
IMPORTANT

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CHINA UNICOM (HONG KONG) LIMITED 中國聯合網絡通信(香港)股份有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0762)

Executive Directors:

Chang Xiaobing (*Chairman*)
Lu Yimin
Zuo Xunsheng
Tong Jilu

Registered Office:

75th Floor, The Center
99 Queen's Road Central
Hong Kong

Non-Executive Director:

Cesareo Alierta Izuel

Independent Non-Executive Directors:

Wu Jinglian
Cheung Wing Lam Linus
Wong Wai Ming
John Lawson Thornton
Timpson Chung Shui Ming

EXPLANATORY STATEMENT ON REPURCHASE MANDATE

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

This circular serves as the explanatory statement required to be sent to the Shareholders under the Listing Rules in connection with the proposed ordinary resolution set out in item 5 of the AGM Notice

for the approval of the renewal of the general mandate for repurchase of shares. This document also constitutes a memorandum required under section 49BA of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

Exercise of the Repurchase Mandate

The Directors believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company. It is proposed that up to 10% of the issued and outstanding Shares on the date of the passing of the ordinary resolution to approve the Repurchase Mandate may be repurchased. As at the Latest Practicable Date, 23,562,092,511 Shares were in issue and outstanding. On the basis of such figure, the Directors would be authorized to repurchase up to 2,356,209,251 Shares during the period up to the date of the next annual general meeting in 2011, or the expiration of the period within which the next annual general meeting of the Company is required by law to be held, or the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders at a general meeting, whichever of these three events occurs first.

Reasons for Repurchases

Repurchases of Shares will only be made when the Directors believe that they will benefit the Company and its Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share.

Funding of Repurchases

Repurchases pursuant to the Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities. Any repurchases will be made out of funds of the Company legally permitted to be utilized for such purpose in accordance with its memorandum and articles of association and the laws of Hong Kong, including profits otherwise available for distribution. Under the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong), a company's profits available for distribution are its accumulated, realized profits, so far as not previously utilized by distribution or capitalization, less its accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital duly made.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published audited accounts for the year ended 31 December 2009) in the event that the Repurchase Mandate is exercised in full.

However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the Company's working capital or gearing position, which in the opinion of the Directors are from time to time appropriate for the Company.

Disclosure of Interests

None of the Directors, and to the best of their knowledge, having made all reasonable enquires, none of their associates (as defined in the Listing Rules), have any present intention to sell Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they (i) have a present intention to sell Shares to the Company, or (ii) have undertaken not to sell Shares to the Company, if the Repurchase Mandate is approved by the Shareholders.

Directors' Undertaking

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

Share Repurchases Made by the Company

On 25 September 2009, the Company received a conditional irrevocable offer (the "SKT Offer") from SK Telecom Co., Ltd. ("SKT") for the sale by SKT to the Company of 899,745,075 Shares (the "Repurchase Shares"), comprising all the Shares owned by SKT, by way of an off-market share repurchase by the Company (the "Share Repurchase"). The consideration for the Share Repurchase is HK\$9,991,669,057.87, being HK\$11.105 for each Repurchase Share, and is payable in cash. The Share Repurchase was approved by shareholders of the Company at the extraordinary general meeting held on 3 November 2009 and was completed on 5 November 2009.

Save as disclosed above, no repurchases of Share have been made by the Company (whether on the Stock Exchange or otherwise) during the six months preceding the date of this document.

Takeovers Code Consequences

If as a result of a repurchase of Shares by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of its or their shareholding, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the immediate controlling shareholders of the Company are, Unicom BVI and Netcom BVI. Unicom BVI, was recorded in the register required to be kept by the Company under Part XV of the Securities and Futures Ordinance as having an interest in 9,725,000,020 Shares, representing approximately 41.27% of the issued and outstanding share capital of the Company as at that date. If the Repurchase Mandate is exercised in full, Unicom BVI will be interested in approximately 45.86% of the reduced issued and outstanding share capital of the Company based on Unicom BVI's interest in the issued and outstanding share capital of the Company and the total number of issued and outstanding Shares as at the Latest Practicable Date. Netcom BVI, was recorded

in the register required to be kept by the Company under Part XV of the Securities and Futures Ordinance as having a beneficial interest in 7,008,353,115 Shares, representing approximately 29.74% of the issued and outstanding share capital of the Company as at that date. If the Repurchase Mandate is exercised in full, Netcom BVI will be interested in approximately 33.05% of the reduced issued and outstanding share capital of the Company based on Netcom BVI's interest in the issued and outstanding share capital of the Company and the total number of issued and outstanding Shares as at the Latest Practicable Date. Unicom BVI and Netcom BVI are presumed to be acting in concert with each other in respect of their aggregate 71.02% shareholding in the Company pursuant to class (1) of the definition of "acting in concert" in the Takeovers Code as they are both ultimately controlled by Unicom Parent. Therefore, as the aggregate shareholding in the Company held by Unicom BVI and Netcom BVI, being persons acting in concert, exceeds 50%, exercise of the Repurchase Mandate should, subject to the specific circumstances in the particular case, not result in a mandatory offer obligation upon Unicom BVI and Netcom BVI under Rule 26 of the Takeovers Code. Furthermore, if the Repurchase Mandate is exercised in full, the percentage of the reduced issued and outstanding share capital of the Company in public hands will not fall below the minimum prescribed level of 10%, such level being the minimum prescribed level applied to the Company pursuant to a waiver granted by the Stock Exchange. Save as disclosed above, the Directors are not aware of any other consequences that may arise under the Takeovers Code as a result of a repurchase of the Shares.

Market Prices

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date are as follows:

	Traded market price	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2009		
April	9.07	7.30
May	9.90	8.65
June	12.06	9.50
July	11.82	9.70
August	12.44	10.36
September	11.92	10.28
October	11.28	10.02
November	11.18	9.70
December	10.60	9.48
2010		
January	10.56	8.46
February	9.36	8.11
March	9.96	8.56

Extension of Share Issue Mandate

A resolution as set out in item 7 of the AGM Notice will also be proposed at the Annual General Meeting authorizing the Directors to increase the maximum number of new Shares which may be issued under the general mandate for the issuance and allotment of Shares by adding to it the nominal amount of any Shares repurchased pursuant to the Repurchase Mandate.

DEFINITIONS

“AGM”	the annual general meeting of the Company to be held on 12 May 2010
“AGM Notice”	notice of the AGM dated 12 April 2010
“Board”	the board of Directors
“Company”	China Unicom (Hong Kong) Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	31 March 2010
“Listing Rules”	the Rules Governing Listing of Securities on the Stock Exchange
“Netcom BVI”	China Netcom Group Corporation (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and the immediate controlling shareholder of the Company
“Repurchase Mandate”	the mandate granted to the Company if the ordinary resolution set out in item 5 of the AGM Notice is passed
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shares”	share(s) of all classes in the share capital of the Company
“Shareholders”	shareholders of the Company
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Unicom BVI”	China Unicom (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and the immediate controlling shareholder of the Company

“Unicom Parent”

中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited), a state-owned enterprise established under the laws of the PRC and the ultimate parent company of the Company

Hong Kong, 12 April 2010

By Order of the Board
China Unicom (Hong Kong) Limited
Chang Xiaobing
Chairman