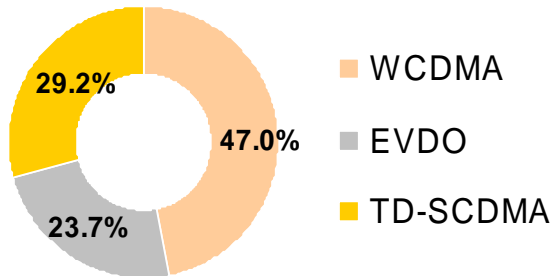
Mobile Business

Enriched terminals to meet the needs of customers with different spending power

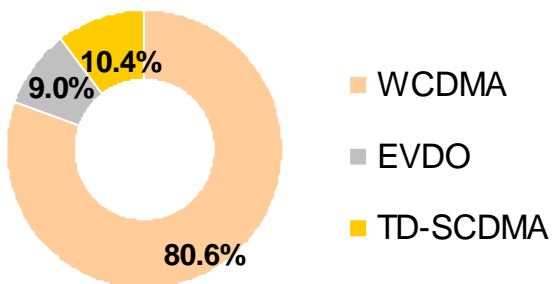
Fully Leveraged on WCDMA Industry Chain Advantage

- WCDMA handset shipments had nearly 50% market share in 2010, of which WCDMA smart phone shipments had more than 80% market share

Handset shipment market share in China⁽¹⁾



Smartphone shipment market share in China⁽¹⁾



(1) Source: Sino market research, data based on 2010 full year numbers

Terminals Covering All Price Range

- >100 customized 3G terminal models launched in 2010, of which >50 models are smart phones

Strategic Terminal Line-up



- Plan to further enrich the Strategic Terminal Line-up, and launch >80 customized models in 2011

Mobile Business

Channel sales capability improved quickly

Established cooperation with mainstream 3rd party channels

3G self-owned outlets

>18K

e-channel monthly transaction (RMB billion)

>1.5

3G 3rd party channels

>90k

3G net-adds via 3rd party channels as % of total

>40%

Strategic Partnerships

National

SUNING
苏宁电器

GOME
国美电器

五星电器

Regional

话机世界
TELEPHONE WORLD

Online

360buy.com

Continued Channel Transformation

Self-owned outlet

- Accelerated transformation of self-owned channels to improve performance
- Unified "management, sales model, incentive mechanism, and system support"

3rd party channel

- Expanded cooperation with national chain stores
- Increased efforts to expand regional quality channels
- Established a framework for channel management and control system

Online e-channel

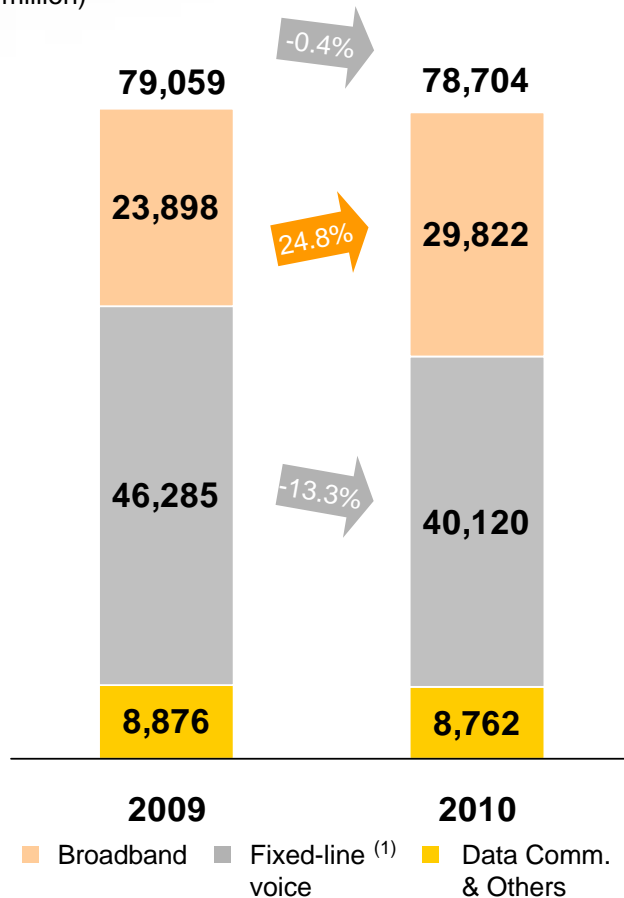
- Increased the scale of e-channel sales
- Increased cooperation with leading e-shopping malls
- Increased user penetration

Fixed-line Business

Broadband business kept growing rapidly, while the decline of fixed-line voice slowed down

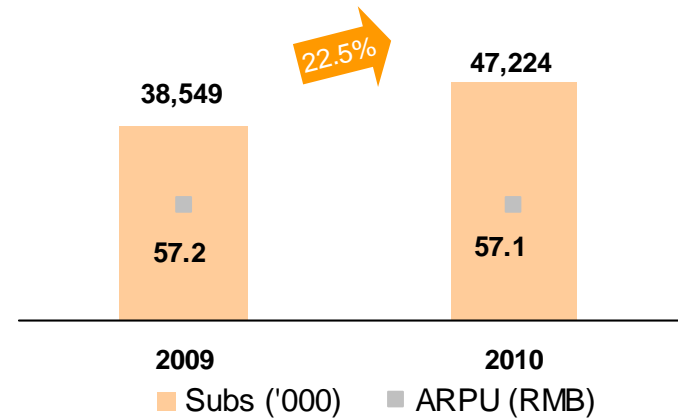
Fixed-line Service Revenue

(RMB million)

