



2009 Interim Results

China Unicom (Hong Kong) Limited

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www.chinaunicom.com.hk

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Executive Director & CFO

Agenda

● Overall Performance

● Operating Performance

● Financial Results

Overall Performance⁽¹⁾

(RMB millions)	1H09	1H08	YoY %	2H08	HoH %
Operating Revenue	76,319	81,459	-6.3%	78,333	-2.6%
Service Revenue	74,513	77,850	-4.3%	74,982	-0.6%
Adjusted Service Revenue ⁽²⁾	74,230	76,731	-3.3%	74,222	0.01%
of which: Mobile Revenue	34,194	32,350	5.7%	31,890	7.2%
Fixed-line Revenue	39,908	44,212	-9.7%	42,164	-5.4%
EBITDA	31,968	38,891	-17.8%	30,621	4.4%
Adjusted EBITDA ⁽³⁾	32,592	38,386	-15.1%	30,241	7.8%
Net Profit	6,616	11,434	-42.1%	-3,609	-
Adjusted Net Profit ⁽⁴⁾	6,995	10,472	-33.2%	4,367	-
Earning per Share (RMB)	0.278	0.482	-42.3%	-0.153	-

(1) Excludes profit and loss from CDMA discontinued operations in 2008 (655 million in 1H2008 and 26.92 billion in 2H2008);

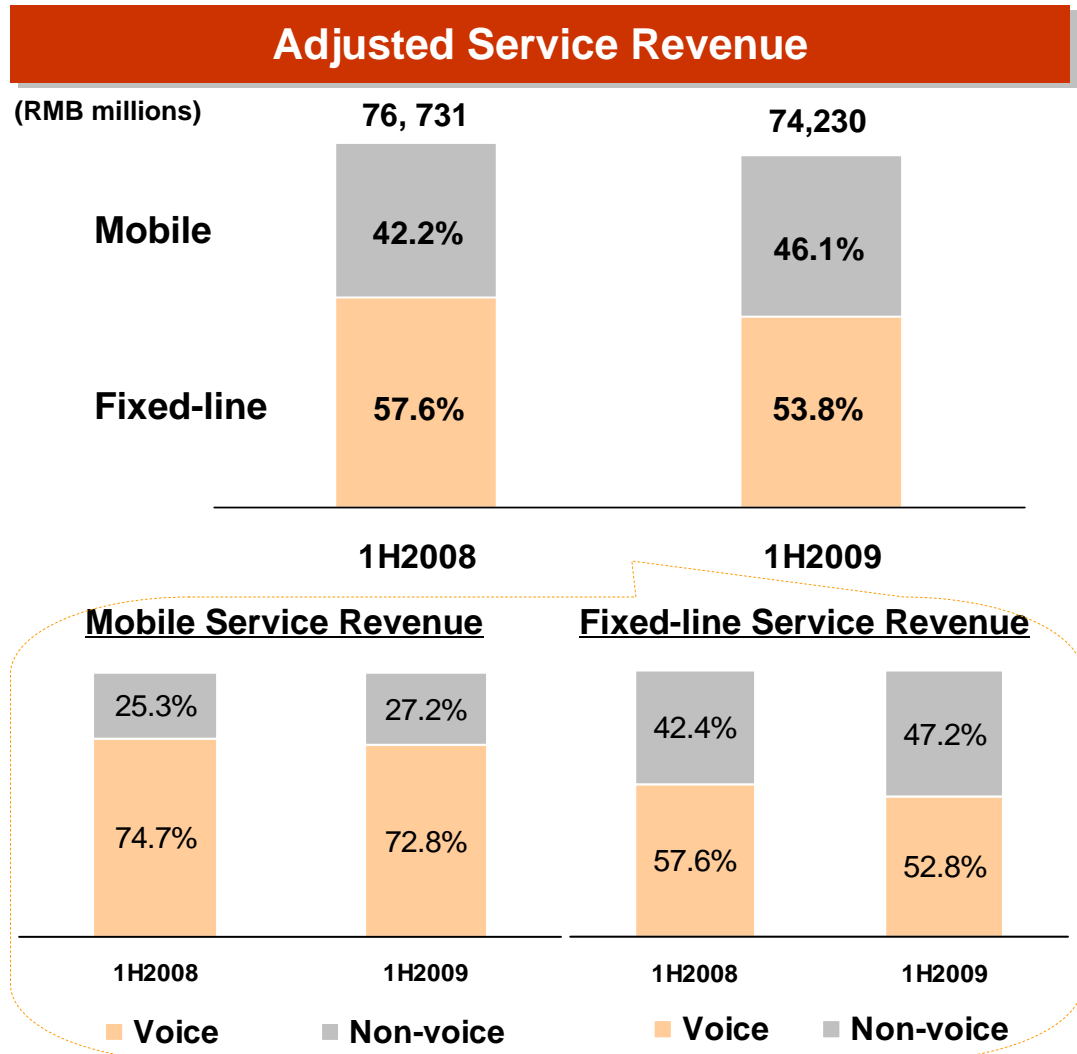
(2) On comparable basis, excludes: a) effect of deferred fixed-line upfront connection fees (283 million in 1H2009, 505 million in 1H2008 and 381 million in 2H2008); b) certain interconnection revenue between the fixed-line business and the discontinued operations of CDMA business (613 million in 1H2008, and 379 million in 2H2008). Due to non-allocatable revenue items, total service revenue does not equal to the sum of mobile service revenue and fixed-line service revenue. Except otherwise mentioned, the service revenue used in this document refers to the adjusted service revenue;

(3) For comparable EBITDA, excludes: a) deferred fixed-line upfront connection fees in 2008 and 2009; b) the lease fee of 907 million for telecommunication networks of southern 21 provinces in 1H2009;

(4) For comparable profit, excludes a) deferred fixed-line upfront connection fees in 2008 and 2009; b) the lease fee of 907 million for telecommunication networks of southern 21 provinces in 1H2009; c) the gain from the non-monetary assets exchange (25 million in 1H2009, 610 million in 1H2008 and 695 million in 2H2008); d) PHS asset impairment loss of 11.837 billion in 2H2008.

