Interim Report 2010

CHINA UNICOM (HONG KONG) LIMITED
Incorporated in Hong Kong with limited liability

Stock Code: 0762

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Chairman's Statement

Chang Xiaobing
Chairman & CEO

Dear Shareholders,

In the first half of 2010, the Company actively adapted to market changes, further accelerated the market expansion for its key businesses, strengthened operational support capability, enhanced implementation and execution. The Company's operations and development continued to maintain a positive trend.

Financial performance

In the first half of 2010, revenue of the Company totaled RMB82.11 billion, representing an increase of 7.6% over the same period last year. Telecommunications service revenue (excluding upfront connection fee, same hereafter) would be RMB79.10 billion, representing an increase of 6.6% over the same period last year. Revenue from the mobile business (Note 1) was RMB41.05 billion, representing an increase of 17.7% over the same period last year, and telecommunications service revenue was RMB39.09 billion, representing an increase of 14.3% over the same period last year. Revenue from the fixed-line business (Note 1) was RMB40.11 billion, representing a decrease of 2.4% over the same period last year, and telecommunications service revenue was RMB39.48 billion, representing a decrease of 1.1% over the same period last year.

As the Company's 3G business was still at the initial stage of operation, the revenue from the 3G business could not cover 3G network operation and maintenance, asset depreciation and marketing costs. As a result of the above reason coupled with a decline in the fixed-line voice business, the Company's EBITDA for the first half of the year was RMB30.33 billion, representing a decrease of 5.1% over the same period last year. Profit for the period was RMB2.53 billion, representing a decrease of 61.8% over the same period last year. Basic earnings per share was RMB0.11.

As at 30 June 2010, total interest-bearing debts of the Company were RMB77.03 billion. Debt-to-capitalisation ratio was 27.5%. The Company's debt-to-capitalisation structure was solid.

Business performance

In the first half of 2010, the Company's 3G and fixed-line broadband businesses developed rapidly. The GSM business remained steady and the fixed-line voice business experienced a slowdown in its decline. While the overall revenue saw a faster growth, the user mix, business and revenue structure continued to improve.

Driven by the 3G business, the mobile business grew rapidly. In the first half of the year, the Company's 3G business developed rapidly with telecommunications service revenue of RMB3.97 billion. The GSM business developed steadily with telecommunications service revenue of RMB35.12 billion, representing an increase of 2.7% over the same period last year. The consolidated ARPU of mobile subscribers was RMB42.9, representing an increase of 2.9% over the same period last year, of which the ARPU of 3G subscribers was RMB134.0 and remained at a relatively high level. The ARPU of GSM subscribers was RMB39.8, representing a decrease of 4.6% over the same period last year.

In the first half of the year, the Company actively adapted to changes in the market and customer demand, made a series of optimization adjustments to the 3G marketing strategy, optimized the tariff structure and increased subsidies, which effectively drove the growth of subscribers. The Company further changed the sales model, improved the channel incentive mechanism, strengthened cooperation with quality social channels, and as a result significantly enhanced channel sales capability and sales initiative. The Company also actively carried out data services marketing and gradually developed subscribers' services consumption habit. The volume of services such as mobile newspaper, mobile mailbox, mobile music, mobile TV and mobile Internet grew steadily. The research and development and trial operation in respect of services such as mobile reading, application store and mobile payment proceeded smoothly. The Company also strengthened the development and implementation of 3G industry application products, such as the launch of mobile office, mobile security and intelligent public transportation applications, and achieved breakthroughs in the areas of banking security, car manufacturing and government industries. In the first half of the year, the net additions of 3G subscribers were 4.818 million, taking the total subscriber number to 7.560 million, of which subscribers with handset purchase accounted for 91.9%.

To fully leverage the advantages of the rich variety and the high performance-price ratio of WCDMA handsets, and following the cooperation with Apple on the launch of iPhone, the Company successively launched LePhone and various intelligent terminals. As a result, the Company has preliminarily formed an intelligent terminal product family which can meet the needs of customers with different purchasing power.

As for the GSM business, the Company insisted on emphasizing both development and maintenance, actively facilitated fixed-line and mobile bundled sales and the development of integrated businesses, reinforced the marketing of value-added services focusing on SMS, "Cool Ringtone" and GPRS services and continued to increase the effectiveness of GSM subscriber development. In the first half of the year, the net additions of GSM subscribers were 4.557 million, taking the total subscriber number to 149.402 million, representing an increase of 6.4% over the same period last year. Revenue from the GSM non-voice business accounted for 29.3% of the revenue from the GSM telecommunications services, representing an increase of 2.1 percentage points over the same period last year.

The fixed-line business experienced a slowdown in its decline and the business structure continued to improve. In the first half of the year, the Company's fixed-line broadband business grew rapidly with a revenue of RMB14.47 billion, representing an increase of 23.4% over the same period last year. Revenue from the fixed-line voice business (Note 2) was RMB21.26 billion, representing a decrease of 12.2% over the same period last year. The Company saw a slowdown of the decline in its fixed-line business. Revenue from the fixed-line non-voice business accounted for 53.5% of fixed-line telecommunications service revenue, representing an increase of 6.3 percentage points over the same period last year. The fixed-line broadband business accounted for 36.7% of fixed-line telecommunications service revenue, representing an increase of 7.3 percentage points over the same period last year.

The Company continued to push forward the broadband upgrade and speed enhancement, continuously enriched content and application, actively explored the incremental markets such as schools and villages, increased the broadband subscriber penetration rate, and facilitated a faster growth in broadband subscribers and revenue. In the first half of the year, the net additions of fixed-line broadband subscribers were 5.209 million, taking the total subscriber number to 43.759 million, representing an increase of 25.3% over the same period last year. The ARPU of subscribers was RMB58.5, representing a decrease of 2.8% over the same period last year.

As for the fixed-line voice business, the Company actively marketed fixed-line voice packages and value-added services, promoted unified account package services featuring airtime sharing and single bill payment. As a result, the Company increased customer value and customer loyalty, and reduced the loss of fixed-line voice business. In the first half of the year, the loss of local telephone subscribers was 1.970 million and the total number of subscribers was 100.852 million, representing a decrease of 7.0% over the same period last year. Of which, the net additions of fixed-line voice subscribers were 526,000, taking the total subscriber number to 84.606 million. The loss of PHS subscribers was 2.496 million and the total number of subscribers was 16.246 million.

Network construction

In the first half of 2010, the Company continued to construct the 3G premium network and optimize the GSM network, and also focused on optical fibre access network construction to facilitate broadband upgrading and speed enhancement. As at 30 June 2010, there were 153,000 3G base stations and 442,000 carrier sectors, representing an increase of 127.8% and 92.7% over the same period last year respectively. The coverage of 3G networks at county level reached 95%. GSM base stations reached 306,000, representing an increase of 24.1% over the same period last year. The percentage of fixed-line broadband access of 4M above reached 75%. Meanwhile, the Company continued to actively optimize mobile networks to further expand the coverage of international roaming services, and strengthen the operational support capability of networks.

Brand and services

In the first half of 2010, the Company further integrated products, channels and services and other resources to enhance corporate brand and promote the "WO" brand. The Company also created wonderful "WO" experience for customers under the annual theme of "Wonderful Moment with Wonderful WO", and gradually established the image of the "WO" brand as the "Leading Brand in the 3G Market" among consumers. Accordingly, the recognition and reputation of the "WO" brand were further enhanced.

The Company actively promoted service innovation, and established the 3G customer liaison centre and the 3G dedicated service model based on its main goal of achieving a leading position in 3G service. The Company also optimized its full-service graded service system, and established a service quality monitoring and control system covering the full range of services and service procedures, resulting in a continued improvement in customer awareness.

Management reform

In the first half of 2010, the Company further improved the organizational structure, consolidated the sales department through integration, optimized the staffing for the team of corporate clients, and enhanced channel sales capability. The Company also established the branch company for networks, and integrated the construction, operation and maintenance of the fixed-line and mobile networks. Meanwhile, the Company continuously explored to establish a scientific and effective incentive mechanism so as to motivate employees and increase the operating efficiency.

The Company continued to improve its IT management standard. In the first half of the year, the business support system was further optimized. In particular, the Company fully implemented the ESS system and officially launched the ERP core system, which provided strong support for the reform in management and operation.

Outlook

2010 is a critical year for the Company to enhance its market position and expedite the change in the operating model. The Company has made becoming "innovation and service leader for information lifestyle" as its development vision and will concentrate on implementing the "strategies of achieving a leading position in 3G and integrated innovation", focus on growth and increase efficiency in the next few years. In the second half of the year, the Company's major operating moves focusing on the implementation and execution of strategies include:

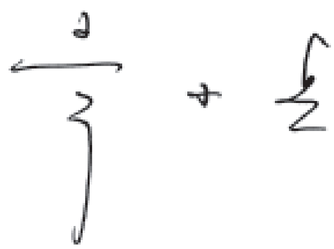
For the mobile business, the Company will accelerate the construction of the 3G premium network, continue to improve the GSM network, and ensure a continued improvement in network capacity and network quality. The Company will also further optimize the 3G business marketing strategy, enrich the offerings of 3G intelligent terminals, motivate sales channels, and promote the continuous rapid development of the 3G business. In addition, the Company will transform the operating model for the GSM business, increase the effectiveness of subscriber development, and facilitate the steady development of the GSM business. In the second half of the year, the Company will continue to maintain the rapid growth of its overall mobile business and improve the subscriber mix and revenue structure.

For the fixed-line business, the Company will further increase its investment in the fixed-line broadband network, continue to construct high-performance broadband and basic transmission networks; and enhance the overall marketing and service capabilities of the fixed-line broadband business. In the second half of the year, the Company will continue to maintain the rapid growth of the fixed-line broadband business, further mitigate the revenue decline of the fixed-line business, and achieve a further increase in the percentage of revenue from the fixed-line non-voice business.

As for the integrated and new businesses, the Company will accelerate the R & D and promotion of further product integration and industry application products. In the second half of the year, the Company will officially launch integrated products branded as "WO•Family" and realize new breakthroughs in core industry applications area. The Company will increase the sales efforts of new services such as mobile music and mobile TV and launch new services including application store and e-reading this year, so as to further enrich the 3G service applications and stimulate consumers' consumption on data service.

The Company will further improve its full-service graded service system to achieve a leading position in 3G services and continue to increase the IT management standard to satisfy the operating and management needs. The Company will also persist in management innovation, optimize resources allocation based on local networks, improve the incentive mechanism, stimulate operating spirit, and continue to optimize the cost structure, to steadily enhance the corporate value.

Lastly, on behalf of the Board, I would like to express my most sincere gratitude to friends from all communities for their long-term support to the development of the Company. Meanwhile, I would also like to express my heartfelt gratitude to the management and all staff members of the Company for their unremitting efforts on the development of the Company.



Chang Xiaobing
Chairman and Chief Executive Officer

Hong Kong, 26 August 2010

Note 1: Revenue from mobile business and the fixed-line business represents revenue from external customers excluding intersegment revenue.

Note 2: Fixed-line voice business includes the revenue from local voice service, long-distance service, fixed-line VAS, interconnection settlement and other internet related services.

Financial and Business Overview

I. Financial Overview

Revenue

In the first half of 2010, total revenue reached RMB82.11 billion, of which, telecommunications service revenue was RMB79.23 billion. Excluding the effects of deferred fixed-line upfront connection fees, total revenue and telecommunications service revenue would increase by 7.8% and 6.6%, respectively, as compared to the same period of last year.

Revenue from mobile business (Note 1) was RMB41.05 billion, up by 17.7% from the same period of last year, of which, telecommunications service revenue from mobile business was RMB39.09 billion, up by 14.3% from the same period of last year. Telecommunications service revenue from GSM business was RMB35.12 billion, up by 2.7% from the same period of last year. Net additions of GSM mobile subscribers were 4.557 million for the first half of 2010, monthly average minutes of usage ("MOU") per subscriber was 260.2 minutes, and monthly average revenue per user ("ARPU") was RMB39.8. Telecommunications service revenue from 3G business was RMB3.97 billion. Net additions of 3G subscribers were 4.818 million for the first half of 2010, MOU per subscriber was 638.5 minutes and ARPU was RMB134.0.

Revenue from the fixed-line business (Note 1) was RMB40.11 billion, down by 2.4% from the same period of last year, of which, if excluding the effects of deferred fixed-line upfront connection fees, telecommunications service revenue from the fixed-line business would be RMB39.48 billion and decrease by 1.1% from the same period of last year. Of which, telecommunications service revenue from broadband business was RMB14.47 billion, up by 23.4% from the same period of last year. Net additions of broadband subscribers were 5.209 million for the first half of 2010. ARPU of broadband business was RMB58.5. Telecommunications service revenue from the local telephone business was RMB18.08 billion, down by 13.6% compared with the same period of last year. Net reduction of local telephone subscribers (fixed-line telephone and Personal Handyphone System) was 1.97 million for the first half of 2010 and ARPU was RMB29.6.