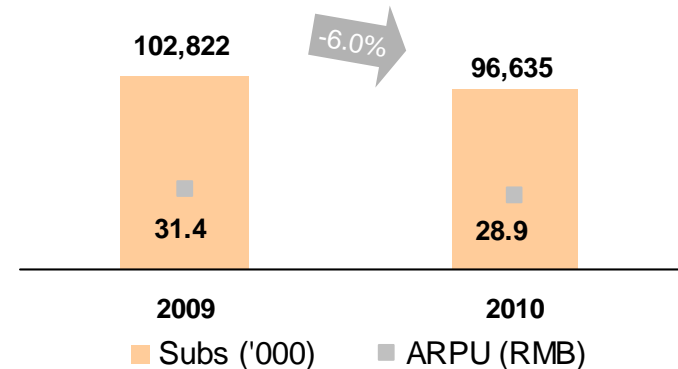


(1) Includes local voice, long distance, fixed-line VAS & interconnection revenues

Broadband Subs & ARPU



Local Access Subs & ARPU



Converged Business

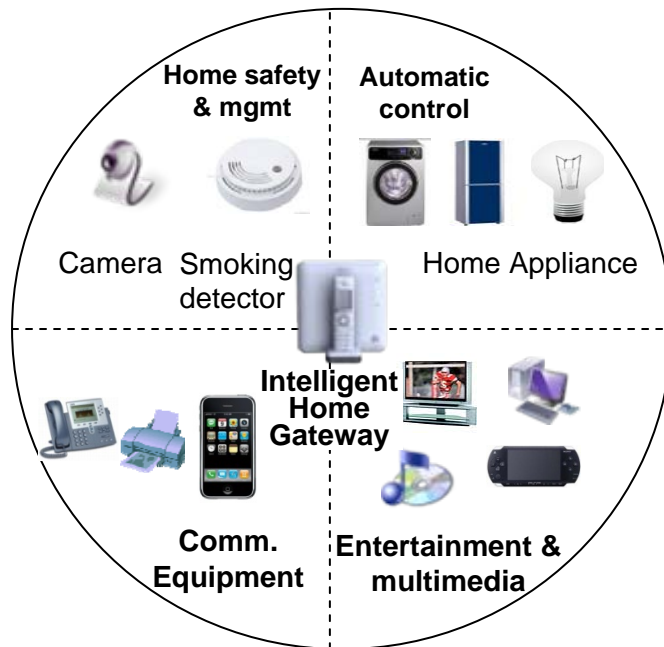
Launched “WO Family”, to enhance the value of Fixed-line



- Promoted service bundles with shared minutes & unified billing, bundled users grew rapidly



Provide integrated broadband/3G-based digital home life experience



- Accelerate increase of “WO Family ” penetration rate among broadband subscribers
- Integrated marketing with mobile/broadband /WLAN services
- Vigorously push for the “Three Network Convergence ”
- Actively promote the home video business
- Promote the rapid growth of broadband business, slow down the decline of fixed-line voice business, to enhance the value of fixed-line business

Converged Business

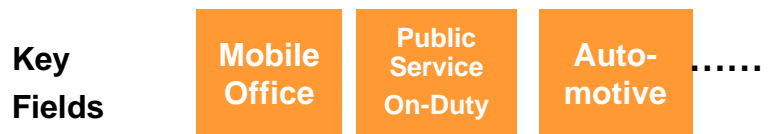
Initial differentiation advantage emerging in vertical applications

2010 Application breakthrough in Key Verticals

- Mobile subscribers from corporate accounts increased by 50.3% yoy



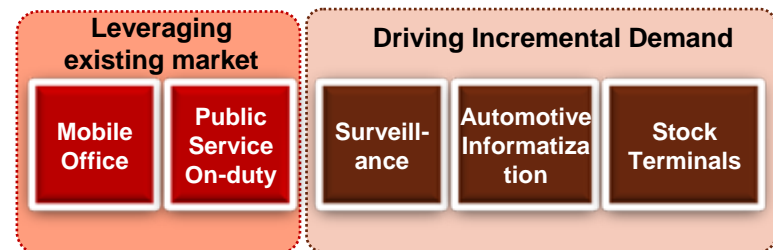
Developed 22 vertical application products



2011 Scale Development

- Leverage on existing market, promote the scale deployment of Mobile Office, and Public Service On-Duty products
- Drive incremental market, develop the scale take-up of Surveillance, Automotive Informatization & Stock Terminals products
- Promote SME-oriented information technology application solutions
- Further enhance global networking capability

