CHINA UNICOM (HONG KONG) Ltd
Form 6-K
March 23, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the Month of March 2012

Commission File Number 1-15028

China Unicom (Hong Kong) Limited

(Exact Name of Registrant as Specified in Its Charter)

75/F, The Center,

99 Queen s Road Central, Hong Kong

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x Form 40-F ¨

(Indicate by check mark if the registrant is submitting the Form 6-K on paper as permitted by Regulation S-T Rule 101(b)(1): ¨.)

(Indicate by check mark if the registrant is submitting the Form 6-K on paper as permitted by Regulation S-T Rule 101(b)(7): ¨.)

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ¨ No x

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82- .)

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EXHIBITS

Exhibit Number	
1	Annual Results Announcement of China Unicom (Hong Kong) Limited for the year ended December 31, 2011.

FORWARD-LOOKING STATEMENTS

This announcement 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, products and services, as well as sales and marketing, in particular, such networks, products and services, 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 i 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 announcement 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, without limitation, changes in the regulatory policies of 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, 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;

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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;

timing and effects of the Company s implementation of its business strategies relating to the Internet dedicated leased line access service and the quality of the Internet interconnection;

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 discontinuation of the personal handyphone system business in response to the MIIT s request;

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 has 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 impact of the European sovereign debt crisis on the economic activities 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 U.S. Securities and Exchange Commission.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA UNICOM (HONG KONG) LIMITED
(Registrant)

Date: March 23, 2012

By: /s/ Chang Xiaobing
Name: Chang Xiaobing
Title: Chairman and Chief Executive Officer

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Exhibit 1

(incorporated in Hong Kong with limited liability)

(Stock Code: 0762)

2011 ANNUAL RESULTS ANNOUNCEMENT

Highlights:

Revenue	: RMB209.17 billion.
Profit for the year	: RMB4.23 billion.
Basic earnings per share	: RMB0.18.

In accordance with International Financial Reporting Standards/Hong Kong Financial Reporting Standards	On comparable basis
Service revenue:	
RMB185.89 billion, up by 13.3% from 2010.	RMB185.87 billion, up by 13.4%[(a)] compared on the same basis of 2010.
Profit for the year:	
RMB4.23 billion, up by 14.2% from 2010.	RMB4.21 billion, up by 20.0%[(a)] compared on the same basis of 2010.
EBITDA:	
RMB63.41 billion, up by 6.4% from 2010.	RMB63.40 billion, up by 6.7%[(a)] compared on the same basis of 2010.

Note:

(a) Excluding deferred fixed-line upfront connection fees.

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CHAIRMAN S STATEMENT

In 2011, led by 3G and fixed-line broadband, the Company expedited the establishment of differentiation advantages. The overall development showed a trend of sustained and accelerating improvement. While revenue grew rapidly, its market share increased steadily. The business structure became more rational with a gradual improvement in profitability. The overall strength and sustainable development capability of the Company were further reinforced.

Financial performance[1, 2]

In 2011, the growth of the Company s revenue accelerated. Revenue of the Company (excluding deferred fixed-line upfront connection fee, same hereinafter unless otherwise specified) totaled RMB209.15 billion, an increase of 22.2% compared with last year. Service revenue was RMB185.87 billion, an increase of 13.4% compared with last year. EBITDA was RMB63.40 billion, an increase of 6.7% compared with last year. Net profit was RMB4.21 billion, an increase of 20.0% compared with last year. Basic earnings per share was RMB0.179 (including deferred fixed-line upfront connection fee).

In 2011, operating cash flows of the Company was RMB66.49 billion, an increase of 0.2% compared with last year. Capital expenditure was RMB76.66 billion, an increase of 9.2% compared with last year. As at 31 December 2011, debt-to-capitalisation ratio was 34.2% and net debt-to-capitalisation ratio was 29.4%. The Company s debt-to-capitalisation structure remained solid.

Based on the Company s financial position in 2011 and taking into account the development needs of the mobile and fixed-line broadband businesses, the Board recommends the payment of a final dividend of RMB0.10 per share for the year ended 31 December 2011.

