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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
Lu Yimin
Tong Jilu
Li Fushen

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Cesareo Alierta Izuel

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Cheung Wing Lam Linus
Wong Wai Ming
John Lawson Thornton
Chung Shui Ming Timpson
Cai Hongbin
Law Fan Chiu Fun Fanny

5 April 2013

To the Shareholders

Dear Sir or Madam,

**PROPOSED APPOINTMENT OF NEW AUDITOR
AND
PROPOSED GENERAL MANDATE TO REPURCHASE SHARES**

1. INTRODUCTION

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the forthcoming AGM of the Company, including (i) the ordinary resolution proposing the appointment of new auditor and (ii) the ordinary resolution granting the Board general mandate to repurchase shares of the Company.

2. PROPOSED APPOINTMENT OF NEW AUDITOR

On 21 March 2013, the Board announced that PricewaterhouseCoopers (“PwC”) will retire as auditor of the Group upon expiration of its current term of office at the close of the forthcoming AGM to be held on 21 May 2013. On 21 March 2013, the Board, as recommended and approved by the audit committee of the Company, has resolved to appoint KPMG as the auditor of the Group to hold office until the conclusion of the next annual general meeting of the Company in 2014, subject to the approval of the Shareholders at the AGM.

The proposed appointment of new auditor is to comply with the relevant regulations issued by the Ministry of Finance of the People’s Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”), which imposes certain restrictions in respect of the number of years of audit services that an accounting firm could provide to a state-owned enterprise and its subsidiaries on a continuous basis (the “Auditor Rotation Requirements”). As the Company is an indirect subsidiary of China United Network Communications Group Company Limited, a state-owned enterprise under the direct control and supervision of SASAC, the Company is required to comply with the Auditor Rotation Requirements.

The Company received a letter from PwC on 21 March 2013 confirming that there were no matters in relation to the proposed change of auditor that need to be brought to the attention of the Shareholders. The Board also confirmed that there was no disagreement between PwC and the Company and there were no other matters in relation to the proposed change of auditor that need to be brought to the attention of the Shareholders.

3. PROPOSED GENERAL MANDATE TO REPURCHASE SHARES

A general mandate was granted to the Board to exercise the power of the Company to repurchase Shares on the last annual general meeting of the Company held on 29 May 2012. Such mandate will lapse at the conclusion of the forthcoming AGM. Therefore it is proposed that a fresh general mandate be granted to the Board to repurchase Shares in the Company not exceeding 10% of the aggregate nominal amount of the existing issued share capital of the Company.

An explanatory statement, as required by the Listing Rules to be sent to the Shareholders 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, is set out in Appendix I to this circular.

A resolution as set out in item 7 of the AGM Notice will also be proposed at the AGM authorising 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.

4. ANNUAL GENERAL MEETING

The AGM will be convened at 3:00 p.m. on 21 May 2013 at Ballroom A, Level 5, Island Shangri-la Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong, at which, among other things, the proposed appointment of new auditor and proposed general mandate to repurchase shares will be considered and approved, if thought fit. No Shareholders will be required to abstain from voting at the AGM. Voting will be taken by way of poll in accordance with the requirements of Listing Rules.

The proxy form is enclosed in this circular. Whether or not Shareholders intend to attend the AGM, they are advised to complete and return the enclosed form of proxy to the Company's registered office at 75th Floor, The Center, 99 Queen's Road Central, Hong Kong, as soon as practicable and in any event by not later than 48 hours before the time appointed for holding the AGM. The completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

5. RECOMMENDATION

The Board considers that the ordinary resolutions as set out in the Notice of AGM are all in the best interests of the Company and the Shareholders as a whole. The Board also considers that it is in the interests of the Company and the Shareholders to appoint KPMG as the new auditor of the Group and to grant the proposed general mandate to repurchase Shares to the Board. Accordingly, the Board recommends you to vote in favour of all of the resolutions at the AGM.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the Annual General Meeting of the Company to be held on 21 May 2013 at Ballroom A, Level 5, Island Shangri-la Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong
“AGM Notice”	notice of the AGM dated 5 April 2013
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Unicom (Hong Kong) Limited, a company incorporated under the laws of Hong Kong with limited liability and whose Shares and American Depositary Shares are listed on the Stock Exchange and the New York Stock Exchange, respectively
“connected person”	has the meaning ascribed to it in the Listing Rules
“corporate communications”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	22 March 2013
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Repurchase Mandate”	the mandate granted to the Company if the ordinary resolution set out in item 5 of the AGM Notice is passed
“Shares”	ordinary shares with a par value of HKD0.10 each in the capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 an immediate controlling shareholder of the Company
“Unicom Group BVI”	China Unicom Group Corporation (BVI) Limited, formerly known as China Netcom Group Corporation (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and an 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

By Order of the Board
China Unicom (Hong Kong) Limited
Chu Ka Yee
Company Secretary

This explanatory statement contains all the information required under Rule 10.06(1)(b) of the Listing Rules and also constitutes a memorandum required under section 49BA of the Companies Ordinance.

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, 23,565,051,919 Shares were in issue and outstanding. On the basis of such figure, the Directors would be authorised to repurchase up to 2,356,505,191 Shares during the period up to the date of the next annual general meeting in 2014, 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 utilised 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 Companies Ordinance, a company's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation 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 2012) 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, have any present intention to sell Shares to the Company or its subsidiaries if the Repurchase Mandate is approved by the Shareholders.

No connected persons 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

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 circular.

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 Unicom Group 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 45.85% 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. Unicom Group 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 8,082,130,236 Shares, representing approximately 34.30% of the issued and outstanding share capital of the Company as at that date. If the Repurchase Mandate is exercised in full, Unicom Group BVI will be interested in approximately 38.11% of the reduced issued and outstanding share capital of the Company based on Unicom Group 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 Unicom Group BVI are presumed to be acting in concert with each other in respect of their aggregate 75.57% 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 Unicom Group 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 Unicom Group BVI under Rule 26 of the Takeovers Code. 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>HKD</i>	Lowest <i>HKD</i>
2012		
March	14.38	12.64
April	13.84	12.60
May	13.96	10.28
June	11.20	9.47
July	11.80	9.45
August	13.78	11.20
September	13.50	12.02
October	13.80	12.22
November	12.94	11.10
December	12.58	11.78
2013		
January	13.44	12.12
February	12.62	10.90
March (up to the latest practicable date)	11.50	10.30