Optimizing and Adjusting Business Structure

- Significant improvement in GSM network coverage
- Aggressively pushed for Broadband Access speed upgrade
- Initial success of full-service operations
- Further improved value-added service business



3G Network Deployment and Commercial Trial Progressing Smoothly

Network Deployment

Network Speed

- All base stations offer HSDPA with DL speed of >7.2Mbps
- Base stations at hot spot areas offer HSUPA

Network Scale

- 285 cities covered, 335 cities by year-end to cover all prefecture-level cities in China (except part of Tibet)
- 2G+3G to cover 92% POP in 2009
- Approx. 80% of county towns in eastern region are covered

Commercial Trial

Progress

- May 17th, 56 cities launched commercial trial
- August 1st, total 268 cities in commercial trials

of Subs

- Controlled introduction to friendly users
- Up to present, total 350K 3G subscribers

Products

- Mobile Internet, Mobile Search, Mobile Music, Mobile TV, Video Telephony, Mobile Newspaper, and Wireless Data Card

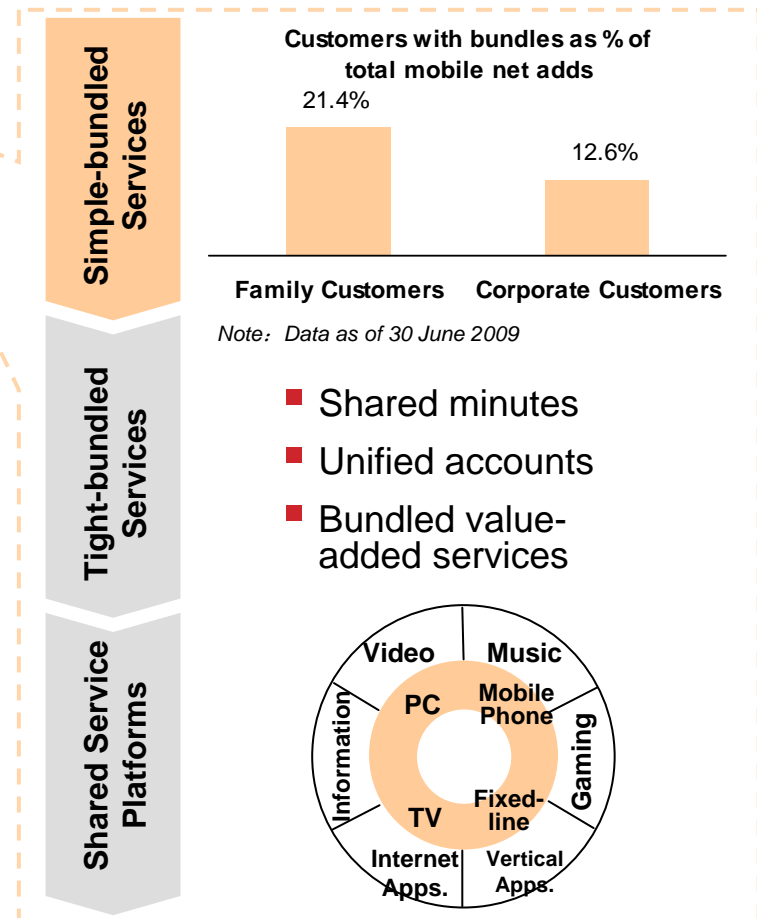
Achieved 3G unit price savings due to centralized procurement and synergy to allow the deployment being expanded from 284 cities to 335 cities

Accelerated Internal Integration

Steady Progress of Internal Integration

Service Integration	<ul style="list-style-type: none"> Early success in service integration
Network Integration	<ul style="list-style-type: none"> Resources and assets checking and verification Network optimization and adjustment
Financial Integration	<ul style="list-style-type: none"> Unified accounting policy and financial policy Strengthened centralized capital management
HR Integration	<ul style="list-style-type: none"> Completed management appointment at all levels Stable work force
Management Integration	<ul style="list-style-type: none"> Major management policies and business processes being implemented step by step

Early Success in Service Integration



Looking Forward

- **Integration and convergence to create new opportunities**
- **Structural adjustment to promote growth**
- **3G commercial launch to establish competitive advantage**

Looking Forward

Integration & Convergence to Create New Opportunities

- Actively grasp opportunities arisen from the industry restructuring
- Seize the market demands from broadband Internet and mobile informatization
- Further integrate the network resources, and promote innovations in technology, services, applications and customer cares
- Strengthen organization and processes to improve execution capability



**Enhancing
Shareholders'
Value**

Looking Forward

Adjust Business Structure to Promote Continuous Growth

3G

- Commercial launch to promote non-voice usage and establish competitive advantage

2G

- Improve subscriber base and quality, sustain steady growth

**Fixed-line
Broadband**

- Continue network access speed upgrade, sustain subscriber scalable growth, increase revenue contribution

**Fixed-line
Voice**

- Focus on retention and voice value-added services to mitigate rate of decline

- Increase revenue contribution from non-voice services and new services
- Promote sustainable and healthy business development

Looking Forward

Launch 3G Commercial Services to Establish Competitive Advantage

3G commercial launch in 285 cities on September 28th

Overall Strategy

- Establish leading positions in networks, products and services, and customer cares
- Unified branding, services, packaging, pricing, handset policy, and customer care standard

Pricing Strategy

- Adopt integrated “local, long distance and roaming ” all-inclusive national voice tariff plan
- Optimize the proportion of data services in service packages,
- Automatic upgradable to higher package for wireless data card user

Channel Strategy

- Establish a nationwide unified online sales and customer care electronic platform to serve all direct and indirect channels
- Sales mainly through self-owned channels and supplement by independent channels, achieve sales effectiveness by establishing a channel system suitable for 3G business development

Looking Forward (continue)

Launch 3G Commercial Services to Establish Competitive Advantage

Leverage value chain advantage to promote data service usage

Fully leverage value chain advantage

- WCDMA as 78% of global 3G terminal models
- WCDMA as 72% of global 3G terminal delivery volume

Sources: SA Research, data quoted as of the end of 2008

Promote scalable developmt. for terminals

- Open value chain cooperation principle, encourage 3rd party participation
- Customer Signing up 3G with customized handset or bring-their-own handset
- Introducing strategic terminals + 'Star' terminals

Launch iPhone

iPhone Models

- **iPhone 3G:** 8GB
- **iPhone 3GS:** 16GB、32GB
- Configuration meets market needs in China