Business performance[1, 2]

In 2011, driven by the continued and rapid growth of the 3G and fixed-line broadband businesses, the revenue of the Company grew rapidly. The growth of service revenue in 2011 exceeded that of the industry average by 3.4 percentage points, and the Company s market share increased steadily. Together with the rapid revenue growth, the Company s business and revenue structures continued to improve. Service revenue from the mobile business accounted for 55.6% of the total service revenue. Service revenue from the non-voice business accounted for 48.7% of the total service revenue.

Mobile business

In 2011, the mobile business of the Company showed a strong growth momentum. The aggregate number of the Company s mobile subscribers was 199.660 million, an increase of 19.3% compared with last year. Service revenue from the mobile business was RMB103.31 billion, an increase of 25.3% compared with last year. Driven by the growth in the number of 3G subscribers, the subscriber mix and the revenue structure of the mobile business continued to improve. The ARPU of mobile subscribers was RMB47.3, an increase of 8.2% compared with last year. Driven by an increase of 293.4% in mobile data usage compared with last year, the revenue from the mobile non-voice business increased rapidly and accounted for 37.2% of the total revenue from the mobile business.

The 3G business became the largest driving force of the Company s revenue growth: In 2011, the Company further strengthened and expanded its differentiation competitive advantages in the 3G business by fully capitalizing on the driving effect of handsets, channels and applications. The Company experienced a rapid and substantial growth in its 3G business. The net additions of 3G subscribers increased by 25.959 million to 40.019 million in 2011, representing 20.0% of the total mobile subscribers. The ARPU of 3G subscribers maintained a relatively high level of RMB110.0. Service revenue from the 3G business was RMB32.74 billion, representing an increase of 182.3% compared with last year and accounting for 31.7% of the service revenue from the mobile business.

During the year, the Company further utilized the leading advantages of WCDMA in the field of intelligent handsets, continued to enrich the offering of customized handsets and established competitive advantages in products at all price levels. In the second half year, the Company, in collaboration with various parties in the industry chain, launched the world s first thousand-RMB smartphones with a 3.5-inch capacitive screen and a CPU 600MHz or above, which became an important driving force in speeding up the popularity of mobile Internet following the introduction of iPhone and rapidly increased the net additions of the Company s 3G subscribers.

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The Company continued to break through the scale of independent channels and actively improved sales and settlement processes, resulting in an overall improvement in the productivity and efficiency of independent channels. Independent channels of the 3G business accounted for 53% of the sales for the year. The Company accelerated the enhancement of sales capability of its self-owned stores and implemented experiential marketing model transformation in 3,500 self-owned stores, resulting in a significant increase in sales per store. The Company also actively promoted sales through e-channels and achieved a rapid growth in the usage of its online store. The turnover of the Company s online store was RMB23.07 billion for the year, an increase of 86% compared with last year.

With respect to contents and applications, the Company focused its efforts on key products such as music, reading and application stores and widely promoted experience and contents delivery activities, resulting in increased usages by subscribers. In 2011, the average data usage per month of the Company s 3G subscribers was 267 MB, an increase of 50.1% compared with last year. In the second half year, the Company creatively launched the WO+ open system to enhance its product aggregation, channel sales, refined operation and smart pipe capabilities, so as to increase usage and aggregate applications and continually expand the influence of operators.

GSM business remained generally stable: In 2011, the Company strengthened its efforts in the marketing of its GSM data services and boldly explored the transformation of the GSM business marketing model in areas such as products and channels. The net additions of subscribers for the year were 6.275 million, bringing the total number to 159.641 million. Service revenue from the GSM business was RMB70.57 billion which generally maintained stable. Due to various factors such as the intense competition in voice sector and the substitutive impact of mobile Internet products, GSM voice business continued to decline. Driven by the growth in businesses such as mobile Internet, data business achieved rapid growth.

Fixed-line business

In 2011, the Company actively carried out the marketing of fixed-line broadband speed enhancement and the integrated business. The rapid growth in the fixed-line broadband business effectively offset the decline in the local telephone business[3]. Service revenue from the fixed-line business in the year was RMB81.63 billion, an increase of 2.4% compared with last year. Revenue from the non-voice business accounted for 63.9% of the total revenue from the fixed-line business. The business structure further improved.

