



CHINA UNICOM LIMITED

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

CONNECTED TRANSACTIONS LEASING OF CDMA NETWORK CAPACITY

SUMMARY

The Lease Agreement

On 22 November 2001, CUCL entered into the Lease Agreement with Unicom New Horizon pursuant to which Unicom New Horizon conditionally agreed to lease Capacity of the CDMA Network in the Listed Service Areas to CUCL. CUCL will have the exclusive right to operate the CDMA Network to provide CDMA cellular communication services in the Listed Service Areas under applicable PRC laws and regulations. The initial term of the Lease is one year, renewable for further one year periods at the option of CUCL. Unicom Group has agreed to guarantee the performance by Unicom New Horizon of its obligations under the Lease Agreement.

Unicom Group is a substantial shareholder of the Company, CUCL is a wholly-owned subsidiary of the Company and Unicom New Horizon is a wholly-owned subsidiary of Unicom Group. Accordingly, under the Listing Rules, the entering into of the Lease Agreement will constitute a connected transaction for the Company.

Connected Transactions

A number of transactions will be entered into between CUCL and Unicom Group, which will constitute connected transactions for the Company under the Listing Rules as a result of the entering into of the Lease.

As the Lease and the related Connected Transactions are expected to occur on a regular and continuous basis in the ordinary and usual course of business, the Company has made an application to the Hong Kong Stock Exchange for a waiver from strict compliance with the normal approval and disclosure requirements related to connected transactions under the Listing Rules. The Hong Kong Stock Exchange has indicated that it will grant the waiver applied for in relation to the Lease and the related Connected Transactions, which will be effective until 31 December 2004, subject to certain conditions.

The Lease Agreement and the Connected Transactions constitute connected transactions of the Company under the Listing Rules and require approval of the Independent Shareholders at an extraordinary general meeting of the Company. The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Lease and the Connected Transactions. Lehman Brothers has been retained as the independent financial adviser to the Independent Board Committee on whether, from a financial point of view, the terms of the Lease and the Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

Morgan Stanley Dean Witter Asia Limited and China International Capital Corporation (Hong Kong) Limited are the financial advisers to the Company in respect of the Lease and the related Connected Transactions.

Despatch of shareholders circular

A circular containing, amongst other things, details of the terms of the Lease and the Connected Transactions, letters from the Independent Board Committee and from Lehman Brothers, and a notice to shareholders of the Company convening an extraordinary general meeting to approve the terms of the Lease and the Connected Transactions will be despatched to the shareholders of the Company as soon as reasonably practicable.

THE LEASE AGREEMENT

Date

22 November 2001

Parties

China Unicom Corporation Limited, as lessee

Unicom New Horizon Mobile Telecommunications Company Limited, as lessor

China United Telecommunications Corporation, as guarantor

Transaction

CUCL has agreed, subject to certain conditions, to lease Capacity on the CDMA Network from Unicom New Horizon. Unicom New Horizon is a wholly-owned subsidiary established by Unicom Group to construct a nationwide CDMA mobile telephone network in the PRC.

Under the leasing arrangement, Unicom New Horizon shall plan, finance and construct the CDMA Network, including the procurement of all Equipment, and shall ensure that the CDMA Network is constructed in accordance with the detailed specifications and timetable agreed between Unicom New Horizon and CUCL. All payments, costs, expenses and amounts paid or incurred by Unicom New Horizon that are directly attributable to the construction of the CDMA Network, including construction, installation and Equipment procurement costs and expenses, survey and design costs, investment in technology, software and other intangible assets, insurance premiums and capitalised interest on loans and taxes levied or paid in respect of the procurement of Equipment and the construction of the CDMA Network, including import taxes and custom duties and all costs incurred in relation to any upgrade of technology shall form the Network Construction Cost, which will be used in calculating the lease fee payable by CUCL (see "Lease Fee" below). The Network Construction Cost shall be audited and appropriate documentation shall be provided to CUCL or its auditors in order to verify the Network Construction Cost.

CUCL shall be responsible for the operation, management and maintenance of the CDMA Network in accordance with the relevant requirements of the Lease Agreement and shall have the exclusive right to provide CDMA services in the Listed Service Areas. All operating revenue, including airtime charges, monthly subscription fees, interconnection revenue, income from sales of UIM cards and handsets and other income generated from or in connection with the operation of the CDMA Network shall be collected by and belong to CUCL.

