



Rapid Growth

In 2002, the Company experienced tremendous growth for its mobile communication, international and domestic long distance, data communication and Internet businesses. As a result, the Company's overall position was substantially enhanced.

Business Review

I. Summary

The Company is an integrated telecommunications operator in China, providing a variety of telecommunications services including cellular telecommunication, international and domestic long distance, data communication, Internet and paging. In 2002, the Company experienced tremendous growth in its key businesses. As a result, the Company's overall strength was substantially enhanced, securing its position as a key competitive entity in China's telecommunications market.

In cellular communication business, the Company maintained a coordinated development in both GSM and CDMA businesses. GSM business sustained robust growth, while the Company's CDMA business, which commenced operations in the beginning of 2002, achieved significant progress. As of December 31, 2002, the Company had a total of 43.114 million cellular subscribers, of which GSM subscribers accounted for 38.623 million and CDMA subscribers accounted for 4.491 million. The Company's average market share in its service areas increased to 32.6% at the end of 2002 from 28.5% at the end of 2001, whilst the average market share of net subscriber additions increased to 43.6% at the end of 2002 from 37.2% at the end of 2001. SMS volume of both GSM and CDMA increased to 7.18 billion messages in 2002. We have commenced GSM international roaming services with 118 operators in 67 countries and regions and CDMA international roaming services with 7 operators in 7 countries and regions.

The Company's international and domestic long distance business grew significantly during the year. Total minutes of outgoing international and domestic long distance calls reached 13.25 billion minutes in 2002, representing a market share of 11.6%. Of which, total minutes of PSTN outgoing long distance calls accounted for 6.37 billion minutes, representing a market share of 11.5%, whilst total minutes of IP outgoing calls increased to 6.88 billion minutes, representing a market share of 11.7%. The total minutes of incoming calls from international destinations, together with Hong Kong, Macau and Taiwan amounted to 1.47 billion minutes in 2002. The Company's leased line service had a total of 8472 x 2Mbps bandwidth leased out in 2002.

Data communication and Internet businesses witnessed rapid expansion. As of December 31, 2002, the number of leased Asynchronous Transfer Mode ("ATM") and Frame Relay ("FR") bandwidth totaled 1466 x 2Mbps on an accumulative basis. Internet subscribers increased to 7.292 million.

The number of paging subscribers continued to decline. As of December 31, 2002, the Company had 17.682 million paging subscribers.

The Company's optical fiber transmission network continued to expand. As of December 31, 2002, the total length of optical fiber transmission network was 486,000 km, of which optical fiber backbone transmission network accounted for 110,000 km.

The Company is dedicated to provide the highest quality of services. In 2002, centered around the CDMA business, we established an efficient industry value chain comprising telecom operator, handset manufacturers, distribution agents and content providers.

To comprehensively improve customer satisfaction and speed up the development of all business areas, we carried out a series of strategies including brand integration, enhanced marketing toward corporate customers, improved services of the nationwide "1001" hotline, and a campaign of "total customer satisfaction with service excellence".

The Company is committed to technology and innovation. We have built the first nationwide CDMA Intelligent Network (IN) in China, the first nationwide integrated network platform supporting voice, data, Internet and video services, and the first nationwide commercial videoconference system and video telephony system based on IP technology.

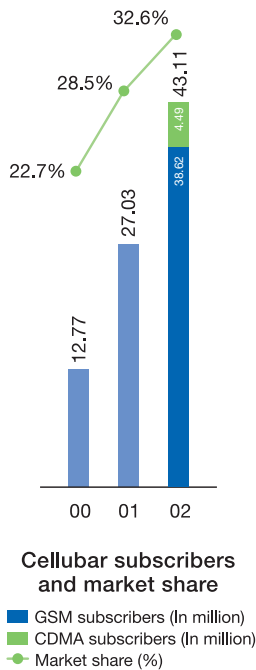
Recognising the tremendous potential of China's telecommunications market as well as the new challenges and opportunities that we are facing, we are highly confident that we will be able to seize the opportunities to accelerate our business development and growth, strengthen and enhance our business, improve customer service quality, and achieve superior results.

Cellular

The Company will continue to fortify the principle of “parallel, coordinated development for our GSM/CDMA dual-network operations” for the cellular business. Through the active promotion of wireless data services, the Company is poised to strengthen its significant market position in China’s cellular market.