The fixed-line broadband business continued to grow rapidly: During the year, the Company has expedited fixed-line broadband speed enhancement and actively implemented the marketing of speed enhancement. The total number of fixed-line broadband subscribers for the year increased by 17.8% compared with last year to 55.651 million. Service revenue from fixed-line broadband business increased by 18.1% compared with last year, which for the first time exceeded service revenue from the fixed-line voice business and accounted for 43.2% of the service revenue from fixed-line business.

Retaining fixed-line value through the integrated business: The Company actively implemented the marketing of local telephone voice packages and valued-added services, vigorously promoted integrated products and exerted itself to increase fixed-line subscriber value. In 2011, the total number of subscribers of the Company s WO Family increased by 7.975 million, resulting in a 2.2% increase in the total number of fixed-line voice subscribers to 85.064 million in 2011 compared with last year. Due to the decline in the ARPU and the significant loss of PHS subscribers, the total service revenue from the local telephone business[3] for the year was RMB34.00 billion, a decline of 15.2% compared with last year.

Industry applications

In 2011, the Company focused on scale promotion of key industry application products, such as mobile OA, government enforcement, automobile information services, monitoring and surveillance and stock trading machine, and continuously expanded its influence in key industrial sectors, such as central government-owned enterprises, government, automobile and finance. As at the end of 2011, the total number of subscribers of key industry applications exceeded 10 million. Leveraging on its leading edge in industry application sector, the Company speeded up its full-service business development for corporate clients, driving a rapid growth in the corporate client business.

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Network building

In 2011, the Company accelerated 3G network building and continued to improve the GSM networks. The number of 3G base stations increased by 56,000 for the year and the number of GSM base stations increased by 46,000. The total number of mobile base stations was 614,000, an increase of 19.9% compared with last year. The Company completed 3G network HSPA+ upgrade in 56 key cities throughout the country and continued to maintain its leading edge in 3G network and technology. The Company exerted great efforts to facilitate the development of its optical access networks. The total number of fixed-line broadband access ports was 85.923 million, of which, the percentage of FTTH/B ports was 45%. The network quality of the Company was further enhanced.

Management reform

In 2011, the Company actively explored reforms in the operational and organizational systems geared to the new business model, further improved the integrated marketing system targeting corporate clients and increased sales and service capabilities. The Company also actively propelled the full cost evaluation system with LAN as the unit and facilitated the improvement of resource efficiency. Guided by scale and effectiveness, the Company enhanced the remuneration incentive mechanism and continuously promoted corporate vigour.

The Company persisted in service innovation and strengthened customer service mechanism dedicated to different customer groups, resulting in a continued enhancement in client experience on key services. In a survey on overall customer services satisfaction conducted by the MIIT, the Company s 3G services ranked the first based on the customer satisfaction index.

Outlook

Being faced with a complicated and changing macroeconomic environment, and with the continual emergence of new technologies and new businesses in the information and communication industries and the accelerating cross-sector integration of industries, the communication industry in China is still expected to maintain relatively fast growth. With the improvement of networks and the enrichment of handsets, the conditions for WCDMA to achieve even faster development in China have become increasingly mature. The penetration rate of 3G will further accelerate and the mobile Internet application market will continue to prosper. China has strengthened the construction of network infrastructure and specifically implemented the strategy of broadband China, which will drive the broadband business to continue to grow rapidly. China Unicom has established differentiation advantages to a certain extent in the mobile broadband data business sector, accumulated more extensive operating experience and gradually built up a good reputation. The Company is confident that it will be able to grasp the valuable strategic opportunity and timing window, speed up its scaled development in key businesses to ensure a faster increase in revenue and market share, and achieve a faster growth in profit and a greater value for shareholders.

