



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

## ANNOUNCEMENT

The relevant regulatory authorities decided and notified the Company that various sharing and settlement arrangements for telecommunications network interconnection charges will be adjusted for a period of one year, with retrospective effect from 21 March 2001. This announcement summarises the major changes under the new interconnection settlement arrangements that are relevant to the Group, including the changes to the settlement arrangements for local network calling charges, domestic long distance calling charges, international long distance calling charges and domestic long distance calling charges made through the IP telephone network of the Group. Based on the combined actual call traffic recorded by the Group in year 2000, the Board estimates that the changes under the new interconnection settlement arrangements will not have a material effect on the Group's operations and financial position.

The board of directors (the "Board") of China Unicom Limited (the "Company", together with its subsidiaries, the "Group") announces that the relevant regulatory authorities decided and notified the Company that various sharing and settlement arrangements for telecommunications network interconnection charges will be adjusted for a period of one year, with retrospective effect from 21 March 2001 (the "Effective Date").

### Major changes under the New Interconnection Settlement Arrangements that are relevant to the Group

The table below sets out the relevant existing and new settlement arrangements between the Group and other telecommunications network operators in respect of: (1) local network calling charges, (2) domestic long distance calling charges, (3) international long distance calling charges and (4) domestic long distance calling charges made through the IP telephone network of the Group:

Type of Calls	Existing Settlement Arrangement	New Settlement Arrangement
<b>Settlement of local network calling charges</b>		
The Group's cellular subscriber calling fixed line network subscriber	The Group pays the fixed line network operator a charge of RMB0.05 per minute	The Group pays the fixed line network operator a charge of RMB0.06 per minute
Fixed line network subscriber calling the Group's cellular subscriber	No revenue sharing or settlement	The existing arrangement remains unchanged
Subscriber of a cellular network calling subscriber of another cellular network	If two cellular networks interconnect directly, there is no settlement of charges. If two cellular networks interconnect through a third party local fixed line network, the originating mobile network operator shall pay a calling charge of RMB0.05 per minute to the local fixed line network operator. There is no settlement of charges between the fixed line network operator and the operator of the receiving cellular network.	If two cellular networks interconnect directly, the network operators may negotiate to determine whether there is any settlement of charges and if so, the details of the settlement of charges. If two cellular networks interconnect through a third party local fixed line network and using the exchanges of the fixed line network, the originating cellular network operator shall pay a calling charge of RMB0.03 per minute to the local fixed line network operator. There is no settlement of charges between the fixed line network operator and the operator of the receiving cellular network.

### Settlement of domestic long distance calling charges (Note)

The Group's cellular subscriber calling fixed line network subscriber (through the transmission lines of the fixed line network operator)	The Group retains RMB0.14 per minute of the domestic long distance calling charges and pays the remaining portion to the fixed line network operator	The Group retains RMB0.06 per minute of the domestic long distance calling charges and pays the remaining portion to the fixed line network operator
The Group's cellular subscriber calling fixed line network subscriber (through the Group's transmission line)	The Group pays the fixed line network operator a calling charge of RMB0.05 per minute	The Group pays the fixed line network operator a calling charge of RMB0.06 per minute
Fixed line network subscriber calling the Group's cellular subscriber (through the Group's transmission lines)	The fixed line network operator retains RMB0.14 per minute of the domestic long distance calling charges and pays the remaining portion to the Group	The fixed line network operator retains RMB0.06 per minute of the domestic long distance calling charges and pays the remaining portion to the Group
Subscriber of one cellular network calling subscriber of a different cellular network (through the transmission lines of the operator of the receiving cellular network)	The operator of the originating cellular network retains RMB0.14 per minute of the domestic long distance calling charges and pays the remaining portion to the operator of the receiving cellular network	The operator of the originating cellular network retains RMB0.06 per minute of the domestic long distance calling charges and pays the remaining portion to the operator of the receiving cellular network
Subscriber of a fixed line network calling subscriber of a fixed line network (through the Group's transmission lines)	The operator of the originating fixed line network retains RMB0.14 per minute of the domestic long distance calling charges and pays the remaining portion to the Group. There is no settlement of charges between the Group and the operator of the receiving fixed line network	The operator of the originating fixed line network retains RMB0.06 per minute of the domestic long distance calling charges and pays the remaining portion to the Group. The Group will then pay the operator of the receiving fixed line network a charge of RMB0.06 per minute

### Settlement of international long distance calling charges (Note)

International outgoing calls from the Group's cellular subscriber (through the international transmission lines of the fixed line network operator)	The Group retains RMB0.20 per minute of the international long distance calling charges and pays the remaining portion to the international telecommunications operator	The Group retains RMB0.06 per minute or RMB0.54 per minute of the international long distance calling charges (depending on whether the call is routed through the Group's domestic long distance transmission lines) and pays the remaining portion to the international telecommunications operator
International incoming calls to the Group's cellular subscriber (through the international transmission lines of the fixed line network operator)	The Group receives from the international telecommunications operator a charge of RMB0.07 per minute or RMB0.63 per minute (depending on whether the call is routed through the Group's domestic long distance transmission lines)	The Group receives from the international telecommunications operator a charge of RMB0.06 per minute or RMB0.54 per minute (depending on whether the call is routed through the Group's domestic long distance transmission lines)

*Note:* The existing arrangement that there is no settlement within the Group for calls of the Group's mobile subscribers made through the long distance (including international) transmission lines of the Group remains unchanged.