II. Business review

Strong results in cellular communication business



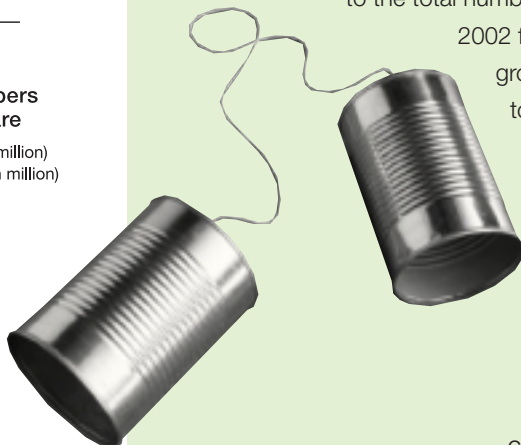
Products and services

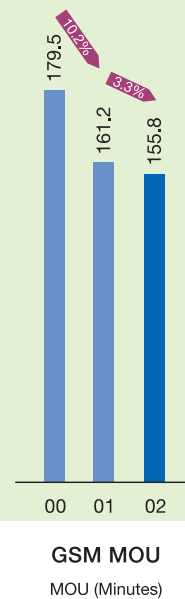
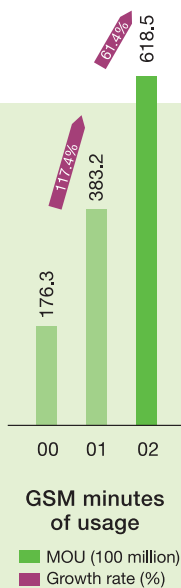
The Company offers both high quality post-paid and pre-paid GSM cellular communication services. Since the beginning of 2002, the Company has been the exclusive provider of premium CDMA services in China. Our wireless data service is uniformly branded under the name “U-Max”. In 2002, based on our SMS platform under the brand name of “UNI-INFO”, we offered information subscriptions and broadcasting request. Leveraging the Company’s Internet platform (with “165” as dial-up access number), and its close co-operation with Internet content providers and Internet service providers, the Company offers value-added wireless data applications and services to its customers. In addition, the Company has also launched its CDMA 1X wireless data services.

GSM business

Subscriber base

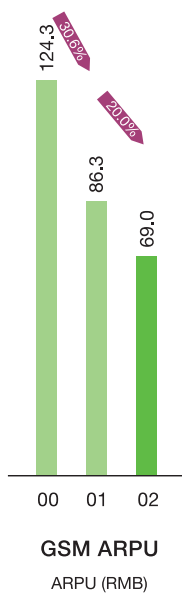
As of December 31, 2002, the number of GSM subscribers was 38.623 million, representing an increase of 11.590 million from 27.033 million at the end of 2001, or a 42.9% growth year-on-year. Of which, post-paid subscribers accounted for 18.679 million, representing an increase of 2.190 million from 16.489 million at the end of 2001, or a 13.3% rise year-on-year. Pre-paid subscribers increased from 10.544 million at the end of 2001 to 19.944 million, representing an increase of 9.400 million. The proportion of pre-paid subscribers to the total number of subscribers rose to 51.6% at the end of 2002 from 39.0% at the end of 2001. The rapid growth in GSM subscribers was mainly attributable to an increase in brand awareness, continuous enhancement of network quality and high quality differentiated services.





Minutes of usage (“MOU”)

Following a significant expansion in the number of cellular subscribers, total minutes of usage for GSM subscribers in 2002 was 61.85 billion minutes, representing a 61.4% increase from 38.32 billion minutes in 2001. SMS volume of GSM reached 6.8 billion messages in 2002 in total. The SMS business has assumed an important role in attracting customers to the Company’s services, and has contributed to the increase in the usage volume.