Create 5 application products with a million users each



Build quality broadband network, lay the foundation for sustained healthy growth

CAPEX

RMB Billion	2010	2011 Plan	2011 As % of total
Mobile Networks	23.17	22.88	31%
Of which: 3G	15.66	19.47	26%
2G	7.51	3.41	5%
Broadband & Data	22.45	18.75	25%
Fixed-line	0.83	0.74	10%
Infrastructure & Transport Networks	16.96	19.48	26%
VAS Platforms	1.30	3.62	5%
IT Systems	3.71	5.76	8%
Others	1.77	2.57	3%
Total CAPEX	70.19	73.80	100%

Mobile Networks

- 3G Quality ↑ + Improve 2G Coverage ↑ + WLAN ↑
- Upgrade to HSPA+ in 56 key cities in 2011



Uplink • 5.76M • 5.76M • 11.6-20M • >50M
 Downlink • 14.4M • 21M • 42-84M • >100M

Fixed-line Broadband Networks

- Increase the deployment of optical access network and continue to push for broadband network speed upgrade
- Enable ~40 million households with >20M broadband access capability in 2011

Overall improvement in service levels and customer perception



Customer perception and brand image continuously improving



(1) 2010 customer satisfaction survey by Ministry of Industry and Information Technologies (MIIT)

Agenda

● Overall Performance

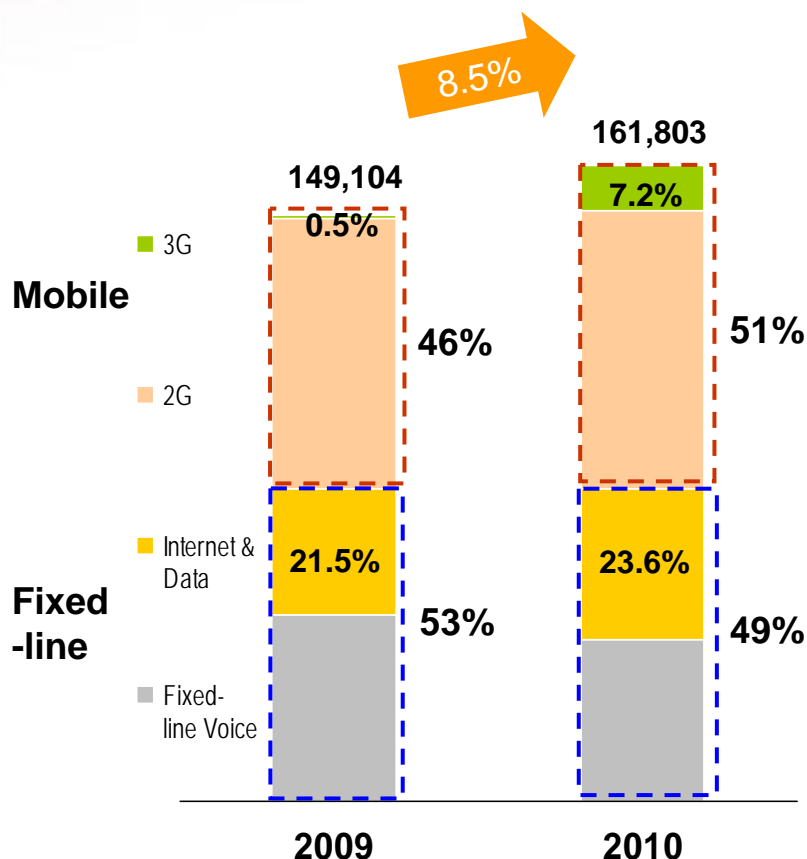
● Operating Performance

● **Financial Results**

Revenues

Service Revenue & Breakdown⁽¹⁾

(RMB million)



Revenue & Growth

(RMB million)

	2010	同比 %
Operating Rev.	171,298	11.3%
Of which:		
Mobile ⁽¹⁾	89,550	24.4%
Fixed-line ⁽¹⁾	80,056	-1.6%
Service Rev.⁽²⁾	161,803	8.5%
Of which:		
Mobile ⁽¹⁾	82,362	18.0%
Fixed-line ⁽¹⁾	78,704	-0.4%
Of which:		
3G	11,594	1408%
2G	70,769	2.6%
Internet & Data	38,184	19.1%
Fixed-line Voice ⁽³⁾	40,120	-13.3%

(1) Operating revenue from company external sources, total operating revenue not equals to the sum of mobile and fixed-line operating revenue due to non-allocated revenue items;

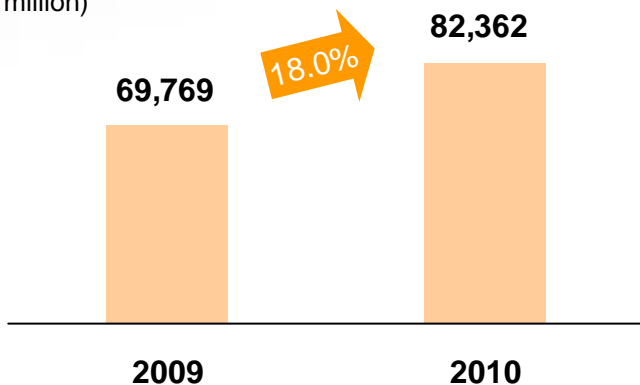
(2) Excludes the effects of deferred fixed-line upfront connection fees (192 million in 2010, 490 million in 2009)