Unicom New Horizon shall not participate in the operation, management or maintenance of the CDMA Network by CUCL. All costs of operating, managing and maintaining the CDMA Network shall be borne by CUCL.

Term

The Lease is for an initial period of one year, commencing from the second business day following the fulfilment of the conditions set out below, or 1 January 2002, whichever is later ("Initial Term") and may be renewed for further one year terms (each, an "Additional Term") at the option of CUCL. The Directors expect that the Initial Term will commence by the end of January 2002.

Conditions

Commencement of the Lease is conditional upon, among others, the following conditions having been fulfilled on or before 31 December 2001 or such later date as CUCL, Unicom New Horizon and Unicom Group may agree:

- satisfactory testing, initial acceptance and delivery of Phase 1 of the CDMA Network in accordance with the Lease Agreement;
- Unicom Group providing or procuring that CUCL is provided with all spectrum and number resources required by CUCL for the operation of Phase 1 of the CDMA Network;
- Unicom Group and Unicom New Horizon having obtained all necessary approvals to perform their respective obligations under the Lease Agreement;
- CUCL having obtained approval from the MII to operate the CDMA Network;
- the MII having approved Unicom Group's CDMA tariff plan;
- the passing of resolutions by the Independent Shareholders approving the Lease and the related Connected Transactions; and
- the Hong Kong Stock Exchange granting to the Company a waiver from strict compliance with the provisions of the Listing Rules relating to the Lease and the related Connected Transactions.

Capacity

Initial Capacity

During the Initial Term, CUCL will lease Capacity on a quarterly basis. CUCL will lease Capacity for 2.0 million Subscribers during the first quarter of the Initial Term and Capacity for 4.0 million Subscribers during the second quarter of the Initial Term (including all Capacity already leased during the first quarter). CUCL shall give Unicom New Horizon not less than three months prior written notice of its additional Capacity requirements for the third and fourth quarters of the Initial Term. The total amount of Capacity leased by CUCL during the third and fourth quarters of the Initial Term will depend upon CUCL's actual and anticipated CDMA subscriber growth. CUCL is not obligated to lease the total constructed Capacity of Phase 1 of the CDMA Network of 9.18 million Subscribers during 2002.

Additional Capacity

In addition to Capacity which CUCL has agreed or agrees to lease in respect of the Initial Term as described above, subject to giving not less than 180 days' prior notice to Unicom New Horizon, CUCL may lease such additional Capacity as it may require during the term of the Lease. Unicom New Horizon shall ensure that all Capacity which CUCL has so requested is supplied by the due date of delivery of the Capacity, provided that, unless otherwise agreed between Unicom New Horizon and CUCL, Unicom New Horizon will not be obliged to deliver any additional Capacity if to do so would require Unicom New Horizon to expand the CDMA Network beyond Phase 1. However, if Unicom New Horizon agrees to provide any such additional Capacity, the provisions of the Lease Agreement shall apply equally in relation to all such additional Capacity which Unicom New Horizon has agreed to provide.

Delayed delivery of Capacity

Subject to certain exceptions, including delay caused by a force majeure event, a material breach of the Lease Agreement by CUCL or compliance with applicable laws and regulations, if any Capacity is not ready for operational service by the relevant delivery date, then Unicom New Horizon shall be liable to provide a delay discount of Lease Fee to CUCL, equal to the daily Lease Fee in respect of the relevant Capacity multiplied by the number of days of delay, which shall be credited against future Lease Fee payments.

Reduction of Capacity

CUCL may not reduce the amount of Capacity leased or committed to be leased by it during the Initial Term. However, subject to providing not less than 180 days' prior written notice to or with the prior written consent of Unicom New Horizon, CUCL may reduce the amount of Capacity leased with effect from the commencement of any Additional Term, provided that CUCL must lease all Capacity which it has requested or otherwise committed to lease for at least one year following the date of delivery or renewal of the lease of such Capacity (as the case may be).

Lease fee

The Lease Fee will be calculated so as to enable Unicom New Horizon to recover the Network Construction Cost in seven years, with an internal rate of return on its investment of 8%.