Average MOU & average revenue per subscriber per month (“ARPU”)

In 2002, the average MOU per subscriber per month for GSM services was 155.8 minutes, representing a decline of 5.4 minutes from 161.2 minutes in 2001, or a 3.3% reduction year-on-year, and representing a decline of 0.9 minutes from 156.7 minutes in the first half of 2002 as mentioned in the Interim Report. Of which, post-paid MOU was 212.0 minutes, whilst pre-paid MOU was 92.3 minutes. ARPU for GSM services in 2002 was RMB69.0, representing a decline of RMB17.3 from RMB86.3 in 2001, or a 20.0% reduction year-on-year, and representing a decline of RMB2.6 from RMB71.6 in the first half of 2002 as mentioned in the Interim Report. Of which, ARPU for post-paid subscribers was RMB82.2, whilst ARPU for pre-paid subscribers was RMB54.1. The decrease in ARPU was attributable to, first, an increase in the proportion of pre-paid subscribers and a reduction in the average MOU, and second, intensified competition in the market and regional service promotion leading to a decrease in revenue growth.

Churn rate

In 2002, the churn rate for GSM services was 14.6%, a decline from 16.3% in 2001.

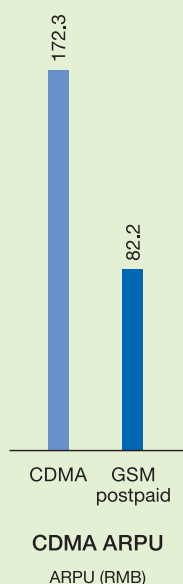
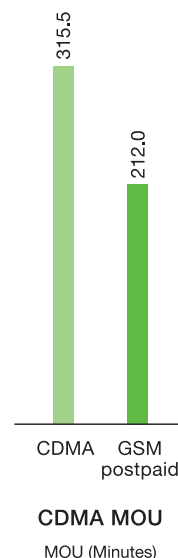
CDMA business

Subscriber base

As of December 31, 2002, total number of CDMA subscribers was 4.491 million. The rapid growth in CDMA subscribers was mainly attributable to the advantages of CDMA technology, such as low handset radiation, better voice quality and enhanced privacy, as well as the Company's proactive marketing approach.

Minutes of usage ("MOU")

The total minutes of usage for CDMA subscribers in 2002 was 5.90 billion minutes. As of December 31, 2002, SMS volume amounted to 0.38 billion messages, of which 0.15 billion messages were transmitted in December.



Average MOU & average revenue per subscriber per month ("ARPU")

In 2002, the average MOU per subscriber per month for CDMA services was 315.5 minutes, 103.5 minutes (48.8%) higher than the 212.0 minutes for GSM post-paid services. ARPU for CDMA services in 2002 was RMB172.3, RMB90.1 (109.6%) higher than the RMB82.2 for GSM post-paid services. We are committed to a coordinated development of both GSM and CDMA businesses. Our strategy of targeting the high-end CDMA market has achieved good results.

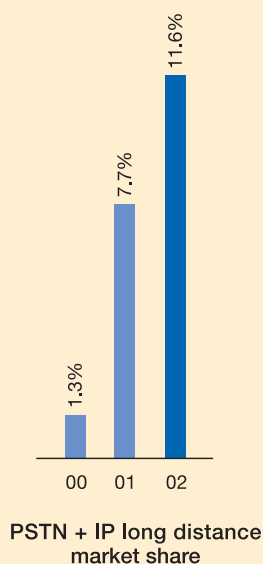
Churn rate

In 2002, the churn rate for CDMA services was 0.96%, significantly lower than that of GSM services. The loss of CDMA subscribers was primarily attributable to service terminations of users of the former Great Wall network acquired by the Company.

International and Domestic Long Distance Business

For long distance business, the Company's key objectives are to increase market share, rationalise investment, optimise the network, and focus on core voice business so as to capitalise on the advantages of being an integrated telecommunications operator for future development of new services. The Company will also leverage the diversified nature of its service to speed up development and to create new prospects and growth opportunities for the Company.

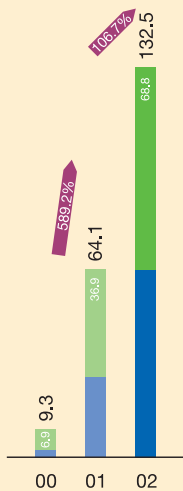
Tremendous growth in international and domestic long distance business



International and domestic long distance business

The total minutes of the Company's outgoing international and domestic long distance calls increased to 13.25 billion minutes in 2002 from 6.41 billion minutes in 2001, a growth of 106.7% year-on-year, attaining a market share of 11.6%. The total minutes of incoming calls from international destinations, together with Hong Kong, Macau and Taiwan increased to 1.47 billion minutes in 2002 from 1.23 billion minutes in 2001. Both international and domestic long distance businesses maintained robust growth.