(3) Includes local voice, long distance, fixed-line VAS and interconnection revenues

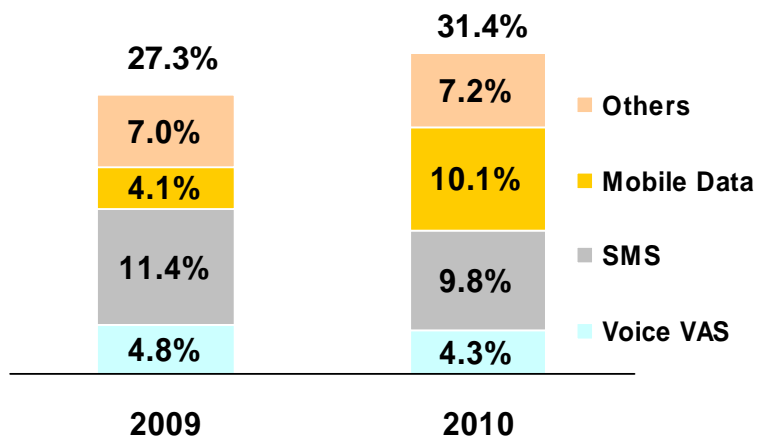
Mobile Revenues

Mobile Service Revenue

(RMB million)



VAS as % of Mobile Service Revenue



(RMB million)

Operating Revenue

Service Revenue*

Usage & monthly rental fee

VAS

Interconnection

Others

Sales of telco products

Of which: *2G

*3G

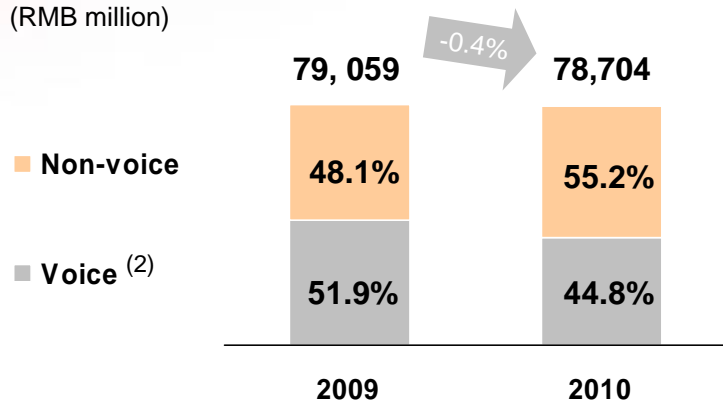
	2010	YoY%
Operating Revenue	89,550	24.4%
Service Revenue*	82,362	18.0%
Usage & monthly rental fee	47,004	11.1%
VAS	25,852	35.6%
Interconnection	9,022	9.8%
Others	484	167.1%
Sales of telco products	7,173	264.1%
Of which: *2G	70,769	2.6%
*3G	11,594	1408%

* Telecommunication service revenue

Fixed-line Revenues

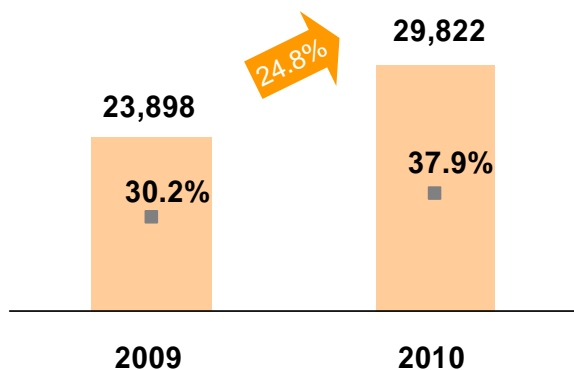
Fixed-line Service Revenue ⁽¹⁾

(RMB million)



Broadband Service Revenue

(RMB million)



■ as % of Fixed-line Revenue

(2) Includes voice and interconnection revenues

(RMB million)

Operating Revenue

Service Revenue ⁽¹⁾

Voice

Interconnection

Voice VAS

Broadband

Data & other

Others

Sales of telco prod.