In 2012, the Company will further increase the network investment of WCDMA, ensure allocation of resources to the growing sectors and continue to propel management innovation and reform. While maintaining a faster growth in profitability level, the Company will strive to achieve a greater breakthrough in business development and revenue scale so as to further enhance its standards in development, profitability and management. Major operating initiatives and targets include:

Accelerating the construction of WCDMA target network and ensuring the needs of market development. In 2012, the Company will accelerate the construction of 3G target network, further expand the coverage of HSPA+, basically eliminate 3G network blind and weak coverage spots in all cities and achieve full 3G coverage in villages and towns in the eastern and central regions and the western developed regions, as well as key scenic spots and transportation routes. By taking the opportunity of the implementation of Broadband China strategy, the Company will continue to facilitate the construction of the optical access networks, which are mainly based on FTTH/B to achieve an access rate of 10M and above in major competitive areas of cities and an access rate of 2M and above in rural areas.

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Driving the large-scale growth of key businesses and realizing a faster increase in revenue and market share. The Company will utilize all resources and take advantage of its handsets, channels and applications to further increase the penetration rate of contract subscribers and ensure a new breakthrough for large-scale growth of the 3G business. The Company will fully accelerate the upgrade and speed enhancement of fixed-line broadband business and leverage its advantages in integrated business so as to achieve a continued and rapid growth of the broadband business and the continued improvement of the fixed-line business structure. The Company will further promote the integrated business and the transformation of the marketing model of the GSM business to maintain the steady development of the GSM business during transformation.

Boldly promoting innovation and reforms and further strengthening basic management. The Company will actively adapt to the changes in the model of business development, continue to optimize the marketing organizational structure, expedite the progress in electronic sales and services to fully enhance its marketing and sales capability. The Company will further promote specialized operational reforms supported by network construction, maintenance and IT to reinforce the overall business support capability. In addition, the Company will promote the budget control system with LAN as the core and an enhanced control over specialized lines, implement a dynamic resource allocation mechanism that matches business development with the revenue level and continuously enhance scientific and transparent resource allocation. The Company will continue to improve its remuneration incentive mechanism to promote corporate vigour in operation.

Lastly, on behalf of the Board of the Company, I would like to express my sincere gratitude to the shareholders, the government and the community for their support to the development of the Company, and also to the management and all staff members of the Company for their unremitting efforts in the development of the Company.

Chang Xiaobing

Chairman and Chief Executive Officer

Hong Kong, 22 March 2012

Note:

1. Except for basic earnings per share, all revenue and profit figures herein exclude deferred fixed-line upfront connection fee of RMB15 million for 2011 and RMB192 million for 2010.

2. The Company completed the acquisition of the entire equity interest of China Unicom NewSpace Limited from China United Network Communications Group Company Limited on 1 December 2011, which was accounted for using merger accounting in accordance with Accounting Guideline 5 Merger accounting for common control combinations issued by the Hong Kong Institute of Certified Public Accountants in November 2005. Under IFRSs, the Company 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 HKFRSs. The acquired assets and liabilities are stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if the entities and businesses acquired had always been part of the Group.

3. Local telephone business includes local voice service, long-distance service, fixed-line value-added service and interconnection services.

GROUP RESULTS

China Unicom (Hong Kong) Limited (the Company) is pleased to announce the consolidated results of the Company and its subsidiaries (the Group) for the year ended 31 December 2011, which were extracted from the audited financial statements of the Group as set out in the Company s 2011 Annual Report.

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CONSOLIDATED BALANCE SHEET

(All amounts in Renminbi (RMB) millions)

	Note	As at 31 December 2011	As at 31 December 2010 As restated (Note 3)	As at 1 January 2010 As restated (Note 3)
ASSETS				
Non-current assets				
Property, plant and equipment		381,859	365,654	350,976
Lease prepayments		7,657	7,607	7,729
Goodwill		2,771	2,771	2,771
Deferred income tax assets		5,091	4,940	5,258
Financial assets at fair value through other comprehensive income	6	6,951	6,214	7,977
Other assets		13,101	11,756	11,597
		417,430	398,942	386,308
Current assets				
Inventories and consumables		4,651	3,728	2,412
Accounts receivable	7	11,412	9,304	8,835
Prepayments and other current assets		6,127	5,115	4,253
Amounts due from related parties		22	49	54
Amounts due from domestic carriers		1,181	1,261	1,134
Proceeds receivable for disposal of the CDMA business				5,121
Short-term bank deposits		304	273	996
Cash and cash equivalents		15,106	22,597	7,895
		38,803	42,327	30,700
Total assets		456,233	441,269	417,008
EQUITY				
Equity attributable to owners of the parent				
Share capital	8	2,311	2,310	2,310
Share premium	8	173,472	173,436	173,435
Reserves	9	(20,016)	(18,200)	(18,065)
Retained profits				
- Proposed final dividend	15	2,356	1,885	3,770
- Others		47,775	46,230	44,985
		205,898	205,661	206,435
Non-controlling interests				2