Costs and Expenses and Others

In the first half of 2010, due to various factors including the launch of 3G services and the expansion of networks facilities and base stations, depreciation and amortization, networks, operations and support expenses and selling expenses grew faster. Total costs and expenses and others, including finance costs, interest income and other income-net, were RMB78.84 billion, up by 16.5% from the same period of last year. Depreciation and amortisation was RMB26.64 billion, increased by RMB3.28 billion or 14.1% from the same period of last year. Networks, operations and support expenses were RMB12.76 billion, increased by RMB1.75 billion or 15.9% from the same period of last year. Selling and marketing expenses were RMB11.34 billion, increased by RMB1.68 billion or 17.4% from the same period of last year. Handset subsidies relating to 3G business amounted to RMB1.17 billion which have been recorded in the first half of 2010. After the Company enhanced its 3G handset subsidy policy in May 2010, such subsidies for May 2010 and June 2010 were RMB0.34 billion and RMB0.44 billion, respectively.

Earnings

In the first half of 2010, EBITDA (Note 2) was RMB30.33 billion, profit before income tax was RMB3.27 billion and profit for the period was RMB2.53 billion. Basic earnings per share was RMB0.11. Adjusted profit for the period (Note 3) would be RMB2.40 billion, down by 62.2% as compared to the same period of last year. Adjusted EBITDA (Note 2) would be RMB30.19 billion, down by 4.7% as compared to the same period of last year. Adjusted EBITDA margin (adjusted EBITDA as a percentage of the total revenue) would be 36.8%.

Capital Expenditures and Free Cash Flows

In the first half of 2010, capital expenditures totaled RMB33.32 billion. Free cash flows (representing net cash flows from operating activities minus capital expenditures) were RMB-2.23 billion.

Balance Sheet

Liabilities-to-assets ratio (Note 4) changed from 50.5% as at 31 December 2009 to 51.2% as at 30 June 2010. Debt-to-capitalisation ratio (Note 5) changed from 26.5% as at 31 December 2009 to 27.5% as at 30 June 2010.

II. Business Overview

Mobile Business

GSM Business

In the first half of 2010, the Company strived to capture new subscribers while retaining existing subscribers. At the same time, the Company continued to improve customer services. Overall, the GSM business maintained steady growth. In the first half of 2010, the net additions of GSM subscribers were 4.557 million; as at 30 June 2010, the total number of GSM subscribers reached 149.402 million. In the first half of 2010, the total GSM voice usage amounted to 229.82 billion minutes, representing an increase of 12.2% over the same period last year; the average minutes of usage ("MOU") per subscriber per month was 260.2 minutes, representing a growth of 4.5% over the same period last year; the average revenue per user ("ARPU") per month was RMB39.8, representing a decrease of 4.6% over the same period last year.

In the first half of 2010, the Company actively promoted the mobile data business and increased the penetration rates of the GPRS, "Cool Ringtone" and SMS services. As a result, the Company maintained a rapid growth in the GSM value-added services ("VAS") business. In the first half of 2010, the net additions of GPRS subscribers were 6.34 million; as at 30 June 2010, the total number of GPRS subscribers reached 51.129 million, representing an increase of 27.9% over the same period last year. In the first half of 2010, the net additions of "Cool Ringtone" subscribers were 5.361 million; as at 30 June 2010, the total number of"Cool Ringtone" subscribers amounted to 54.581 million, representing a growth of 10.6% over the same period last year. In the first half of 2010, the net additions of MMS subscribers were 1.651 million; as at 30 June 2010, the total number of MMS subscribers reached 12.445 million, representing an increase of 30.6% over the same period last year.

3G Business

In the first half of 2010, the Company continued to develop its leading positions in networks, customer care and services, and maintain its unified strategies in brands, services, tariffs, packaging, handset policies and customer care standards. Moreover, the Company has optimized tariffs of service plans and sales and marketing strategies, diversified 3G smartphones portfolio, so as to provide customers with more flexible service options with more varieties and at more favorable prices. In addition, to satisfy customers' demand for comprehensive information services, the Company further enhanced its integrated service capability to cover an extensive range of service areas, including handsets, voice, data, and application services. In particular, the Company achieved substantial progress in developing certain service applications, including mobile office, mobile stocks and informatization of automobile. Overall, the Company achieved a steady and fast growth in the 3G business. In the first half of 2010, the net additions of 3G subscribers were 4.818 million. As at 30 June 2010, the total number of 3G subscribers amounted to 7.56 million; the total number of 3G mobile mailbox subscribers reached 5.444 million; and the total number of 3G MMS subscribers reached 1.169 million. In the first half of 2010, the total 3G voice usage amounted to 16.94 billion minutes, MOU was 638.5 minutes, ARPU was RMB134.0.

Fixed-line Business

Fixed-line Broadband and Data Communication Businesses

In the first half of 2010, the Company increased its marketing efforts in promoting the broadband access speed upgrade, continued to expand fixed-line application service offering, and further enhanced its sales and marketing and service capabilities in the urban, rural and campus markets. As a result, the broadband business achieved rapid growth. In the first half of 2010, the net additions of fixed-line broadband subscribers were 5.209 million; as at 30 June 2010, the total number of fixed-line broadband subscribers reached 43.759 million, representing an increase of 25.3% over the same period last year. Subscribers with 2M-and-above bandwidth accounted for 84.8% of all fixed-line broadband subscribers, representing an increase of 15.4 percentage points over the corresponding period last year. In the first half of 2010, the total number of subscribers of broadband content and applications reached 18.129 million and accounted for 41.4% of all fixed-line broadband subscribers, representing an increase of 21.0 percentage points over the same period last year; ARPU of fixed-line broadband was RMB58.5, representing a decline of 2.8% over the corresponding period last year.

Fixed-line Voice Business

The Company actively promoted its integrated business, continued to develop voice value-added services, and endeavored to mitigate the decline of its fixed-line business through service bundles and voice minutes package promotion. As at 30 June 2010, the total number of local access subscribers was 100.852 million, representing a decrease of 7.0% over the same period last year, down by 1.97 million from the end of last year. In the first half of 2010, the churn rate of local access subscribers was 6.7%, representing a decline of 0.3 percentage points over the same period last year; MOU was 133.2 minutes, representing a decrease of 8.8% over the corresponding period last year; ARPU was RMB29.6, representing a decline of 7.5% over the same period last year.

Sales and Marketing

Branding

In the first half of 2010, the Company continued to execute its full-service branding strategy, so as to enhance an innovation corporate image. Focusing on the full-service brand “WO”, the Company successfully improved brand recognition through promoting the brand with a theme of “Wonderful Moment with Wonderful WO” during the 2010 FIFA World Cup and the Shanghai World Expo 2010. Through user experience focused marketing for certain key services, the Company further accelerated the 3G business development.

Sales and Marketing Channels

In the first half of 2010, the Company continued to optimize its distribution channels for its full range of telecommunications services, and improved the sales capability of those channels. For instance, the Company further enhanced its self-owned distribution channels, assessed the efficiency of self-owned sales outlets and emphasized on training of experience marketing for the front-line sales personnel. As a result, the Company improved the sales capability of its self-owned sales distribution channels. In the first half of 2010, subscribers acquired from the Company’s self-owned channels accounted for 28.9% of the total mobile acquisitions. In addition, the Company further expanded independent channels by strengthening its cooperation with the main stream independent channels, coupled with the efforts in promoting smartphone service plans and expanding into premium sales outlets that sell mobile phones, home appliances and IT products. Meanwhile, the Company improved the productivity of, and provided incentives to, the sale force of those independent channels. In the first half of 2010, 3G subscribers acquired from independent channels accounted for 35.0% of the total 3G subscribers. Moreover, the Company accelerated its electronic channel development, as a result, the e-sales service management system ("ESS"), online stores, mobile stores and self-service terminals ("ECS system") have all facilitated the Company's sales and management support of the GSM, 3G and fixed-line services, and provided effective support for its business development. In the first half of 2010, subscribers acquired from the e-sales channels amounted to 610,000, and sales from the "One Card Recharge" service accounted for 30% of the total e-sales. Overall, the synergy between the e-sales channels and traditional sales channels has effectively improved the quality of the customer services.

Customer Care

In the first half of 2010, in order to enhance its customer care quality, the Company continued to optimize its customer care system in aspects of service standards, service levels and featured services. In addition, the Company pushed forward the integration of customer care, retention and sales and marketing activities, and enhanced its service monitoring mechanism. Moreover, the Company created a 3G-dedicated customer care model by setting up 3G customer hotlines and VIP customer service teams, establishing mechanisms for resource allocations, process management and control as well as information sharing. The new measures provided customer service support to the sales and marketing of the 3G business.

Note 1: Revenue from mobile business and the fixed-line business represents revenues from external customers, excluding intersegment revenue.

Note 2: EBITDA represents profit for the period before interest income, finance costs, other income-net, income tax, depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditures and finance costs may have a significant impact on the net profit of the companies with similar operating results. Therefore, the Company believes that EBITDA may be helpful in analyzing the operating results of a telecommunications service operator like our Group.

Adjusted EBITDA represents EBITDA excluding the effects of deferred fixed-line upfront connection fees. From the perspective of cash flows, the above connection fees are not considered as the Company's operating performance, the Company therefore believes that adjusted EBITDA excluding the above connection fees not only could provide more meaningful supplemental information to management and investors, but also facilitate them to evaluate the Company's performance and liquidity.

Although EBITDA and adjusted EBITDA have been widely applied in the global telecommunications industry as indicators to reflect operating performance, financial capability and liquidity, they should be considered in addition to, and are not substitute for or superior to, the measure of financial performance prepared under generally accepted accounting principles ("GAAP") as they do not have any standardised meaning under GAAP. In addition, they may not be comparable to similar indicators provided by other companies.

Note 3: Adjusted profit for the period represents profit for the period excluding the effects of deferred fixed-line upfront connection fees.

Note 4: Liabilities-to-assets ratio represents total liabilities over total assets.

Note 5: Debt-to-capitalisation ratio represents interest bearing debts plus minority interest over interest bearing debts plus total equity.

Unaudited Condensed Consolidated Interim Financial Information

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2010

(All amounts in Renminbi ("RMB") millions)

	Note	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	5	**357,654**	351,157
Lease prepayments		**7,669**	7,729
Goodwill		**2,771**	2,771
Deferred income tax assets	6	**5,732**	5,202
Available-for-sale financial assets	7	**5,280**	7,977
Other assets	8	**11,611**	11,596
		390,717	386,432
Current assets			
Inventories and consumables	9	**2,330**	2,412
Accounts receivable, net	10	**9,583**	8,825
Prepayments and other current assets	11	**4,816**	4,252
Amounts due from related parties	28.1	**37**	53
Amounts due from domestic carriers	28.2	**1,281**	1,134
Proceeds receivable for disposal of the CDMA business	28.2	**—**	5,121
Short-term bank deposits		**1,102**	996
Cash and cash equivalents		**6,821**	7,820
		25,970	30,613
Total assets		**416,687**	417,045
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	**2,310**	2,310
Share premium	12	**173,435**	173,435
Reserves		**(19,987)**	(18,088)
Retained profits			
– Proposed 2009 final dividend	26	**—**	3,770
– Others		**47,460**	45,038
		203,218	206,465
Non-controlling interest		**2**	2
Total equity		**203,220**	206,467

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2010

(All amounts in RMB millions)

	Note	30 June 2010	31 December 2009
LIABILITIES			
Non-current liabilities			
Long-term bank loans	13	**687**	759
Corporate bonds	14	**7,000**	7,000
Promissory note	15	**3,000**	—
Deferred income tax liabilities	6	**18**	245
Deferred revenue		**2,434**	2,562
Other obligations		**183**	187
		13,322	10,753
Current liabilities			
Accounts payables and accrued liabilities	16	**101,001**	104,072
Taxes payable		**1,012**	912
Amounts due to ultimate holding company	28.1	**249**	308
Amounts due to related parties	28.1	**4,497**	5,438
Amounts due to domestic carriers	28.2	**922**	1,136
Payables in relation to disposal of the CDMA business	28.2	**—**	7
Dividend payable	26	**1,621**	331
Commercial paper	17	**15,000**	—
Short-term bank loans	18	**49,089**	63,909
Current portion of long-term bank loans	13	**57**	62
Current portion of deferred revenue		**1,194**	1,397
Current portion of other obligations		**2,533**	2,534
Advances from customers		**22,970**	19,719
		200,145	199,825
Total liabilities		**213,467**	210,578
Total equity and liabilities		**416,687**	417,045
Net current liabilities		**(174,175)**	(169,212)
Total assets less current liabilities		**216,542**	217,220