2010

YoY%

80,056

-1.6%

78,704

-0.4%

30,017

-15.3%

5,243

-6.4%

4,860

-7.2%

29,822

24.8%

8,362

2.8%

400

-45.0%

114

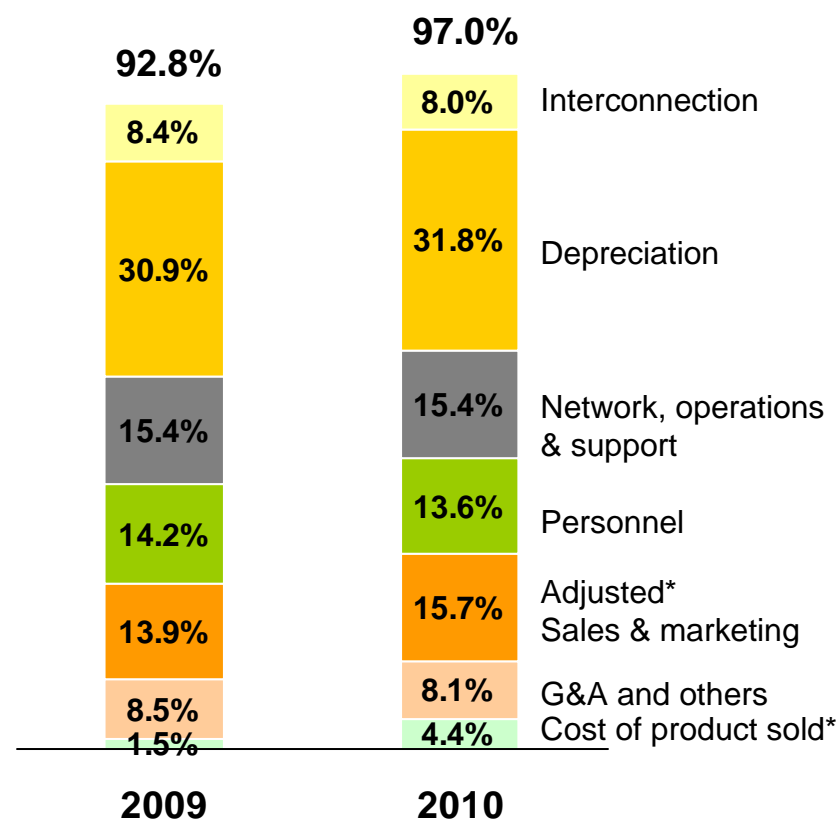
-41.2%

(1) excludes the effects of deferred fixed-line upfront connection fees (192 million in 2010 & 490 million in 2009)

Expenses

(RMB million)	2010	YoY ▲	YoY%
Operating expenses	166,140	+23,212	16.2%
Interconnection charges	13,727	+772	6.0%
Depreciation & amortization	54,433	+6,846	14.4%
Network, operations & support	26,383	+2,655	11.2%
Personnel	23,327	+1,396	6.4%
Adjusted selling & marketing ⁽¹⁾	26,904	+5,534	25.9%
G&A and others	13,848	+832	6.4%
Cost of telecom prod. sold (adjusted) ⁽¹⁾	7,516	+5,177	221.4%
Finance costs	1,607	+662	70.1%
Net other income	(1,221)	-259	26.9%
Total Cost& Expenses	166,525	+23,617	16.5%

Operating Expenses (as % of operating revenue)

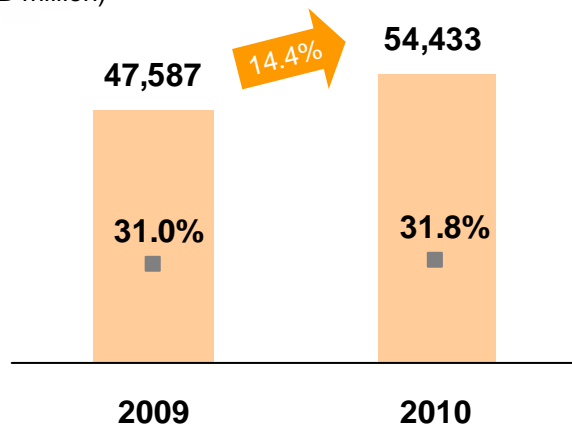


(1) In financial report, the 3G handset subsidy of RMB 3,170 million was recorded in the telecom product sales loss (telecom product revenue – cost of telecom product sold). For analysis purpose, the 3G handset subsidy expense was added to the Selling & Marketing expense and deducted from Cost of telecom product sold as adjusted items.

Analyses of Major Expenses

Depreciation & Amortization

(RMB million)

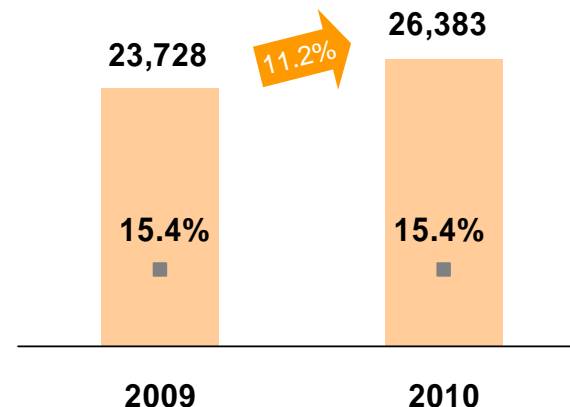


■ As % of operating revenue

- Total D&A increased RMB6.85 billion in 2010 over 2009
- New network assets arisen from continued 3G & broadband investment began depreciation

Network, Operation & Support

(RMB million)

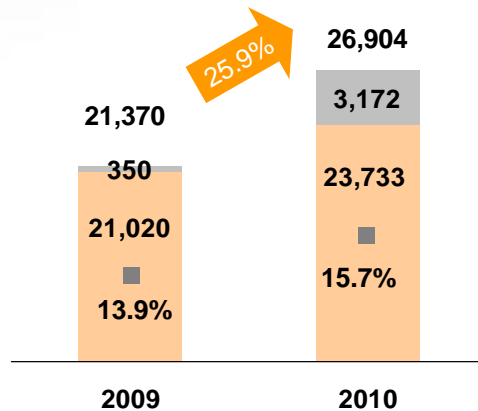


- Network, operation & support cost increased RMB 2.66 billion in 2010
- # of BTS up 31%, # of BB ports up 29% in 2010, increasing network scale led to increase in cost of utilities, fuel & power and site rental