Total equity	205,898	205,661	206,437

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LIABILITIES				
Non-current liabilities				
Long-term bank loans		1,384	1,462	759
Promissory notes		15,000	15,000	
Convertible bonds	10	11,118	11,558	
Corporate bonds		7,000	7,000	7,000
Deferred income tax liabilities		17	22	245
Deferred revenue		1,801	2,171	2,562
Other obligations		88	162	187
		36,408	37,375	10,753
Current liabilities				
Accounts payable and accrued liabilities	11	95,252	97,666	104,096
Taxes payable		1,232	1,483	908
Amounts due to ultimate holding company		342	229	308
Amounts due to related parties		5,707	5,180	5,410
Amounts due to domestic carriers		1,344	873	1,136
Payables in relation to disposal of the CDMA business				7
Commercial papers	12	38,000	23,000	
Short-term bank loans		32,322	36,727	63,909
Current portion of long-term bank loans		50	58	62
Dividend payable		488	431	331
Current portion of deferred revenue		882	1,042	1,397
Current portion of other obligations		2,586	2,637	2,534
Advances from customers		35,722	28,907	19,720
		213,927	198,233	199,818
Total liabilities		250,335	235,608	210,571
Total equity and liabilities		456,233	441,269	417,008
Net current liabilities		(175,124)	(155,906)	(169,118)
Total assets less current liabilities		242,306	243,036	217,190

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CONSOLIDATED STATEMENT OF INCOME

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

		Year ended 31 December	
			2010
			As restated
	Note	2011	(Note 3)
Revenue	13	209,167	171,370
Interconnection charges		(16,380)	(13,727)
Depreciation and amortisation		(58,021)	(54,654)
Networks, operations and support expenses		(29,449)	(26,387)
Employee benefit expenses		(26,601)	(23,348)
Costs of telecommunications products sold		(29,739)	(10,688)
Other operating expenses		(43,586)	(37,597)
Finance costs		(1,474)	(1,749)
Interest income		230	143
Other income - net		1,451	1,221
Profit before income tax		5,598	4,584
Income tax expenses	5	(1,371)	(883)
Profit for the year		4,227	3,701
Profit attributable to:			
Owners of the parent		4,227	3,701
Earnings per share for profit attributable to owners of the parent during the year			
Basic earnings per share (RMB)	16	0.18	0.16
Diluted earnings per share (RMB)	16	0.18	0.16

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB millions)

	Year ended 31 December	
	2011	**2010 As restated (Note 3)**
Profit for the year	4,227	3,701
Other comprehensive loss:		
Changes in fair value of financial assets through other comprehensive income	(2,629)	(1,777)
Tax effect on changes in fair value of financial assets through other comprehensive income	656	437
Changes in fair value of financial assets through other comprehensive income, net of tax	(1,973)	(1,340)
Currency translation differences	(17)	6
Other comprehensive loss for the year, net of tax	(1,990)	(1,334)
Total comprehensive income for the year	2,237	2,367
Total comprehensive income attributable to:		
Owners of the parent	2,237	2,367

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CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB millions)