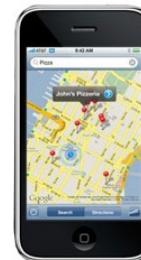
Launch Time

- 4th quarter in 2009

Partnership Model

- Volume purchase based on market demand
- Competitive purchase cost

iPhone 3G



iPhone 3GS



Agenda

● Overall Performance

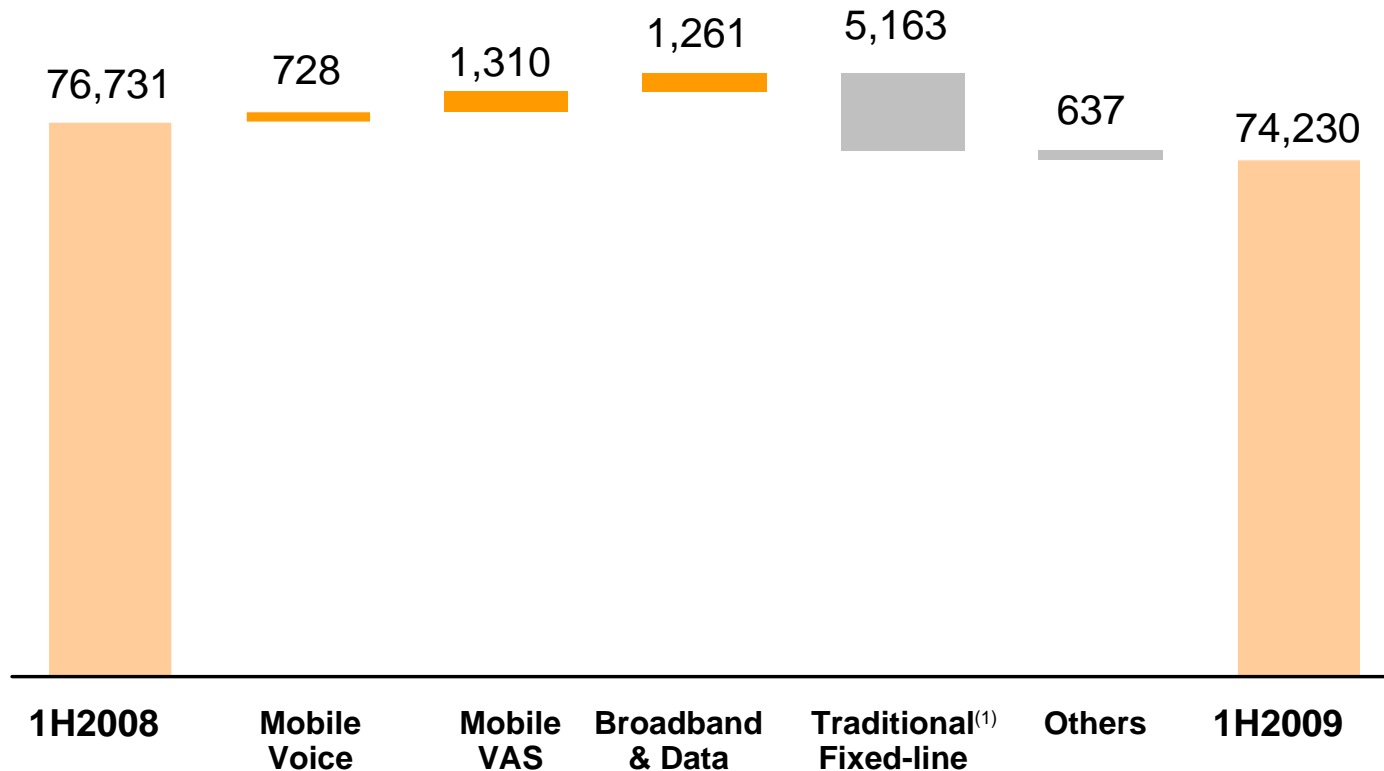
● **Operating Performance**

● Financial Results

Business Overview

Service Revenue Growth Drivers

(RMB millions)



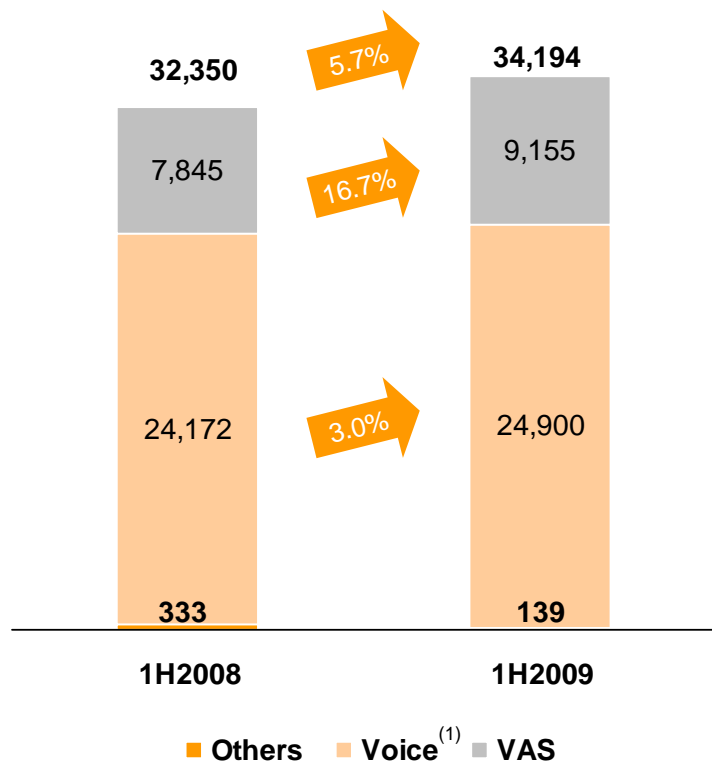
(1) Includes local voice, long distance, Fixed-line VAS, interconnection and others

Mobile Business

Revenue, subscriber and usage continued to grow

Service Revenue

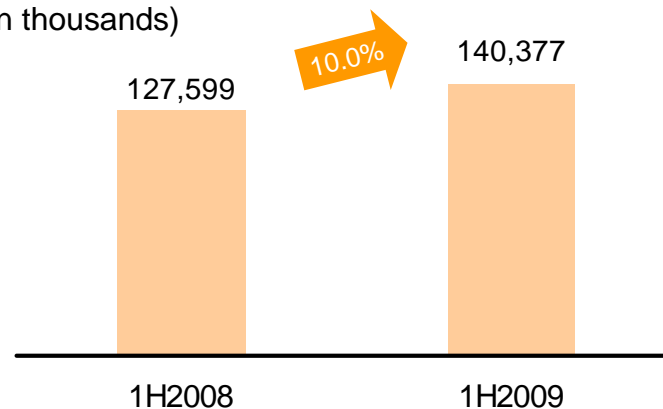
(RMB millions)



