

CHINA UNICOM (HONG KONG) Ltd

Form 20-F

June 18, 2010

**Table of Contents**

**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 20-F**

- o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- o **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2009**
- o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**
- o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report \_\_\_\_\_**

**Commission file number 1-15028**

**CHINA UNICOM (HONG KONG) LIMITED**

(Exact Name of Registrant as Specified in Its Charter)

N/A (Translation of Registrant's Name Into English)	Hong Kong (Jurisdiction of Incorporation or Organization)
75 <sup>th</sup> Floor, The Center 99 Queen's Road Central Hong Kong (Address of Principal Executive Offices) Chu Ka Yee Telephone: +852 2121 3220 Facsimile: +852 2121 3232 75 <sup>th</sup> Floor, The Center 99 Queen's Road Central Hong Kong (Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact person)	
Securities registered or to be registered pursuant to Section 12(b) of the Act:	

Title of Each Class Ordinary shares, par value HK\$0.10 per share	Name of Each Exchange On Which Registered The New York Stock Exchange, Inc.*
--	---

\* Not for trading, but only in connection with the listing on The New York

Stock  
Exchange, Inc.  
of American  
depository  
shares, or  
ADSs, each  
representing 10  
ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2009, 23,562,092,511 ordinary shares were issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**Table of Contents**

**TABLE OF CONTENTS**

<u>Note Regarding Forward-looking Statements</u>	Page iii
<u>Certain Definitions</u>	iv
<u>Special Note on Our Financial Information and Certain Statistical Information Presented in This Annual Report</u>	vi
<b><u>PART I</u></b>	1
<u>Item 1. Identity of Directors, Senior Management and Advisers</u>	1
<u>Item 2. Offer Statistics and Expected Timetable</u>	1
<u>Item 3. Key Information</u>	1
<u>Item 4. Information on the Company</u>	16
<u>Item 4A. Unresolved Staff Comments</u>	43
<u>Item 5. Operating and Financial Review and Prospects</u>	43
<u>Item 6. Directors, Senior Management and Employees</u>	69
<u>Item 7. Major Shareholders and Related Party Transactions</u>	79
<u>Item 8. Financial Information</u>	93
<u>Item 9. The Offer and Listing</u>	94
<u>Item 10. Additional Information</u>	95
<u>Item 11. Quantitative and Qualitative Disclosures about Market Risks</u>	106
<u>Item 12. Description of Securities Other than Equity Securities</u>	108
<b><u>PART II</u></b>	110
<u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>	110
<u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	110
<u>Item 15. Controls and Procedures</u>	110
<u>Item 16A. Audit Committee Financial Expert</u>	111
<u>Item 16B. Code of Ethics</u>	111

<u>Item 16C. Principal Accountant Fees and Services</u>	111
<u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u>	112

**Table of Contents**

	Page
<u>Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	112
<u>Item 16F. Change in Registrant's Certifying Accountant</u>	112
<u>Item 16G. Corporate Governance</u>	112
<b><u>PART III</u></b>	113
<u>Item 17. Financial Statements</u>	113
<u>Item 18. Financial Statements</u>	113
<u>Item 19. Exhibits</u>	113
<u>EX-4.51</u>	
<u>EX-4.52</u>	
<u>EX-4.53</u>	
<u>EX-4.54</u>	
<u>EX-4.55</u>	
<u>EX-4.56</u>	
<u>EX-8.1</u>	
<u>EX-12.1</u>	
<u>EX-12.2</u>	
<u>EX-13.1</u>	
<u>EX-13.2</u>	

**Table of Contents**

**Note Regarding Forward-Looking Statements**

This annual 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 (i) our plans and strategies, including those in connection with our restructuring and integration after our merger with China Netcom Group Corporation (Hong Kong) Limited, mergers and acquisitions and capital expenditures; (ii) our plans for network expansion, including those in connection with the build-out of third generation mobile telecommunications, or 3G, digital cellular business and network infrastructure; (iii) our competitive position, including our ability to upgrade and expand existing networks and increase network efficiency, to improve existing services and offer new services, to develop new technological applications and to leverage our position as an integrated telecommunications operator and expand into new businesses and markets; (iv) our future business condition, including our future financial results, cash flows, financing plans and dividends; (v) the future growth of market demand of, and opportunities for, our new and existing products and services; and (vi) 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 are intended to identify certain of these forward-looking statements. We do not intend to update any of these forward-looking statements.

