

Management



Chang, Xiaobing **Chairman & CEO**

Tong, Jilu **Executive Director & CFO**

Agenda

● 1H2008 Performance

● Update on the Restructuring

- Overview of the Transactions
- Benefits of the Transactions
- Strategies and Prospects of the Enlarged Group

1H2008 Key Financial Results

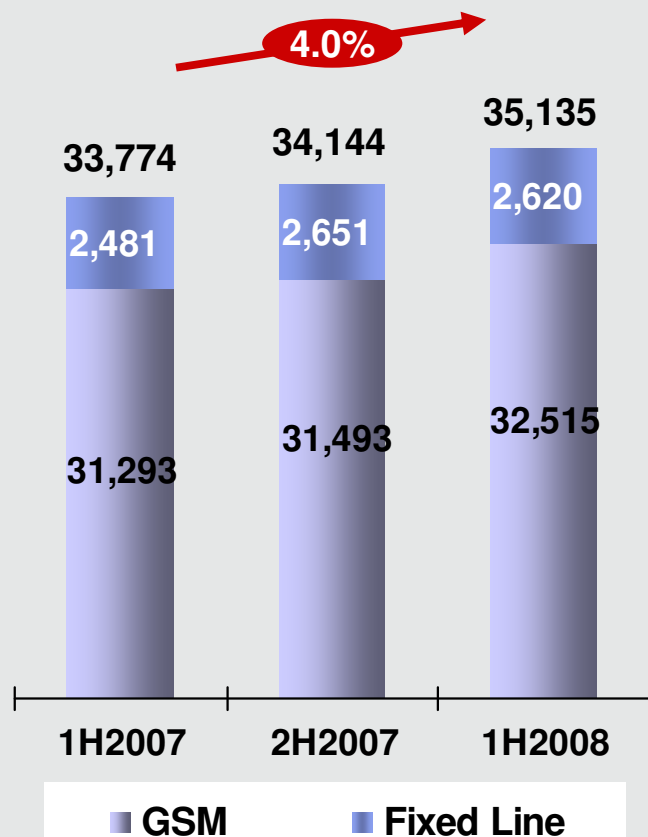
	(RMB millions)	1H2008	YoY Growth**
Continuing Operations	Total Revenue	35,135	↑ 4.0%
	EBITDA	15,881	↓ -0.6%
	Pre-tax Profit	5,131	↑ 1.2%
	Net Profit	3,765	↑ 8.9%
Discontinued Operations*	Net Profit	655	
	Total Net Profit	4,420	
	Basic EPS (RMB)	0.324	

*Unicom plans to sell its CDMA business and is required to report it as discontinued operations by HK financial reporting rules ;

**The compared 1H2007 financial data excluded the one-off item for convertible bond fair value change, and included the Guizhou Province that was acquired in YE2007. The following analyses assumed the same basis.

Continuing Operations Revenue

Revenue (RMB millions)



Revenue Breakdown

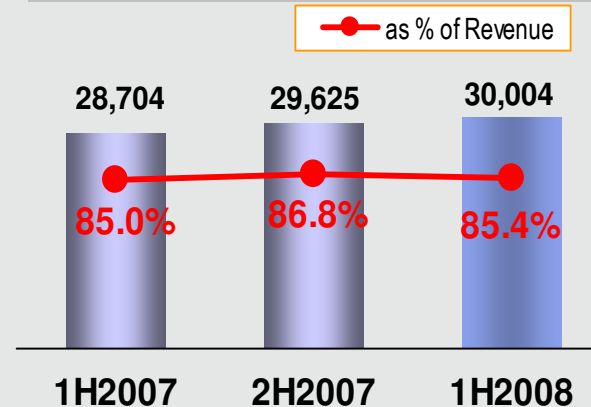
(RMB millions)	1H2008	YoY Growth
Service Revenue	35,120	4.0%
Usage Fee	19,022	-1.6%
Monthly Fee	3,219	-11.6%
Interconnection Revenue	3,706	19.3%
Leased Line	718	26.4%
VAS Income	8,081	22.9%
Other Revenue	374	-32.6%
Sales of Telecoms Products	15	272.2%
Revenue	35,135	4.0%

Continuing Operations Expenses

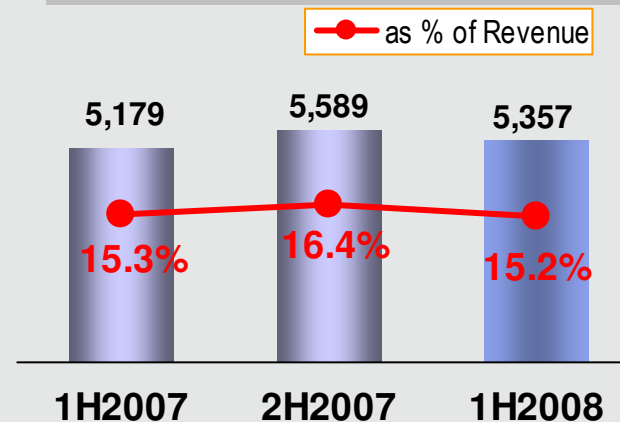
Expense Breakdown

(RMB millions)	1H2008	YoY Growth
Operating Expenses	(30,227)	4.8%
Leased Lines & Network	(357)	15%
Interconnection	(4,494)	9.8%
Depreciation	(10,973)	-0.6%
Personnel	(2,792)	7.4%
Selling & Marketing	(5,357)	3.4%
G&A & Others	(5,950)	7.9%
Costs of Telecoms Products Sold	(304)	178.8%
Financial & Other Net Income	223	54.9%
Total Expenses	(30,004)	4.5%

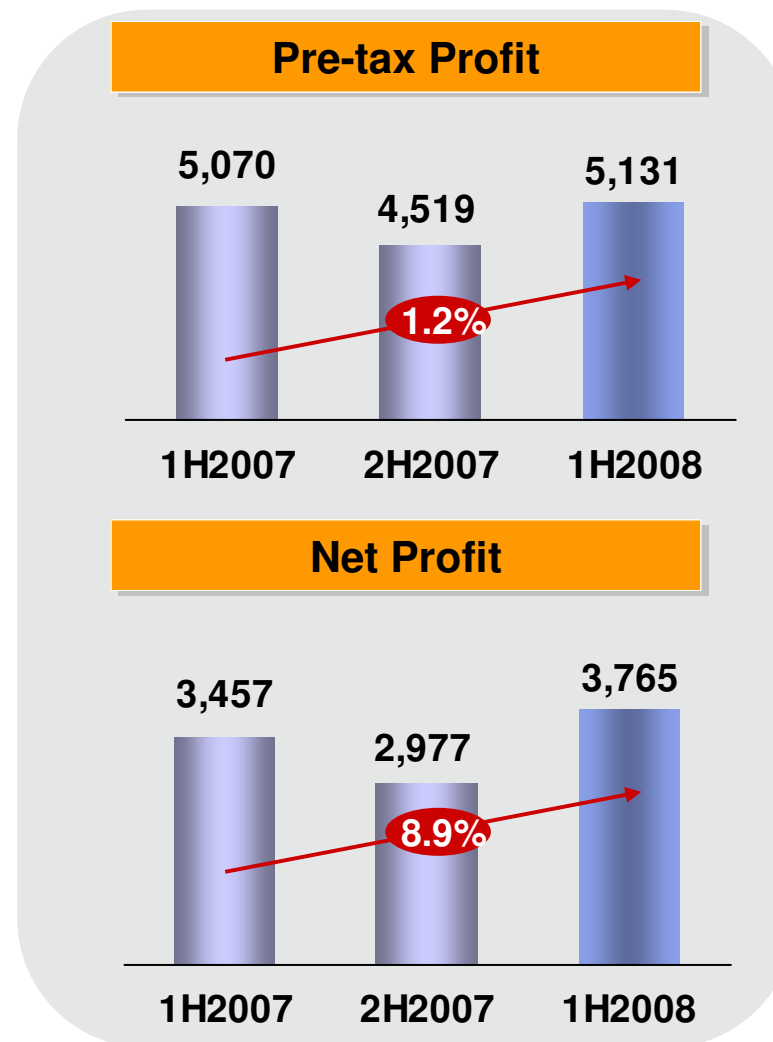
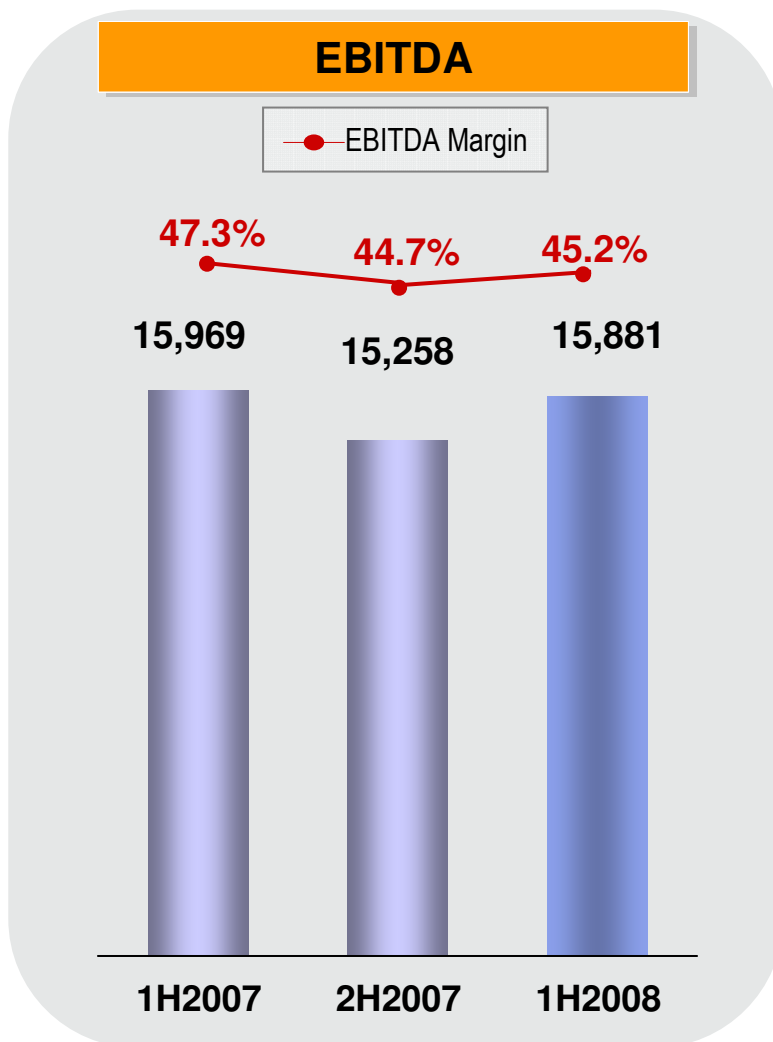
Total Expenses