Analyses of Major Expenses

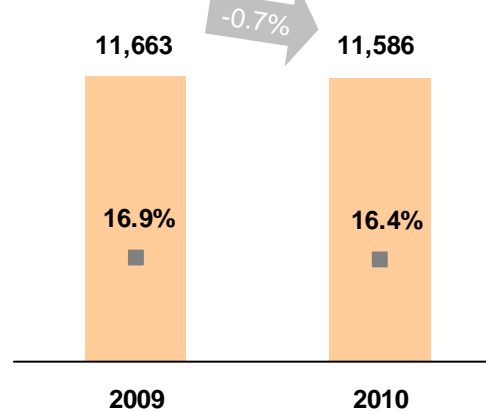
Total S&M +3G subsidy*

(RMB million)



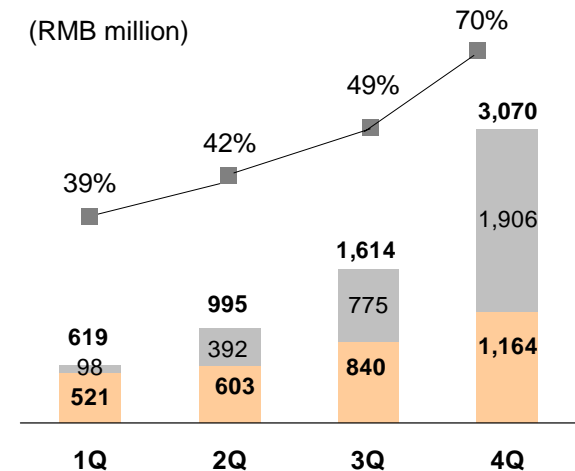
2G S&M Expenses

(RMB million) —■ as % of 2G service rev



3G S&M + 3G subsidy*

(RMB million)



■ as % of operating rev ■ 3G handset subsidy ■ as % of 2G service rev ■ as % of 3G service revenue
 ■ Sales & Marketing expenses

- Total expense increased 25.9% due to increased promotion of 3G & broadband services
- Total expense as % of revenue increased mainly due to 3G handset subsidy

- 2G S&M expense as % of 2G revenue remained stable
- Fixed-line business S&M expense as % of fixed-line revenue was 11.5%, also remained stable from last year

- Adopted "Fair Value Method" based on International Accounting Standards to treat 3G handset subsidy
- Higher 4Q subsidy due to increased iPhone 4 Sales

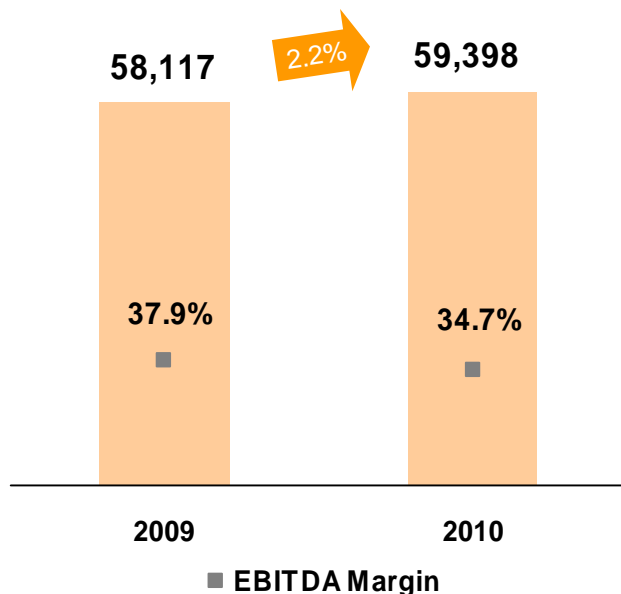
* In financial report, 3G handset subsidy was not included in sales & marketing expense item, but recorded in 3G handset sales loss

EBITDA & Net Profit

- Adjusted EBITDA increased 2.2% yoy as a result of rapid revenue growth
- Pressure on profitability due to increased network scale and 3G business still in its early stage of operation

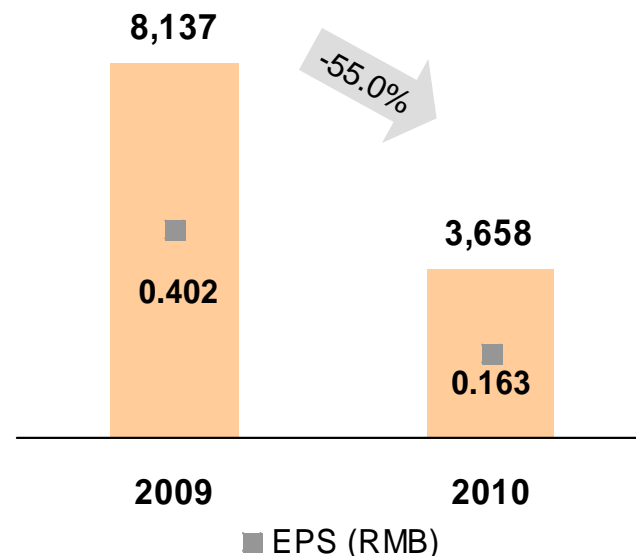
Adjusted EBITDA ⁽¹⁾

(RMB million)