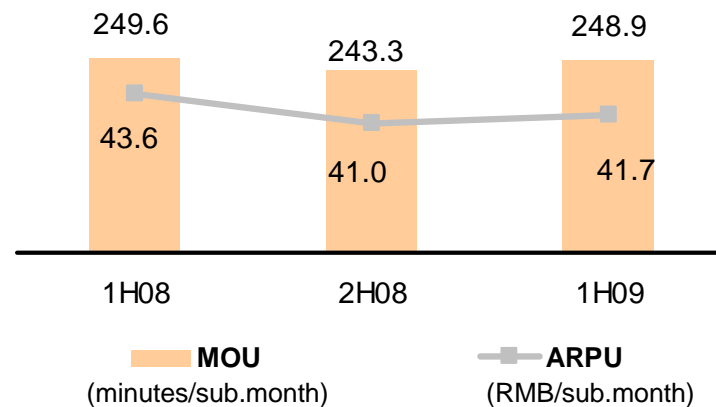
(1) Includes interconnection revenue

GSM Subscribers

(in thousands)



ARPU / MOU



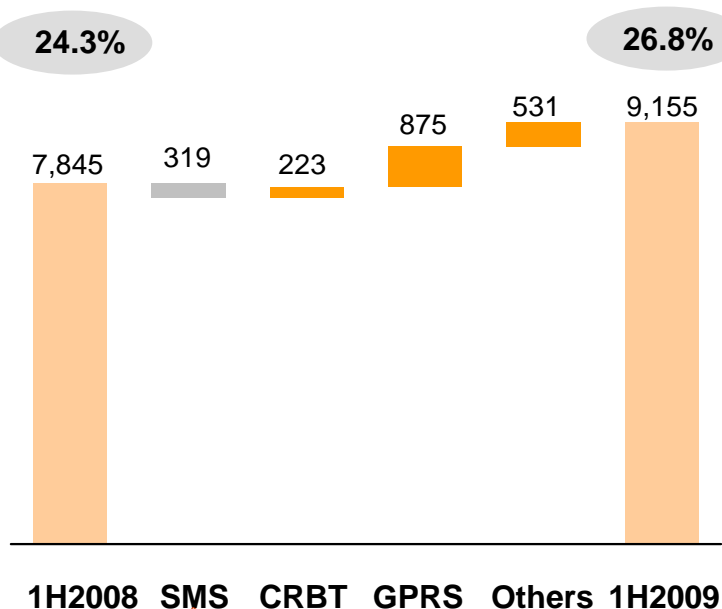
Mobile Business

VAS business maintained growth momentum

Mobile VAS Business Revenue

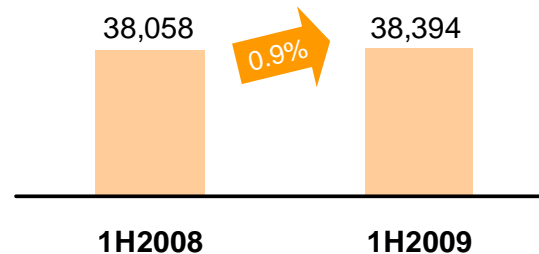
(RMB millions)

As % of mobile service revenue



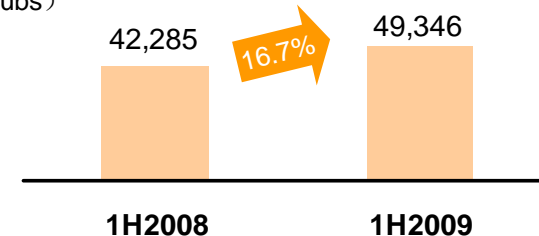
- SMS revenue was negatively impacted due to MIIT cancellation of differential pricing for sending 'on-net' and 'off-net' messages

SMS Volume (million messages)



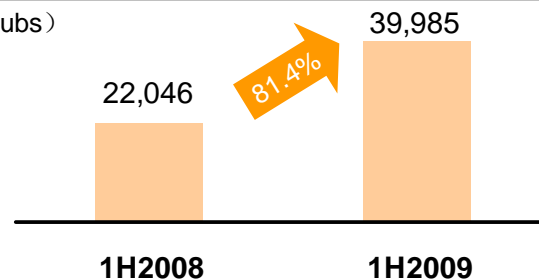
Cool Ringtone (CRBT) Subscribers

('000 subs)



GPRS Subscribers

('000 subs)

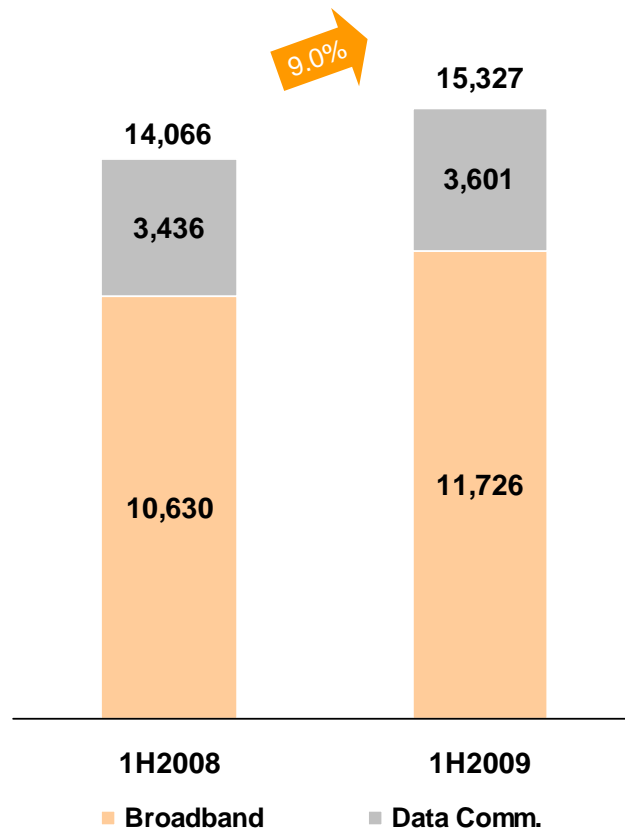


Fixed-line Business

Broadband and data comm. business continued to grow

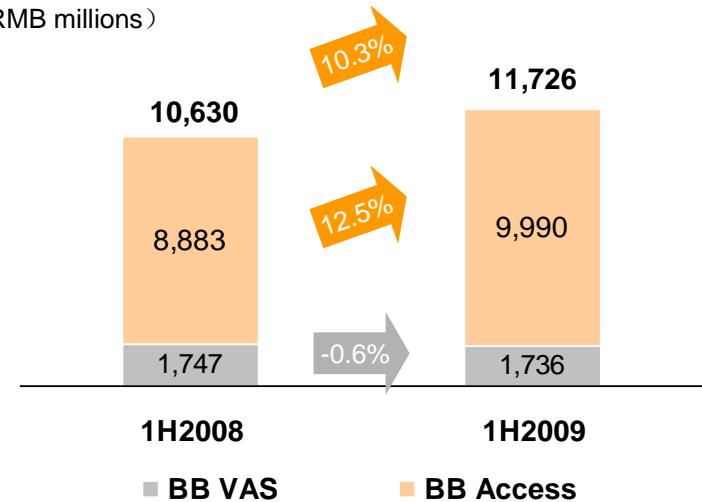
Revenue from Broadband & Data

(RMB millions)