The notes on pages 17 to 46 are an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Income

For the six months ended 30 June 2010

(All amounts in RMB millions, except per share data)

		Six months ended 30 June	
	Note	**2010**	2009
Revenue	19	**82,113**	76,319
Interconnection charges		**(6,479)**	(6,240)
Depreciation and amortisation		**(26,641)**	(23,358)
Networks, operations and support expenses	20	**(12,759)**	(11,013)
Employee benefit expenses	21	**(11,572)**	(10,546)
Other operating expenses	22	**(20,977)**	(16,551)
Finance costs	23	**(864)**	(363)
Interest income		**40**	51
Other income - net	24	**408**	331
Profit before income tax		**3,269**	8,630
Income tax expenses	6	**(743)**	(2,014)
Profit for the period		**2,526**	6,616
Attributable to:			
Equity holders of the Company		**2,526**	6,616
Non-controlling interest		**—**	—
		2,526	6,616
Basic earnings per share (RMB)	27	**0.11**	0.28
Diluted earnings per share (RMB)	27	**0.11**	0.28

The notes on pages 17 to 46 are an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2010

(All amounts in RMB millions)

	Six months ended 30 June	
	2010	2009
Profit for the period	**2,526**	6,616
Other comprehensive (loss)/ income		
Fair value (losses)/gains on available-for-sale financial assets	**(2,710)**	86
Tax effect on fair value losses/(gains) on available-for-sale financial assets	**671**	(7)
Fair value (losses)/gains on available-for-sale financial assets, net of tax	**(2,039)**	79
Currency translation differences	**(17)**	6
Other comprehensive (loss)/ income for the period, net of tax	**(2,056)**	85
Total comprehensive income for the period	**470**	6,701
Total comprehensive income attributable to:		
Equity holders of the Company	**470**	6,701
Non-controlling interest	**—**	—
	470	6,701

The notes on pages 17 to 46 are an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2010

(All amounts in RMB millions)

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Employee share-based compensation reserve	Revaluation reserve	Available-for-sale fair value reserve	Statutory reserves	Other reserves	Retained profits	Total	Non-controlling interest	Total equity
Balance at 1 January 2009	2,329	166,784	–	540	161	44	22,992	(39,201)	54,076	207,725	2	207,727
Total comprehensive income for the period	–	–	–	–	–	79	–	6	6,616	6,701	–	6,701
Transfer to retained profits in respect of depreciation on revalued assets	–	–	–	–	(28)	–	–	–	28	–	–	–
Transfer to statutory reserves	–	–	–	–	–	–	283	–	(283)	–	–	–
Transfer of profit of entities under common control to ultimate holding company in relation to 2009 Business Combination (Note 28.1(b))	–	–	–	–	–	–	–	–	(64)	(64)	–	(64)
Consideration for 2009 Business Combination under common control	–	–	–	–	–	–	–	(3,896)	–	(3,896)	–	(3,896)
Equity-settled share option schemes: -Value of employee services	–	–	–	21	–	–	–	–	–	21	–	21
Dividends relating to 2008 (Note 26)	–	–	–	–	–	–	–	–	(4,754)	(4,754)	–	(4,754)
Balance at 30 June 2009	2,329	166,784	–	561	133	123	23,275	(43,091)	55,619	205,733	2	205,735
Balance at 1 January 2010	**2,310**	**173,435**	**79**	**567**	**106**	**6**	**24,251**	**(43,097)**	**48,808**	**206,465**	**2**	**206,467**
Total comprehensive (loss)/ income for the period	–	–	–	–	–	(2,039)	–	(17)	2,526	470	–	470
Transfer to retained profits in respect of depreciation on revalued assets	–	–	–	–	(26)	–	–	–	26	–	–	–
Transfer to statutory reserves	–	–	–	–	–	–	130	–	(130)	–	–	–
Equity-settled share option schemes: -Value of employee services	–	–	–	53	–	–	–	–	–	53	–	53
Dividends relating to 2009 (Note 26)	–	–	–	–	–	–	–	–	(3,770)	(3,770)	–	(3,770)
Balance at 30 June 2010	**2,310**	**173,435**	**79**	**620**	**80**	**(2,033)**	**24,381**	**(43,114)**	**47,460**	**203,218**	**2**	**203,220**

The notes on pages 17 to 46 are an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2010
(All amounts in RMB millions)

		Six months ended 30 June	
	Note	2010	2009
Net cash inflow from operating activities		**31,089**	31,417
Net cash outflow from investing activities	(a)	**(32,737)**	(31,527)
Net cash inflow/(outflow) from financing activities		**649**	(2,402)
Net decrease in cash and cash equivalents		**(999)**	(2,512)
Cash and cash equivalents, beginning of period		**7,820**	10,237
Cash and cash equivalents, end of period		**6,821**	7,725
Analysis of the balances of cash and cash equivalents:			
Cash balances		**7**	9
Bank balances		**6,814**	7,716
		6,821	7,725

(a) The amount of net cash outflow from investing activities for the six months ended 30 June 2010 included the proceeds of approximately RMB5,121 million (for the six months ended 30 June 2009: approximately RMB4,239 million) received in relation to disposal of the CDMA business in 2008.

The notes on pages 17 to 46 are an integral part of this unaudited condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

China Unicom (Hong Kong) Limited (the "Company") was incorporated as a limited liability company in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") on 8 February 2000. The principal activities of the Company are investment holding and the Company's subsidiaries are principally engaged in the provision of cellular and fixed-line voice and related value-added services, broadband and other Internet-related services, information communications technology services, and business and data communications services in the PRC. The GSM cellular voice, WCDMA cellular voice and related value-added services is referred to as the "Mobile business", the services aforementioned other than the Mobile business is hereinafter collectively referred to as the "Fixed-line business". The Company and its subsidiaries are hereinafter referred to as the "Group".

The shares of the Company were listed on the Stock Exchange of Hong Kong Limited on 22 June 2000 and the American Depositary Shares of the Company were listed on the New York Stock Exchange on 21 June 2000.

The substantial shareholders of the Company are China Unicom (BVI) Limited ("Unicom BVI") and China Netcom Group Corporation (BVI) Limited ("Netcom BVI"). The majority of equity interests in Unicom BVI is owned by China United Network Communications Limited ("A Share Company", a joint stock company incorporated in the PRC on 31 December 2001, with its A shares listed on the Shanghai Stock Exchange on 9 October 2002). The majority of the equity interest in A Share Company is owned by China United Network Communications Group Company Limited (a state-owned enterprise established in the PRC, hereinafter referred to as "Unicom Group"). Netcom BVI is a wholly-owned subsidiary of Unicom Group. As a result, the directors of the Company consider Unicom Group to be the ultimate holding company.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim financial reporting" issued by the International Accounting Standards Board ("IASB"). IAS 34 is consistent with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accordingly this unaudited condensed consolidated interim financial information is also prepared in accordance with HKAS 34.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 and 2009 has not been audited by the auditors, and the financial information for the year ended 31 December 2009 is extracted from the audited financial statements as set out in the Company's 2009 annual report.

The unaudited condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009. The Group's policies on financial risk management, including management of market risk, credit risk and liquidity risk, as well as capital risk management, were set out in the financial statements included in the Company's 2009 annual report.

2. BASIS OF PREPARATION (Continued)

Going Concern Assumption

As at 30 June 2010, current liabilities of the Group exceeded current assets by approximately RMB174.2 billion (31 December 2009: approximately RMB169.2 billion). Given the current global economic conditions and the Group's expected capital expenditures in the foreseeable future, management has comprehensively considered the Group's available sources of funds as follows:

- The Group's continuous net cash inflow from operating activities;
- Revolving banking facilities of approximately RMB122.3 billion, of which approximately RMB84.0 billion was unutilised as at 30 June 2010; and
- Other available sources of financing from domestic banks and other financial institutions given the Group's credit history.

In addition, the Group will continue to optimise its fund raising strategy from the short, medium and long-term perspectives and will consider the opportunities in the current capital market to take advantage of low interest rates by issuing medium to long-term debts with low financing cost.

Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital requirements and debt obligations. As a result, the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2010 has been prepared under the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009.

The following new/revised standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010 and are applicable for the Group:

IFRS/HKFRS 2 (amendments), "Group cash-settled share-based payment transactions"
IFRS/HKFRS 3 (revised), "Business combinations"
IAS/HKAS 27 (revised), "Consolidated and separate financial statements"
IASB's improvements to IFRS/HKICPA's improvements to HKFRS:
  IAS/HKAS 7 (Amendment), "Cash flow statements"
  IAS/HKAS 17 (Amendment), "Leases"
  IAS/HKAS 36 (Amendment), "Impairment of assets"
  IAS/HKAS 38 (Amendment), "Intangible assets"

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of the above new/revised standards and amendments to standards did not have any significant impact on the Group's unaudited condensed consolidated interim financial information. In addition, the IASB and HKICPA also published a number of new standards, amendments to standards and interpretations which are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group. Management is assessing the impact of such new standards, amendments to standards and interpretations and will adopt the relevant standards, amendments to standards and interpretations in the subsequent periods as required.

4. SEGMENT INFORMATION

The Chief Operating Decision Maker (the "CODM") has been identified as the Board of Directors (the "BOD") of the Company which regularly reviews the Group's internal reporting in order to assess performance and allocate resources; and determines the operating segments based on these reports. The BOD considers the business from the provision of services perspective instead of the geographic perspective. Accordingly, the Group's operations comprise two operating segments based on the various types of telecommunications services mainly provided to customers in Mainland China.

The major operating segments of the Group are classified as follows:

- Mobile business - the provision of GSM and WCDMA cellular and related services primarily in all 31 provinces, municipalities and autonomous regions in Mainland China;

- Fixed-line business - the provision of fixed-line telecommunications and related services, domestic and international data and Internet related services, and domestic and international long distance and related services primarily in all 31 provinces, municipalities and autonomous regions in Mainland China.

The CODM evaluates results of each operating segment based on revenue and costs that are directly attributable to the operating segment. The unallocated amounts primarily represent corporate and shared service expenses that are not directly allocated to one of the aforementioned operating segments. The unallocated amounts also include other statement of income items such as employee benefit expenses, interest income, income tax expenses, finance costs and other income, which cannot be identified to specific operating segments. Segment assets primarily comprise property, plant and equipment, other assets, inventories and receivables. Segment liabilities primarily comprise operating liabilities.

Revenues between segments are carried out on terms comparable to those conducted with external customers or at standards promulgated by relevant government authorities. Revenue from external customers reported to the CODM is measured in a manner consistent with that in the unaudited condensed consolidated interim statement of income.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

4. SEGMENT INFORMATION

4.1 Operating Segments

	Six months ended 30 June 2010					
				Reconciling items		
	Mobile business	Fixed-line business	Subtotal	Unallocated amounts	Eliminations	Total
Telecommunications service revenue	39,090	39,606	78,696	537	–	79,233
Information communication technology services and other revenue	51	437	488	421	–	909
Sales of telecommunications products	1,905	66	1,971	–	–	1,971
Total revenue from external customers	41,046	40,109	81,155	958	–	82,113
Intersegment revenue	92	2,118	2,210	319	(2,529)	–
Total revenue	41,138	42,227	83,365	1,277	(2,529)	82,113
Interconnection charges	(6,853)	(1,836)	(8,689)	–	2,210	(6,479)
Depreciation and amortisation	(11,257)	(14,331)	(25,588)	(1,089)	36	(26,641)
Networks, operations and support expenses	(1,395)	(4,232)	(5,627)	(7,134)	2	(12,759)
Employee benefit expenses	–	–	–	(11,679)	107	(11,572)
Other operating expenses	(8,462)	(4,335)	(12,797)	(8,287)	107	(20,977)
Finance costs	–	–	–	(959)	95	(864)
Interest income	–	–	–	135	(95)	40
Other income - net	–	–	–	408	–	408
Segment profit/(loss) before income tax	13,171	17,493	30,664	(27,328)	(67)	3,269
Income tax expenses						(743)
Profit for the period						2,526
Attributable to:						
Equity holders of the Company						2,526
Non-controlling interest						–
						2,526
Other information:						
Provision for doubtful debts	(932)	(472)	(1,404)	(3)		(1,407)
Capital expenditures for segment assets (a)	10,788	11,596	22,384	10,932		33,316

(All amounts in RMB millions unless otherwise stated)