Adjusted Net Profit ⁽¹⁾

(RMB million)



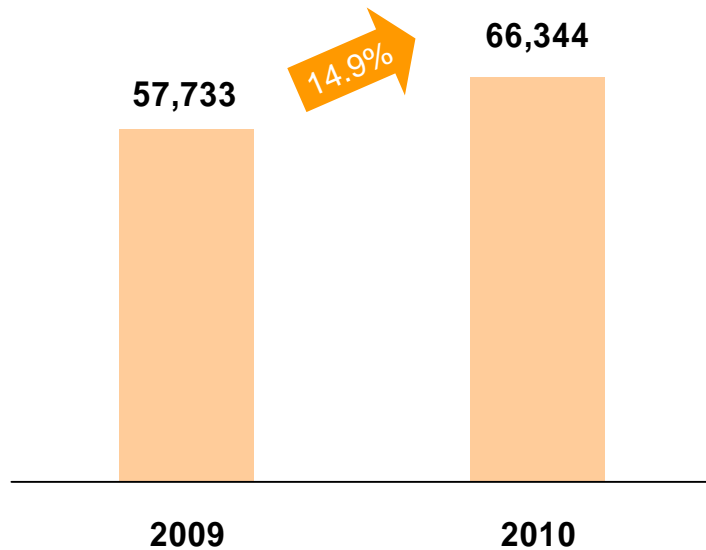
(1) excludes the effects of deferred fixed-line upfront connection fees (192 million in 2010 & 490 million in 2009) and realized gain of 1.239 billion on changes in fair value of derivative financial instrument in 2H2009

Cash Flows

- Operating cash flow grew quickly (up 14.9% yoy) as a result of rapid revenue growth
- Free cash flow significantly improved, from -54.7 billion in 2009 to -3.8 billion in 2010

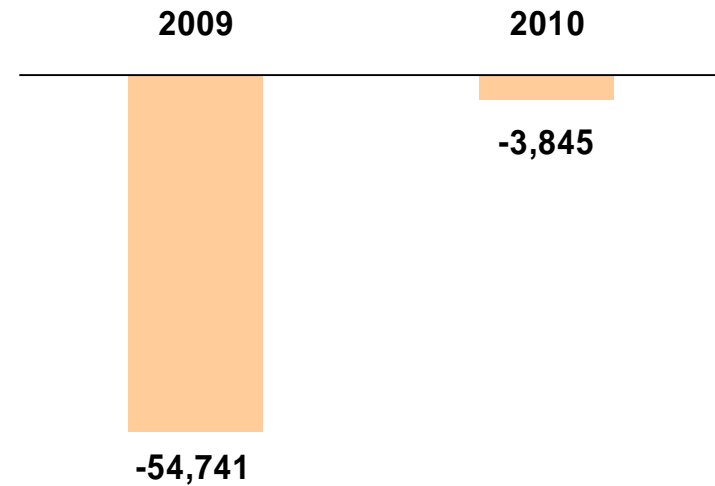
Operating Cash Flow

(RMB million)



Free Cash Flow

(RMB million)



Healthy Balance Sheet

Key Balance Sheet Data

(RMB millions)	2010.12.31	2009.12.31
Assets	441,453	417,045
Cash & bank deposit	22,768	8,816
Liabilities	235,612	210,578
Interest-bearing debt	97,042	74,463
Net Assets	205,841	206,467
Liabilities-to-assets ratio	53.4%	50.5%
Debt-to-capitalization ratio	32.0%	26.5%
Net Debt-to-capitalization ratio	24.6%	23.7%

Prudent Fund Management

- Actively diversifying financing channels, to optimize debt structure and reduce interest expense:
 - ❖ Successfully issued RMB23 billion of commercial paper and RMB15 billion of promissory note in 2010
 - ❖ Issued USD1.8 billion convertible bond in 2H10 with coupon rate of 0.75%
 - ❖ Net financing expense saved 5% (~RMB41 million) in 2H10 compared to 1H10
- In 2010, advance payment from customers increased RMB 9.2 billion over 2009 with total amounting to 28.9 billion, which enabled an effective control of customer credit risk and helped reduce borrowing and interest expenses

Major Business Accounting Treatment

Bundled Package of 3G Telecom Service & Handset

- Adopted “Fair Value Method” accounting treatment based on the following considerations:
 - ❖ China Unicom is listed in the US, HK and Shanghai, the adoption of accounting standards should comply with the relevant requirements of the respective market;
 - ❖ U.S. clearly requires the adoption of Fair Value Method to account for sales of the bundle package, and the U.S. carriers have adopted the Fair Value Method;
 - ❖ The exposure draft relating to revenue recognition under International Accounting Standard explicitly requires the adoption of Fair Value Method to account for the bundled package in the future, and retrospective adjustments are required upon the adoption of the Fair Value Method.
 - ❖ Each deliverable in the bundled package has stand-alone value to the customer. The Fair Value Method better reflects the business substance of 3G bundled package, and can provide more reliable and relevant information to users of the financial statements
- Under Fair Value Method, the total contract consideration of such bundled package is allocated to service revenue and sales of handsets based on their relative fair values. Revenue relating to the sale of the handset is recognized when the title is passed to the customer, whereas service revenues are recognized based upon the actual usage of mobile services. The cost of the mobile handset is expensed immediately to the statement of income upon revenue recognition.