Sales & Marketing



Continuing Operations EBITDA & Profit



(All in RMB millions)

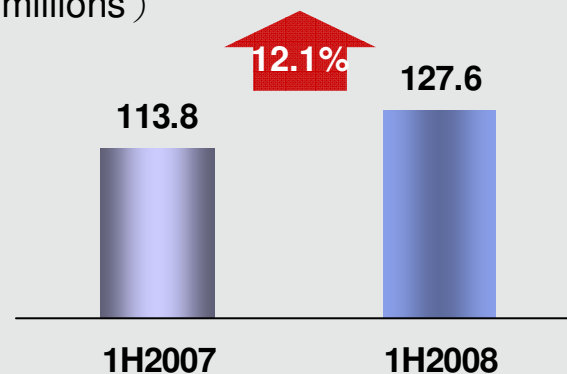
Steady Growth of GSM Business

- Focused on quality growth of GSM business
- Continued brand marketing, and improved branding-by-segment structure
- Initiated theme-based marketing and promotional programs
- Strengthened distribution channels and built channel evaluation mechanism



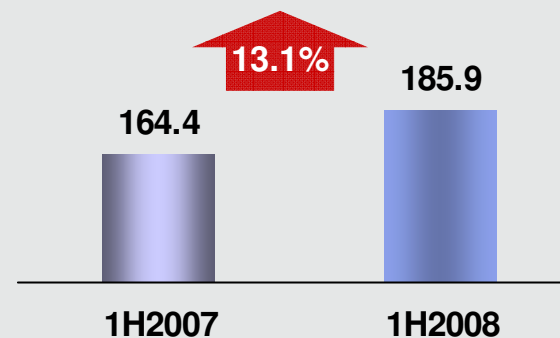
GSM Subscribers

(millions)

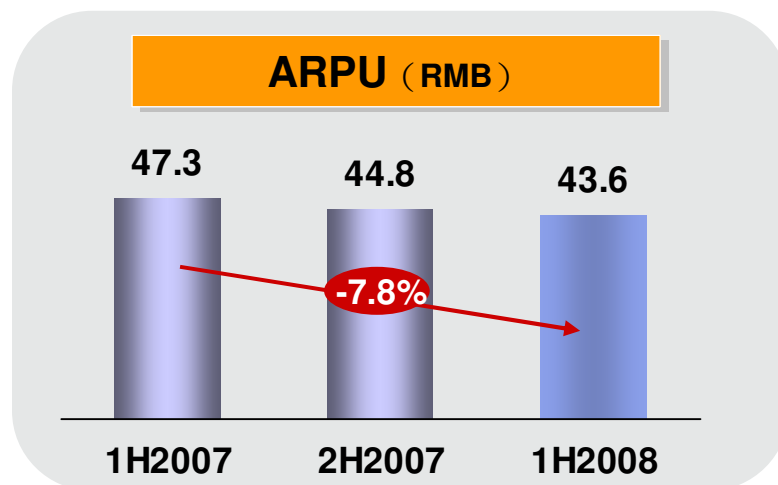
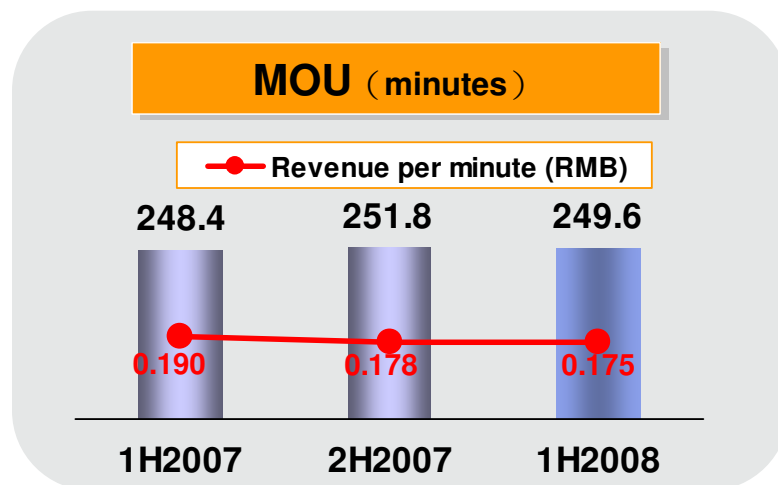


Total Minutes of Use

(in billion minutes)



GSM Business



GSM Revenue Breakdown

(RMB millions)	1H2008	YoY Growth
Service Revenue	32,499	3.9%
Usage Fee	17,633	-0.7%
Monthly Fee	3,219	-11.6%
Interconnection Revenue	3,440	19.3%
VAS Revenue	7,845	21.6%
Other Revenue	362	-33.7%
Sales of Telecoms Products	15	279.7%
Revenue	32,515	3.9%

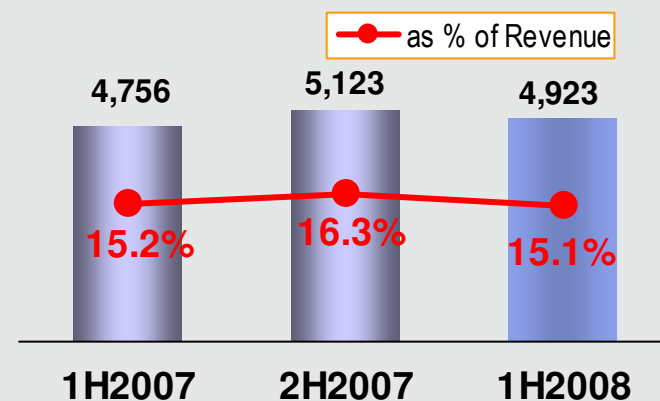
Both ARPU and average revenue per minute declined from the same period of last year, mainly driven by roaming tariff adjustment starting from April 08

GSM Business

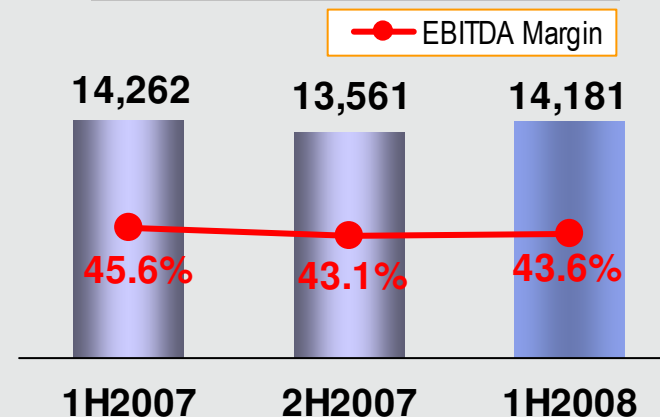
GSM Expense Breakdown

(RMB millions)	1H2008	YoY Growth
Operating Expenses	(27,809)	4.7%
Leased Lines & Network	(110)	-3.4%
Interconnection	(5,365)	8.8%
Depreciation & Amortization	(9,476)	-0.6%
Personnel	(2,369)	7.0%
Selling & Marketing	(4,923)	3.5%
G&A & Others	(5,265)	7.3%
Costs of Telecoms Products Sold	(302)	177.5%
Financial & Other Net Income	455	3150%
Total Expenses	(27,355)	3.0%
Pre-tax Profit	5,160	8.7%

Sales & Marketing



EBITDA

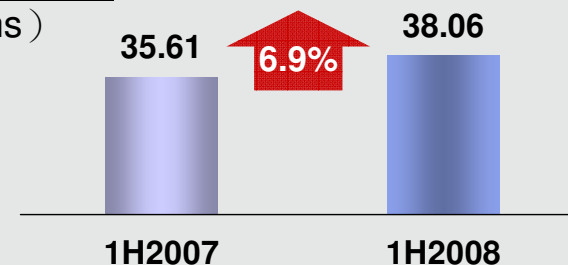


Strong Growth in GSM Value-added Services (VAS) Business

- Continued to develop the mature VAS business
 - ✓ E.g. SMS, Ringback Tone, etc.
- Promoted GPRS-based VAS as priority
 - ✓ GPRS now provides nationwide coverage
- Enhanced the VAS supporting systems and application platforms to be ready for launching new services and applications

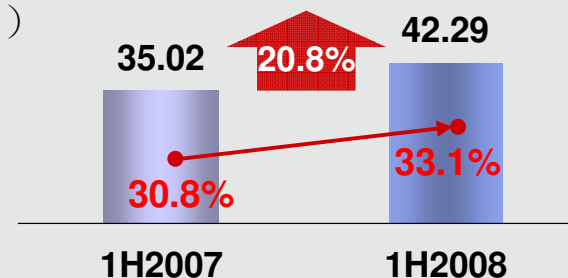
SMS Volume

(in billions)



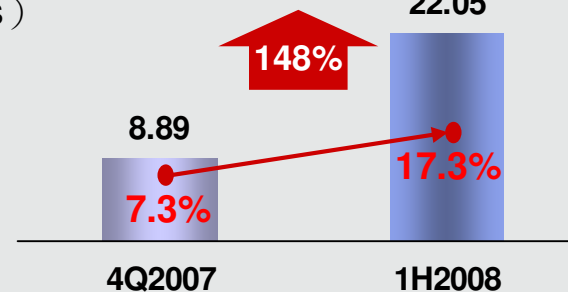
Ringback Tone Subscribers

(millions)