4. SEGMENT INFORMATION (Continued)

4.1 Operating Segments (Continued)

	Six months ended 30 June 2009					
				Reconciling items		
	Mobile business	Fixed-line business	Subtotal	Unallocated amounts	Eliminations	Total
Telecommunications service revenue	34,194	40,192	74,386	127	—	74,513
Information communication technology services and other revenue	141	776	917	229	—	1,146
Sales of telecommunications products	544	116	660	—	—	660
Total revenue from external customers	34,879	41,084	75,963	356	—	76,319
Intersegment revenue	106	2,108	2,214	663	(2,877)	—
Total revenue	34,985	43,192	78,177	1,019	(2,877)	76,319
Interconnection charges	(6,335)	(2,110)	(8,445)	—	2,205	(6,240)
Depreciation and amortisation	(8,722)	(13,977)	(22,699)	(673)	14	(23,358)
Networks, operations and support expenses	(1,189)	(3,496)	(4,685)	(6,336)	8	(11,013)
Employee benefit expenses	—	—	—	(10,649)	103	(10,546)
Other operating expenses	(5,139)	(4,499)	(9,638)	(7,418)	505	(16,551)
Finance costs	—	—	—	(557)	194	(363)
Interest income	—	—	—	245	(194)	51
Other income - net	—	—	—	331	—	331
Segment profit/(loss) before income tax	13,600	19,110	32,710	(24,038)	(42)	8,630
Income tax expenses						(2,014)
Profit for the period						6,616
Attributable to:						
Equity holders of the Company						6,616
Non-controlling interest						—
						6,616
Other information:						
Provision for doubtful debts	(684)	(598)	(1,282)	—		(1,282)
Capital expenditures for segment assets (a)	21,120	7,338	28,458	8,791		37,249

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

4. SEGMENT INFORMATION (Continued)

4.1 Operating Segments (Continued)

30 June 2010						
				Reconciling items		
	Mobile business	Fixed-line business	Subtotal	Unallocated amounts	Eliminations	Total
Total segment assets	161,595	212,778	374,373	43,367	(1,053)	416,687
Total segment liabilities	66,116	40,342	106,458	107,668	(659)	213,467

31 December 2009						
				Reconciling items		
	Mobile business	Fixed-line business	Subtotal	Unallocated amounts	Eliminations	Total
Total segment assets	170,577	213,172	383,749	34,470	(1,174)	417,045
Total segment liabilities	74,411	51,066	125,477	85,948	(847)	210,578

(a) Capital expenditures under "unallocated amounts" represent capital expenditures on common facilities, which benefit all operating segments.

(All amounts in RMB millions unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the six months ended 30 June 2010 and 2009 are as follows:

	Six months ended 30 June 2010						
	Buildings	Tele-communications equipment of Mobile business	Tele-communications equipment of Fixed-line business	Office furniture, fixtures, motor vehicles and others	Leasehold improvements	Construction-in-progress ("CIP")	Total
Cost or valuation:							
Beginning of period	49,364	206,923	369,023	41,414	1,886	64,172	732,782
Additions	26	113	253	51	112	31,635	32,190
Transfer from CIP	2,060	19,422	9,549	1,218	118	(32,367)	–
Disposals	(48)	(324)	(651)	(208)	(228)	–	(1,459)
End of period	51,402	226,134	378,174	42,475	1,888	63,440	763,513
Representing:							
At cost	51,402	226,134	–	–	–	63,440	340,976
At valuation	–	–	378,174	42,475	1,888	–	422,537
	51,402	226,134	378,174	42,475	1,888	63,440	763,513
Accumulated depreciation and impairment:							
Beginning of period	(14,658)	(97,841)	(243,055)	(25,137)	(909)	(25)	(381,625)
Charge for the period	(968)	(7,857)	(14,309)	(2,238)	(184)	–	(25,556)
Disposals	46	282	567	199	228	–	1,322
End of period	(15,580)	(105,416)	(256,797)	(27,176)	(865)	(25)	(405,859)
Net book value:							
End of period	35,822	120,718	121,377	15,299	1,023	63,415	357,654
Beginning of period	34,706	109,082	125,968	16,277	977	64,147	351,157

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Six months ended 30 June 2009						
	Buildings	Tele-communications equipment of Mobile business	Tele-communications equipment of Fixed-line business	Office furniture, fixtures, motor vehicles and others	Leasehold improvements	Construction-in-progress ("CIP")	Total
Cost or valuation:							
Beginning of period	45,688	163,279	345,143	38,194	1,658	40,871	634,833
Additions	272	65	695	20	142	36,055	37,249
Transfer from CIP	1,306	10,165	7,118	961	47	(19,597)	–
Disposals	(122)	(172)	(267)	(127)	(91)	–	(779)
End of period	47,144	173,337	352,689	39,048	1,756	57,329	671,303
Representing:							
At cost	47,144	173,337	–	–	–	57,329	277,810
At valuation	–	–	352,689	39,048	1,756	–	393,493
	47,144	173,337	352,689	39,048	1,756	57,329	671,303
Accumulated depreciation and impairment:							
Beginning of period	(13,085)	(95,942)	(217,482)	(21,990)	(822)	(43)	(349,364)
Charge for the period	(957)	(6,001)	(13,920)	(1,530)	(213)	–	(22,621)
Disposals	118	149	259	120	84	–	730
Impairment transfer out	–	–	–	–	–	6	6
End of period	(13,924)	(101,794)	(231,143)	(23,400)	(951)	(37)	(371,249)
Net book value:							
End of period	33,220	71,543	121,546	15,648	805	57,292	300,054
Beginning of period	32,603	67,337	127,661	16,204	836	40,828	285,469

As at 30 June 2010, the net book value of all the revalued property, plant and equipment would have been approximately RMB143,345 million (31 December 2009: approximately RMB149,960 million) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

For the six months ended 30 June 2010, the Group recognised a loss on disposal of property, plant and equipment of approximately RMB48 million (for the six months ended 30 June 2009: approximately RMB7 million).

(All amounts in RMB millions unless otherwise stated)

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2009: 16.5%) on the estimated assessable profit for the six months ended 30 June 2010. Taxation on profits from outside Hong Kong has been calculated on the estimated assessable profit for the six months ended 30 June 2010 at the rates of taxation prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries operate mainly in Mainland China where the applicable statutory enterprise income tax rate is 25% (for the six months ended 30 June 2009: 25%).

	Six months ended 30 June	
	2010	2009
Provision for income tax on the estimated taxable profits for the period:		
– Hong Kong	**9**	7
– Outside Hong Kong	**820**	2,537
	829	2,544
Deferred taxation	**(86)**	(530)
Income tax expenses	**743**	2,014

Reconciliation between applicable statutory tax rate and the effective tax rate:

	Six months ended 30 June	
	2010	2009
Applicable PRC statutory tax rate	**25.0%**	25.0%
Non-deductible expenses	**1.3%**	0.6%
Non-taxable income		
– Upfront connection and installation fees arising from Fixed-line business	**(1.6%)**	(1.1%)
Impact of PRC preferential tax rates and tax holiday	**(0.8%)**	(0.5%)
Others	**(1.2%)**	(0.7%)
Effective tax rate	**22.7%**	23.3%

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

6. TAXATION (Continued)

The movement of the net deferred tax assets/liabilities is as follows:

	Six months ended 30 June	
	2010	2009
Net deferred tax assets after offsetting:		
Beginning of period	**5,202**	5,334
Deferred tax credited to the statement of income	**128**	532
Deferred tax credited/(charged) to equity	**402**	(7)
End of period	**5,732**	5,859
Net deferred tax liabilities after offsetting:		
Beginning of period	**(245)**	(16)
Deferred tax charged to the statement of income	**(42)**	(2)
Deferred tax credited to equity	**269**	—
End of period	**(18)**	(18)

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2010	31 December 2009
Equity securities issued by corporates	**5,280**	7,977
Analysed by place of listing:		
Listed in the PRC	**139**	188
Listed outside the PRC	**5,141**	7,789
	5,280	7,977

For the six months ended 30 June 2010, losses on changes in fair value of available-for-sale financial assets amounted to approximately RMB2,710 million (for the six months ended 30 June 2009: gains of approximately RMB86 million). The losses, net of tax impact, of approximately RMB2,039 million (for the six months ended 30 June 2009: gains of approximately RMB79 million) were recorded in the unaudited condensed consolidated interim statement of comprehensive income.

(All amounts in RMB millions unless otherwise stated)

8. OTHER ASSETS

	30 June 2010	31 December 2009
Direct incremental costs for activating mobile subscribers	446	433
Installation costs of Fixed-line business	1,522	1,732
Prepaid rental for premises and leased lines	3,461	3,454
Purchased software	4,240	3,954
Others	1,942	2,023
	11,611	11,596

9. INVENTORIES AND CONSUMABLES

	30 June 2010	31 December 2009
Handsets and other customer end products	1,463	1,637
Telephone cards	273	264
Consumables	516	449
Others	78	62
	2,330	2,412

10. ACCOUNTS RECEIVABLE, NET

	30 June 2010	31 December 2009
Accounts receivable for Mobile business	4,706	3,850
Accounts receivable for Fixed-line business	9,990	8,783
Accounts receivable for other business	306	262
Sub-total	15,002	12,895
Less: Provision for doubtful debts for Mobile business	(2,749)	(1,874)
Provision for doubtful debts for Fixed-line business	(2,582)	(2,115)
Provision for doubtful debts for other business	(88)	(81)
	9,583	8,825

(All amounts in RMB millions unless otherwise stated)

10. ACCOUNTS RECEIVABLE, NET (Continued)

The aging analysis of accounts receivable is as follows:

	30 June 2010	31 December 2009
Within one month	**6,578**	6,384
More than one month to three months	**1,721**	1,235
More than three months to one year	**3,547**	2,936
More than one year	**3,156**	2,340
	15,002	12,895

The normal credit period granted by the Group is on average between 30 days to 90 days from the date of billing.

There is no significant concentration of credit risk with respect to individual customers' receivables, as the Group has a large number of customers.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2010	31 December 2009
Prepaid rental	**986**	845
Deposits and prepayments	**1,680**	1,379
Prepaid income taxes	**1,127**	1,060
Advances to employees	**389**	274
Others	**634**	694
	4,816	4,252

The aging analysis of prepayments and other current assets is as follows:

	30 June 2010	31 December 2009
Within one year	**4,540**	3,806
More than one year	**276**	446
	4,816	4,252

12. SHARE CAPITAL

	30 June 2010 HKD millions	31 December 2009 HKD millions
Authorised: 30,000,000,000 ordinary shares, par value of HKD0.10 each	**3,000**	3,000

Issued and fully paid:	Number of shares millions	Ordinary shares, par value of HKD0.10 each HKD millions	Share capital	Share premium	Total
At 1 January 2009 and 30 June 2009	23,768	2,376	2,329	166,784	169,113
At 1 January 2010 and 30 June 2010	**23,562**	**2,355**	**2,310**	**173,435**	**175,745**

13. LONG-TERM BANK LOANS

	Interest rates and final maturity	30 June 2010	31 December 2009
USD denominated bank loans	Fixed interest rates ranging from Nil to 5.00% (31 December 2009: Nil to 5.00%) per annum with maturity through 2039 (31 December 2009: maturity through 2039)		
– secured		**132**	137
– unsecured		**347**	357
		479	494
EUR denominated bank loans	Fixed interest rates ranging from 1.10% to 2.50% (31 December 2009: 1.10% to 2.50%) per annum with maturity through 2034 (31 December 2009: maturity through 2034)		
- unsecured		**265**	327
		265	327
Sub-total		**744**	821
Less: Current portion		**(57)**	(62)
		687	759

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

13. LONG-TERM BANK LOANS (Continued)

The repayment schedule of the long-term bank loans is as follows:

	30 June 2010	31 December 2009
Balances due:		
– not later than one year	57	62
– later than one year and not later than two years	45	54
– later than two years and not later than five years	136	165
– later than five years	506	540
	744	821
Less: Portion classified as current liabilities	(57)	(62)
	687	759

(a) As at 30 June 2010, bank loans of approximately RMB132 million (31 December 2009: approximately RMB137 million) were secured by corporate guarantees granted by third parties.

14. CORPORATE BONDS

On 8 June 2007, the Group issued RMB2 billion 10-year corporate bonds, bearing interest at 4.50% per annum. The corporate bonds are secured by a corporate guarantee granted by Bank of China Limited.

On 3 September 2008, the Group issued another RMB5 billion 5-year corporate bonds, bearing interest at 5.29% per annum. The corporate bonds are secured by a corporate guarantee granted by State Grid Corporation of China.

15. PROMISSORY NOTE

On 2 April 2010, China United Network Communications Corporation Limited ("CUCL", a wholly-owned subsidiary of the Company) issued the first tranche of promissory note for the year 2010 in an amount of RMB3 billion, with a maturity period of 3 years and at an interest rate of 3.73% per annum.