International & domestic long distance outgoing calls

- IP telephony (100 million minutes)
- PSTN long distance (100 million minutes)
- Growth rate (%)

PSTN long distance business

PSTN long distance business recorded strong growth. As of December 31, 2002, PSTN long distance business covered 329 cities, representing 97.6% of the 337 cities nationwide. There were a total of 21.832 million registered subscribers. The total minutes of PSTN outgoing long distance calls accounted for 6.37 billion minutes, representing an increase of 134.2% from 2.72 billion minutes in 2001. Of this, domestic long distance calls accounted for 6.23 billion minutes, whilst international, together with Hong Kong, Macau and Taiwan long distance calls amounted to 140 million minutes. The total minutes of incoming international calls was 1.31 billion minutes.



IP telephony

IP telephony business continued to grow rapidly. As of December 31, 2002, the number of cities covered by the Company's IP telephony network increased to 337 from 320 at the end of 2001. International roaming was available in 50 countries and regions. The total minutes of IP outgoing long distance calls reached 6.88 billion minutes, representing an increase of 86.4% from 3.69 billion minutes in 2001. Of this, domestic long distance calls accounted for 6.75 billion minutes, whilst international, together with Hong Kong, Macau and Taiwan totaled 130 million minutes. The total minutes of incoming international calls amounted to 160 million minutes.

Leased line business

The Company offers a variety of leased line services based on customers' different bandwidth requirements. As of December 31, 2002, total bandwidth leased was 8,472 x 2Mbps.

Network infrastructure





Data and Internet Services

On the data communications business front, in addition to the goal of utilising the existing network resources to the fullest extent, the Company also focuses on further network optimisation, more efficient network resources deployment, and upgrading its network quality. On the Internet business front, the Company remains focused on three major areas: dedicated Internet access, dial-up Internet access and e-Commerce applications. The Company will continue to establish innovative services, try out new forms of co-operation and alliances.

Characteristic data and Internet businesses

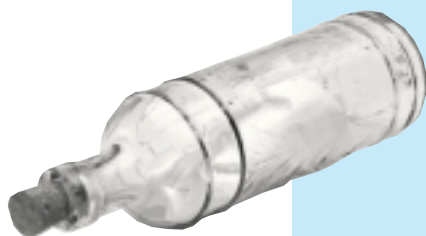
Data business

As of December 31, 2002, total bandwidth leased for ATM and FR carrier operations amounted to 1,446 x 2Mbps.

Internet business

The Internet related services that the Company currently provides include dedicated line Internet access, dial-up Internet access, Internet data center ("IDC") as well as virtual private network ("VPN"), virtual private dial-up network ("VPDN"), Internet international roaming and "Ruyi mailbox" services. In addition, the Company also actively develops other Internet application businesses, including ICP services and e-Commerce services.

As of December 31, 2002, the Company provided Internet access services in 305 cities across the country, whilst Internet international roaming services were available in 144 countries and regions. Internet subscribers increased to 7.292 million at the end of 2002 from 3.544 million at the end of 2001, representing a 105.8% growth year-on-year. Of which, the number of dedicated line subscribers amounted to 22,596 and the number of dial-up subscribers accounted for 7.269 million.



Paging

The Company's primary focus for the paging business is to stabilise its existing paging subscriber base, and reduce operating expenses. The Company will assemble resource sharing between paging and "1001" customer services and accelerate the development of "Unicom Assistant", "Unicom paging information services" and other value-added services to stabilise revenue from paging.

Adjustment and transformation of paging business

Products and services

The Company has transformed its original paging network into an integrated information platform and introduced "Unicom Paging Information Services" to offer a variety of wireless data services, including stock quotation, flight information, weather information, and entertainment news. With the launch of paging-cellular bundled services such as "Paging-Cellular Interlink" and "Unicom Assistant", the Company leveraged on the advantages of an integrated business to sell bundled paging and cellular services to our subscribers. The Company also fully utilised its paging resources to provide differentiated services such as "Operator-assisted Short Messages", "Secretarial Services through Operator Assistance" and other value-added services.

