

Implementation of China Unicom's Strategies

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1. State's Policies for Encouraging Telecom Enterprise in China to Actively Implement Global Strategy



■ *The Eleventh Five-Year Plan for Information Industry Development unequivocally points out: to improve the ability in using foreign capital so as to accelerate info-industry's pace of "going global".*

- To adhere to the "opening-up" policy, continuously optimize the environment for investment, devote major efforts to absorb foreign capital, talents and technologies.
- To bring info-industry's "going global" strategy into the frame and implementation of state's overall strategy covering foreign affairs, economy and trade, exploit full effect of multilateral and bilateral mechanism, enhance government's service so as to provide multi-aspect support for enterprise's "going global" activities.
- To launch deeply international cooperation and exchange in overall direction and in a wider field, take an active part in the activities brought by various multilateral, bilateral and regional cooperation mechanism lying in info-industry so as to create a favorable international environment for the industry's development and implementation of "going global" strategy.

2.Thoughts on China Unicom's International Strategy



- Adopt a practical attitude, make breakthrough in some key points, accumulate experience, cultivate talents, practically push on the implementation of international strategy.
- When expanding market, focus on the surrounding countries or regions, especially the market with potential of growth.
- Through “introducing global” activities, increasingly promote Unicom’s overall strength and forge its core competitiveness
- Through “going global” activities, actively expand Unicom’s business field, seek new points to increase income and profit, raise Unicom’s earnings ability, accumulate experience in overseas operation so as to further enlarge Unicom’s international influence and promote its international image.
- Energize international business cooperation, strengthen international business expansion.

3. International Expansion, Actively Carried out Attempts and Advance in Capital Management, Service and Operation



(1) At level of Capital Management: Acceded to international capital market by public offering

- In June 2000, China United Telecommunications Corp. Ltd.(“ Unicom Red Chip”) was successfully listed on HKEx and NYSE and raised a fund of 5.65 billion US dollars, the offering thus became the largest IPO(Initial Public Offering) in Hong Kong throughout history as well as the largest IPO in Asia(exclude Japan), it also sits in the list of world’s historical top ten IPO by telecom enterprises.
- Since its establishment, “Unicom Red Chip” has made sustained growth of business achievement, the corporation’s value was widely acknowledged by capital market. Since the last half-year of 2006, the stock price has risen by a big margin, the corporation’s market value had almost been doubled by raising from 79.2 billion HK dollars by early 2006 to 143.6 billion HK dollars by the end of 2006.

3. International Expansion: Actively Carried out Attempts and Advance in Capital Management, Service and Operation (Continued)



(2) At level of Operation Management: Set up corporations in H.K., Aomen (Macau) and U.S.A. for operating telecom service

A. China Unicom has been granted 3G operation licenses for CDMA /CDMA 2000 service, it thus made a breakthrough in Corp.'s overseas operation.

- The corporation has become the first operator in Mainland China which be granted operation license for mobile service in the region outside the Mainland China.
- Relying on China Unicom's experiences and advantages in launching CDMA network in Mainland China, China Unicom(Macau) Limited("Unicom Macau") put up within a period less than half year a technological advanced CDMA 1X network covering whole Macau, and the network was formally opened to users on 18th Oct. 2005.
- In Aug. 2006, Unicom Macau was granted operation license for CDMA local service .
- On 24th Oct. 2006, Unicom Macau was granted after winning a bid the operation license for 3G(CDMA2000 1 X EVDO) service in Macau, it successfully laid a foundation and enlarged a favorable space for China Unicom's business expansion in Macau.

3. International Expansion: Actively Carried out Attempts and Advance in Capital Management, Service and Operation (Continued)



A. China Unicom was granted 3G operation licenses for CDMA /CDMA 2000 service, it thus made a breakthrough in Corp.'s overseas operation.(continued)

- As a stretch of China Unicom's main network, China Unicom's CDMA network in Macau enabled China Unicom to fully exploit its advantages in technology and operation, so as to create a synergistic effect in many aspects such as management, technology, network operation etc.
- The first construction and commercial use availability of 3G CDMA network in Macau will doubtlessly provide many valuable experiences for the construction, operation and development of 3G CDMA network in Mainland China.
- It will be helpful for China Unicom to raise its influence and profile as well as to accumulate overseas operation experience and to cultivate talents.

3. International Expansion: Actively Carried out Attempts and Advance in Capital Management, Service and Operation and Expansion (Continued)



B. Set up China Unicom International Ltd. (“Unicom International”) in Hong Kong and China Unicom in U.S.A. for operating telecom service

- Unicom International was founded in May 2000, it chiefly handles services of voice wholesale and transmit, IP card, international special line lease, data communication and mobile virtual network operation.
 - As a stretch of inland main network and overseas service window of China Unicom, It has put up direct links in Hong Kong with various international telecom operators, it has become one of the most important entry-exits of China Unicom’s international service.
 - It takes the duty to directly dredge the resources of Hong Kong’s local line and international half-circuit, undertakes the international exit of China Unicom’s data service, offers service of voice and signaling transit.
- China Unicom (USA), a subsidiary wholly-owned by China Unicom was set up in May 2002. It had built up under-sea cable connection points in Los Angeles and other regions, so as to extend China’ Unicom’s self-built network to U.S.A., after this extension, the network service cost has been reduced while the customer service quality has been improved.



3. International Expansion: Actively Carried out Attempts and Advance in Capital Management, Service and Operation (Continued)



(3) At level of business service: The scope of international cooperation is under increasingly expansion

Focused on three target: reducing international service cost , widening the source of income and providing high-quality service to network users

- Two main measures were adopted: firstly put up cable connection points so as to extend network service; secondly energized close cooperation with overseas operators, so as to actively expand international market.
- Many breakthroughs has been unceasingly made in some aspects such as widening of international roaming service scope, international cooperation in data service, international undersea or land cable operation etc . , the field, scope and level of international service are under increasingly expansion or promotion.