(All amounts in RMB millions unless otherwise stated)

16. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	30 June 2010	31 December 2009
Payables to contractors and equipment suppliers	80,985	85,941
Payables to telecommunications product suppliers	2,407	3,193
Customer/contractor deposits	2,604	2,522
Repair and maintenance expense payables	2,309	1,900
Salary and welfare payables	1,997	1,364
Interest payables	417	212
Amounts due to service providers/content providers	1,080	1,069
Accrued expenses	4,988	4,268
Others	4,214	3,603
	101,001	104,072

The aging analysis of accounts payables and accrued liabilities is as follows:

	30 June 2010	31 December 2009
Less than six months	91,298	90,983
Six months to one year	3,009	4,031
More than one year	6,694	9,058
	101,001	104,072

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

17. COMMERCIAL PAPER

On 1 April 2010, CUCL issued the first tranche of commercial paper for the year 2010 in an amount of RMB15 billion, with a maturity period of 365 days and at an interest rate of 2.64% per annum.

18. SHORT-TERM BANK LOANS

	Interest rates and final maturity	30 June 2010	31 December 2009
RMB denominated bank loans – unsecured	Fixed interest rates ranging from 2.88% to 4.78 % (31 December 2009: 3.50% to 4.37%) per annum with maturity through 2011 (31 December 2009: maturity through 2010)	**38,620**	55,104
HKD denominated bank loans – unsecured	Floating interest rates of HIBOR plus interest margin ranging from 0.50% to 0.75% (31 December 2009: 0.42%) per annum with maturity through 2011 (31 December 2009: maturity through 2010)	**10,469**	8,805
Total		**49,089**	63,909

(All amounts in RMB millions unless otherwise stated)

19. REVENUE

The tariffs for the services provided by the Group are subject to regulations by various government authorities, including the National Development and Reform Commission ("NDRC"), the Ministry of Industry and Information ("MIIT") and the provincial price regulatory authorities.

Revenue is presented net of business tax and government surcharges. Relevant business tax and government surcharges amounted to approximately RMB2,305 million for the six months ended 30 June 2010 (for the six months ended 30 June 2009: approximately RMB2,205 million).

The major components of revenue are as follows:

	Six months ended 30 June	
	2010	2009
Mobile business		
– Usage and monthly fees	**23,773**	21,008
– Value-added services revenue	**10,839**	9,155
– Interconnection revenue	**4,209**	3,892
– Other service revenue	**269**	139
Total mobile telecommunications service revenue	**39,090**	34,194
Fixed-line business		
– Usage and monthly fees	**15,159**	17,653
– Broadband services revenue	**14,471**	11,726
– Interconnection revenue	**2,712**	2,869
– Value-added services revenue	**2,421**	2,722
– Leased line income	**2,800**	2,847
– Other Internet-related services and managed data services revenue	**1,275**	1,153
– Upfront connection fees	**130**	283
– Other service revenue	**638**	939
Total fixed-line telecommunications service revenue	**39,606**	40,192
Unallocated telecommunications service revenue	**537**	127
Total telecommunications service revenue	**79,233**	74,513
Information communication technology services and other revenue	**909**	1,146
Sales of telecommunications products	**1,971**	660
Total revenue from external customers	**82,113**	76,319

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

20. NETWORKS, OPERATIONS AND SUPPORT EXPENSES

	Six months ended 30 June	
	2010	2009
Repair and maintenance	**3,749**	3,213
Power and water charges	**4,282**	3,464
Operating leases	**3,874**	3,210
Consumables	**416**	646
Others	**438**	480
Total networks, operations and support expenses	**12,759**	11,013

21. EMPLOYEE BENEFIT EXPENSES

		Six months ended 30 June	
	Note	**2010**	2009
Salaries and wages		**9,414**	8,578
Contributions to defined contribution pension schemes		**1,308**	1,256
Contributions to housing fund		**699**	632
Other housing benefits		**98**	59
Share-based compensation	25	**53**	21
Total employee benefit expenses		**11,572**	10,546

(All amounts in RMB millions unless otherwise stated)

22. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2010	2009
Provision for doubtful debts	**1,407**	1,282
Cost of telecommunications products sold	**3,102**	817
Cost in relation to information communications technology services	**367**	401
Commission expenses	**6,609**	5,929
Advertising and promotion expenses	**1,726**	1,436
Customer installation cost	**1,258**	1,182
Customer acquisition and retention cost	**1,387**	876
Property management fee	**732**	688
Office and administrative expenses	**1,289**	1,232
Transportation expense	**943**	783
Miscellaneous taxes and fees	**332**	311
Others	**1,825**	1,614
Total other operating expenses	**20,977**	16,551

23. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
Finance costs:		
– Interest on bank loans repayable within 5 years	**1,051**	267
– Interest on corporate bonds, promissory note and commercial paper repayable within 5 years	**257**	353
– Interest on bank loans repayable over 5 years	**2**	3
– Interest on corporate bonds repayable over 5 years	**45**	45
– Less: Amounts capitalised in construction-in-progress	**(447)**	(397)
Total interest expense	**908**	271
– Exchange gain, net	**(122)**	(12)
– Others	**78**	104
Total finance costs	**864**	363

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

24. OTHER INCOME - NET

	Six months ended 30 June	
	2010	2009
Dividend income from available-for-sale financial assets	**233**	—
Gain on the non-monetary assets exchange	**—**	24
Others	**175**	307
Total other income - net	**408**	331

25. EQUITY-SETTLED SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "Share Option Scheme") and a fixed award pre-global offering share option scheme ("Pre-Global Offering Share Option Scheme") on 1 June 2000 for the granting of share options to qualified employees, with terms amended on 13 May 2002, 11 May 2007 and 26 May 2009.

In connection with the merger between the Company and China Netcom Group Corporation (Hong Kong) Limited ("China Netcom") in 2008, the Company adopted the Special Purpose Share Option Scheme ("Special Purpose Share Option Scheme") on 16 September 2008 for the granting of share options to holders of China Netcom options outstanding at 14 October 2008, with terms amended on 26 May 2009.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended 30 June			
	2010		2009	
	Average exercise price in HKD per share	**Number of share options involved**	Average exercise price in HKD per share	Number of share options involved
Balance, beginning of period	**6.95**	**413,074,166**	6.95	413,074,166
Granted	**—**	**—**	—	—
Lapsed	**15.42**	**(16,977,600)**	—	—
Exercised	**—**	**—**	—	—
Balance, end of period	**6.59**	**396,096,566**	6.95	413,074,166

No options were exercised during the six months ended 30 June 2010 and 2009.

As at 30 June 2010, out of the 396,096,566 outstanding share options (31 December 2009: 413,074,166), 373,864,199 share options (31 December 2009: 390,841,799) were exercisable, and the weighted average exercise price was HKD6.49 (31 December 2009: HKD6.88).

(All amounts in RMB millions unless otherwise stated)

25. EQUITY-SETTLED SHARE OPTION SCHEMES (Continued)

As at balance sheet date, the information of outstanding share options is summarised as follows:

Date of options grant	Vesting period	Exercisable period	The price per share to be paid on exercise of options	Number of share options outstanding as at 30 June 2010	Number of share options outstanding as at 31 December 2009
Share options granted under the Pre-Global Offering Share Option Scheme (Note i):					
22 June 2000	22 June 2000 to 21 June 2002	22 June 2002 to 21 June 2010	HKD15.42	**–**	16,977,600
Share options granted under the Share Option Scheme (Note i):					
30 June 2001 (Note ii)	30 June 2001	30 June 2001 to 22 June 2011	HKD15.42	**4,350,000**	4,350,000
21 May 2003 (Note ii)	21 May 2003 to 21 May 2006	21 May 2004 to 20 May 2011	HKD4.30	**8,956,000**	8,956,000
20 July 2004 (Note ii)	20 July 2004 to 20 July 2007	20 July 2005 to 19 July 2011	HKD5.92	**41,024,000**	41,024,000
21 December 2004 (Note ii)	21 December 2004 to 21 December 2007	21 December 2005 to 20 December 2011	HKD6.20	**654,000**	654,000
15 February 2006	15 February 2006 to 15 February 2009	15 February 2008 to 14 February 2012	HKD6.35	**151,556,000**	151,556,000
Share options granted under the Special Purpose Share Option Scheme:					
15 October 2008 ("2004 Special Purpose Share Options") (Note ii)	15 October 2008 to 17 May 2009	15 October 2008 to 16 November 2011	HKD5.57	**100,627,098**	100,627,098
15 October 2008 ("2005 Special Purpose Share Options")	15 October 2008 to 6 December 2010	15 October 2008 to 5 December 2011	HKD8.26	**88,929,468**	88,929,468
				396,096,566	413,074,166

25. EQUITY-SETTLED SHARE OPTION SCHEMES (Continued)

The options outstanding as at 30 June 2010 had a weighted average remaining contractual life of 1.44 years (31 December 2009: 1.50 years).

Note i: The exercise periods of approximately 25,000,000 options were extended by one year by the Board of Directors pursuant to the amended terms of each of the Pre-Global Offering Share Option Scheme and the Share Option Scheme as approved by shareholders on 26 May 2009. The main reasons for such extension were (i) that the holders of those options were determined by the Board of Directors as "Transferred Personnel" under the respective terms of the Pre-Global Offering Share Option Scheme and the Share Option Scheme due to the transfers of those option holders to other telecommunications operators as part of the 2008 industry restructuring, and (ii) that those options were not exercisable due to a "Mandatory Moratorium" under the respective terms of each of the Pre-Global Offering Share Option Scheme and the Share Option Scheme. The modifications did not have significant impact on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2009. In March 2010, due to the "Mandatory Moratorium" continuing to be in force, the Board of Directors further extended the exercise periods of certain options under amended Share Option Scheme by another year on 24 March 2010. The modifications did not have any significant impact on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2010. As at 30 June 2010, approximately 23,600,000 share options held by Transferred Personnel remained valid.

Note ii: The original expiry dates for these share options were 22 June 2010, 20 May 2010 (the expiry date of these options was extended from 20 May 2009 to 20 May 2010 by the Board of Directors in 2009 pursuant to the terms of the Share Option Scheme), 19 July 2010, 20 December 2010 and 16 November 2010, respectively, which were extended to 22 June 2011, 20 May 2011, 19 July 2011, 20 December 2011 and 16 November 2011, respectively, by the Board of Directors on 24 March 2010 pursuant to the terms of each of the Share Option Scheme and the Special Purpose Share Option Scheme, because those share options were not exercisable due to a "Mandatory Moratorium" under the respective terms of each of the Share Option Scheme and the Special Purpose Share Option Scheme. The modifications did not have any significant impact on the unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 and 2010.

26. DIVIDENDS

At the annual general meeting held on 12 May 2010, the shareholders of the Company approved the payment of a final dividend of RMB0.16 per ordinary share for the year ended 31 December 2009 totaling approximately RMB3,770 million (for the year ended 31 December 2008: approximately RMB4,754 million) which has been reflected as a reduction of retained profits for the six months ended 30 June 2010. As at 30 June 2010, such dividends have been paid by the Company, except for dividends of approximately RMB1,405 million and RMB216 million payable to Unicom BVI and Netcom BVI, respectively.

For the Company's non-PRC Tax Resident Enterprise ("TRE") enterprise shareholders, the Company distributed dividends after deducting the amount of enterprise income tax payable by these non-TRE enterprise shareholders thereon and reclassified the related dividend payable to withholding tax payable upon the declaration of such dividends. The requirement to withhold tax does not apply the Company's shareholders appearing as individuals in its share register.

27. EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2010 and 2009 were computed by dividing the profit attributable to equity holders by the weighted average number of ordinary shares outstanding during the periods.

Diluted earnings per share for the six months ended 30 June 2010 and 2009 were computed by dividing the profit attributable to equity holders by the weighted average number of ordinary shares outstanding during the periods, after adjusting for the effects of the dilutive potential ordinary shares. All potential ordinary shares arose from (i) share options granted under the amended Pre-Global Offering Share Option Scheme; (ii) share options granted under the amended Share Option Scheme and (iii) Share options granted under the amended Special Purpose Share Option Scheme.

The potential ordinary shares which were not dilutive for the six months ended 30 June 2010 mainly arose from share options with exercise price of HKD15.42 granted under the amended Share Option Scheme while the potential ordinary shares which were not dilutive for the six months ended 30 June 2009 mainly arose from share options with exercise price of HKD15.42 granted under the amended Pre-Global Offering Share Option Scheme and amended Share Option Scheme, and share options with exercise price of HKD8.26 granted under the amended Special Purpose Share Option Scheme, which are excluded from the weighted average number of ordinary shares for the purpose of computation of diluted earnings per share.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

(All amounts in RMB millions unless otherwise stated)

27. EARNINGS PER SHARE (Continued)

The following table sets forth the computation of basic and diluted earnings per share:

	Six months ended 30 June	
	2010	2009
Numerator (in RMB millions): Profit attributable to equity holders of the Company	**2,526**	6,616
Denominator (in millions): Weighted average number of ordinary shares outstanding used in computing basic earnings per share	**23,562**	23,768
Dilutive equivalent shares arising from share options	**117**	94
Shares used in computing diluted earnings per share	**23,679**	23,862
Basic earnings per share (in RMB)	**0.11**	0.28
Diluted earnings per share (in RMB)	**0.11**	0.28

28. RELATED PARTY TRANSACTIONS

Unicom Group is a state-owned enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. Neither Unicom Group nor the PRC government publishes financial statements available for public use.