Subscriber base

The Company added 4.543 million new subscribers in 2002. As of December 31, 2002, the number of paging subscribers was 17.682 million, representing a decline of 15.225 million from 32.907 million at the end of 2001, or a 46.3% reduction year-on-year. Users subscribing to the "Unicom Assistant" service increased significantly, totaling 7.94 million subscribers.



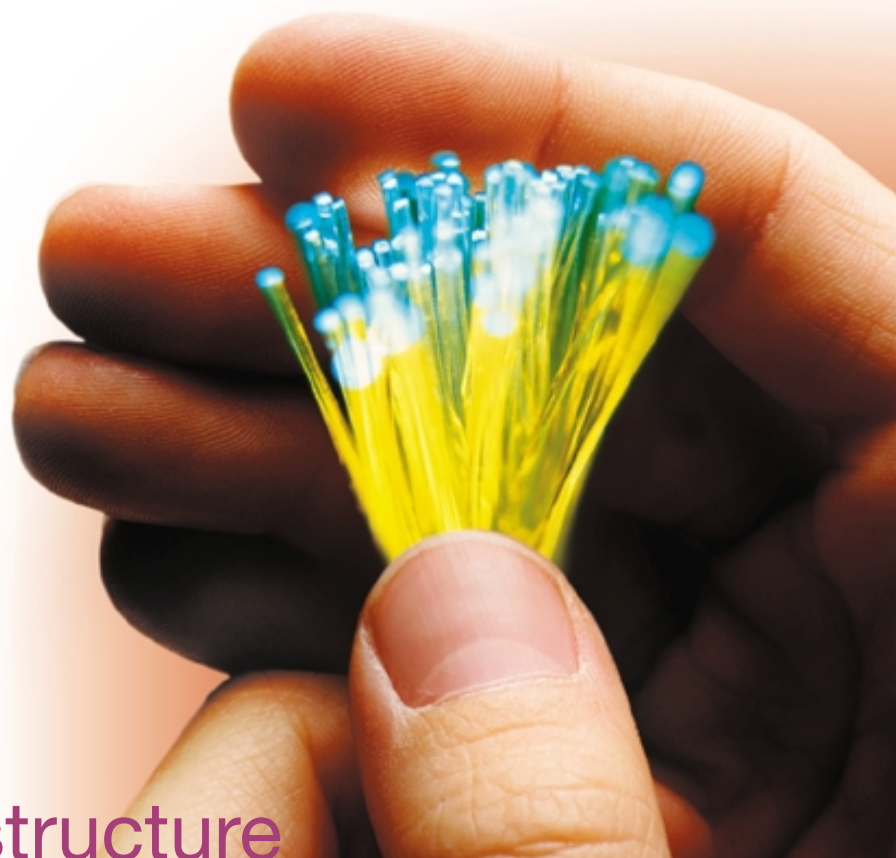
Average revenue per subscriber per month (“ARPU”)

In 2002, the average revenue per paging subscriber per month was RMB7.3, representing a decrease of RMB2.1 from RMB9.4 in 2001, or a 22.3% reduction year-on-year, whilst the ARPU was slightly higher than that of RMB7.2 in the first half of 2002 as mentioned in the Interim Report. The Company proactively provides value-added services to its paging subscribers and also cooperates with other paging operators to stabilise the paging market, resulting in a stable paging ARPU.

Churn rate

The churn rate of the paging business rose from 57.6% in 2001 to 66.3% in 2002. The increase in churn rate was mainly due to the migration of paging subscribers to cellular communication and other telecommunications services.



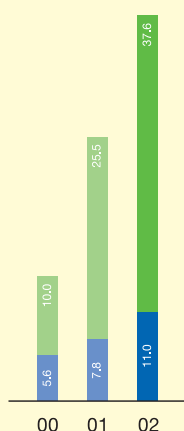


Network Infrastructure

The focus of network infrastructure and supporting system will be to safeguard the development needs of all business areas. The focus was the construction of local area network and local access network, and the optimisation of the structure of local transmission network, safeguarding of access from cellular base stations and corporate customers.