The forward-looking statements contained in this annual report are, by their nature, subject to significant risks and uncertainties. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of our 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, or changes in the regulatory policies of the primary industry regulator, the Ministry of Industry and Information Technology, or the MIIT (which has assumed the regulatory functions of the former Ministry of Information Industry), the State-owned Assets Supervision and Administration Commission, or the SASAC, and other relevant government authorities of the PRC;

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;

competitive forces from more liberalized markets and our 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 our telecommunications services;

the availability, terms and deployment of capital and the impact of regulatory and competitive developments on capital outlays;

effects of our restructuring and integration following the completion of our merger with China Netcom Group Corporation (Hong Kong) Limited;

effects of our proposed adjustments in our business strategies relating to the personal handyphone system, or PHS, business;





**Table of Contents**

effects of our acquisition from our 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 we have prepared our 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 current 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 potential continued slowdown of economic activities inside and outside the PRC.

Please also see D. Risk Factors under Item 3.

**Certain Definitions**

As used in this annual report, references to we, us, our, the Company, our company and Unicom are to China Unicom (Hong Kong) Limited (formerly known as China Unicom Limited). Unless the context otherwise requires, these references include all of our subsidiaries. In respect of any time prior to our incorporation, references to we, us, our and Unicom are to the telecommunications businesses in which our predecessors were engaged and which were subsequently assumed by us. All references to Unicom Group are to China United Network Communications Group Company Limited (formerly known as China United Telecommunications Corporation), our indirect controlling shareholder. Unless the context otherwise requires, these references include all of Unicom Group's subsidiaries, including us and our subsidiaries.

All references to China Netcom are to China Netcom Group Corporation (Hong Kong) Limited, which merged with us in October 2008, and, as the context may require, its subsidiaries. References to Netcom Group mean China Network Communications Group Corporation which merged with, and was absorbed by, Unicom Group in January 2009 and, as the context may require, its subsidiaries, other than us and our subsidiaries.

As used in this annual report:

references to China or PRC mean the People's Republic of China, excluding, for purposes of this annual report, Hong Kong, Macau and Taiwan, and references to the central government or the PRC Government mean the central government of the PRC;

references to our fixed-line northern service region mean the 10 municipalities and provinces where we operate fixed-line business in northern China, consisting of Beijing and Tianjin Municipalities, and Hebei, Henan, Shandong, Liaoning, Heilongjiang, Jilin, and Shanxi Provinces, and the Inner Mongolia Autonomous Region;

references to the 21 provinces in southern China mean Shanghai Municipality, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Hubei Province, Hunan Province, Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region and Xinjiang Uygur Autonomous Region. We completed the acquisitions of certain telecommunications business and assets, including the fixed-line business in those 21 provinces in southern China, from Unicom Group and Netcom Group and/or their respective subsidiaries and branches in January 2009. See A. History and Development of the Company Acquisitions of Fixed-Line Business in 21 Provinces in Southern China and Other Assets from Parent Companies and Lease of Telecommunications Networks in 21 Provinces in

**Table of Contents**

Southern China under Item 4.

references to Hong Kong Stock Exchange, SEHK or HKSE mean The Stock Exchange of Hong Kong Limited, and references to NYSE or New York Stock Exchange mean The New York Stock Exchange, Inc; and

references to Renminbi or RMB are to the currency of the PRC, references to U.S. dollars or US\$ are to the currency of the United States of America, and references to HK dollars or HK\$ are to the currency of the Hong Kong Special Administrative Region of the PRC.

- v -

---

**Table of Contents**

**Special Note on Our Financial Information and Certain Statistical Information Presented  
in This Annual Report**

Our consolidated financial statements as of and for the years ended December 31, 2007, 2008 and 2009 included in this annual report on Form 20-F have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB. These financial statements also comply with Hong Kong Financial Reporting Standards, or HKFRS, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, or HKICPA. As applied to our company, HKFRS is consistent with IFRS in all material respects.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission, or the SEC, which became effective on March 4, 2008, we are not required to provide reconciliation to generally accepted accounting principles in the United States, or U.S. GAAP.

The consolidated financial statements included in our annual reports on Form 20-F previously filed with the SEC in respect of the years ended December 31, 2005 and 2006 were prepared in accordance with HKFRS.