The PRC government controls a significant portion of the productive assets and entities in the PRC. The Group provides telecommunications services as part of its retail transactions, thus, is likely to have extensive transactions with the employees of other state-controlled entities, including their key management personnel and their close family members. These transactions are carried out on commercial terms that are consistently applied to all customers.

Management considers certain state-owned enterprises, which mainly include other telecommunications service operators, have material transactions with the Group in its ordinary course of business. These transactions are mainly carried out on terms comparable to those conducted with third parties or at standards promulgated by relevant government authorities and have been reflected in the unaudited condensed consolidated interim financial information. The Group's telecommunications networks depend, in large part, on interconnection with the network of and on transmission lines leased from other domestic carriers. Management believes that meaningful information relating to related party transactions has been disclosed below.

(All amounts in RMB millions unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (Continued)

28.1 Transactions with Unicom Group and its subsidiaries

(a) Recurring transactions

The following is a summary of recurring transactions carried out by the Group with Unicom Group and its subsidiaries. In the directors' opinion, these transactions were carried out in the ordinary course of business.

	Six months ended 30 June	
	2010	2009
Recurring transactions with Unicom Group and its subsidiaries:		
Leasing fee of telecommunications networks in Southern China	**1,100**	907
Charges for mobile subscriber value-added services	**48**	78
Rental charges for premises, equipment and facilities	**398**	402
Charges for the international gateway services	**1**	3
Agency fee incurred for procurement of telecommunications equipment	**—**	6
Charges for engineering and information technology-related services	**448**	494
Common corporate services income	**3**	—
Charges for common corporate services	**143**	132
Charges for purchases of materials	**141**	125
Charges for ancillary telecommunications support services	**417**	312
Charges for support services	**82**	123
Charges for lease of telecommunications facilities	**78**	74
Income from information communication technologies services	**6**	42
Income from engineering design and technical services	**—**	4

(b) Non-recurring transaction

In January 2009, CUCL completed the acquisition from Unicom Group and China Network Communications Group Corporation ("Netcom Group", which merged with Unicom Group in January 2009), of (i) the fixed-line business, but not the underlying telecommunications networks, across the 21 provinces in Southern China and related non-current assets and liabilities and the local access telephone business and related assets in Tianjin Municipality operated by Netcom Group and Unicom Group and/or their respective subsidiaries and branches; (ii) the backbone transmission assets in Northern China owned by Netcom Group and/or its subsidiaries; (iii) a 100% equity interest in Unicom Xingye Science and Technology Trade Company Limited owned by Unicom Group; (iv) a 100% equity interest in China Information Technology Designing & Consulting Institute Company Limited owned by Unicom Group and (v) a 100% equity interest in New Guoxin Telecom Corporation of China Unicom owned by Unicom Group at a consideration of approximately RMB4.43 billion. The acquisition of the business and assets described in (i), (iii), (iv) and (v) above was referred to as the "2009 Business Combination".

(All amounts in RMB millions unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (Continued)

28.1 Transactions with Unicom Group and its subsidiaries (Continued)

(c) Amounts due from and to related parties/Unicom Group and its subsidiaries

Amounts due to related parties as at 30 June 2010 included an unsecured short-term loan from Netcom BVI of approximately RMB2,104 million obtained for the purpose of payment of 2008 final dividend of the Company. The loan carried an interest rate of six-month HIBOR plus 0.8% per annum and was originally repayable on 16 June 2010. The loan was extended for another one year on 12 June 2010 and is repayable on 16 June 2011 with an interest rate of HIBOR plus 0.8% per annum .

Apart from the aforementioned short-term loan from Netcom BVI, amounts due from and to related parties or Unicom Group and its subsidiaries are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business in respect of transactions with related parties/Unicom Group and its subsidiaries as described in (a) above.

28.2 Domestic carriers

(a) Significant recurring transactions with domestic carriers

The following is a summary of significant transactions with domestic carriers in the ordinary course of business:

	Six months ended 30 June	
	2010	2009
Interconnection revenue	**5,920**	5,934
Interconnection charges	**5,919**	5,726
Leased line revenue	**121**	204
Leased line charges	**25**	58
Engineering design and technical service revenue	**115**	180

(All amounts in RMB millions unless otherwise stated)

28. RELATED PARTY TRANSACTIONS (Continued)

28.2 Domestic carriers (Continued)

(b) Amounts due from and to domestic carriers

	30 June 2010	31 December 2009
Amounts due from domestic carriers		
– Receivables for interconnection revenue, leased line revenue and engineering design and technical service revenue	1,326	1,205
– Less: Provision for doubtful debts	(45)	(71)
	1,281	1,134
Amounts due to domestic carriers		
– Payables for interconnection charges and leased line charges	922	1,136

All amounts due from and to domestic carriers are unsecured, interest-free and repayable within one year.

(c) Disposal of the Group's CDMA business to China Telecom Corporation Limited ("China Telecom")

Balances due from/(to) China Telecom in relation to the disposal of CDMA business are as follows:

	30 June 2010	31 December 2009
Payables:		
– Advances from customers received on behalf of China Telecom	–	(7)
Proceeds receivable (i)	–	5,121

(i) For the six months ended 30 June 2010, the Group received the proceeds of approximately RMB5,121 million from China Telecom in relation to disposal of the CDMA business in 2008.

28. RELATED PARTY TRANSACTIONS (Continued)

28.3 Key management compensation

The aggregate amounts of fees and emoluments paid/payable to directors of the Company during the six months ended 30 June 2010 and 2009 are set out below:

	Six months ended 30 June	
	2010 (RMB'000)	2009 (RMB'000)
Non-executive directors:		
Fees	**1,006**	1,145
Other benefits (a)	**169**	—
	1,175	1,145
Executive directors:		
Fees	**—**	—
Other emoluments		
– Salaries and allowances	**3,466**	4,188
– Bonuses paid and payable	**1,645**	1,644
– Other benefits (a)	**752**	46
– Contributions to pension schemes	**54**	51
	5,917	5,929
	7,092	7,074

(a) Other benefits represent the share-based compensation cost recognised during the relevant periods for the share options granted to the directors of the Company under the Company's share option schemes.

(All amounts in RMB millions unless otherwise stated)

29. CONTINGENCIES AND COMMITMENTS

29.1 Capital commitments

As at 30 June 2010 and 31 December 2009, the Group had capital commitments, mainly in relation to the construction of telecommunications networks, as follows:

	30 June 2010			31 December 2009
	Land and buildings	Equipment	Total	Total
Authorised and contracted for	357	6,264	6,621	8,810
Authorised but not contracted for	536	2,200	2,736	4,030
Total	893	8,464	9,357	12,840

As at 30 June 2010 and 31 December 2009, no capital commitment was denominated in US dollars.

29.2 Operating lease commitments

As at 30 June 2010 and 31 December 2009, the Group had total future aggregate minimum operating lease payments under non-cancellable operating leases as follows:

	30 June 2010				31 December 2009
	Land and buildings	Equipment	Telecommunications networks in Southern China (a)	Total	Total
Leases expiring:					
– not later than one year	1,193	700	1,100	2,993	4,109
– later than one year and not later than five years	3,001	847	—	3,848	3,615
– later than five years	865	172	—	1,037	1,179
Total	5,059	1,719	1,100	7,878	8,903

(a) Pursuant to the network lease agreement entered on 16 December 2008, CUCL leased the telecommunications networks in Southern China from Unicom New Horizon Mobile Telecommunications Company Limited (a subsidiary of Unicom Group) with lease period from 1 January 2009 to 31 December 2010. The amount of operating lease payments was calculated based on the annual leasing fees pursuant to the two-year lease agreement.

29. CONTINGENCIES AND COMMITMENTS (Continued)

29.3 Contingent liabilities

As aforementioned in Note 19, the tariffs for the services provided by the Group are subject to regulations by various government authorities. In 2008, the NDRC investigated the compliance with tariffs regulations of several branches of CUCL and China Netcom (Group) Company Limited ("CNC China", which merged with CUCL on 1 January 2009). Based on management's assessment and continuous discussions with MIIT and NDRC, management considered that the Group complied with the regulations issued by the relevant government authorities, and the likelihood of material future cash outflow as a result of the investigation is remote. Accordingly, no provisions were recorded as at 30 June 2010 and 31 December 2009.

30. APPROVAL OF FINANCIAL INFORMATION

This unaudited condensed consolidated interim financial information was approved by the Board of Directors on 26 August 2010.

Report on Review of Interim Financial Information

To the Board of Directors of China Unicom (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 46, which comprises the condensed consolidated interim balance sheet of China Unicom (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board or Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants, depending on whether the issuer's annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") or Hong Kong Financial Reporting Standards ("HKFRSs") respectively. As the annual financial statements of the Group are prepared in accordance with both IFRSs and HKFRSs, the directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with both IAS 34 and HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2010

Other Information

SHARE OPTION SCHEMES OF THE COMPANY

1. Share Option Scheme

On 1 June 2000, the Company adopted a share option scheme, which was amended on 13 May 2002, 11 May 2007 and 26 May 2009 (the "Share Option Scheme"). The purpose of the Share Option Scheme was to provide incentives and rewards to employees who have made contributions to the development of the Company. The Share Option Scheme was valid and effective for a period of 10 years commencing on 21 June 2000 and expired on 21 June 2010. Following the expiry of the Share Option Scheme, no further share option can be granted under the Share Option Scheme, but the provisions of the Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Under the Share Option Scheme:

(1) share options may be granted to employees including all directors (the "Directors") of the Company;

(2) any grant of share options to a Connected Person (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company in the case such director is a grantee of the options);

(3) the maximum number of shares in respect of which share options may be granted must not exceed 10% of the issued share capital of the Company as at 13 May 2002;

(4) the option period commences on any day after the date on which such share option is offered, but may not exceed 10 years from the offer date;

(5) the subscription price shall not be less than the higher of:

    (a) the nominal value of the shares;

    (b) the closing price of the shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on the offer date in respect of the share options; and

    (c) the average closing price of the shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the offer date;

(6) the total number of shares in the Company issued and to be issued upon exercise of the share options granted to a participant of the Share Option Scheme (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of the Company; and

(7) the consideration payable for each grant is HKD1.00.

As at 30 June 2010, 206,540,000 share options had been granted and remained valid under the Share Option Scheme, representing approximately 0.88% of the issued share capital of the Company as at the latest practicable date prior to the printing of this interim report. Among these share options, 2,188,000 share options were held by the Directors and their associates as at 30 June 2010. Please refer to the subsection headed "Share Option Schemes of the Company - 4. Interests of Directors, Chief Executives and Employees under the Pre-Global Offering Share Option Scheme, the Share Option Scheme and the Special Purpose Share Option Scheme" for details. All of the share options granted and outstanding as at 30 June 2010 are governed by the terms of the Share Option Scheme.

During the six months ended 30 June 2010, no share option granted under the Share Option Scheme was exercised.

2. **Pre-Global Offering Share Option Scheme**

On 1 June 2000, the Company also adopted a pre-global offering share option scheme, which was amended on 13 May 2002, 11 May 2007 and 26 May 2009 (the "Pre-Global Offering Share Option Scheme"). The Pre-Global Offering Share Option Scheme was valid and effective for a period of 10 years commencing on 21 June 2000 and expired on 21 June 2010. Following the expiry of the Pre-Global Offering Share Option Scheme, no further share option can be granted under the Pre-IPO Global Offering Share Option Scheme. The terms of the Pre-Global Offering Share Option Scheme are substantially the same as those of the Share Option Scheme stated above except that:

(1) the price of a share payable upon the exercise of a share option shall be HKD15.42 (excluding the brokerage fee and the Hong Kong Stock Exchange transaction levy); and

(2) the period during which a share option may be exercised commenced two years from the date of grant of the share option and ended 10 years from 22 June 2000.

On 21 June 2010, 16,977,600 share options granted and valid under the Pre-Global Offering Share Option Scheme lapsed. As at the same date, those lapsed share options represented approximately 0.07% of the issued share capital of the Company and none of those share options was held by any Director.

During the period from 1 January 2010 to 21 June 2010, no share option granted under the Pre-Global Offering Share Option Scheme was exercised.