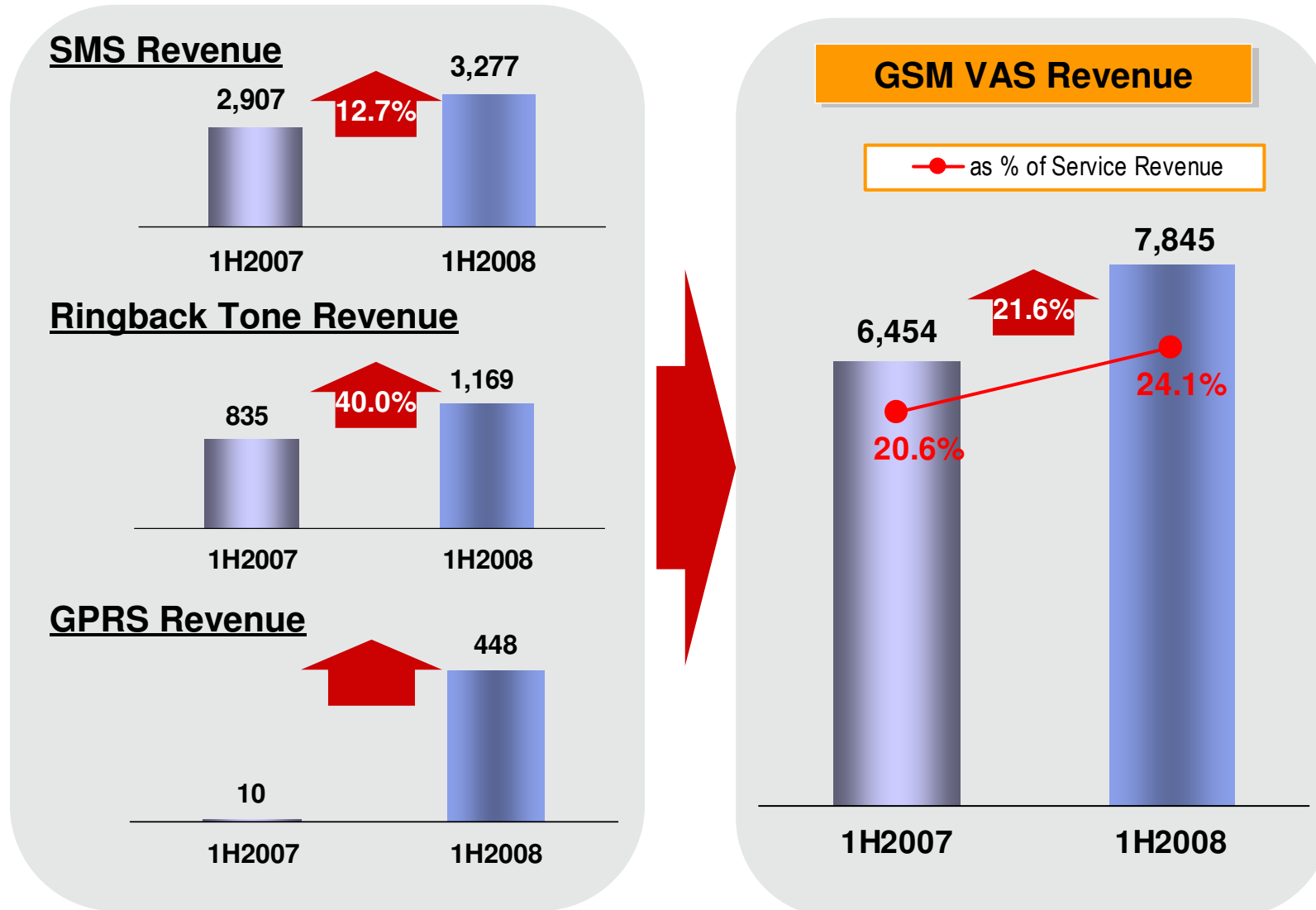
GPRS Subscribers

(millions)



—●— Subscriber Penetration

Rapid Growth in GSM VAS Revenue

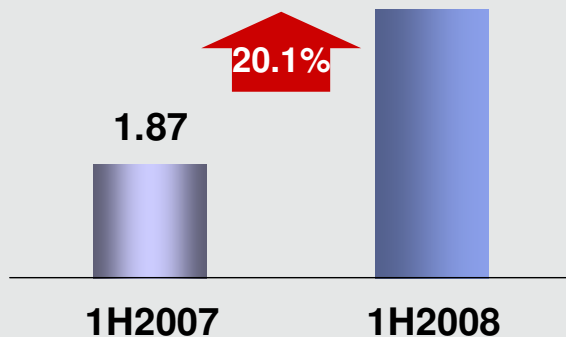


All in RMB millions

Fixed Line Business

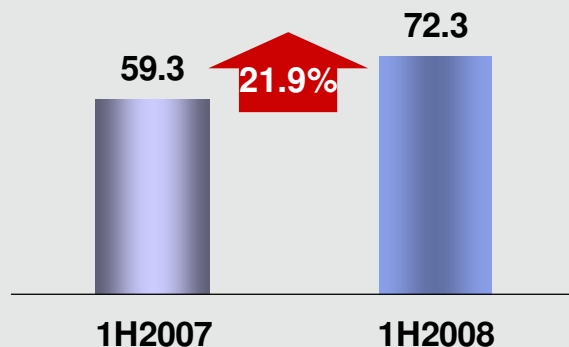
Int'l Incoming LD Volume

(minutes in billions)



Leased Bandwidth

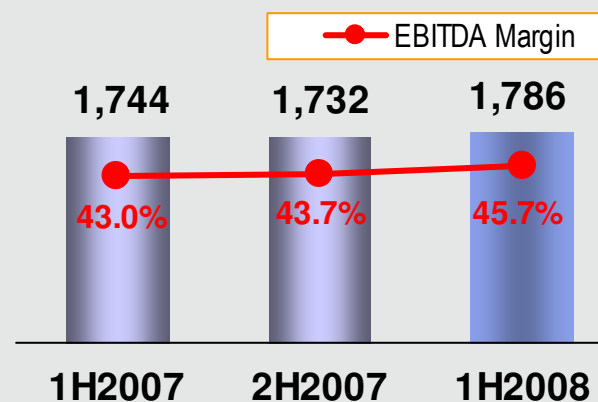
(# of equivalent 2Mbps in thousands)



Key Financials

(RMB millions)	1H2008	YoY Growth
Total Revenue	3,906	-3.7%
External Revenue	2,620	5.6%
Intersegment Revenue	1,286	-18.5%
Pre-tax Profit	352	40.5%

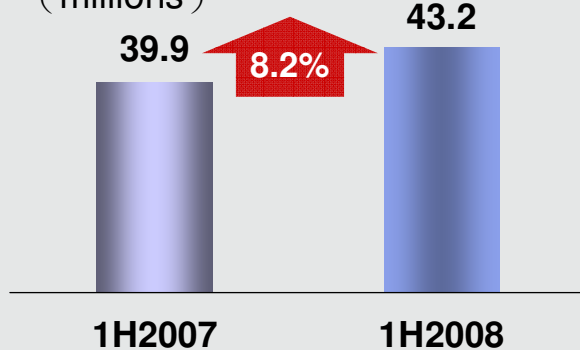
EBITDA (RMB millions)



Discontinued Operations (CDMA)

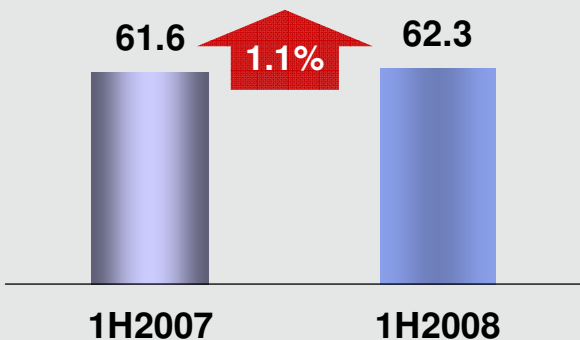
Subscribers

(millions)



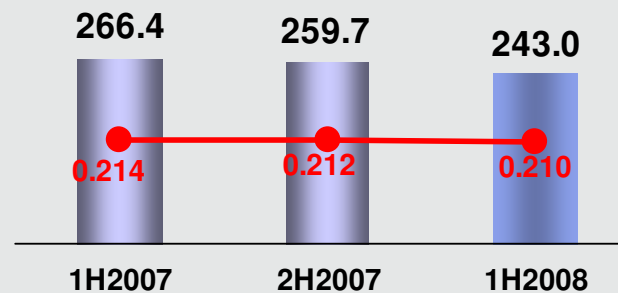
Total Minutes of Use

(in billion minutes)

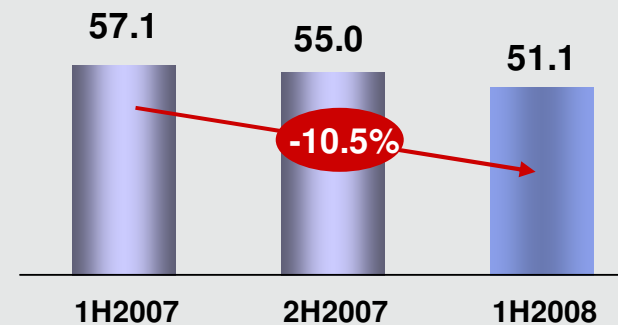


MOU (minute)

—●— Revenue per minute (RMB)



ARPU (RMB)



Discontinued Operations

CDMA Business Revenue

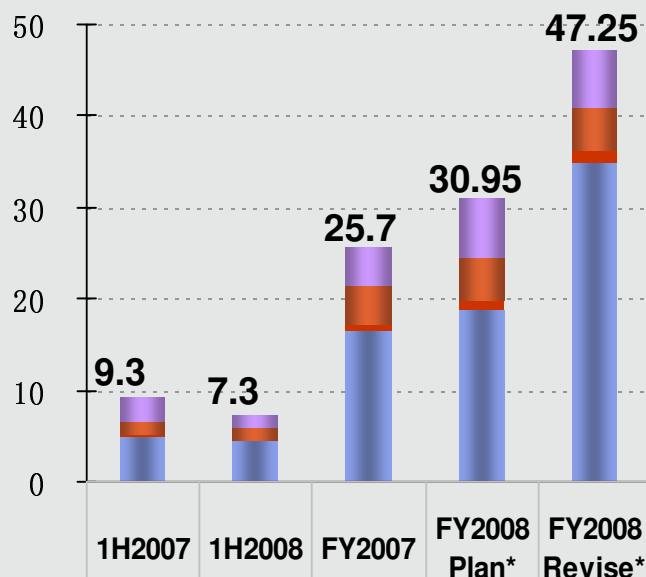
(RMB millions)	1H2008	YoY Growth
Service Revenue	13,109	-0.8%
Usage Fee	6,104	-6.1%
Monthly Fee	2,037	-13.7%
Interconnection Revenue	1,052	5.5%
VAS Revenue	3,586	19.0%
Other Revenue	330	-5.5%
Sales of Telecom Products	2,423	-9.4%
Total Revenue	15,532	-2.3%