		Year ended 31 December	
	Note	**2011**	**2010 As restated (Note 3)**
Cash flows from operating activities			
Cash generated from operations	(a)	70,362	69,296
Interest received		230	149
Interest paid		(3,205)	(2,025)
Income tax paid		(896)	(1,044)
Net cash inflow from operating activities		66,491	66,376
Cash flows from investing activities			
Purchase of property, plant and equipment		(77,861)	(75,557)
Proceeds from disposal of property, plant and equipment and other assets		1,431	375
Dividends received from financial assets at fair value through other comprehensive income		816	416
Payment for investment in Telefónica S.A.		(3,367)	
(Increase)/decrease short-term bank deposits		(31)	723
Purchase of other assets		(3,958)	(2,576)
Net cash outflow from investing activities of continuing operations		(82,970)	(76,619)
Net cash inflow from investing activities of discontinued operations in relation to the disposal of the CDMA business			5,121
Net cash outflow from investing activities		(82,970)	(71,498)

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Cash flows from financing activities			
Proceeds from exercise of share options		35	
Proceeds from commercial papers		61,867	22,928
Proceeds from short-term bank loans		55,242	114,182
Proceeds from long-term bank loans			800
Proceeds from related party loans		219	
Proceeds from issuance of promissory notes			14,954
Proceeds from issuance of convertible bonds			12,145
Repayment of commercial papers		(47,000)	
Repayment of short-term bank loans		(59,132)	(141,364)
Repayment of long-term bank loans		(43)	(51)
Repayment of capital element of finance lease		(130)	(36)
Payment of prior year profit transfer			(64)
Dividends paid to owners of the parent	15	(2,070)	(3,670)
Net cash inflow from financing activities		8,988	19,824
Net (decrease)/increase in cash and cash equivalents		(7,491)	14,702
Cash and cash equivalents, beginning of year		22,597	7,895
Cash and cash equivalents, end of year		15,106	22,597
Analysis of the balances of cash and cash equivalents:			
Cash balances		6	6
Bank balances		15,100	22,591
		15,106	22,597

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(a) The reconciliation of profit before income tax to cash generated from operations is as follows:

	Year ended 31 December 2011	2010 As restated (Note 3)
Profit before income tax	5,598	4,584
Adjustments for:		
Depreciation and amortisation	58,021	54,654
Interest income	(230)	(143)
Finance costs	1,266	1,736
Gain on disposal of property, plant and equipment and other assets	(429)	(5)
Gain on non-monetary assets exchange		(10)
Share-based compensation costs	17	56
Provision for doubtful debts	2,645	2,583
Dividends from financial assets at fair value through other comprehensive income	(867)	(485)
Changes in working capital:		
Increase in accounts receivable	(4,753)	(3,051)
Increase in inventories and consumables	(923)	(1,316)
Decrease in other assets	230	755
Increase in prepayments and other current assets	(1,004)	(868)
Decrease in amounts due from related parties	27	3
Decrease/(increase) in amounts due from domestic carriers	80	(127)
Increase in accounts payable and accrued liabilities	3,574	1,619
Increase in taxes payable	13	1,331
Increase in advances from customers	6,815	9,187
Decrease in deferred revenue	(530)	(746)
Decrease in amounts due to ultimate holding company	(45)	(79)
Increase/(decrease) in amounts due to related parties	386	(112)
Increase/(decrease) in amounts due to domestic carriers	471	(263)
Decrease in payables in relation to disposal of the CDMA business		(7)
Cash generated from operations	70,362	69,296

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NOTES (All amounts in RMB millions unless otherwise stated)

1. GENERAL INFORMATION

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. After disposal of the CDMA business to China Telecom Corporation Limited (China Telecom) on 1 October 2008, the merger with China Netcom Group Corporation (Hong Kong) Limited (China Netcom) on 15 October 2008 and the launch of WCDMA mobile business on 1 October 2009, the principal activities of Company s subsidiaries are 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 address of the Company s registered office is 75th Floor, The Center, 99 Queen s Road Central, Hong Kong.

The shares of the Company were listed on the Stock Exchange of Hong Kong Limited (SEHK) on 22 June 2000 and the American Depositary Shares (ADS) 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 Group 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 Group 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.