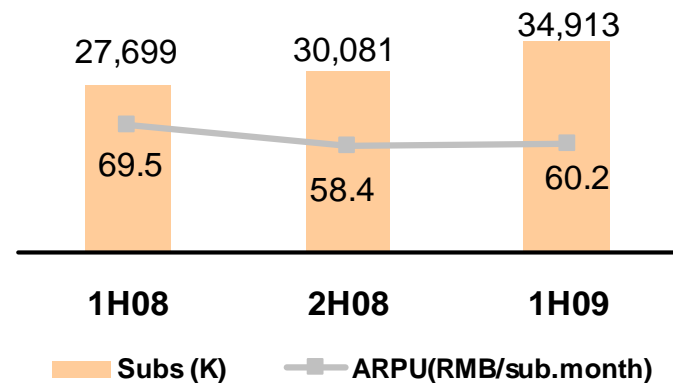


BB Revenue & Breakdown

(RMB millions)



BB Subscribers & ARPU

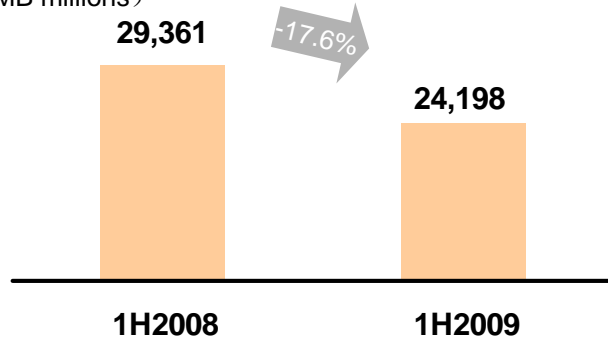


Fixed-line Business

Traditional business remained under pressure

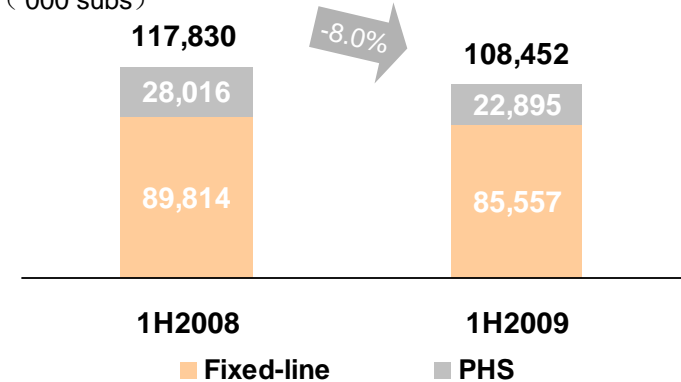
Traditional Fixed-line Revenue

(RMB millions)



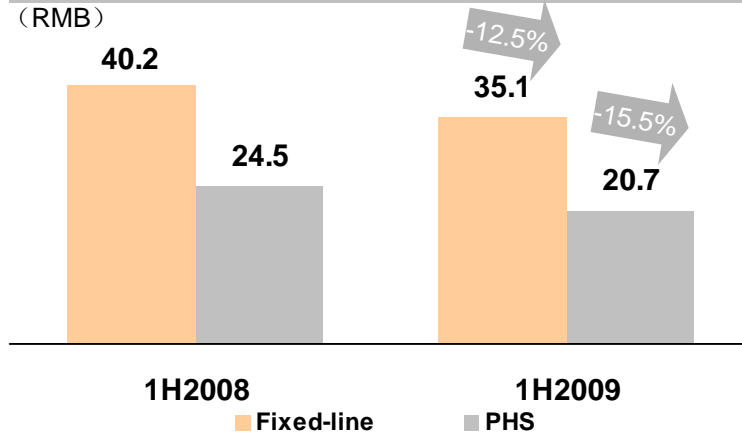
Subscribers

('000 subs)



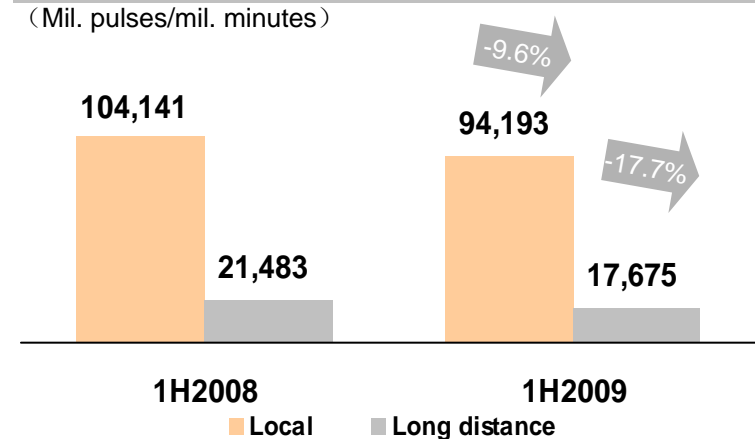
ARPU ⁽¹⁾

(RMB)



Usage ⁽²⁾

(Mil. pulses/mil. minutes)



(1) Includes local voice, LD voice and Value-added services

(2) Local usage excludes dial-up internet usage

Launched Full-Service Brand “WO” and Improved Customer Experience

Improve Customer Perception and Elevate Brand Image

Launched Full-service Brand “WO”

Corporate Brand



Full-service Brand



Brand Extension



Improved Customer Experience

GSM Network Quality

Call Completion Rate

↑ 0.51%

Call Drop Rate

↓ 1.26%

Product Innovation

- Enriched, innovative products

Channels

- 10010 Full-service customer care
- Online e-channels transaction volume grew rapidly
- New 3G flagship brand stores

Customer Care

- Unified customer care interface
- Nationwide full-service “One Card Recharge”

Strategies for 2H2009

Individual Customer Segment

- **2G:**
 - ✓ North: further service integration, improve customer base and customer loyalty
 - ✓ South: leverage improved network , optimize channels to increase market share
 - ✓ Strengthen packaged marketing of VAS (i.e. GPRS)
- **3G:**
 - ✓ Unified nationwide plans and strategies
 - ✓ Accurate positioning of target customers
 - ✓ Rational channel planning
 - ✓ Rich offers of products, application and contents
 - ✓ Promote handset scalability