CDMA Business Financials

(RMB millions)	1H2008
Operating Expenses	(14,664)
Leased Lines & Network	(4,144)
Interconnection	(1,315)
Depreciation	(289)
Personnel	(1,039)
Selling & Marketing	(4,139)
G&A & Others	(1,747)
Costs of Telecoms Products Sold	(1,990)
Total Expenses	(14,650)
EBITDA	1,158
Pre-tax Profit	882
Net Profit	655

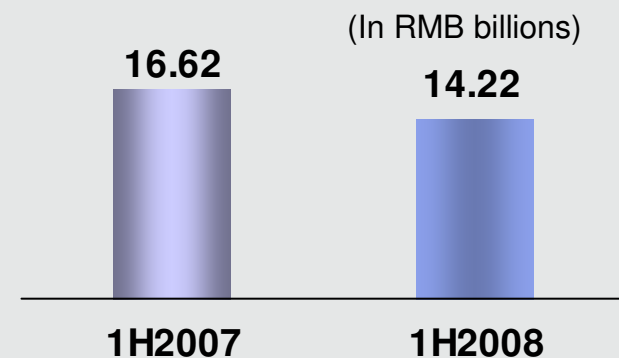
CAPEX and Cash Flows From Continuing Operations

CAPEX (RMB billions)

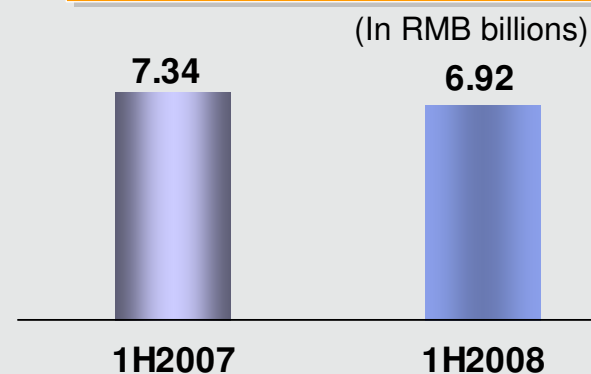


Others	2.7	1.2	4.3	6.4	6.4
Transmission	1.4	1.6	4.3	4.8	4.8
Fixed Line	0.4	0.0	0.7	1.1	1.1
GSM	4.9	4.5	16.5	18.7	35.0

Operating Cash Flow



Free Cash Flow



*Company plans to increase GSM CAPEX from early announced RMB 18.7billion to RMB 35billion for 2008, in order to improve GSM network coverage and service quality

Strategy for 2H2008

Focus on Quality Growth of GSM Business

- Increase CAPEX to improve GSM network quality
- Continue brand marketing to optimize the subscriber mix
- Increase the sales of standardized products to improve effectiveness of marketing spend
- Promote GPRS-based services as priority and grow VAS business

Agenda

● 1H2008 Performance

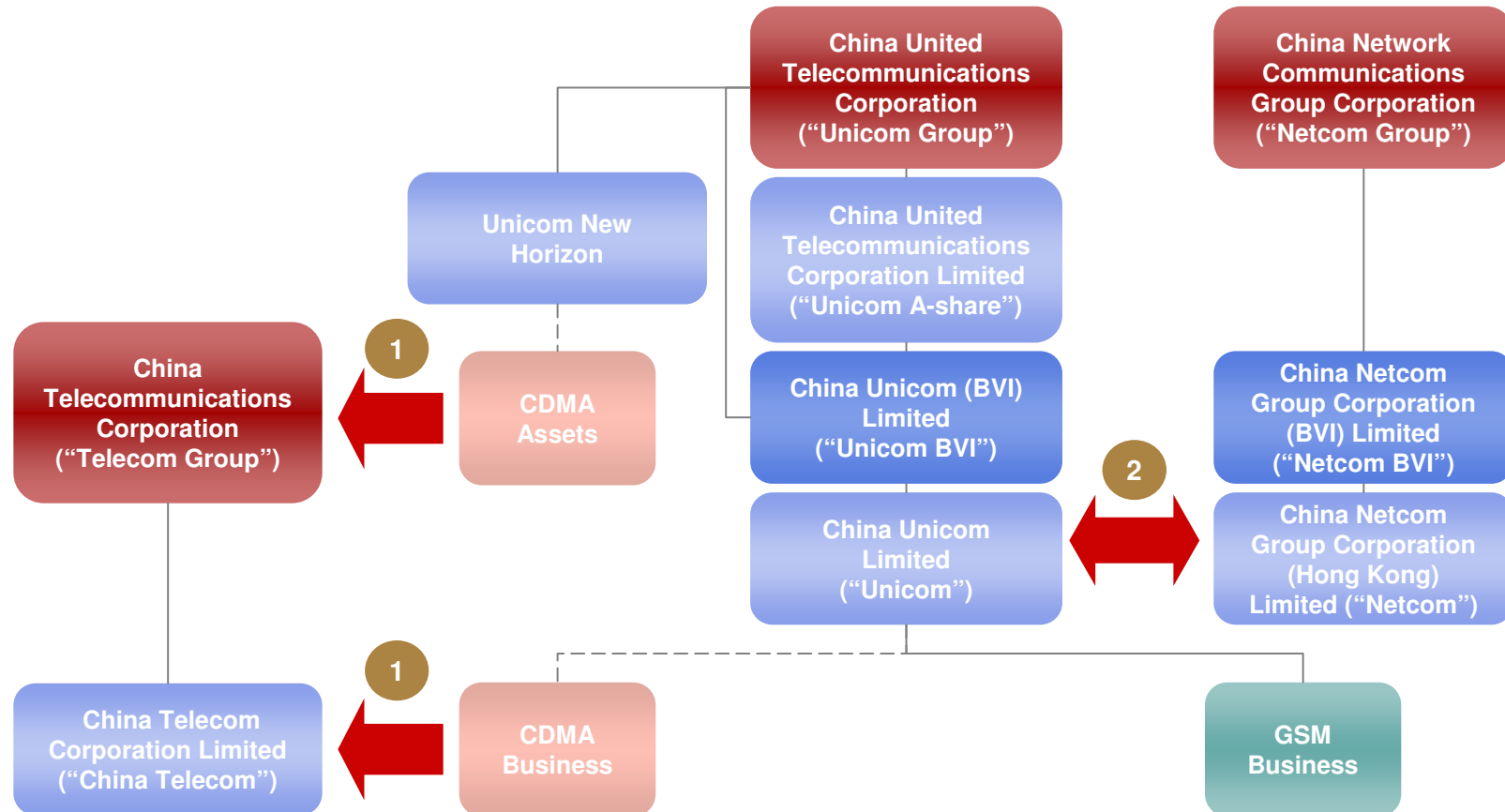
● **Update on the Restructuring**

● **Overview of the Transactions**

● Benefits of the Transactions

● Strategies and Prospects of the Enlarged Group

Transaction Structure



1 Disposal of CDMA business

2 Merger with Netcom

Disposal of CDMA Business

Transaction Scope	<ul style="list-style-type: none">● The CDMA business and its relevant assets and liabilities owned and operated by Unicom, on the Completion Date (October 1, 2008)
Pricing and Consideration	<ul style="list-style-type: none">● RMB43.8 billion in cash, payable in three instalments● Subject to an adjustment mechanism if CDMA service revenue in 1H08 decreased over 2% on a year-on-year basis<ul style="list-style-type: none">● Based on the CDMA service revenue for 1H08, the consideration will not be adjusted
Transitional period	<ul style="list-style-type: none">● From the Completion Date to March 31, 2009

Merger with Netcom

Acquisition method

- Scheme of arrangement
- New Unicom shares, ADSs, and Special Unicom Options to be issued in exchange of Netcom shares, ADSs and options, respectively

Exchange ratio

- 1 Netcom share = 1.508 Unicom shares
- 1 Netcom ADS = 3.016 Unicom ADSs

New company name

- China Unicom (Hong Kong) Limited (“China Unicom”)/ 中国联合网络通信（香港）股份有限公司(“中国联通”)

