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CHINA UNICOM (HONG KONG) LIMITED
中國聯合網絡通信（香港）股份有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 0762)

Financial Advisor to the Company



**AGREEMENT TO ENHANCE THE STRATEGIC ALLIANCE WITH
TELEFÓNICA**

This announcement is made pursuant to Rule 13.09(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong limited.

The Board is pleased to announce that on 23 January 2011, with a view to enhancing further the existing strategic alliance between China Unicom (Hong Kong) Limited (the “**Company**”) and Telefónica, S.A. (“**Telefónica**”), the Company and Telefónica have agreed that:

- (a) Telefónica shall purchase such number of ordinary shares of HK\$0.10 each in the capital of the Company (“**China Unicom Shares**”) for the aggregate consideration of US\$500,000,000 through acquisition from third parties, executed at such price(s) and at such time(s), in such manner and in such number of transaction(s) as Telefónica may determine within a nine-month period after the date of the signing of the Agreement; and

(b) the Company shall acquire and Telefónica shall sell to the Company 21,827,499 ordinary shares of EUR1.00 each in the capital of Telefónica and listed on the Spanish Stock Exchange repurchased by and held in treasury by Telefónica itself (“**Telefónica Treasury Shares**”) (the “**China Unicom Acquisition**”) in one transaction for an aggregate purchase price for all Telefónica Treasury Shares of EUR374,559,882.84;

as set out in an Agreement to Enhance the Strategic Alliance (the “**Agreement**”) entered into by the Company and Telefónica on 23 January 2011.

Pursuant to the Agreement, the number of Telefónica Treasury Shares was arrived at by dividing EUR374,559,882.84 (being the equivalent amount of US\$500,000,000 computed on the basis of the agreed exchange rate between Euro and US dollar amount at EUR1.00 to US\$1.3349, being the exchange rate for the daily fixing of EUR with USD as published by the European Central Bank on 14 January 2011) by EUR17.16, being the price per share calculated based on the arithmetic average of the closing prices per ordinary share of Telefónica (“**Telefónica Ordinary Shares**”), computed to two decimal places, as shown on the Bloomberg Screen by the ticker “TEF SM Equity HP” for the thirty consecutive days in which the Telefónica Ordinary Shares were traded on the Madrid Stock Exchange immediately preceding (and including) 14 January 2011.

The China Unicom Acquisition is expected to complete on or before 27 January 2011.

China International Capital Corporation Hong Kong Securities Limited is the financial adviser to the Company in connection with the transaction contemplated under the Agreement.

Shareholding Interests of the Company and Telefónica in Each Other

Following the completion of the China Unicom Acquisition, the Company’s interest in Telefónica will increase from 40,730,735 Telefónica Ordinary Shares representing 0.89% of the issued share capital of Telefónica to 62,558,234 Telefónica Ordinary Shares representing 1.37% of the issued share capital of Telefónica.

As at the date of the Agreement, Telefónica was interested in 1,972,315,708 China Unicom Shares representing 8.37% of the issued share capital of the Company.

Enhancement of Strategic Alliance

Since the Company and Telefónica entered into a Strategic Alliance Agreement in September 2009, the parties have made progress in the agreed areas of cooperation,

in particular the procurement, expansion of and service to multi-national customers, coordination and cooperation in international telecommunications organisations, network design and optimization as well as joint management training.

By entering into the Agreement, the Company and Telefónica have agreed to enhance the strategic alliance and to deepen the cooperation in procurement, mobile service platforms, service to multi-national customers, wholesale carriers, roaming, technology/research and development, international business development, cooperation and the sharing of best practices.

Board Representation of the Company on the Telefónica Board

To the extent not prohibited under applicable laws and by-laws of Telefónica and subject to the completion of the China Unicom Acquisition and the Company maintaining an aggregate interest in Telefónica Ordinary Shares held (and acquired) by the Company as a result of the China Unicom Acquisition and the closing of the Subscription Agreement entered into by Telefónica and the Company on 6 September 2009, Telefónica has agreed to propose at its next general shareholders' meeting the appointment of an individual designated by the Company as a director to the board of directors of Telefónica.

General

Shareholders, holders of ADSs and potential investors are advised to exercise caution when dealing in the shares, ADSs and other securities of the company.

As at the date of this announcement, the board of directors of the Company comprises:

Executive Directors: Chang Xiaobing, Lu Yimin, Zuo Xunsheng and 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 and Cai Hongbin

By Order of the Board
CHINA UNICOM (HONG KONG) LIMITED
CHU KA YEE
Company Secretary

Hong Kong, 23 January 2011