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TELEFÓNICA AND CHINA UNICOM ENTER INTO A BROAD STRATEGIC ALLIANCE AND A MUTUAL INVESTMENT AGREEMENT

- **Telefónica, Europe's leading carrier by market cap, will increase its interest in China Unicom to above 8%, while China Unicom will become a Telefónica shareholder with an approximately 0.88% stake**
- **The deal reinforces both operators' leadership positions, giving them a combined 550 million customers, nearly 10% of the global population**

Beijing/Madrid, 6 September 2009 – Telefónica and China Unicom have entered into a strategic alliance agreement pursuant to which the parties agreed that they would cooperate in various business areas such as the joint acquisition of infrastructure and equipment for customers, the joint development of wireless service platforms, the joint provision of services to multinational enterprises, roaming, R&D, the sharing of best practices and technical, operational and management expertise, the joint development of a set of strategic initiatives within the framework of network and technology development, as well as establish an exchange program for their managers.

In addition, both parties have also entered into a subscription agreement pursuant to which China Unicom and Telefónica agreed to invest the equivalent of US\$1 billion in the other party through the acquisition of each party's shares. Pursuant to the subscription agreement, the share price for the subscription is the arithmetic average of the closing prices of each party's shares on the Hong Kong Stock Exchange and the Madrid Stock Exchange respectively for the 30 consecutive trading days ending on 28 August 2009. After the completion of the transaction, China Unicom's shareholding in Telefónica will be approximately 0.88% and Telefónica's shareholding in China Unicom will increase to approximately 8% from 5.38%.

These agreements were signed in Beijing by the operators' respective chairmen, César Alierta and Chang Xiaobing, and mark a major step forward in the cooperation agreements carried out between the carriers to date.

After the signing of the two agreements, Telefónica Chairman César Alierta said that "we are delighted with this alliance, which will bolster both of our companies' leadership positions, giving us a combined global customer base of nearly 550 million. We are fully committed to the alliance and will exploit the synergies offered by this far-reaching cooperation to benefit our shareholders and customers alike, making us bigger and more diversified so we can continue to compete globally by offering convergent solutions and best practices".

Mr. Chang Xiaobing, Chairman of China Unicom, says that “we are pleased to see that the strategic partnership between China Unicom and Telefónica has been further deepened on the current basis. Both of the companies are major full spectrum services carriers in their respective market, and both have third-generation mobile communications business under WCDMA standard. We are looking forward to enhancing the partnership and achieving a win-win situation for both parties. We believe that the partnership will help improve our capacities to provide extensive telecommunication and information application services, and maximize shareholders’ return”.

About Telefónica

Telefónica is one of the world’s largest telecommunications companies by market cap. Its activities are centred mainly on the fixed and mobile telephony businesses, while its broadband business is the key growth driver underpinning both.

It operates in 25 countries and its customer base exceeds 264 million globally. Telefónica’s growth strategy is focused on the markets in which it has a strong foothold: Spain, Europe and Latin America.

Telefónica is a 100% private company, with more than 1.5 million direct shareholders. Its share capital consists of 4,704,996,485 ordinary shares traded on the continuous market on the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia) and on those of London, Tokyo, New York, Lima, Buenos Aires and São Paulo.

If you would like to know more about the Telefónica, please visit www.telefonica.com

About China Unicom

China Unicom (Hong Kong) Limited (“the Company”) was incorporated in Hong Kong in February 2000 and was listed on the New York Stock Exchange and the Stock Exchange of Hong Kong on 21 June 2000 and 22 June 2000 respectively. On 1 June 2001, the Company was included as a constituent stock of the Hang Seng Index.

At present, the Company is engaged in GSM and WCDMA cellular business in 31 provinces, municipalities and autonomous regions in China, the provision of fixed-line voice, broadband and other Internet-related services, information and communications technology services, business and data communications services, and other related telecommunication value-added businesses.

As of 31 July 2009, the Company had 141 million mobile subscribers, 108 million local access subscribers, and 35.72 million broadband subscribers.

If you would like to know more about the Company, please visit www.chinaunicom.com.hk.

Disclaimer:

China Unicom and Telefónica would like to caution readers about the forward-looking nature of some of the statements in this press release. These forward-looking statements are subject to various risks and uncertainties, including future changes in our competitive and regulatory environment, future growth rates of the Chinese economy and its telecommunications industry, changes in telecommunications-related technologies and applications and other factors that will affect the execution of our business plans and strategies.

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