The statistical information set forth in this annual report on Form 20-F relating to the PRC is taken or derived from various publicly available government publications that have not been prepared or independently verified by us. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC.

- vi -

---

**Table of Contents**

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not Applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not Applicable.

**Item 3. Key Information**

***A. Selected Financial Data***

The following tables present selected historical financial data of our company as of and for each of the years in the three-year period ended December 31, 2009. Except for amounts presented in U.S. dollars, the selected historical consolidated income statement data for the years ended December 31, 2007, 2008 and 2009 and the selected historical consolidated balance sheet data as of December 31, 2008 and 2009 set forth below are derived from, should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the related notes, included elsewhere in this annual report on Form 20-F. The selected historical consolidated balance sheet data as of December 31, 2007 set forth below are derived from our internal records and management accounts that are not included in this annual report on Form 20-F. As disclosed above under Special Note on Our Financial Information and Certain Statistical Information Presented in This Annual Report, our consolidated statements of income for the years ended December 31, 2007, 2008 and 2009 and consolidated balance sheets as of December 31, 2008 and 2009 have been prepared and presented in accordance with IFRS/HKFRS.

We completed (i) acquisitions of fixed-line business in 21 provinces in southern China, the local access telephone business in Tianjin Municipality, three subsidiaries (together referred to as the Target Business) and certain other telecommunication assets from Unicom Group and Netcom Group (which was later merged with Unicom Group in January 2009) in January 2009, and (ii) a merger with China Netcom in October 2008. See A. History and Development of the Company Acquisitions of Fixed-Line Business in 21 Provinces in Southern China and Other Assets from Parent Companies and Lease of Telecommunications Networks in 21 Provinces in Southern China and A. History and Development of the Company Sale of CDMA Business, Merger with China Netcom and Related Transactions Merger with China Netcom and Related Transactions under Item 4, respectively. Because we and the Target Business were under common control of Unicom Group, both prior to and after the acquisitions, and we and China Netcom were under the common control of the PRC Government both prior to and after the merger, each of the acquisitions and the merger is considered as a business combination of entities and businesses under common control, and has been accounted for using merger accounting in accordance with Accounting Guideline 5 Merger accounting for common control combinations, or AG 5, issued by the HKICPA in November 2005. In addition, we completed an acquisition of assets and business of the Guizhou Province branch of Unicom Group, or Unicom Guizhou, from Unicom Group in December 2007 and prior to its merger with us, China Netcom completed an acquisition of the entire equity interest of Beijing Planning and Design Institute, or Design Institute, a wholly-owned subsidiary of Netcom Group, in December 2007. Because we and Unicom Guizhou were under the common control of Unicom Group both prior to and after our acquisition of Unicom Guizhou and China Netcom and Design Institute were under the common control of Netcom Group (which merged with, and was absorbed by, Unicom Group in January 2009) both prior to and after China Netcom's acquisition of Design Institute, both acquisitions have been accounted for using merger accounting in accordance with AG5 issued by the HKICPA. Upon our adoption of IFRS, we adopted the accounting policy to account for business combination of entities and businesses under common control using the predecessor values method, which is consistent with HKFRS. The acquired assets and liabilities mentioned above in this paragraph are stated at historical cost, and are included in the consolidated financial statements included in this annual report on Form 20-F as if these entities and their businesses acquired had always been part of our company during all the periods presented. Accordingly, the 2007 and 2008 comparative figures in the consolidated financial information included in this Form 20-F have been restated to reflect the financial position, results of operations and cash flows of these acquired businesses.



**Table of Contents**

We completed the disposal of our CDMA business in October 2008. See A. History and Development of the Company Sale of CDMA Business, Merger with China Netcom and Related Transactions Disposal of CDMA Business and Related Transactions under Item 4. In accordance with IFRS/HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, we recognized the CDMA business as discontinued operations and the CDMA business was presented separately as discontinued operations in our audited consolidated statements of income and statements of cash flows for the years ended December 31, 2007 and 2008.

Prior to our merger with China Netcom, China Netcom completed the disposal of the fixed-line telecommunications and related services in its Guangdong and Shanghai branches in February 2007. See A. History and Development of the Company History and Corporate Development of China Netcom under Item 4. After considering that we reacquired the fixed-line business in Guangdong and Shanghai branches in January 2009, we did not present the fixed-line business in Guangdong and Shanghai branches as discontinued operations and derecognized the gain on disposal previously recorded in our 2007 consolidated financial statements.