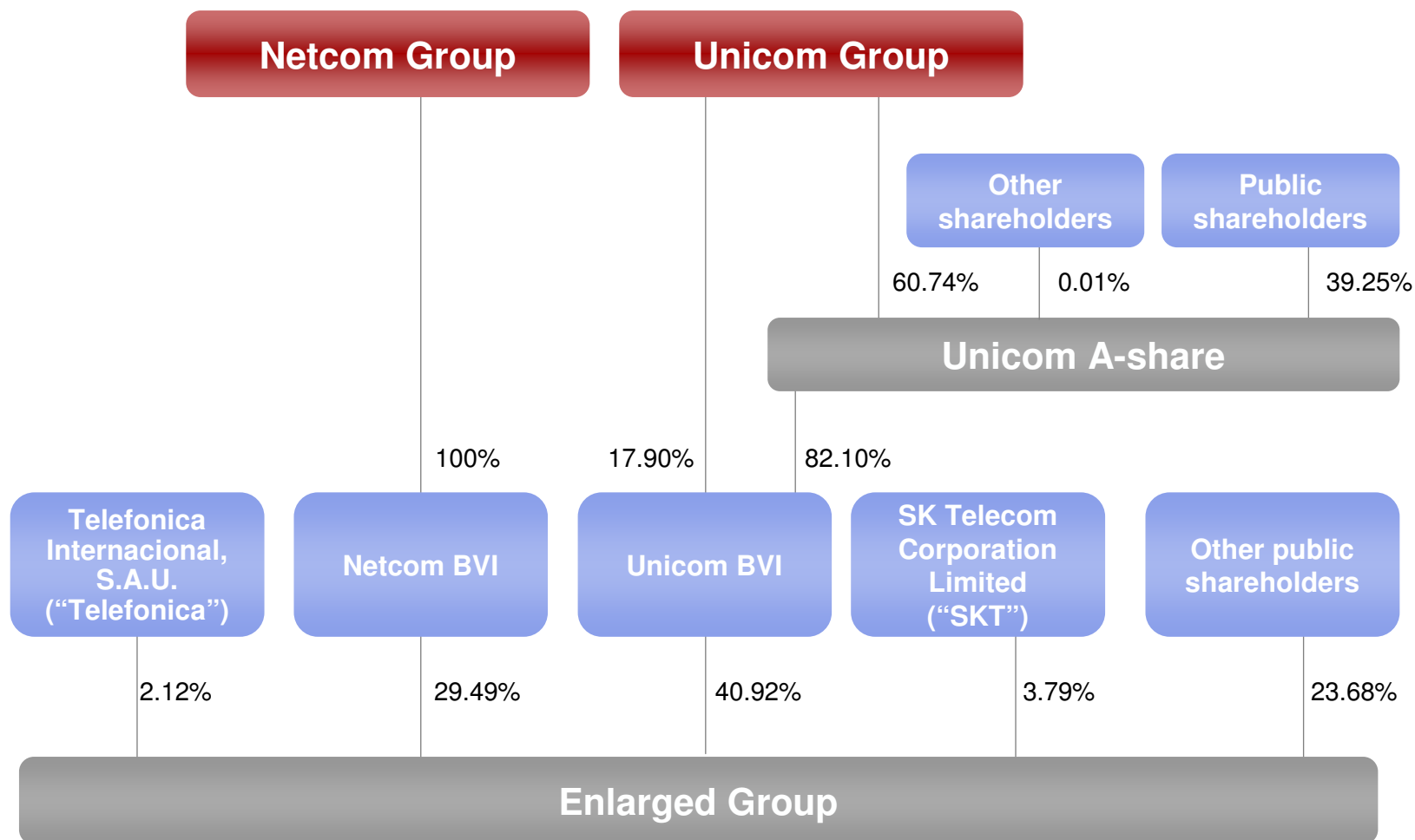
New management team

- Mr. Chang Xiaobing to become Chairman and CEO of the Enlarged Group
- Management team mainly to be drawn from existing management of Unicom and Netcom

Integration Plan



- A joint working team led by Mr. Chang has been established
- Majority of the integration work is expected to be completed within one year

Post Transaction Shareholding Structure



Note: Assuming none of the outstanding Unicom Options and Netcom Options had been exercised

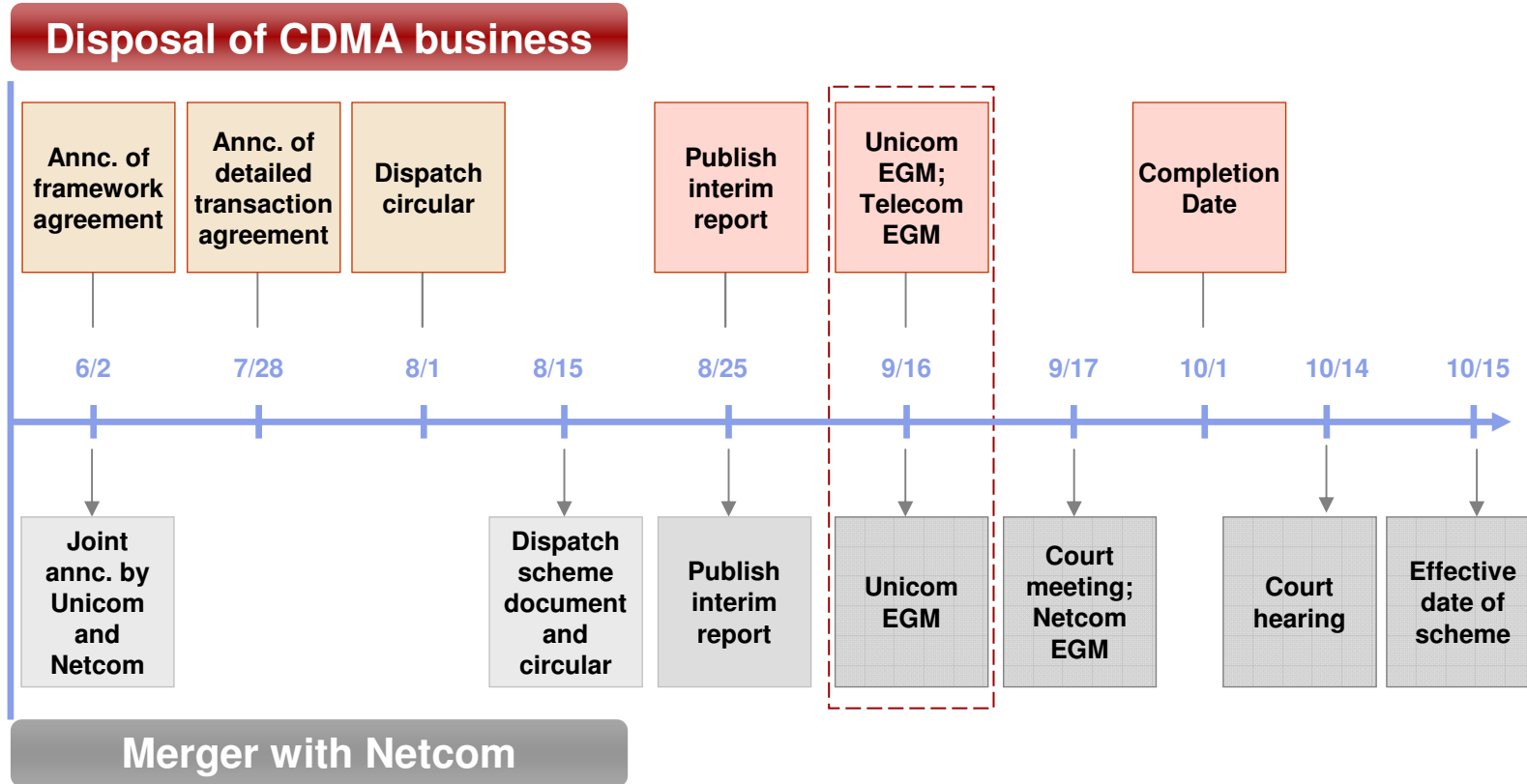
2007 Pro forma Financials

(RMB millions)	 China unicom 中国联通	- CDMA Business +	 CNC 中国网通	→ Enlarged Group
Revenue	99,539	32,618	82,564 ¹	149,059 ¹
EBITDA	33,005	1,471	41,244	72,001
EBITDA margin	33.2%	4.5%	50.0%	48.3%
Total assets	149,422	12,591	186,428	366,541
Net assets	97,217	4,673	82,052	203,907

Source: public filings of Unicom and Netcom

¹ Excluding RMB1,517 million upfront installation fee

Expected Timetable



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● **Benefits of the Transactions**

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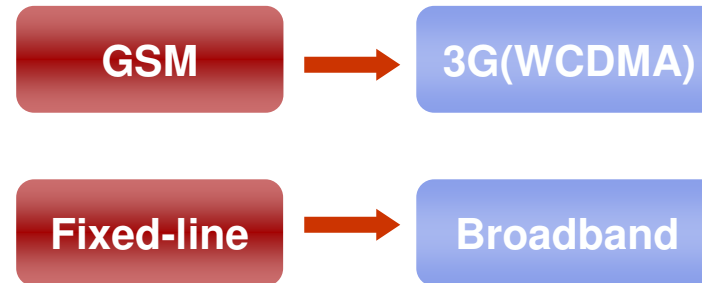
1 Clear Strategic Positioning

Complexity of dual-network operations



- Challenges associated with operating two networks
 - Customer resources
 - Brand positioning
 - Technology
 - Network construction

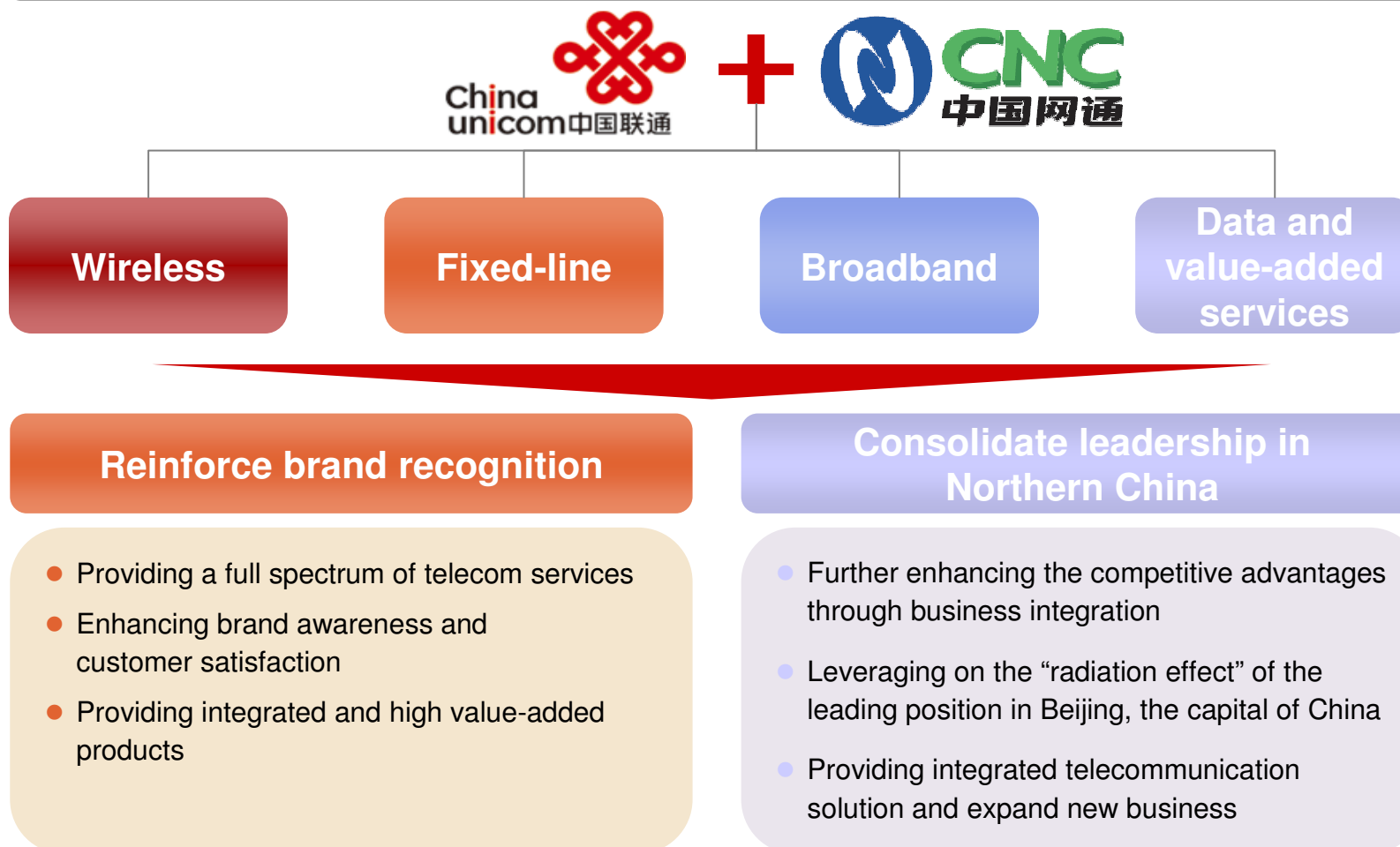
Clear strategic positioning



- WCDMA license expected
- 2G: continue to optimize GSM network coverage and communications quality
- 3G: establish leading edge after granted WCDMA license
- Realize 2G/3G wireless business growth and focus on the convergence of wireless and fixed-line businesses