The financial figures in respect of the announcement of the Group s results for the year ended 31 December 2011 have been agreed by the Group s auditor, PricewaterhouseCoopers, to the amounts set out in the Group s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the HKICPA) and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

Acquisition of China Unicom NewSpace Limited (hereinafter referred to as the 2011 Business Combination)

On 1 December 2011, China Unicom Broadband Online Limited Corporation (Broadband Online , a wholly-owned subsidiary of China United Network Communications Corporation Limited (CUCL , a wholly-owned subsidiary of the Company)) entered into an equity interest transfer agreement with Unicom Group, pursuant to which Broadband Online agreed to acquire the entire equity interest of China Unicom NewSpace Limited (Unicom NewSpace) from Unicom Group for a total cash consideration of RMB158 million. The acquisition was completed on 1 December 2011.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the IASB. Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), are consistent with IFRSs. These financial statements also comply with HKFRSs as well as the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK and the requirements of the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through other comprehensive income.

(a) Business Combination of Entity and Business under Common Control

The 2011 Business Combination was considered a business combination of entity and business under common control as Unicom NewSpace before and after the acquisition was under the control of Unicom Group, the Group s ultimate holding company.

Under HKFRSs, the 2011 Business Combination was accounted for using merger accounting in accordance with the Accounting Guideline 5 Merger accounting for common control combinations issued by the HKICPA. Upon the adoption of IFRSs by the Group in 2008, the Group adopted the accounting policy to account for business combinations of entities and businesses under common control using the predecessor values method, which is consistent with HKFRSs. Accordingly, the acquired assets and liabilities are stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if the entities and businesses acquired had always been part of the Group considering the acquired entity had always been under common control during all the periods presented.

(b) Going Concern Assumption

As at 31 December 2011, current liabilities of the Group exceeded current assets by approximately RMB175.1 billion (2010: approximately RMB155.9 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 inflows from operating activities;

Approximately RMB206.8 billion of revolving banking facilities and registered quota of commercial papers, of which approximately RMB136.5 billion was unutilised as at 31 December 2011; and

Other available sources of financing from domestic banks and other financial institutions given the Group s credit history.

In addition, the Group believes it has the ability to raise funds from the short, medium and long-term perspectives and maintain reasonable financing costs through appropriate financing portfolio.

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 consolidated financial statements of the Group for the year ended 31 December 2011 have been prepared on a going concern basis.

(c) Critical Accounting Estimates and Judgment

Except as disclosed in Note 3(d) under sub-section Changes in accounting policy and disclosures , the significant accounting policies adopted and critical accounting estimates and judgment made in the preparation of the annual financial statements for the year ended 31 December 2011 are consistent with those used in preparing the annual financial statements for the year ended 31 December 2010.

(d) Changes in accounting policy and disclosures

New and amended standards adopted by the Group

(i) Adoption of amended IFRS/HKFRS 1

Pursuant to the amended IFRS/HKFRS 1 First-time Adoption International/Hong Kong Financial Reporting Standards issued in 2010, a first-time-adopt entity may have established a deemed cost in accordance with previous generally accepted accounting principles for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering (IPO). If the measurement date is at or before the date of transition to IFRSs/HKFRSs, the entity may use such event-driven fair value measurements as deemed cost for IFRSs/HKFRSs at the date of that measurement. If the measurement date is after the date of transition to IFRSs/HKFRSs, but during the period covered by the first IFRSs/HKFRSs financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. The amendment permits to apply event-driven fair value measurements as deemed cost retrospectively in the first annual period after 1 January 2011.

The Group had completed its IPO process and merger of businesses under common control before the adoption of IFRSs and the property, plant and equipment were revalued for the purpose of the transactions. Such revaluations were event-driven fair value measurements. Accordingly, upon the adoption of amended IFRS/HKFRS 1 in 2011, the Group applied such event-driven fair value measurements as deemed cost for the relevant property, plant and equipment (other than buildings and telecommunications equipment of Mobile business which were accounted for using the cost model), retrospectively. The restated deemed costs of these assets would be subject to depreciation and impairment assessments.