3. **Special Purpose Share Option Scheme**

On 16 September 2008, the Company adopted a special purpose share option scheme (the "Special Purpose Share Option Scheme") in connection with the merger of the Company and China Netcom Group Corporation (Hong Kong) Limited ("China Netcom") by way of a scheme of arrangement (the "Scheme") of China Netcom under Section 166 of the Hong Kong Companies Ordinance. The Special Purpose Share Option Scheme provides the Company with a means to incentivise and retain the holders of share options (the "Netcom Options") granted under the share option scheme adopted by China Netcom (the "Netcom Share Option Scheme"), who were middle to senior management staff of China Netcom and its subsidiaries, and to encourage them to contribute to increasing the value of the Company. The Special Purpose Share Option Scheme is valid and effective during the period commencing on 15 October 2008 and ending on 30 September 2014, being the date falling 10 years after the date on which the Netcom Share Option Scheme was adopted. The terms of the Special Purpose Share Option Scheme were amended on 26 May 2009. The principal terms of the Special Purpose Share Option Scheme are summarised below:

A. Grant of Special Unicom Options and Exercise Price

(i) The maximum number of share options (the "Special Unicom Options") granted to each eligible participant (the "Eligible Participant") under the Special Purpose Share Option Scheme and the exercise price of such options are determined in accordance with the following formula:

Number of Special Unicom Options = X x Y
Exercise price of each Special Unicom Option = Z / X

where:

X is the exchange ratio (the "Share Exchange Ratio") of 1.508 shares in the Company for each China Netcom share cancelled under the Scheme;

Y is the number of outstanding Netcom Options held by an Eligible Participant as at 5:00 p.m. (Hong Kong time) on 14 October 2008 (the "Scheme Record Time"); and

Z is the exercise price of an outstanding Netcom Option held by an Eligible Participant at the Scheme Record Time.

Fractions of Special Unicom Options were not granted to the Eligible Participants.

Based on the formulae set out above, the exercise price of a Special Purpose 2004 Unicom Option (as defined below) is HKD5.57 and the exercise price of a Special Purpose 2005 Unicom Option (as defined below) is HKD8.26.

The Board has the right to make corresponding alterations to the number of shares involved in the Special Unicom Options and the exercise price in the event of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of capital. Such adjustments shall give the Eligible Participants the same proportion of the issued share capital to which they would have been entitled prior to such alteration, and shall not cause the Company's shares to be issued below its par value.

(ii) No amount is payable on acceptance of the grant of a Special Unicom Option.

B. Exercise of Special Unicom Options

The Special Unicom Options are exercised in accordance with the following vesting schedules:

(i) Special Unicom Options granted to the Eligible Participants in respect of the Netcom Options granted to them on 22 October 2004 (the "2004 Netcom Options") and held as at the Scheme Record Time (the "Special Purpose 2004 Unicom Options") are effective from 15 October 2008 until 16 November 2011 (as extended by the Board). Any Special Purpose 2004 Unicom Option not exercised by 16 November 2011 shall lapse automatically. The respective exercise periods of the Special Purpose 2004 Unicom Options and the maximum number of such options exercisable at each period are set forth in Note 4 under the subsection headed "Share Option Schemes of the Company - 4. Interests of Directors, Chief Executives and Employees under the Pre-Global Offering Share Option Scheme, the Share Option Scheme and the Special Purpose Share Option Scheme" below; and

(ii) Special Unicom Options granted to Eligible Participants in respect of the 2005 Netcom Options granted to them on 6 December 2005 (the "2005 Netcom Options") and held by them as at the Scheme Record Time (the "Special Purpose 2005 Unicom Options") are effective from 15 October 2008 until 5 December 2011. Any Special Purpose 2005 Unicom Option not exercised by 5 December 2011 shall lapse automatically. The respective exercise periods of the Special Purpose 2005 Unicom Options and the maximum number of such options exercisable at each period are set forth in Note 4 under the subsection headed "Share Option Schemes of the Company - 4. Interests of Directors, Chief Executives and Employees under the Pre-Global Offering Share Option Scheme, the Share Option Scheme and the Special Purpose Share Option Scheme" below.

Please refer to the Company's circular issued on 15 August 2008 for further details on the terms of the Special Purpose Share Option Scheme.

As at 30 June 2010, 189,556,566 share options had been granted and remained valid under the Special Purpose Share Option Scheme, representing approximately 0.80% of the issued share capital of the Company as at the latest practicable date prior to the printing of this interim report. Among these share options, 686,894 share options were held by a Director as at 30 June 2010. All of the share options granted and outstanding as at 30 June 2010 are governed by the terms of the Special Purpose Share Option Scheme.

During the six months ended 30 June 2010, no share option granted under the Special Purpose Share Option Scheme was exercised.

4. **Interest of Directors, Chief Executives and Employees under the Pre-Global Offering Share Option Scheme, the Share Option Scheme and the Special Purpose Share Option Scheme**

	Capacity and Nature	Date of Grant[4]	Exercise Price (HKD)	No. of Options Outstanding as at 1 January 2010[1]	Movement During the Period Granted[1]	Exercised[1]	Lapsed[1]	No. of Options Outstanding as at 30 June 2010[1]
Directors								
Chang Xiaobing	Beneficial owner	21 December 2004	6.20	526,000	–	–	–	526,000
(Chairman and CEO)	(Personal)	15 February 2006	6.35	746,000	–	–	–	746,000
								1,272,000
Lu Yimin	–	–	–	–	–	–	–	–
Zuo Xunsheng	Beneficial owner (Personal)	15 October 2008	5.57	686,894	–	–	–	686,894
Tong Jilu	Beneficial owner	30 June 2001	15.42	292,000	–	–	–	292,000
	(Personal)	20 July 2004	5.92	92,000	–	–	–	92,000
		15 February 2006	6.35	460,000	–	–	–	460,000
	Beneficial owner	20 July 2004	5.92	32,000	–	–	–	32,000
	(Spouse)	15 February 2006	6.35	40,000	–	–	–	40,000
								916,000
Cesareo Alierta Izuel	–	–	–	–	–	–	–	–
Cheung Wing Lam Linus	–	–	–	–	–	–	–	–
Wong Wai Ming	–	–	–	–	–	–	–	–
John Lawson Thornton	–	–	–	–	–	–	–	–
Timpson Chung Shui Ming	–	–	–	–	–	–	–	–
Cai Hongbin	–	–	–	–	–	–	–	–
Employees[2]		22 June 2000	15.42	16,977,600	–	–	16,977,600	–
		30 June 2001	15.42	4,058,000	–	–	–	4,058,000
		21 May 2003	4.30	8,956,000	–	–	–	8,956,000
		20 July 2004	5.92	40,900,000	–	–	–	40,900,000
		21 December 2004	6.20	128,000	–	–	–	128,000
		15 February 2006	6.35	150,310,000	–	–	–	150,310,000
		15 October 2008	5.57	99,940,204	–	–	–	99,940,204
		15 October 2008	8.26	88,929,468	–	–	–	88,929,468
								393,221,672 [(3)]
Total				**413,074,166**				**396,096,566**

Notes:

1. Each share option gives the holder the right to subscribe for one share.

2. Includes Mr. Wu Jinglian who retired as independent non-executive director on 12 May 2010. The number of share options outstanding as at 1 January 2010 include a total of 584,000 share options held by Mr. Wu Jinglian as beneficial owner (personal).

3. The share options outstanding as at 30 June 2010 include approximately 23,600,000 share options held by the option holders who were determined by the Board as "Transferred Personnel" under the applicable share option schemes due to the transfers of those option holders to other telecommunications operators as part of the 2008 industry restructuring.

4. Particulars of share options are as follows:

Date of Grant	Exercise Price (HKD)	Exercise Period*
Options Granted under the Pre-Global Offering Share Option Scheme:		
22 June 2000	15.42	22 June 2002 to 21 June 2010
Options Granted under the Share Option Scheme:		
30 June 2001	15.42	30 June 2001 to 22 June 2011**
21 May 2003	4.30	21 May 2004 to 20 May 2011** (in respect of 40% of the options granted) 21 May 2005 to 20 May 2011** (in respect of 30% of the options granted) 21 May 2006 to 20 May 2011** (in respect of the remaining 30% of the options granted)
20 July 2004	5.92	20 July 2005 to 19 July 2011** (in respect of 40% of the options granted) 20 July 2006 to 19 July 2011** (in respect of 30% of the options granted) 20 July 2007 to 19 July 2011** (in respect of the remaining 30% of the options granted)
21 December 2004	6.20	21 December 2005 to 20 December 2011** (in respect of 40% of the options granted) 21 December 2006 to 20 December 2011** (in respect of 30% of the options granted) 21 December 2007 to 20 December 2011** (in respect of the remaining 30% of the options granted)
15 February 2006	6.35	15 February 2008 to 14 February 2012 (in respect of 50% of the options granted) 15 February 2009 to 14 February 2012 (in respect of the remaining 50% of the options granted)
Options Granted under the Special Purpose Share Option Scheme:		
15 October 2008	5.57	15 October 2008 to 16 November 2011** (in respect of the options granted in relation to the 2004 Netcom Options outstanding as at the Scheme Record Time and exercisable from 17 May 2006 to 16 November 2010; 17 May 2007 to 16 November 2010 and 17 May 2008 to 16 November 2010, respectively) 17 May 2009 to 16 November 2011** (in respect of the options granted in relation to the 2004 Netcom Options outstanding as at the Scheme Record Time and exercisable from 17 May 2009 to 16 November 2010)
15 October 2008	8.26	15 October 2008 to 5 December 2011 (in respect of the options granted in relation to the 2005 Netcom Options outstanding as at the Scheme Record Time and exercisable from 6 December 2007 to 5 December 2011) 6 December 2008 to 5 December 2011 (in respect of the options granted in relation to the 2005 Netcom Options outstanding as at the Scheme Record Time and exercisable from 6 December 2008 to 5 December 2011) 6 December 2009 to 5 December 2011 (in respect of the options granted in relation to the 2005 Netcom Options outstanding as at the Scheme Record Time and exercisable from 6 December 2009 to 5 December 2011) 6 December 2010 to 5 December 2011 (in respect of the options granted in relation to the 2005 Netcom Options outstanding as at the Scheme Record Time and exercisable from 6 December 2010 to 5 December 2011)

* In 2009, the exercise periods of approximately 25,000,000 share options were extended by one year by the Board pursuant to the terms of each of the Pre-Global Offering Share Option Scheme and the Share Option Scheme. The reasons for such extension were that (i) the holders of those share options were determined by the Board as "Transferred Personnel" under the respective terms of the Pre-Global Offering Share Option Scheme and the Share Option Scheme due to the transfers of those option holders to other telecommunications operators as part of the 2008 industry restructuring and (ii) those share options were not exercisable due to a "Mandatory Moratorium" under the respective terms of each of the Pre-Global Offering Share Option Scheme and the Share Option Scheme. In March 2010, due to the "Mandatory Moratorium" continuing to be in force, the Board further extended the exercise periods of certain share options by another year under the respective terms of the Share Option Scheme. As at 30 June 2010, approximately 23,600,000 share options held by Transferred Personnel (as discussed in Note 3 above) remained valid.

** The original expiry dates for these share options were 22 June 2010, 20 May 2010 (the expiry date of these options was extended from 20 May 2009 to 20 May 2010 by the Board in 2009 pursuant to the terms of the Share Option Scheme), 19 July 2010, 20 December 2010 and 16 November 2010, respectively, which were extended to 22 June 2011, 20 May 2011, 19 July 2011, 20 December 2011 and 16 November 2011, respectively, by the Board in March 2010 pursuant to the terms of each of the Share Option Scheme and the Special Purpose Share Option Scheme, because those share options were not exercisable due to a "Mandatory Moratorium" under the respective terms of each of the Share Option Scheme and the Special Purpose Share Option Scheme.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES UNDERLYING SHARES OR DEBENTURES

As at 30 June 2010, the interests and short positions of the Directors in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the Hong Kong Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Director	Capacity	Ordinary Shares Held	Percentage of Total Issued Shares
Cheung Wing Lam Linus	Beneficial owner (Personal)	400,000	0.0017%
Timpson Chung Shui Ming	Beneficial owner (Personal)	6,000	0.0000%

Please refer to the subsection headed "Share Option Schemes of the Company - 4. Interests of Directors, Chief Executives and Employees under the Pre-Global Offering Share Option Scheme, the Share Option Scheme and the Special Purpose Share Option Scheme" herein above for the interests and rights to acquire shares held by the Directors and the chief executive of the Company as at 30 June 2010 under the Pre-Global Offering Share Option Scheme, the Share Option Scheme and the Special Purpose Share Option Scheme.