Household Customer Segment

- Increase full-service tight integration, trial 3G household bundles
- Broadband access speed upgrade to improve customer value
- Strengthen fixed-line customer retention
- Promote “Digital Home” application product around home gateway
- Push informatization in rural areas

Government & Enterprise Customer Segment

- Leverage 3G technology advantage to promote vertical applications
- Improve total solution capabilities to meet customer’s integrated needs
- Develop high quality ICT projects
- Grow new businesses such as advertising and media

Agenda

● Overall Performance

● Operating Performance

● **Financial Results**

Basis for Financial Reporting

2009 Acquisition of Fixed-line Business in Southern 21 Provinces

- Completed in January 2009: Fixed-line business in southern 21 provinces, backbone transmission assets in northern china & 3 subsidiaries of Unicom Group.
- Merger accounting is adopted to account for the acquisition of fixed-line business in southern 21 provinces which is a business combination under common control.
- Operating lease of networks assets (owned by Unicom parent company) from 2009
- 2008 comparative figures include all revenue and operating expenses of fixed-line business in southern 21 provinces but exclude depreciation and amortization of the network assets and the finance costs for financing the construction of the networks. No lease fee is accounted for also.
- The accounting treatment of the acquisition of the 3 subsidiaries is the same as above while the acquisition of backbone transmission assets used purchase method.

Adoption of “Operating Segment” financial standard

- Adoption of IFRS/HKFRS 8 “Operating Segments”, under the Company’s full service operation and new organization structure, no longer allocates all income statement items to “Mobile” and “Fixed-line” segments.
- Segment report only reflects revenue and costs directly attributable to “Mobile” and “Fixed-line” businesses. Other expenses such as employee benefits expenses, depreciation and amortization of jointly shared assets, finance costs and etc. are presented as “Unallocated amounts”.

Merger with China Netcom

- Completed on October 15, 2008 and adopted merger accounting as it is considered as a business combination under common control.

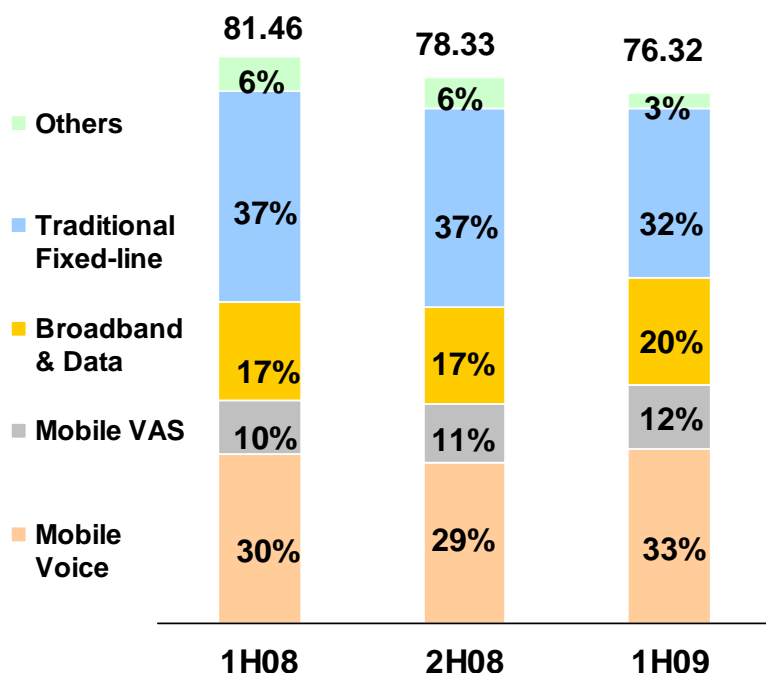
Disposal of CDMA Business

- Completed on October 1, 2008 and the relevant profit or loss is presented as “Discontinued Operations” in the income statement for the 1st half of 2008.

Revenue and Breakdown

Operating Revenue

(RMB billions)



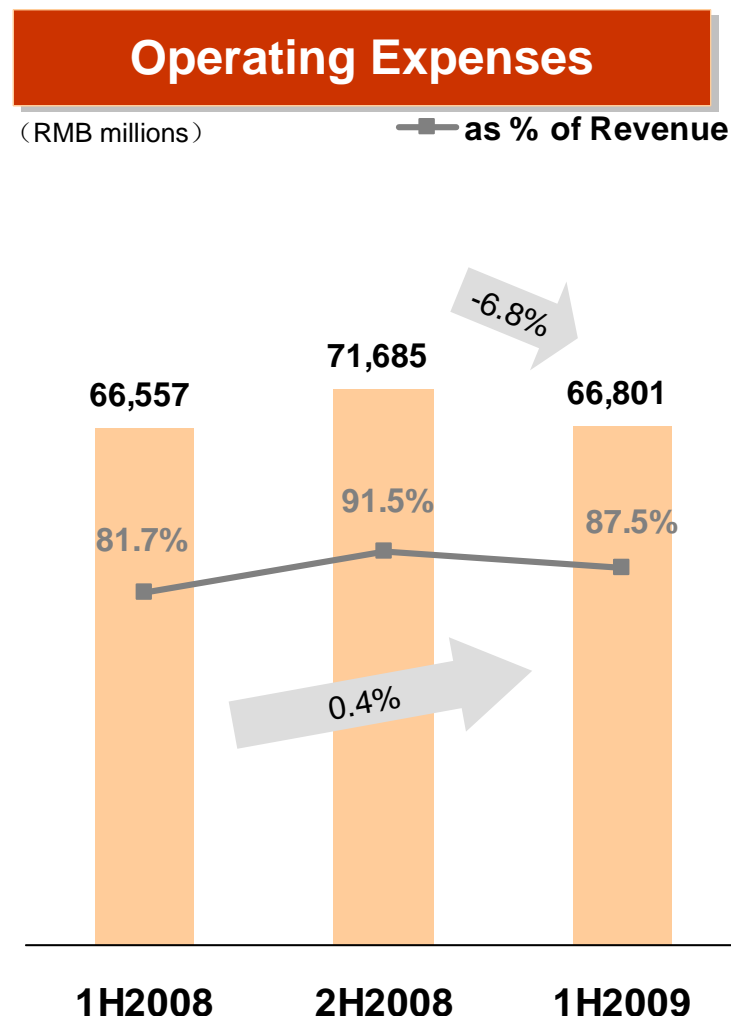
Service Revenue

	1H2009 (RMB millions)	YoY ⁽¹⁾ Growth %	HoH ⁽¹⁾ Growth %
Service Revenue	74,513	-3.3%	0.01%
Fixed-line	40,192	-9.7%	-5.4%
Traditional Fixed-line	24,198	-17.6%	-14.7%
Broadband & Data	15,327	9.0%	11.0%
Mobile	34,194	5.7%	7.2%
Mobile VAS	9,155	16.7%	8.8%
Mobile Voice	24,900	3.0%	8.0%

(1) To ensure the comparability of revenue amounts, excluding the effects of deferred fixed-line upfront connection fees (283 million in 1H2009, 505 million in 1H2008 and 381 million in 2H2008) and certain interconnection revenue between the fixed-line business and the discontinued operations of CDMA business (613 million in 1H2008, and 379 million in 2H2008) in the calculation of growth rate.

