
IMPORTANT

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CHINA UNICOM LIMITED (Stock Code: 762)

(Incorporated in Hong Kong with limited liability under Companies Ordinance)

Executive Directors:

Chang Xiaobing (*Chairman*)
Shang Bing
Tong Jilu
Li Jianguo
Yang Xiaowei
Li Zhengmao
Li Gang
Zhang Junan

Registered Office:

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

Non-Executive Director:

Lu Jianguo

Independent Non-Executive Directors:

Wu Jinglian
Shan Weijian
Cheung Wing Lam, Linus
Wong Wai Ming

To the shareholders

Explanatory Statement on Repurchase Mandate

Dear Sir or Madam,

This is the Explanatory Statement required to be sent to shareholders (the “**Shareholders**”) of China Unicom Limited (the “**Company**”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in connection with the proposed ordinary resolution set out in item 5 of the Notice of Annual General Meeting (the “**AGM Notice**”)

dated 12 April 2006 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 (Cap 32). Reference in this document to “**Shares**” means share(s) of all classes in the share capital of the Company.

EXERCISE OF THE REPURCHASE MANDATE

The directors of the Company (the “**Directors**”) believe that the flexibility afforded by the mandate granted to them if the ordinary resolution set out in item 5 of the AGM Notice (the “**Repurchase Mandate**”) is passed 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 31 March 2006 (the “**Latest Practicable Date**”), 12,577,285,270 Shares were in issue and outstanding. On the basis of such figure, the Directors would be authorized to repurchase up to 1,257,728,527 Shares during the period up to the date of the next annual general meeting in 2007, 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 (Cap. 32), 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 2005) 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 of Hong Kong Limited (the “**Stock Exchange**”) that they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

SHARE REPURCHASE 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 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 Hong Kong Code on Takeovers and Mergers (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 shareholder of the Company, China Unicom (BVI) Limited (“**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 77.32% 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 85.91% 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. 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 full months preceding the Latest Practicable Date are as follows:

| | Trade market price | |
|-------------|------------------------|-----------------------|
| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
| 2005 | | |
| April | 6.45 | 5.90 |
| May | 6.45 | 5.95 |
| June | 6.70 | 6.00 |
| July | 7.00 | 6.20 |
| August | 6.95 | 6.20 |
| September | 6.55 | 6.00 |
| October | 6.60 | 5.85 |
| November | 6.65 | 6.00 |
| December | 6.70 | 6.25 |
| 2006 | | |
| January | 7.10 | 6.30 |
| February | 6.95 | 6.20 |
| March | 6.75 | 6.20 |

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.

By Order of the Board
China Unicom Limited
Chang Xiaobing
Chairman

12 April 2006, Hong Kong