2 Full-service Platform

Full-service platform balanced between wireless and fixed-line operations

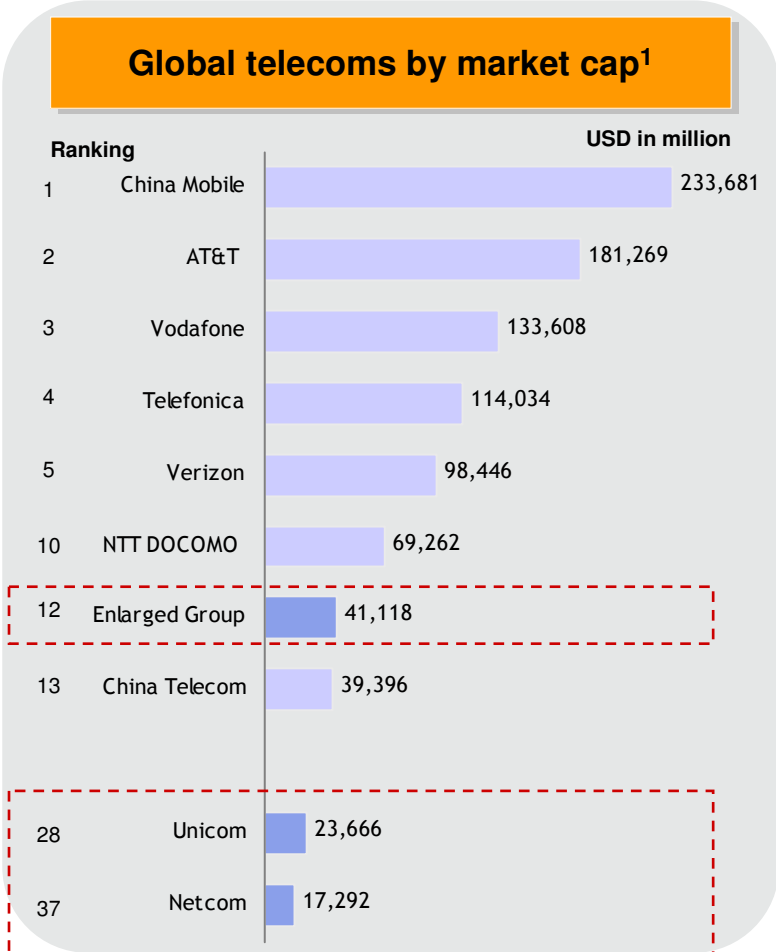


Enhanced Company Scale and

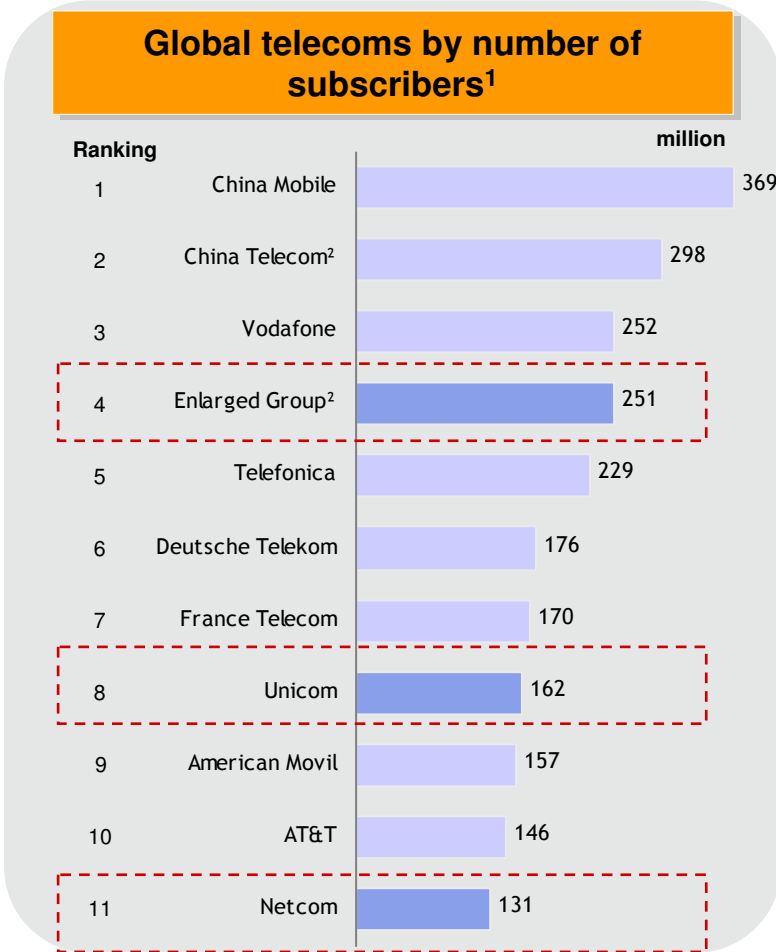
3 Capabilities



World-class company scale and subscriber base



Source: Bloomberg
¹ As at August 22, 2008



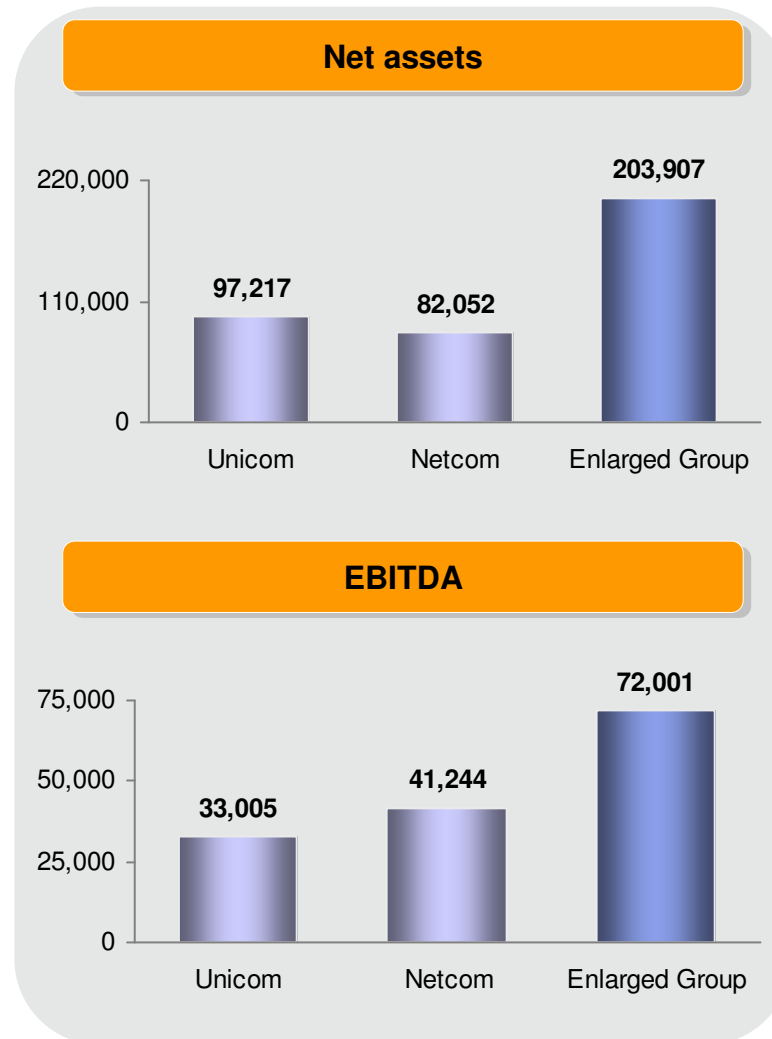
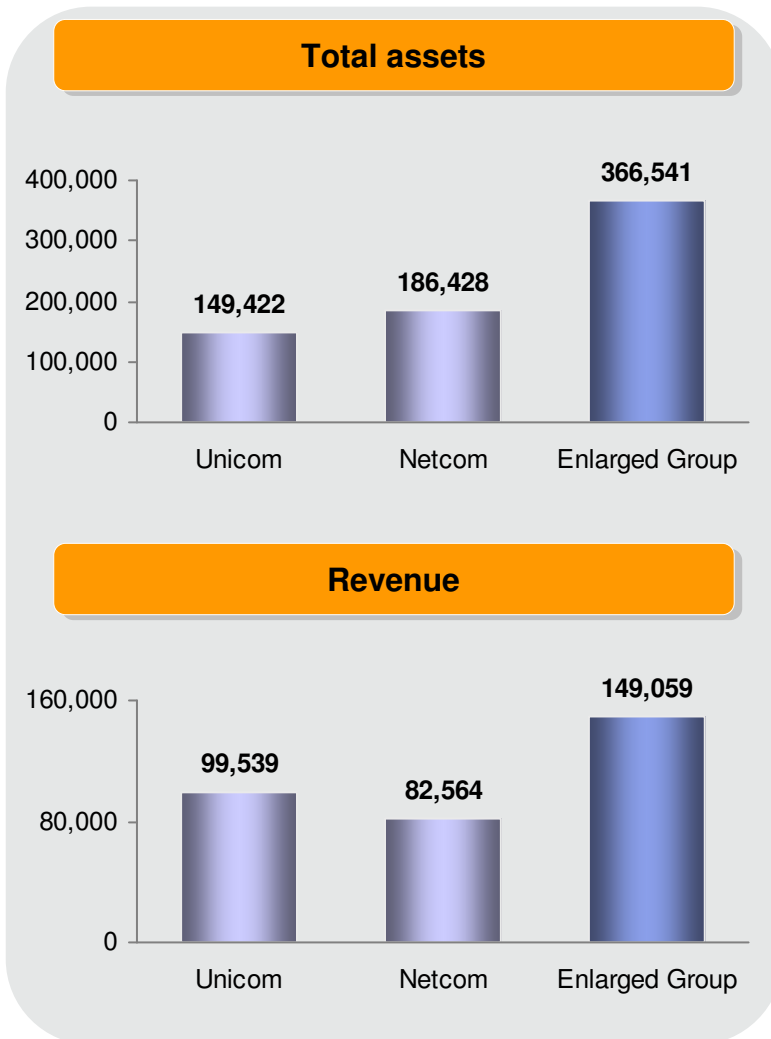
Source: Company filings
¹ As at December 31, 2007
² Pro forma data considered the CDMA transaction