Upon the adoption of amended IFRS/HKFRS 1, the event-driven fair value measurement has been treated as deemed cost, so subsequent re-measurement at fair value of property, plant and equipment is not necessary to comply with IAS/HKAS 16 Property, Plant and Equipment . Accordingly, the Group changed its accounting policy and measures all of its property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses. As a result, those revaluation surpluses or deficits recognised as a consequence of the 2006 and 2008 revaluations have been reversed and their impacts on depreciation have been adjusted accordingly.

The impact from the retrospective application of amended IFRS/HKFRS 1 and the consequential changes of accounting policies for property, plant and equipment is summarised as follows:

	As at 1 January 2010	As at 31 December 2011	As at 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
Change in measurement of property, plant and equipment (other than buildings and telecommunications equipment of Mobile business)					
Decrease in property, plant and equipment	(208)	(536)	(423)		
Increase in deferred income tax assets	55	134	99		
Decrease in revaluation reserve	106	24	56		
Decrease in retained profits	47	378	268		
Increase in depreciation and amortisation charge				113	215
Decrease in deferred tax expense				(35)	(44)

The following table summarises the changes to the 2010 comparative financial information in connection with the 2011 Business Combination and changes in accounting policies:

	As previously reported	2011 Business Combination	Changes in accounting policies	Elimination	As restated
For the year ended 31 December 2010/As at 31 December 2010					
Results of operations:					
Revenue	171,298	72			171,370
Profit for the year	3,851	21	(171)		3,701
Financial position:					
Non-current assets	399,245	21	(324)		398,942
Current assets	42,208	133		(14)	42,327
Total assets	441,453	154	(324)	(14)	441,269
Current liabilities	198,237	10		(14)	198,233
Total liabilities	235,612	10		(14)	235,608
Net assets	205,841	144	(324)		205,661

(ii) Early adoption of IFRS/HKFRS 9

On 1 January 2011, the Group early adopted IFRS/HKFRS 9 Financial Instruments .

Upon the adoption of the standard, the Group:

Classified its investments in equity instruments as those measured at fair value;

Made an irrevocable election to recognise changes in fair value of these financial assets only through other comprehensive income. As a result of this election, all subsequent fair value or disposal gains/losses will not be recognised in the statement of income; and

Transferred the balance of available-for-sale fair value reserve to investment revaluation reserve.

There was no impact on the Group´s accounting for financial liabilities, as the new standard only affects the accounting for financial liabilities that are designated at fair value through profit and loss, and the Group did not have any such liabilities.

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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 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 in all 31 provinces, municipalities and autonomous regions in Mainland China.

The CODM evaluates results of each operating segments based on revenue and costs that are directly attributable to the operating segments. 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 directly 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 transactions conducted with third parties 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 consolidated statement of income.

4.1 Operating Segments

	2011					
				Reconciling items		
	Mobile business	Fixed-line business	Subtotal	Unallocated amounts	Eliminations	Total
Service revenue	103,307	81,642	184,949	936		185,885
Sales of telecommunications products	23,219	63	23,282			23,282
Total revenue from external customers	126,526	81,705	208,231	936		209,167
Intersegment revenue	209	4,399	4,608	778	(5,386)	
Total revenue	126,735	86,104	212,839	1,714	(5,386)	209,167
Interconnection charges	(17,442)	(3,533)	(20,975)		4,595	(16,380)
Depreciation and amortisation	(26,151)	(29,358)	(55,509)	(2,630)	118	(58,021)
Networks, operations and	(4,270)	(9,467)	(13,737)	(15,716)	4	(29,449)

support expenses						
Employee benefit expenses				(26,772)	171	(26,601)
Costs of telecommunications products sold	(29,626)	(113)	(29,739)			(29,739)
Other operating expenses	(14,773)	(9,600)	(24,373)	(19,582)	369	(43,586)
Finance costs				(2,114)	640	(1,474)
Interest income				870	(640)	230
Other income - net				1,451		1,451
Segment profit/(loss) before income tax	34,473	34,033	68,506	(62,779)	(129)	5,598
Income tax expenses						(1,371)
Profit for the year						4,227
Attributable to:						
Owners of the parent						4,227
Other information:						
Provision for doubtful debts	(2,076)	(569)	(2,645)			(2,645)
Capital expenditures under accrual basis for segment assets (a)	25,994					

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