Operating Expenses

(RMB millions)	1H09	YoY%	HoH% ⁽²⁾
Operating expenses	(66,801)	0.4%	-6.8%
Interconnection charges	(6,240)	-2.4%	-6.4%
Depreciation & amortization	(23,358)	-2.6%	-2.6%
Net. Operations & support	(10,106)	17.1%	0.04%
Personnel	(10,546)	6.2%	-2.6%
Selling & marketing	(9,663)	6.6%	-8.4%
G&A and others	(6,072)	-20.5%	-27.3%
Cost of telecom prod. sold	(817)	-11.2%	-34.0%
Finance costs	(312)	-71.0%	-71.2%
Net other income	332	-59.0%	-74.3%
Lease fee for fixed-line network in southern 21 provinces	(907)	-	-
Total costs & expenses	(67,689)	+1.3%	-5.3%
Adjusted total costs & expenses⁽¹⁾	(66,806)	-0.9%	-7.4%



(1) Excludes the gain on the non-monetary assets exchange and the lease fee for the fixed-line networks in southern 21 provinces

(2) Excludes the effect of PHS business related asset impairment loss in 2H2008

Directly Attributable Costs & Unallocated Costs

(RMB millions)	1H2009	YoY %	Mobile Business	YoY %	Fixed-line Business	YoY %	Unallocated as % of total
Operating expenses	(66, 801)	+0.4%	(21,385)	+5.5%	(23,175)	-10.5%	37.6%
Interconnection charges	(6,240)	-2.4%	(6,335)	+18.1%	(2,110)	-25.5%	0%
Depreciation & amortiztn. ⁽¹⁾	(23,358)	-2.6%	(8,722)	-6.8%	(13,977)	+1.3%	2.9%
Net. operation & support ⁽²⁾	(10,106)	+17.1%	(1,189)	-0.1%	(2,589)	+5.2%	62.6%
Personnel ⁽³⁾	(10,546)	+6.2%					100%
Selling & marketing ⁽⁴⁾	(9,663)	+6.6%	(3,759)	+10.6%	(3,316)	-6.0%	31.3%
G&A and others ⁽⁵⁾	(6,072)	-20.5%	(701)	+0.7%	(1,046)	-60.2%	72.4%
Cost of telecom prod. sold	(817)	-11.2%	(679)	+158.2%	(137)	-78.9%	0%

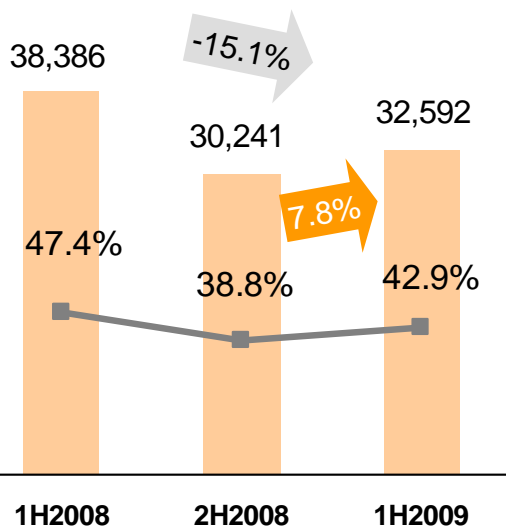
Unallocated expenses include:

- (1) Depreciation and amortization from jointly shared assets
- (2) Networks, operations and support expenses for jointly used network elements
- (3) All personnel expenses
- (4) Corporate communications, branding and advertising expenses and selling expenses for bundled services
- (5) General and administrative expenses from shared Corporate functions

EBITDA and Profit

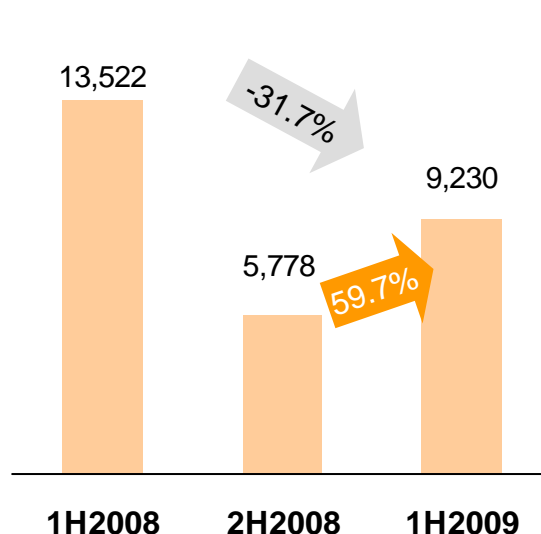
Adjusted EBITDA⁽¹⁾

(RMB millions) —■ EBITDA Margin



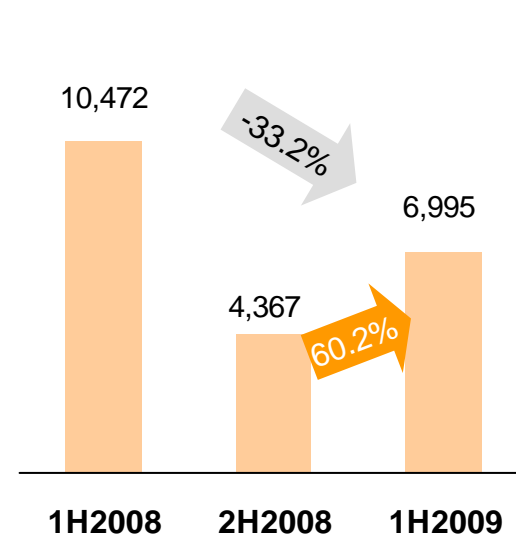
Adjusted Profit Before Tax⁽²⁾

(RMB millions)



Adjusted Net Profit⁽²⁾

(RMB millions)



(1) Adjusted EBITDA excludes the effects of deferred fixed-line upfront connection fees (283 million in 1H2009, 505 million in 1H2008 and 381 million in 2H2008) and the lease fee of 907 million for the fixed-line networks of southern 21 provinces in 1H2009.