Enhanced Company Scale and

3 Capabilities (cont'd)





(RMB millions)



Source: Scheme document issued on August 15, 2008

4 Resource Sharing¹

	 + 	Enlarged Group	
Subscriber base (million) ²	128	131	259
Self-operated sales outlets	>5,000	>13,000	>18,000
Long distance fiber optic cables (million km)	3.26	2.48	5.74
Transmission pipes + pole lines (million km)	>0.70	>1.50	>2.20
Base stations (million)	0.17 ³	0.43 ⁴	0.60

¹ Operation data of Unicom and Netcom as at May 31 and June 30 of 2008, respectively. Statistics on transmission pipes, pole lines and PHS base stations as at May 31, 2008

² Unicom subscribers are 128 million GSM users; Netcom subscribers include 109 million local access users and 23.36 million broadband users

³ Wireless base stations, including GSM only and GSM/CDMA shared base stations

⁴ PHS base stations

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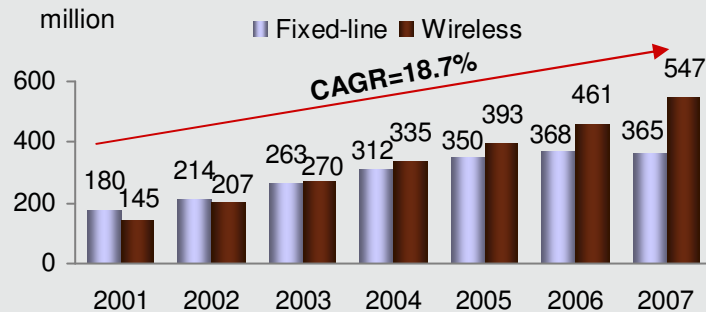
● Benefits of the Transactions

● **Strategies and Prospects of the Enlarged Group**

Rapid Growth of the China Telecommunications Industry

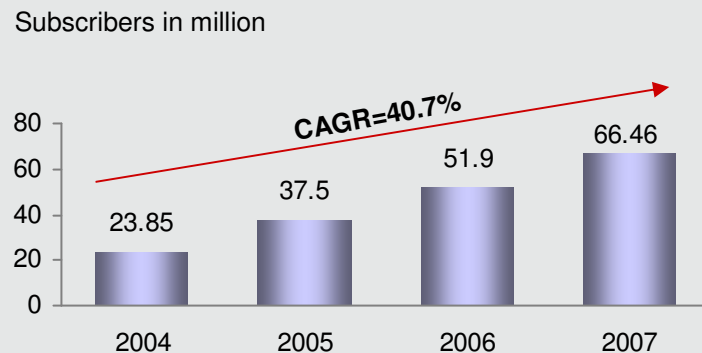


Rapidly increasing telecom subscribers



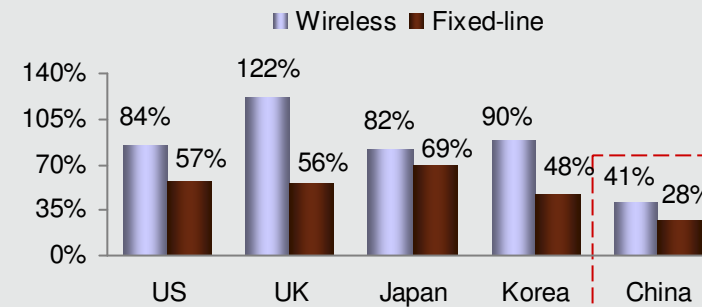
Source: Ministry of Industry and Information Technology

Strong growth of broadband market



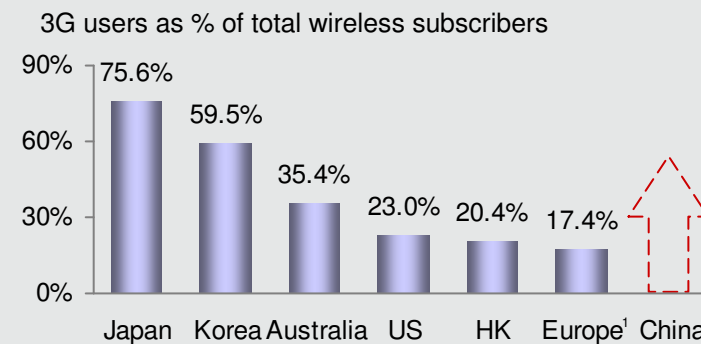
Source: Ministry of Industry and Information Technology

Relatively low penetration rate



Source: Research reports

Considerable potential of 3G market



Source: Research reports; data as of 1Q'08

¹ Europe includes France, Germany, Italy, and UK

Competitive Advantages

Full service capabilities in the 10 provinces in Northern China

- Comprehensive full service operation
- Leading broadband and fixed-line businesses
- Abundant backbone, metropolitan area network and gateway network resources
- “Radiation effect” of Beijing business

Well positioned for 3G leadership

- WCDMA license expected to establish the 3G leadership
- Advantages of WCDMA:
 - Most widely adopted 3G technology globally
 - Rationalized quality-price ratio of handsets
 - Mature applications
 - Accelerated growth in number of users



Comprehensive resources for international business expansion

- Most comprehensive international network assets in China
 - 26 international submarine cable systems
 - 25 cross-border road cable systems
 - 13 overseas POPs
- Collaborations with over 400 global operators

Development Objectives



A world-class broadband telecommunications and information services provider

Wireless

- **Steadily increasing in overall market share**
 - 3G: leading position
 - 2G: maintain stability
- **Continuing to enhance customer value**
 - Stable growth of overall ARPU driven by leading 3G ARPU level
- **Establishing leadership in value added businesses**

Fixed-line

- **Maximizing customer value**
 - Bundling, terminal integration, services innovation and stabilization of growth in fixed-line subscriber and voice service
- **Optimizing return from future investments**
 - Centralized planning to optimize return on investments

Broadband & Internet

- **Growing the business for the future**
 - Reinforcing planned development of broadband network and integration with data, contents, applications and multimedia
- **Consolidating leading market position in the 10 provinces in Northern China**
- **Steadily expanding in China's Southern markets**
 - Effectively utilizing customer and network resources in the South to expand the business

Integrated full-service operation

Business Strategies



- 1 Establishing market leadership in 3G
- 2 Leveraging a full service platform
- 3 Developing broadband and transforming into an information services provider
- 4 Rationalizing investments
- 5 Integrating customer and distribution resources to enhance marketing efficiency
- 6 Reinforcing our customer-centric culture

1 Establishing Market Leadership in 3G

Improving the GSM network

- Continue to improve GSM network and service quality
- Combine planning for development of GSM and 3G