	<b>As of or for the year ended December 31</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2009</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$(<sup>1</sup>)</b>
	(in millions, except for per share data)			
<b>Consolidated Income Statement Data:</b>				
<b><u>CONTINUING OPERATIONS</u></b>				
<b>Revenue<sup>(2)</sup></b>				
<b>Mobile business</b>				
Telecommunication service revenue	62,236	64,240	69,769	10,221
Information communication technology services and other revenue	187	359	252	37
Sales of mobile telecommunications products	14	532	1,970	289
<b>Total mobile telecommunications revenue</b>	<b>62,437</b>	<b>65,131</b>	<b>71,991</b>	<b>10,547</b>
<b>Fixed-line business</b>				
Telecommunication service revenue <sup>(2)</sup>	91,093	88,254	79,549	11,654
Information communication technology services and other revenue	4,782	4,339	1,611	236
Sales of fixed-line telecommunications products	980	1,362	193	28
<b>Total fixed-line telecommunications revenue</b>	<b>96,855</b>	<b>93,955</b>	<b>81,353</b>	<b>11,918</b>
<b>Unallocated amounts</b>				
Telecommunication service revenue <sup>(2)</sup>	420	337	275	40
Information communication technology services and other revenue	228	364	326	48
Sales of other telecommunications products		5		
	648	706	601	88
<b>Total revenue</b>	<b>159,940</b>	<b>159,792</b>	<b>153,945</b>	<b>22,553</b>

<b>Total costs, expenses and others</b>	<b>(131,856)</b>	<b>(150,139)</b>	<b>(141,668)</b>	<b>(20,754)</b>
<b>Income from continuing operations before income tax</b>	<b>28,084</b>	<b>9,653</b>	<b>12,277</b>	<b>1,799</b>
Income tax expenses	(7,175)	(1,828)	(2,721)	(399)
<b>Income from continuing operations</b>	<b>20,909</b>	<b>7,825</b>	<b>9,556</b>	<b>1,400</b>
<b><u>DISCONTINUED OPERATIONS</u></b> <sup>(3)</sup>				
Income from discontinued operations	656	1,438		
Gain on disposal of discontinued operations		26,135		
Sub-total for discontinued operation	656	27,573		
<b>Net income</b>	<b>21,565</b>	<b>35,398</b>	<b>9,556</b>	<b>1,400</b>
<b>Earnings per share for income attributable to the equity holders of the Company during the year</b>				
Basic earnings per share <sup>(4)</sup>	0.93	1.49	0.40	0.06
Diluted earnings per share <sup>(4)</sup>	0.92	1.48	0.40	0.06
Basic earnings per ADS <sup>(5)</sup>	9.35	14.90	4.02	0.59
Diluted earnings per ADS <sup>(5)</sup>	9.25	14.79	4.00	0.59
<b>Earnings per share for income from continuing operations attributable to the equity holders of the Company during the year</b>				
Basic earnings per share <sup>(4)</sup>	0.90	0.33	0.40	0.06

- 2 -

**Table of Contents****As of or for the year ended December 31**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2009</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$<sup>(1)</sup></b>
	(in millions, except for per share data)			
Diluted earnings per share <sup>(4)</sup>	0.89	0.33	0.40	0.06
Basic earnings per ADS <sup>(5)</sup>	9.06	3.29	4.02	0.59
Diluted earnings per ADS <sup>(5)</sup>	8.97	3.27	4.00	0.59

**Earnings per share for income from discontinued operations attributable to the equity holders of the Company during the year**

Basic earnings per share <sup>(4)</sup>	0.03	1.16		
Diluted earnings per share <sup>(4)</sup>	0.03	1.15		
Basic earnings per ADS <sup>(5)</sup>	0.29	11.61		
Diluted earnings per ADS <sup>(5)</sup>	0.28	11.52		
Number of shares outstanding for basic earnings per share <sup>(4)</sup>	23,075	23,751	23,767	23,767
Number of shares outstanding for diluted earnings per share <sup>(4)</sup>	23,321	23,941	23,895	23,895
Number of ADS outstanding for basic earnings per ADS <sup>(5)</sup>	2,308	2,375	2,377	2,377
Number of ADS outstanding for diluted earnings per ADS <sup>(5)</sup>	2,332	2,394	2,389	2,389