Network infrastructure

In 2002, the Company's existing infrastructure transmission network resources were effectively utilised and shared. As of December 31, 2002, the optical fiber transmission network totaled 486,000 km in length, covering 330 cities across the country, of which optical fiber backbone transmission network accounted for 110,000 km and covered 322 cities. In addition, to facilitate the rapid development of the Company's various businesses, sections of the nationwide optical fiber transmission network are now available for leasing to other telecommunications operators and the general community.



Optical fiber transmission network length

- Local transmission network (10 thousand kilometers)
- Backbone transmission network (10 thousand kilometers)



III. Acquisition of cellular businesses in 9 provinces and municipalities and combined cellular businesses in 21 provinces and municipalities

The acquisition of cellular businesses in 9 provinces and municipalities

Summary

The Company acquired the cellular communication businesses in 9 provinces, municipalities, comprising Jilin, Heilongjiang, Jiangxi, Henan, Guangxi, Chongqing, Sichuan, Shaanxi and Xinjiang. As of December 31, 2002, the total number of cellular subscribers in the 9 acquired regions was 16.596 million, of which the number of GSM subscribers was 14.843 million and the number of CDMA subscribers was 1.753 million. The 9 acquired regions had an average market share of 34.4%, and a 44.0% average market share in net subscriber addition. SMS volume of both GSM and CDMA totaled 1.84 billion messages in 2002.

GSM business

As of December 31, 2002, the number of GSM subscribers in the 9 acquired regions amounted to 14.843 million, representing an increase of 5.280 million from 9.563 million at the end of 2001, or a 55.2% growth year-on-year. Of this, the post-paid subscribers accounted for 11.040 million, representing an increase of 3.44 million from 7.60 million at the end of 2001, or a 45.3% growth year-on-year, whilst pre-paid subscribers grew from 1.962 million in 2001 to 3.803 million, representing an annual addition of 1.841 million. The proportion of pre-paid subscribers increased from 20.5% at the end of 2001 to 25.6% at the end of 2002. The total minutes of usage for GSM subscribers amounted to 28.32 billion minutes, representing an 86.1% increase from 15.22 billion minutes in 2001.

In 2002, the average MOU per GSM subscriber per month in the 9 acquired regions was 191.4 minutes, an increase of 8.8 minutes from 182.6 minutes in 2001, representing an increase of 4.8%. Of which, post-paid MOU was 220.0 minutes and pre-paid MOU was 99.6 minutes. ARPU was RMB67.1, representing a decline of RMB12.3 from RMB79.4 in 2001, or a 15.5% reduction year-on-year. Of this, post-paid ARPU was RMB72.7, whilst pre-paid ARPU was RMB49.2.

CDMA business

As of December 31, 2002, the number of CDMA subscribers in the 9 acquired regions amounted to 1.753 million. The total minutes of usage for CDMA subscribers amounted to 2.37 billion minutes. The average MOU per CDMA subscriber per month was 364.4 minutes, 144.4 minutes higher than the 220.0 minutes per subscriber for GSM post-paid. ARPU was RMB187.9, RMB115.2 higher than the RMB72.7 for GSM post-paid.

Cellular businesses for the combined 21 provinces and municipalities

Summary

As of December 31, 2002, the number of cellular subscribers in the combined 21 provinces and municipalities totaled 59.710 million, of which GSM subscribers accounted for 53.465 million and CDMA subscribers accounted for 6.245 million. The average market share in the combined 21 provinces and municipalities was 33.1%, and the average market share of net additions reached 43.7%. In 2002, the usage volume of SMS of both GSM and CDMA totaled 9.02 billion messages.

GSM business

As of December 31, 2002, the GSM subscribers in the combined 21 provinces and municipalities totaled 53.465 million, representing an increase of 16.869 million from 36.596 million at the end of 2001, or 46.1% growth year-on-year. Of which, post-paid subscribers accounted for 29.718 million, representing an increase of 5.629 million from 24.089 million at the end of 2001, or a 23.4% growth year-on-year. Pre-paid subscribers rose from 12.506 million at the end of 2001 to 23.747 million, representing an increase of 11.241 million. The proportion of pre-paid subscribers increased from 34.2% at the end of 2001 to 44.4% at the end of 2002. The total minutes of usage for the GSM subscribers amounted to 90.16 billion minutes, representing an increase of 68.4% from 53.54 billion minutes in 2001.