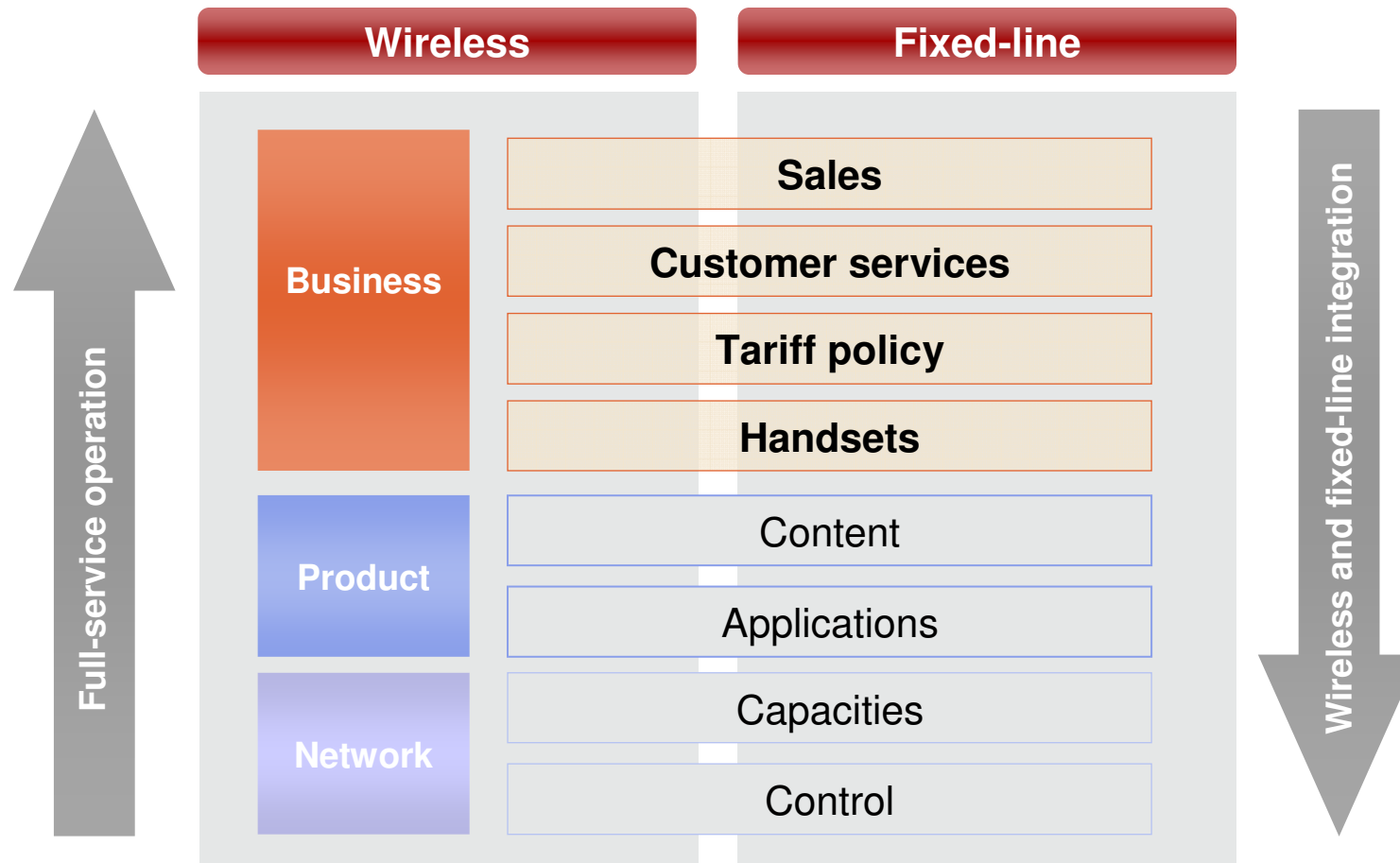
Establishing 3G leadership

- Invest in 3G network and business
- Actively develop middle- to high-end customers and aim to obtain leading market share in 3G business
- Focus on content, applications, and value-added services

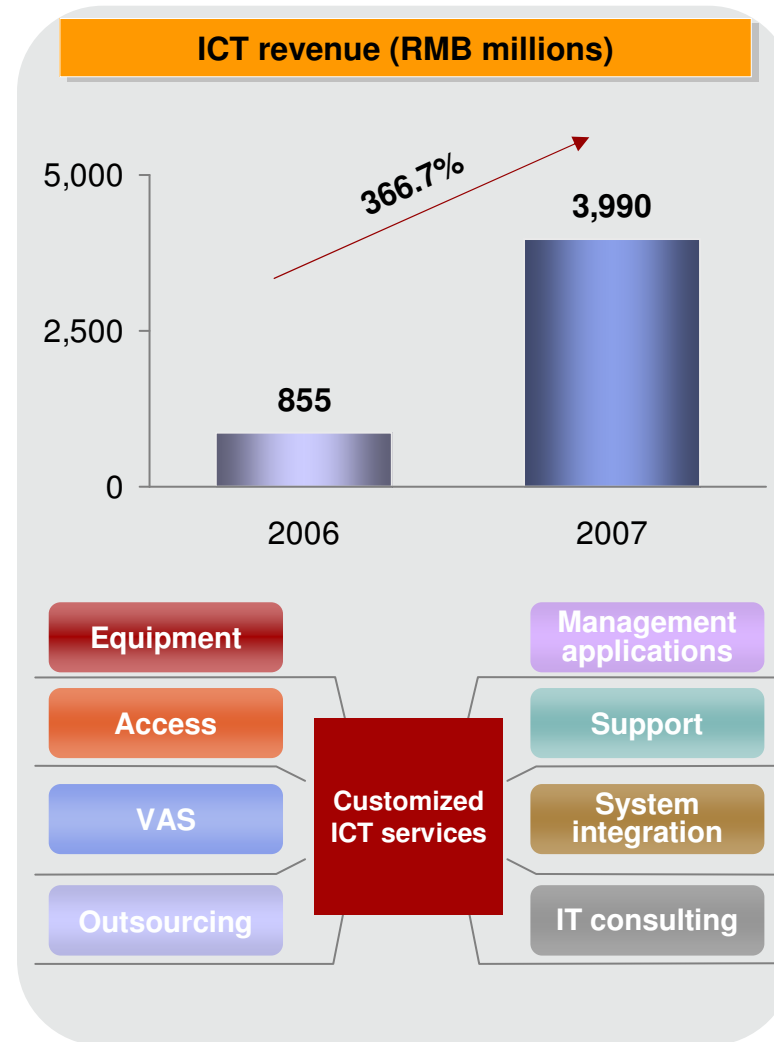
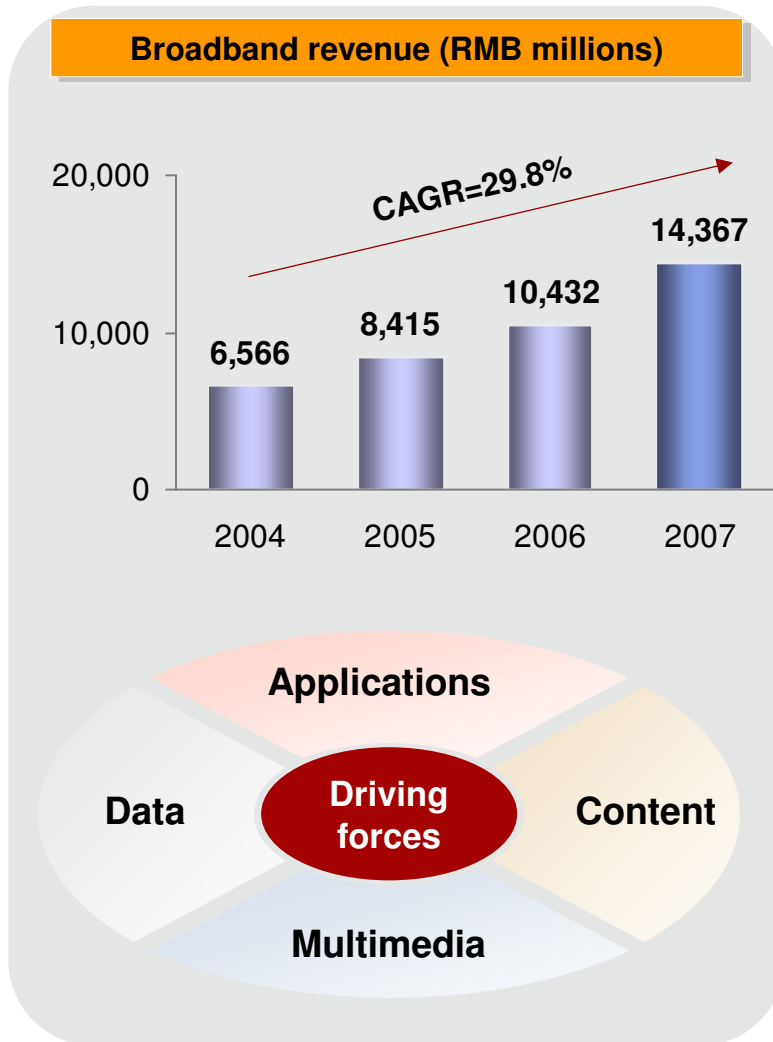
Promoting brand recognition and core competencies

- Leverage on the 3G advantages to promote the service capabilities, customer satisfaction, brand recognition and overall competitiveness

2 Leveraging a Full Service Platform



3 Developing Broadband and Transforming into an Information Services Provider



Source: Netcom public filings

4 Rationalizing Investments

Centralizing investment planning

- Full utilization of various network resources
- Centralized planning of future investment

Differentiating our investment strategies

- Increase investment in key business areas (wireless, broadband, and value-added services)
- Increase network coverage and improve communications quality

Key investment areas

- 2G – coverage and penetration
- 3G – key regions
- Fixed-line – investment return

Wireless CAPEX plan

- Unicom 2008 wireless CAPEX increased from RMB18.7 billion to RMB35.0 billion
- RMB100 billion wireless CAPEX primarily allocated to 3G development in 2009 and 2010

Thank You !



Appendix I: Consolidated Income Statement



(RMB millions)	1H2008	1H2007*		1H2008	1H2007*
Operating Revenue :			Selling & Marketing	(5,357)	(5,179)
Usage Fee	19,022	19,322	G&A & Others	(5,950)	(5,513)
Monthly Fee	3,219	3,642	Costs of Product Sold	(304)	(109)
Interconnection	3,706	3,105	Total Operating Expenses	(30,227)	(28,849)
Leased lines Revenue	718	568	Operating Profit	4,908	4,925
VAS Revenue	8,081	6,577	Interest Income	71	98
Other Revenue	374	555	Other Income, net	42	17
Total Service Revenue	35,120	33,770	Finance Costs	109	30
Sales of Telecom Products	15	4	Change in CB Fair Value		(1,639)
Total Operating Revenue	35,135	33,774	Continuing Operations Profit Before Tax	5,131	3,431
Operating Expenses:			Taxes	(1,366)	(1,613)
Leased Lines & Network	(357)	(310)	Continuing Operations Net Profit	3,765	1,818
Interconnection	(4,494)	(4,093)	Discontinued Operations Net Profit	655	360
Depreciation & Amortization	(10,973)	(11,044)	Minority Interest	(1)	(1)
Personnel	(2,792)	(2,600)	Net Profit**	4,419	2,177

*Included Guizhou business acquired at YE2007

**Net profit for the equity owner

Appendix II: Consolidated Balance Sheet (Selected)



(RMB millions)	1H2008	YE2007*		1H2008	YE2007*
Current Assets (selected):			Current Liabilities (selected):		
Bank Balances & Cash	6,734	6,675	Payables & Accrued Liabilities	26,476	32,031
Account Receivable, net	2,308	3,211	Bonds payable	-	-
Prepayments & Others	1,842	3,516	Short-term Bonds	-	-
Inventories	813	2,528	Long-term Bank Loans (due)	2,058	2,191
Short-term Bank Deposits	141	644	Advances from Customers	6,539	11,577
Total Current Assets	12,098	16,834	Total Current Liabilities	37,817	49,232
Assets to be sold	11,512		Liabilities to be sold	7,345	
Non-current Assets:			Non-current Liabilities (selected):		
PPE, net	109,737	116,162	Long-term Bank Loans	1,572	1,661
Other Assets	9,970	12,855	Deferred Revenue	619	1,303
Goodwill, net	2,771	3,144	Total Non-current Liabilities	2,199	2,974
Deferred Tax Assets	411	427	Total Equity	99,139	97,217
Total Assets	146,500	149,422	Total Liability and Equity	146,500	149,422

*Included Guizhou business acquired in YE2007

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