Apart from those disclosed herein, at no time during the six months ended 30 June 2010 was the Company, or any of its holding companies or subsidiaries, a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of acquiring shares or debentures of the Company or any of its associated corporations (as defined in the SFO).

Furthermore, apart from those disclosed herein, as at 30 June 2010, none of the Directors or the chief executive of the Company had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

The following table sets out the interests and short positions of each person, other than a director or a chief executive of the Company, in the shares or underlying shares of the Company as notified to the Company and recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2010:

		Ordinary Shares Held		Percentage of Total
		Directly	**Indirectly**	**Issued Shares**
(i)	China United Network Communications Group Company Limited ("Unicom Group")[1,2]	—	16,959,075,926	71.98%
(ii)	China United Network Communications Limited ("Unicom A Share Company")[1]	—	9,725,000,020	41.27%
(iii)	China Unicom (BVI) Limited ("Unicom BVI")[1]	9,725,000,020	—	41.27%
(iv)	China Netcom Group Corporation (BVI) Limited ("Netcom BVI")[2,3]	7,008,353,115	225,722,791	30.70%
(v)	Telefónica S.A. ("Telefónica")[4]	—	1,972,315,708	8.37%
(vi)	Telefónica Internacional S.A.U.[4]	1,972,315,708	—	8.37%

Notes:

1. Unicom Group and Unicom A Share Company directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of Unicom BVI, and in accordance with the SFO, the interests of Unicom BVI are deemed to be, and have therefore been included in, the respective interests of Unicom Group and Unicom A Share Company.

2. Netcom BVI is a wholly-owned subsidiary of Unicom Group. In accordance with the SFO, the interests of Netcom BVI are deemed to be, and have therefore been included in, the interests of Unicom Group.

3. Netcom BVI holds 7,008,353,115 shares (representing 29.74% of the total issued shares) of the Company directly. In addition, Netcom BVI is also deemed under the SFO to be interested in 225,722,791 shares (representing 0.96% of the total issued shares) of the Company held as trustee on behalf of a PRC shareholder.

4. Telefónica Internacional S.A.U. is a wholly-owned subsidiary of Telefónica. In accordance with the SFO, the interests of Telefónica Internacional S.A.U are deemed to be, and have therefore been included in, the interests of Telefónica.

Apart from the foregoing, as at 30 June 2010, no person had any interest or short position in the shares or underlying shares in the Company as recorded in the register required to be kept under Section 336 of the SFO.

Please also refer to Note 12 to the interim financial information for details of the share capital of the Company.

INTERIM DIVIDEND

It was resolved by our Board of Directors that no interim dividend for the six months ended 30 June 2010 will be paid.

CHARGE ON ASSETS

As at 30 June 2010, no property, plant and equipment was pledged to banks as loan security (31 December 2009: Nil).

REPURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

For the six months ended 30 June 2010, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed shares.

BOARD OF DIRECTORS

The directors during the period were:

Executive Directors:
Chang Xiaobing (Chairman and CEO)
Lu Yimin
Zuo Xunsheng
Tong Jilu

Non-Executive Director:
Cesareo Alierta Izuel

Independent Non-Executive Directors:
Cheung Wing Lam Linus
Wong Wai Ming
John Lawson Thornton
Timpson Chung Shui Ming
Cai Hongbin (appointed on 13 May 2010)
Wu Jinglian (retired on 12 May 2010)

CHANGES OF DIRECTORS' INFORMATION

Below are certain changes to the information of some of the Directors since the publication of the Company's 2009 annual report:

- Mr. Cheung Wing Lam Linus was appointed as the Chairman of the Remuneration Committee of the Company.
- Mr. Wong Wai Ming resigned as a non-executive director of Kingsoft Corporation Limited.
- Mr. John Lawson Thornton retired as a director of Intel Corporation.
- Mr. Timpson Chung Shui Ming was appointed as an independent non-executive director of China Overseas Grand Oceans Group Limited.

AUDIT COMMITTEE

The major responsibilities of the Audit Committee include: considering and approving the appointment, resignation and removal of external auditors; pre-approval of services and fees to be provided by the external auditors based on the established pre-approval framework; supervising the external auditors and determining the potential impact of non-audit services on such auditors' independence; reviewing quarterly, interim financial information and annual financial statements; coordinating and discussing with external auditors any problems and recommendations raised by them during statutory audits; reviewing any correspondence from the external auditors to the management and responses of the management; and reviewing the relevant reports concerning the internal control procedures of the Company. The committee meets at least four times each year, and assists the Board in its review of the financial statements to ensure effective internal controls and efficient auditing.

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of interim financial information for the six months ended 30 June 2010.

The Audit Committee comprises Mr. Wong Wai Ming, Mr. Cheung Wing Lam Linus, Mr. John Lawson Thornton, Mr Timpson Chung Shui Ming and Mr. Cai Hongbin, all being independent non-executive directors of the Company. The Chairman of the Audit Committee is Mr. Wong Wai Ming.

REMUNERATION COMMITTEE

The major functions of the Remuneration Committee include: considering and approving the remuneration policies proposed by management, remuneration packages of directors and senior management as well as the Company's share option schemes. The Remuneration Committee conducts performance appraisals for the Chief Executive Officer (the "CEO") and determines his year-end bonus pursuant to the performance target contract entered into between the Board and the CEO. The CEO is responsible for the performance appraisal and determination of performance-based year-end bonuses for the other members of the Company's management. The results are subject to review by the Remuneration Committee. The Remuneration Committee meets at least once a year.

The Remuneration Committee comprises Mr. Cheung Wing Lam Linus, Mr. Wong Wai Ming, Mr. John Lawson Thornton, Mr Timpson Chung Shui Ming and Mr. Cai Hongbin, all being independent non-executive directors of the Company. The Chairman of the Remuneration Committee is Mr. Cheung Wing Lam Linus.

CORPORATE GOVERNANCE

1. Compliance with Code of Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Company has complied with the code provisions in the Code of Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2010 except the followings:

(a) Under Code Provision A.2.1, the roles and responsibilities of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The Board understands that the principle of Code Provision A.2.1 is to clearly separate the management of the Board from the daily management of the Company so as to ensure balance of power and authority.

Mr. Chang Xiaobing has served as Chairman and CEO of the Company since December 2004. Mr. Lu Yimin has served as the Company's President since February 2009. Mr. Chang Xiaobing is responsible for chairing the Board and for all material affairs, including development, business strategy, operation and management of the Company. Mr. Lu Yimin is responsible for the daily operation and management of the Company.

The Board believes that at the present stage, Mr. Chang Xiaobing and Mr. Lu Yimin have achieved the aforesaid principle of separation of responsibilities. These arrangements also facilitate the formulation and implementation of the Company's strategies in a more effective manner so as to support the effective development of the Company's business.

(b) Under Code Provision A.4.1, non-executive directors shall be appointed for a specific term, subject to re-election. The Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation at general meetings and re-election by shareholders pursuant to the Company's articles of association. All Directors of the Company are subject to retirement by rotation at least once every three years.

2. Model Code for Securities Transactions by Directors of the Company

The Company has established the Code for Dealing of Securities by Directors in accordance with the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules. The Company had made specific enquiries to directors as to their respective compliance with the relevant code for securities transactions for the six months ended 30 June 2010, and all of the directors have confirmed such compliance.

3. Requirements under Section 404 of the Sarbanes-Oxley Act of 2002 (the "SOX Act")

Compliance with the requirements under Section 404 of the U.S. Sarbanes-Oxley Act of 2002 has been an area of emphasis for the Company. The relevant section of the Act requires the management of non-U.S. issuers with equity securities listed in the U.S. securities market to issue reports and representations as to internal control over financial reporting. The relevant internal control report needs to stress the management's responsibility for establishing and maintaining adequate and effective internal control over financial reporting. Management is required to assess the effectiveness of the Company's internal control over financial reporting as at year end.

As of 31 December 2009, the Company's management conducted an assessment on the effectiveness of the Company's internal controls over financial reporting and concluded that the Company's internal controls over financial reporting as of 31 December 2009 was effective. The independent auditor of the Company also expressed an unqualified opinion on the effectiveness of internal controls over financial reporting of the Company as of 31 December 2009 in their audit report. The management's assessment and the independent auditor's audit report are included in the Company's annual report on Form 20-F for the year ended 31 December 2009, as filed with the United States Securities Exchange Commission on 18 June 2010.

4. Summary of Significant Differences between the Corporate Governance Practices of the Company and the Corporate Governance Practices Required to be Followed by US Companies under the New York Stock Exchange's Listing Standards

As a company listed on both the Hong Kong Stock Exchange and the New York Stock Exchange, the Company is subject to applicable Hong Kong laws and regulations, including the Listing Rules and the Hong Kong Companies Ordinance, as well as applicable U.S. federal securities laws, including the U.S. Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act. In addition, the Company is subject to the listing standards of the New York Stock Exchange to the extent they apply to non-U.S. issuers. As a non-U.S. issuer, the Company is not required to comply with all of the corporate governance listing standards of the New York Stock Exchange.

In accordance with the requirements of Section 303A.11 of the New York Stock Exchange Listed Company Manual, the Company has posted on its Internet website (www.chinaunicom.com.hk) a summary of the significant differences between corporate governance practices of the Company and those required to be followed by U.S. companies under the listing standards of the New York Stock Exchange.

5. **Appendix 16 of the Listing Rules**

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's 2009 Annual Report.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2010, the Group had approximately 214,400 employees, 190 employees and 40 employees in Mainland China, Hong Kong and other countries, respectively. Furthermore, the Group had approximately 95,100 temporary staff in Mainland China. For the six months ended 30 June 2010, employee benefit expenses were approximately RMB11.57 billion (for the six months ended 30 June 2009: RMB10.55 billion). The Group endeavors to maintain its employees' remuneration in line with the market trend and to remain competitive. Employees' remuneration is determined in accordance with the Group's remuneration and bonus policies based on their performance. The Group also provides comprehensive benefit packages and career development opportunities for its employees, including retirement benefits, housing benefits and internal and external training programmes, tailored in accordance with individual needs.

FORWARD-LOOKING STATEMENTS

This interim report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward looking statements may include, without limitation, statements relating to the Company's competitive position; the Company's business strategies and plans, including those relating to the Company's networks, services and products, as well as sales and marketing, in particular, such networks, services and products, sales and marketing in respect of the Company's 3G business; the Company's future business condition, future financial results, cash flows, financing plans and dividends; the future growth of market demand of, and opportunities for, the Company's new and existing products and services, in particular, 3G services; and future regulatory and other developments in the PRC telecommunications industry.

The words "anticipate", "believe", "could", "estimate", "intend", "may", "seek", "will" and similar expressions, as they relate to us, are intended to identify certain of these forward-looking statements. The Company does not intend to update any of these forward-looking statements.

The forward-looking statements contained in this interim report are, by their nature, subject to significant risks and uncertainties. In addition, these forward-looking statements reflect the Company's current views with respect to future events and are not a guarantee of the Company's future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements as a result of a number of factors, including, without limitation:

- changes in the regulatory regime and policies for the PRC telecommunications industry, including changes in the regulatory policies of the Ministry of Industry and Information Technology, or the MIIT, the State-owned Assets Supervision and Administration Commission, and other relevant government authorities of the PRC;

Other Information

- changes in the PRC telecommunications industry resulting from the issuance of 3G licenses by the central government of the PRC;
- effects of tariff reduction and other policy initiatives from the relevant PRC government authorities;
- changes in telecommunications and related technologies and applications based on such technologies;
- the level of demand for telecommunications services, in particular, 3G services;
- competitive forces from more liberalized markets and the Company's ability to retain market share in the face of competition from existing telecommunications companies and potential new market entrants;
- effects of competition on the demand and price of the Company's telecommunications services;
- the availability, terms and deployment of capital and the impact of regulatory and competitive developments on capital outlays;
- effects of the Company's restructuring and integration following the completion of the Company's merger with China Netcom Group Corporation (Hong Kong) Limited;
- effects of the Company's adjustments in its business strategies relating to the personal handyphone system, or PHS, business;
- effects of the Company's acquisition from its parent companies of certain telecommunications business and assets, including the fixed-line business in 21 provinces in southern China, in January 2009;
- changes in the assumptions upon which the Company have prepared its projected financial information and capital expenditure plans;
- changes in the political, economic, legal and social conditions in the PRC, including the PRC Government's policies and initiatives with respect to economic development in light of the recent global economic downturn, foreign exchange policies, foreign investment activities and policies, entry by foreign companies into the PRC telecommunications market and structural changes in the PRC telecommunications industry; and
- the recovery from the recent global economic downturn inside and outside the PRC.

Please also see the "Risk Factors" section of the Company's latest Annual Report on Form 20-F, as filed with the Securities and Exchange Commission.

By Order of the Board
Chu Ka Yee
Company Secretary

Hong Kong, 26 August 2010