In 2002, the average MOU per month in the combined 21 provinces and municipalities was 165.5 minutes and the APRU was RMB67.3.

CDMA business

As of December 31, 2002, the number of CDMA subscribers in the combined 21 provinces and municipalities totaled 6.245 million. The total minutes of usage for the CDMA subscribers amounted to 8.28 billion minutes. The average MOU per month for the CDMA business was 328.1 minutes and the ARPU was RMB172.2.

IV. Sales and marketing

Operating philosophy

The Company fully leverages on its unique position as an integrated telecommunications service provider, targets products and services to the needs of its customers, conducts market surveys, systematically employs product packaging, branding, advertising, pricing strategies, distribution channels and promotional packages, endeavors to improve market segmentation and composite sales, leverage the strength of business, technology and service differentiation, and provides personalised and comprehensive services. All these strategies have helped the company gain market share.

Marketing strategies

The Company has established a marketing management system with strong planning capabilities. In 2002, the Company departed from its traditional marketing model, and successfully introduced its CDMA services into the market through innovative offerings such as “CDMA handset rental through service fee prepayment”, “points accumulation program” as well as “Subscribers’ Club”. This has paved the foundation for a sustainable growth for China Unicom’s CDMA services.

The Company seeks to innovate its operation by offering customers a full range of flexible telecom services such as GSM and CDMA cellular services, international and domestic long distance, data communication, combined Internet and paging services, bundled basic and value-added services. This has led to the development of innovative services bundling.

Branding strategies

The Company considers brand name as a valuable intangible asset and has focused on the creation and implementation of a united brand development strategy. We established the China Unicom brand series, creating renowned brands such as “Unicom Horizon”, “U-Max” and “UNI-INFO”. The resulting brand advantage has magnified our strength as an integrated telecommunication services provider. According to a survey conducted by Gallop in August 2002, the China Unicom brand name has reached 99% recognition in the urban areas of China.

Customer services

The Company has made substantial investment in the establishment of the UNI-CRM customer relations management system including billing, account management, and the “1001” customer service to provide our customers with integrated and convenient services such as customer enquiry, bill enquiry, complaints, sales, payment reminder and emergency services. In 2002 the Company also launched a “Total customer satisfaction through excellent service” campaign to further upgrade the quality of its customer service.

Sales and distribution channel

The Company has established a nationwide sales and distribution network, which comprises its own sales and distribution outlets, agents, distributors, joint sales outlets, direct sales team and agents for major corporate customers. As of December 31, 2002, the Company had 3,256 self-owned sales outlets, and over 48,116 agents and distributors, amounting to a total of 51,642 sales outlets.

In 2002, with CDMA business as the Company's principal focus, we established an efficient industry value chain comprising telecom service provider, handset manufacturers, distributors and content providers. Based on the principle of "mutual benefit, win-win by co-operation", the pace of our business development has been enhanced. Furthermore, the Company also conducted sales on a one-to-one basis through its direct sales team and agents to target high usage corporate customers. We have also strengthened co-operation with institutions with extensive information on potential Unicom customers to leverage their resources to grow our customer base.

Tariff strategies

The Company, while observing the rules and regulations promulgated by the relevant government regulatory authorities in the PRC, adopts flexible promotion policies and bundled sales strategies to facilitate the rapid development of its various businesses. The Company takes proactive steps to offer secure and reliable communication services to ensure total customer satisfaction, and to implement tariff strategies that avoid excessive price competition, in order to strengthen its market competitiveness and gain market share. In May 3, 2002, the Company received a notice from the relevant government regulatory authorities in the PRC informing the Company that the spectrum usage of the Company's GSM network and CDMA network will be charged at RMB15 million per MHz of frequency per year (upward and downward frequencies will be charged separately). This new fee structure was effective from July 1, 2002, and will be implemented progressively over a period of 3 years and a period of 5 years respectively.

V. Business development strategies

China Unicom's business development strategies for 2003 will focus on broadening the range of services, strengthening its market position and enhancing the quality of products and services. The Company will focus on bottom-line profitability growth, business structure reorganisation, establishment of "state-of-the-art" networks, as well as enhancement of the quality of sales and customer services.