### Settlement of domestic long distance calling charges made through the IP telephone network of the Group

The Group's cellular subscriber calling fixed line network subscriber in another service area within China	The is no settlement of charges between the Group and the operator of the receiving fixed line network	The Group pays the operator of the receiving fixed line network a calling charge of RMB0.06 per minute
Fixed line network subscriber calling fixed line network subscriber in another service area within China	There is no settlement of charges between the operator of the originating fixed line network and the Group nor between the Group and the operator of the receiving fixed line network	There is no settlement of charges between the operator of the originating fixed line network and the Group. The Group pays the operator of the receiving fixed line network a calling charge of RMB0.06 per minute

### Changes to the settlement of local network calling charges

According to the new settlement arrangements for local network calling charges, the Group will pay an additional calling charge of RMB0.01 per minute to fixed line network operator where the cellular subscriber of the Group originates the telephone call. The interconnection charges will reduce by RMB0.02 for communications between cellular subscribers through the interconnection of a fixed line network. Based on the combined actual call traffic recorded by the Group in the year 2000 (the "Combined Call Traffic") and assuming that the new settlement arrangements for local network calling charges were effective from 1 January 2000, the Board estimates that the changes in the Group's settlement expenses in year 2000 would reduce the Group's consolidated net income for 2000 by approximately RMB16.86 million. This represents a reduction of approximately 0.52 per cent. of the consolidated net income of the Group of RMB3.234 billion for 2000 as disclosed in the Company's results announcement dated 3 April 2001.

### Changes to the settlement of domestic long distance calling charges

Apart from the new settlement arrangements of the relevant domestic long distance calling charges as set out in the table above, the settlement unit of domestic long distance calling charges will from the Effective Date be changed to six seconds (and any part thereof shall be rounded up to the nearest six seconds), in conjunction with the change of billing unit of domestic long distance tariffs to six seconds. The allocation of the domestic long distance calling charges to the Group may increase or decrease depending on the type of the domestic long distance calls. Based on the Combined Call Traffic and assuming that the new settlement arrangements were effective from 1 January 2000, the Board estimates that the Group's consolidated net income for 2000 would increase by approximately RMB3.05 million. This represents an increase of approximately 0.1% of the consolidated net income of the Group of RMB3.234 billion for 2000 as disclosed in the Company's results announcement dated 3 April 2001.

### Changes to the settlement of international long distance calling charges

Apart from the new settlement arrangements of the relevant international long distance calling charges as set out in the table above, the settlement unit of international long distance calling charges will from the Effective Date be changed to six seconds (and any part thereof shall be rounded up to the nearest six seconds), in conjunction with the change of billing unit of international long distance tariffs to six seconds. At the moment, as the size of the international long distance call business of the Group is still rather small, based on the Combined Call Traffic and assuming that the new settlement arrangements were effective from 1 January 2000, the Board estimates that the above-mentioned new settlement arrangements in relation to international long distance calling charges will not have a material effect on the Group's consolidated net income for 2000.

### Changes to the settlement of domestic long distance calling charges made through the IP telephone network of the Group

According to the new settlement arrangements for IP telephone charges, the Group would need to pay the fixed line network operator a charge of RMB0.06 per minute where the Group is providing the IP telephone services and the receiving operator is a fixed line network operator. Based on the Combined Call Traffic and assuming that the new settlement arrangements were effective from 1 January 2000, the Board estimates that the changes in the Group's settlement expenses in year 2000 would reduce the Group's consolidated net income for 2000 by approximately RMB27.09 million. This represents a reduction of approximately 0.84 per cent. of the consolidated net income of the Group of RMB3.234 billion for 2000 as disclosed in the Company's results announcement dated 3 April 2001.

### Impact of the various changes

According to the new interconnection settlement arrangements as set out in this announcement and based on the Combined Call Traffic, the Board estimates that these various changes will not have a material effect on the Group's operations and financial position.

**In the meantime, investors are advised to exercise caution in dealing in the securities of the Company.**

By order of the Board  
**CHINA UNICOM LIMITED**  
**Li Zhengmao**  
*Company Secretary*