(2) Adjusted profit before tax excludes the effects of deferred fixed-line upfront connection fees (283 million in 1H2009, 505 million in 1H2008 and 381 million in 2H2008), the lease fee of 907 million for the fixed-line networks of southern 21 provinces in 1H2009 and the gain from the non-monetary assets exchange (24.50 million in 1H2009 and 610 million in 1H2008)

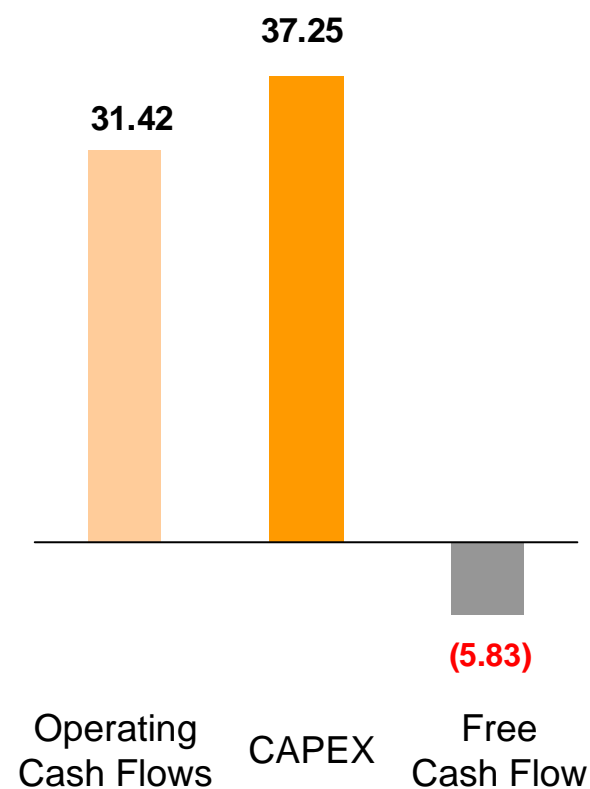
CAPEX and Cash Flows

CAPEX

(RMB billions)	1H2009	2009 Budget
3G	19.93	38.7
2G	4.42	23.7
Fixed-line & PHS	0.17	0.7
Broadband & Data	3.96	18.0
VAS Platforms	0.61	3.0
IT Systems	1.54	4.0
Infrastructure and Transport Networks	6.00	19.7
Others	0.61	2.2
Total	37.25	110.0

CAPEX & Cash Flows

(RMB billions)



Solid Balance Sheet

Key Assets & Liabilities data

(RMB millions)	2009 June 30	2008 Dec 31
Assets	354,928	348,752
Cash & Cash Equivalent	7,725	10,237
Liabilities	149,193	141,025
Interest-bearing debt	31,760	29,995
Net Assets	205,735	207,727
Debt-to-capitalization Ratio	13.4%	12.6%
Net Debt-to-Capitalization Ratio	10.1%	8.3%
Liabilities-to-assets Ratio	42.0%	40.4%
Operating Cash Flows from Continuing Operations	31,417	31,070

Financial Strength

Debt-to-capitalization Ratio

13.4%

Operating Cash Flows

6 months >31 billion

Note: Operating cash flows from continuing operations represents profit for the period plus depreciation and amortization.



Thank you!

Appendix I: Income Statement

(RMB millions)	1H2009	1H2008		1H2009	1H2008
Revenue:			Including: Sales & Marketing	(9,663)	(9,061)
Service Revenue	74,513	77,850	Cost of comm. Product sold	(817)	(919)
Other Revenue	1,146	2,898	Total Operating Expenses	(66,801)	(66,554)
Sales of Comm. Products	660	711	Operating Profit:	9,518	14,905
Total Operating Revenue	76,319	81,459	Finance Cost	(363)	(1,192)
Operating Expenses:			Interest Income	51	116
Interconnection Charges	(6,240)	(6,393)	Net Other Income (Expenses)	331	809
Depreciation & Amortization	(23,358)	(23,988)	Lease fee for fixed-line network in southern 21 provinces	(907)	0
Network, Operations & Support	(10,100)	(8,633)	Profit Before Tax	8,630	14,638
Personnel Cost	(10,546)	(9,928)	Taxation	(2,014)	(3,202)
G&A and Others	(16,551)	(17,611)	Net Profit	6,616	11,436

Appendix 2: Balance Sheet (selected)

(RMB millions)	1H2009	1H2008	(RMB millions)	1H2009	1H2008
Non-current Assets:			Non-current Liabilities:		
PPE,net	300,054	285,469	Long-term Bank Loans	939	997
Prepaid Leasing Payment	7,660	7,863	Bonds	7,000	7,000
Deferred Tax Assets	5,859	5,334	Total Non-current Liabilities:	12,314	13,092
Other Assets	9,948	9,087	Current Liabilities:		
Total Non-current Assets:	326,473	310,619	Payables & Provisions	76,869	67,509
Current Assets:			Tax Payables	11,285	11,307
Inventories	1,127	1,092	Short-term Bonds	10,000	10,000
Account Receivable, net	9,914	9,341	Short-term Loans	11,780	10,780
Prepayments & Others	2,622	2,715	Advances from Customers	16,040	14,914
Receivables from CDMA Business Disposal	5,437	13,140	Total Current Liabilities:	136,879	127,933
Cash and Cash Equivalent	7,725	10,237	Total Liabilities	149,193	141,025
Total Current Assets	28,455	38,133	Shareholders' Equity	205,735	207,727
Total Assets	354,928	348,752	Total Liabilities and Equity	354,928	348,752

Appendix 3: Key Operating Metrics

		1H2009	1H2008
GSM Business	Subscribers ('000)	140,377	127,599
	ARPU (RMB) ⁽¹⁾	41.7	43.6
	Usage (Billion minutes)	2,048	1,859
	MOU (minutes) ⁽¹⁾	248.9	249.6
	Voice Revenue per Minute (RMB)	0.122	0.130
Fixed-line Local Access	Subscribers ('000)	108,452	117,830
	Including: Fixed Lines	85,557	89,814
	PHS	22,895	28,016
	ARPU (RMB) ⁽¹⁾	32.0	36.4
	Including: Fixed Lines	35.1	40.2
	PHS	20.7	24.5
	Local voice usage (million pulses) (excluding dial-up internet access)	94,193	104,141
Long distance usage (million minutes)	17,675	21,483	
Fixed-line Broadband	Subscribers ('000)	34,913	27,699
	ARPU (RMB) ⁽¹⁾	60.2	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;

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.