Cellular

The Company will continue to fortify the principle of “parallel, coordinated development for our GSM/CDMA dual-network operations” for the cellular business. Through the active promotion of wireless data services, the Company is poised to strengthen its significant market position in China’s cellular market. The Company will take a four-pronged approach to develop its cellular business. The first step is to strengthen its market share by positively differentiating its cellular services through the provision of innovative wireless data value-added services with an emphasis on its quality network, diversified services and premium franchise image. Secondly, the Company will continue to uphold its principles to “enhance its services, optimise its network, identify potential opportunities and increase its efficiency”. The Company aims to strengthen the GSM operation as its core business. It strives to reduce operating costs and carry out field trials on the GSM/CDMA dual-mode handsets. Thirdly, the Company will introduce CDMA 1X wireless data services to establish an integrated platform to enrich its GSM and CDMA value-added content businesses. The Company will accelerate the roll-out of various wireless data value-added services, for instance, the wireless multimedia email services, downloading services, location-based services, etc. to establish leadership in these contents services. Fourth is to establish a “state-of-the-art” network and further improve the capability of its cellular network management centers. By incorporating scientific criteria to monitor and assess the network quality with precision, the Company can further enhance the quality of network operations and maintenance, and technological standards for both GSM and CDMA networks.

Long distance

For long distance business, the Company’s key objectives are to increase market share, rationalise investment, optimise the network, and focus on core voice business so as to capitalise on the advantages of being an integrated telecommunications operator for further development of new services. The Company will also leverage the diversified nature of its services to speed up development and to create new prospects and growth opportunities for the Company.

Data communication

On the data communications business front, in addition to the goal of utilising the existing network resources to the fullest extent, the Company also focuses on further network optimisation, more efficient network resources deployment, and upgrading its network quality. Through the UNI-ONE integrated services, the Company will aggressively promote the idea of accessing integrated telecommunications services such as VOIP, dedicated data line, Internet, video conferencing, and video phone through one single line. These services mainly target customers with high telecommunications services demand. The Company will make use of its abundant bandwidth resources and its first-mover advantage in videophone system to strengthen our market position and capabilities in this business area.

Internet

On the Internet business front, the Company remains focused on three major areas: dedicated Internet access, dial-up Internet access and e-Commerce applications. The Company will continue to establish innovative services, try out new forms of co-operation and alliances, and introduce special featured services such as “Ruyi mailbox”, VPN, and VPDN. The Company will adopt business model that is mutually beneficial to each party to encourage third-party investment such as construction of “residential access networks”, “Unicom Internet Community” and Wireless LAN. The Company will also establish an e-Commerce platform with unified user identity authentication function and payment function, which provides total solutions for selected industries; thereby satisfying the needs of the market. We hope that through the implementation of such platform, the Company can increase the e-Commerce transaction volume and extend the applications, which in turn will stimulate usage and further development of our Internet business.

Paging

With regard to the paging business, the Company’s primary focus is to stabilise the Company’s existing paging subscriber base, especially for corporate customers, and to reduce operating expenses. In consideration of the existing paging resources, the Company intends to rationalise the business, organisation structure, staff size, assets and network infrastructure. The Company will assemble resource sharing between paging and “1001” customer services, and accelerate the transformation of redundant paging assets and personnel to “1001” and other outsourcing call centers. The Company will also accelerate the development of “Unicom Assistant”, “Unicom paging information services” and other value-added services to stabilise revenue from paging.

Network infrastructure

The focus of network infrastructure and supporting system will be to safeguard the development needs of all business areas. The focus for 2002 was the construction of local area network and local access network, and the optimisation of the structure of local transmission network, safeguarding of access from cellular base stations and corporate customers. The focus of the Company’s UNI-IT system development would be enterprise resources planning (“ERP”), customer relationship management (“CRM”) and office automation (“OA”).

The Company will seize on opportunities, overcome challenges, and integrate various resources effectively to develop its core competitiveness. It will continue to increase its franchise value and its competitive edge on a wide product mix and differentiated services, as well as expand sales and distribution channels. This would facilitate the synergistic development of the Company’s inter-related business units. More importantly, these efforts will enable the Company to be more responsive and adaptive to market changes and to increase total customer satisfaction. With the provision of quality products and services, China Unicom can fully capitalise on its unique advantage as a fully integrated telecommunications provider to further strengthen its position as a key competitive entity in China’s telecommunications market.