3. International Expansion: Actively Carried out Attempts and Advance in Capital Management, Service and Operation (Continued)



(3) At level of business service: The scope of international cooperation is under increasingly expansion (continued)

- A. International roaming service : provides customers with mobile roaming service on an all-over-the world basis, has established partner relationship in roaming service field with world's major mobile telecom operators, the scope of international roaming service is under expansion and the service quality keeps improving.
- By the end of 2006, it had launched GSM bilateral international auto-roaming and SMS roaming service with 260 operators in 170 countries (regions).
 - launched voice roaming service with 22 operators in 16 countries and regions.
 - Realized SMS interconnection with more than 100 countries and regions.

3. International Expansion: Actively Carried out Attempts and Advance in Capital Management, Service and Operation and (Continued)



(3) At level of business service: The scope of international cooperation is under increasingly expansion (continued)

B、 International data and user lease service: stretched cable directly to surrounding countries and regions, international networks and services are covering Asia-Pacific's major countries and Hong Kong, Macau, Taiwan, it thus laid a network-based foundation for China Unicom's middle /long term development .

- Participated in construction of three cable projects(i.e. APCN2 Project, Japan-America Project and Trans-Pacific Ocean Project).
- Put up the interconnection cable to Hong Kong and Macau; partially undertook the construction of land cable to Russia via Mongolia; At present, China- Korea(DPRK) cable, China-Russia interconnection Cable are under construction.
- Launched user line lease service with various operators in countries and regions such as Japan, Korea(ROK), Hong Kong, Macau, Taiwan, U.S.A., Singapore, Mongolia, Russia etc.

4.By Inviting Business Partner, Increasingly Raises Level of Corp.'s Service and Operation Management



1、 Established strategic partner relationship with one of world's leading CDMA operators-- SK Telecom(ROK)

- On 20th June, 2006, the two parties signed Strategic Union FA as well as an agreement covering SK Telecom's call of one billion US dollars convertible bonds issued by Unicom Red Chip.
- The cooperation will be carried out in following fields: United development and purchase of CDMA terminal, development and application of CDMA wireless data service plat form, CDMA marketing, IT infrastructure construction, network evolution and optimization etc.
- In the end of Sept. 2006, the two parties signed Memo for united purchase of mobile phone with some famous CDMA operators such as Samsung, Motorola. LG etc. At present, the two parties are pushing steadily forward the cooperation in service field.

4.By Inviting Business Partner, Increasingly Raises Level of Corp.'s Service and Operation Management (continued)



2、 Set up a joint-venture corporation with QUALCOMM BREW Incorporated(U.S.A) (“BREW”) ----UnicomBREW Telecommunication Technology Corp. Ltd (“UNIBREW”) to develop “BREW’s business in China.

- UNIBREW was founded in 2003 with a registered capital of 7 million US dollars, each of the two parties holds 50% of company’s share.
- UNIBREW’s business scope include:
 - Provides BREW technology training and technical support to communication service operators and local developers of application program;
 - Develops, designs, regulates, optimizes the test plan for BREW application program, provides high-quality test service for BREW application program.
 - Through analyzing and organizing the market, builds an organically combined relationship among operator, end user, developer in activities taking place in selected target market, so as to increase number of BREW users and sales of BREW application software.

4.By Inviting Business Partner, Increasingly Raises Level of Corp.'s Service and Operation Management (continued)



2、 Set up a joint-venture corporation with SK Telecom----UNISK(Beijing) Information Technology Co.Ltd. in developing value-added service based on Java plat form

- UNISK was founded in Dec. 2003 with a registered capital of 6 million US dollars, China Unicom owns 51% of company's shares, SK Telecom owns 49% of the shares.
- UNIBREW was founded in 2003 with a registered capital of 7 million US dollars, each party holds 50% of Company's shares.
- In Jan. 2004, UNISK was granted by P.R.C. the *Operation License for Value-Added Telecom Service*, it had become the first foreign-invested enterprise in China which be granted the License since China acceded to the WTO.
- UNISK offers value-added services in overall direction for users: Relying on China Unicom's advantages in mobile Comm. and SK Telecom's technical advantages in value-added telecom service by wireless internet, through research and development on commercial model, it has increasingly expanded the application scope of value-added telecom service, now it can provides supper ring and many other colorful value-added services to users.

Summary

When implementing international strategy, China Unicom will make a full use of both domestic market and international market and the resource therein, so as to organically combine “going global” and “introducing global ”strategy:

- To actively deepen “introducing global ”strategy.
 - Accelerate the pace of introducing foreign capital and cooperator, positively launch the cooperation in strategy, business and technology field.
- To push steadily forward “going global ”strategy.
 - Region: initially select some considerable familiar surrounding regions, so as to positively launch the exploration for accumulating the experience in overseas expansion
 - Risk: keep the investment scale a relatively small one in order to reduce the risk of overseas expansion.
 - Route: Domestic market → Surrounding regions → International market

Summary (continued)

Enterprise's international strategy is a systemic project that should be took into implementation only after the enterprise reaches a certain level of development, has fairly powerful strength and a comprehensive demonstration on opportunities and risks has been taken.

“Going global” should not be regarded as the final purpose, a successful transnational merger or acquisition sometime doesn't mean a breakthrough in international strategy implementation, moreover, once the attempt in reorganizing business, management and culture of the merged company failed, the merger or acquisition has to cost much more than expected. Therefore, the ultimate target of enterprise's international strategy should be: to protect itself comprehensively against various risks; to keep promoting the business achievement and overall strength of both the domestic and overseas business entities.

Thank You!