**Consolidated Balance Sheet Data:****Assets**

Cash and cash equivalent and short-term bank deposits	13,555	10,574	8,816	1,292
Property, plant and equipment	277,787	285,469	351,157	51,445
Available-for-sale financial assets	287	95	7,977	1,168
Proceeds receivable for the disposal of the CDMA business		13,140	5,121	750
<b>Total assets</b>	<b>338,222</b>	<b>348,752</b>	<b>417,045</b>	<b>61,097</b>

**Liabilities**

Payables in relation to the disposal of the CDMA business		4,232	7	1
Short-term bank loans	11,850	10,780	63,909	9,363
Commercial paper	20,000	10,000		
Current portion of long-term bank loans	7,411	1,216	62	9
Current portion of other obligations	3,484	3,012	2,534	371
Long-term bank loans	16,086	997	759	111
Corporate bonds	2,000	7,000	7,000	1,026
<b>Total liabilities</b>	<b>160,033</b>	<b>141,025</b>	<b>210,578</b>	<b>30,850</b>



<b>Shareholders equity</b>	<b>178,189</b>	<b>207,727</b>	<b>206,467</b>	<b>30,247</b>
Share capital	1,437	2,329	2,310	339
<b>Other Financial Data:</b>				
<b><u>CONTINUING OPERATIONS</u></b>				
Net cash inflow from operating activities of continuing operations	68,854	57,241	57,733	8,459
Net cash outflow from investing activities of continuing operations	(47,770)	(54,742)	(85,308)	(12,498)
Net cash (outflow)/inflow from financing activities of continuing operations	(29,805)	(35,070)	30,197	4,423
<b>Net cash (outflow)/inflow from continuing operations</b>	<b>(8,721)</b>	<b>(32,571)</b>	<b>2,622</b>	<b>384</b>
<b><u>DISCONTINUED OPERATIONS</u><sup>(3)</sup></b>				
Net cash inflow from operating activities of discontinued operations	837	656		
Net cash (outflow)/inflow from investing activities of discontinued operations	(25)	29,489	(5,039)	(738)
Net cash outflow from financing activities of discontinued operations				
<b>Net cash inflow/(outflow) from discontinued operations</b>	<b>812</b>	<b>30,145</b>	<b>(5,039)</b>	<b>(738)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,909)</b>	<b>(2,426)</b>	<b>(2,417)</b>	<b>(354)</b>
<b>Dividend declared per share</b>	<b>0.20</b>	<b>0.20</b>	<b>0.16</b>	<b>0.02</b>

(1) The translation of RMB into US dollars has been made at the rate of RMB6.8259 to US\$1.00, the noon buying rate in New York City for cable transfer in RMB as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009. The

translations

- 3 -

---

**Table of Contents**

are solely for  
the convenience  
of the reader.

- (2) Including  
fixed-line  
upfront  
connection fees  
for basic  
telephone access  
services that  
were eliminated  
by order of the  
former Ministry  
of Information  
Industry in  
July 2001.
- (3) Results of our  
CDMA business  
have been  
disclosed as  
discontinued  
operations for  
the years ended  
December 31,  
2007 and 2008.
- (4) See Note 37 to  
the financial  
statements  
included in this  
Form 20-F on  
how basic and  
diluted earnings  
per share are  
calculated under  
IFRS/HKFRS.
- (5) Earnings per  
ADS is  
calculated by  
multiplying  
earnings per  
share by 10,  
which is the  
number of  
shares  
represented by

each ADS.

### Exchange Rate Information

We publish our consolidated financial statements in Renminbi. Solely for the convenience of the reader, this annual report on Form 20-F contains translations of certain Renminbi and Hong Kong dollar amounts into U.S. dollars and vice versa at RMB6.8259 = US\$1.00 and HK\$7.7536 = US\$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009. These translations should not be construed as representations that the Renminbi or Hong Kong dollar amounts could actually be converted into U.S. dollars at such rates or at all.

The noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York were RMB6.8320 = US\$1.00 and HK\$7.7935 = US\$1.00, respectively, on June 11, 2010. The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each month during the previous six months:

### Noon Buying Rate

	RMB per US\$1.00		HK\$ per US\$1.00	
	High	Low	High	Low
December 2009	6.8244	6.8299	7.7495	7.7572
January 2010	6.8258	6.8295	7.7539	7.7752
February 2010	6.8258	6.8330	7.7619	7.7716
March&				