USD 1.8388 Billion Convertible Bond Issue

- The accounting treatment for the bond issue:
 - ❖ Because both the functional currency of the principal issuer Billion Express and the issuing currency of the bond are in U.S. dollars, and the exchange rate of conversion price has been locked off for every \$ 1 US dollar exchanged for 7.7576 Hong Kong dollars, the company under the International / Hong Kong Accounting Standards No. 32 was required to treat the convertible bond as an equity financial instruments, changes in fair value of equity instruments are not recognized in the financial statements;
 - ❖ The convertible bond is regarded as a compound financial instrument, which includes a debt component and an equity component at the same time, and were recorded in the liability and equity section respectively in the balance sheet at initial recognition. The sum of the liability portion and the carrying amount of equity portion is equal to the overall issue value of financial instruments;
 - ❖ The convertible bond coupon rate is 0.75%, but the interest expense for the income statement is calculated based on actual market fair value interest rate of 1.90% per annum

Thank you!

China Unicom (Hong Kong) Limited

29 March 2011

www.chinaunicom.com.hk



Appendix I: Income Statement

(RMB millions)	2010	2009		2010	2009
Revenue:			Including: Sales & Marketing	(23,733)	(21,020)
Service Revenue	161,995	149,593	Cost of comm. Product sold	(10,688)	(2,689)
Other Revenue	2,016	2,189	Total Operating Expenses	(166,139)	(142,924)
Sales of Comm. Products	7,287	2,163	Operating Profit:	5,159	11,021
Total Operating Revenue	171,298	153,945	Finance Cost	(1,749)	(1,036)
Operating Expenses:			Interest Income	142	91
Interconnection Charges	(13,727)	(12,955)	Net Other Income (Expenses)	1,221	962
Depreciation & Amortization	(54,433)	(47,587)	Realized gain on changes in fair value of derivative financial instrument	-	1,239
Network, Operations & Support	(26,383)	(23,728)	Profit Before Tax	4,773	12,277
Personnel Cost	(23,327)	(21,931)	Taxation	(922)	(2,721)
SG&A and Others	(48,269)	(36,723)	Net Profit	3,851	9,556

Appendix II: Balance Sheet (selected)

(RMB millions)	2010.12.31	2009.12.31	(RMB millions)	2010.12.31	2009.12.31
Non-current Assets:			Non-current Liabilities:		
PPE,net	366,060	351,157	Long-term Bank Loans	1462	759
Prepaid Leasing Payment	7,607	7,729	Bonds	22,000	7,000
Deferred Tax Assets	4,840	5,202	Total Non-current Liabilities:	37,375	10,753
Other Assets	11,753	11,596	Current Liabilities:		
Total Non-current Assets:	399,245	386,432	Payables & Provisions	97,659	104,072
Current Assets:			Tax Payables	1,484	912
Inventories	3,728	2,412	Short-term Bonds	23,000	0
Account Receivable, net	9,286	8,825	Short-term Loans	36,727	63,909
Prepayments & Others	5,115	4,252	Advances from Customers	28,906	19,719
Receivables from CDMA Business Disposal	0	5,121	Total Current Liabilities:	198,237	199,825
Cash and Cash Equivalent	22,768	8,816	Total Liabilities	235,612	210,578
Total Current Assets	42,208	30,613	Shareholders' Equity	205,841	206,467
Total Assets	441,453	417,045	Total Liabilities and Equity	441,453	417,045

Appendix III: Key Operating Metrics

		2010	2009
GSM Business	Subscriber ('000)	153,366	144,845
	ARPU (RMB) ⁽¹⁾	39.5	41.2
	MOU (minute) ⁽¹⁾	262.9	252.0
	Voice Revenue per minute (RMB)	0.106	0.118
3G Business	Subscriber ('000)	14,060	2,742
	ARPU (RMB)	124.0	141.7
	Handset Sub MOU (minute)	653.2	701.7
Fixed-line Voice	Subscriber ('000)	96,635	102,822
	of which: Fixed lines	83,212	84,080
	PHS	13,423	18,742
	ARPU (RMB) ⁽¹⁾	28.9	31.4
	Local voice usage (million pulses) (exclude Internet dial-up usage)	155,562	185,539
	Long distance usage (million minutes)	26,787	33,583
Broadband	Subscriber ('000)	47,224	38,550
	ARPU (RMB) ⁽¹⁾	57.1	57.2

(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

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.