Based on the initial total Capacity of Phase 1 of the CDMA Network of approximately 9.18 million Subscribers, the annual Lease Fee per Subscriber for all Phase 1 Capacity will be approximately RMB299, subject to adjustment following final acceptance of the CDMA Network by representatives of Unicom New Horizon and CUCL and calculation of the final Network Construction Cost of Phase 1 of the CDMA Network if the final Network Construction Cost of Phase 1 differs from the estimated Network Construction Cost by more than 1.0%. The Directors estimate that, based on forecast CDMA subscriber growth in the Listed Service Areas and planned lease of Capacity by CUCL, the total Lease Fee payable by CUCL during the Initial Term will be approximately RMB1.47 billion (approximately HK\$1.39 billion).

The Lease Fee for each Additional Term and each subsequent Phase of the CDMA Network shall also be calculated on the same basis as described above.

The Lease Fee shall be paid quarterly in arrears by CUCL to Unicom New Horizon during the term of the Lease. All Lease Fee payments shall be made in Renminbi.

Purchase Option

Under the Lease Agreement, Unicom New Horizon has granted CUCL an option to purchase the CDMA Network (the "Purchase Option"). The Purchase Option may be exercised at any time during the Initial Term and any Additional Term and within 1 year after the termination or expiry (without renewal) of the Lease.

The acquisition price shall be negotiated between Unicom New Horizon and CUCL, based on the appraised value of the CDMA Network determined by an independent assets appraiser in accordance with PRC laws and regulations and taking account of prevailing market conditions and other factors, provided that it will not exceed such price as would, taking into account all Lease Fee payments made by CUCL to Unicom New Horizon and all delay discounts of Lease Fees, enable Unicom New Horizon to recover the Network Construction Cost, together with an internal rate of return on its investment of 8%. The exercise of the Purchase Option will be subject to the Company complying with the relevant provisions of the Listing Rules governing connected transactions.

Title to the CDMA Network assets will remain vested in Unicom New Horizon until the CDMA Network assets are transferred to CUCL following exercise of the Purchase Option.

Undertaking by Unicom Group and Unicom New Horizon

Under the Lease Agreement, each of Unicom Group and Unicom New Horizon has undertaken that, upon request by CUCL, it will negotiate in good faith and enter into a further lease agreement with CUCL in relation to the lease of capacity by CUCL on the CDMA networks constructed by Unicom New Horizon and/or Unicom Group in regions in the PRC other than the Listed Service Areas. Unless otherwise agreed by the parties, the terms of such further lease agreement shall be the same as those contained in the Lease Agreement, modified as necessary.

Guarantee and Indemnity

In consideration of CUCL entering into the Lease Agreement, Unicom Group has unconditionally and irrevocably guaranteed the due and punctual performance by Unicom New Horizon of its obligations under the Lease Agreement. Unicom Group has also agreed to indemnify CUCL for any loss suffered by any member of the Group as a result of any defect in any of the Equipment or any loss caused by any negligence, default, act or omission of Unicom New Horizon or Unicom Group under the Lease Agreement or in connection with the CDMA Network. The aggregate liability of Unicom Group for any claim shall not exceed the total amount of Lease Fee payments made by CUCL to Unicom New Horizon under the Lease Agreement and the total purchase price paid by CUCL for the CDMA Network. The guarantee and indemnity provided by Unicom Group under the Lease Agreement will continue in force until the expiry of the Lease Agreement.

Termination

CUCL may terminate the Lease by not less than 180 days' prior written notice, with effect from the end of any Additional Term. In addition, Unicom New Horizon or CUCL may terminate the Lease if the other (or, in the case of CUCL, Unicom Group) commits any continuing or material breach of the Lease Agreement. Unicom New Horizon is not otherwise permitted to terminate the Lease.

CDMA NETWORK AND SERVICES

As far as the Directors are aware, the Company's controlling shareholder, Unicom Group, has the only licence, issued by the MII, to offer CDMA cellular services in China. The MII, which is responsible for regulating the PRC telecommunications industry, is the only authority in the PRC which is empowered to issue CDMA licences.

Unicom New Horizon commenced construction of CDMA networks nationwide in 2001. The networks are expected to be expanded in phases. The number and size of each phase will depend upon actual and forecast CDMA subscriber growth and CUCL's anticipated Capacity requirements. In Phase 1 of the nationwide CDMA networks, which is expected to be completed and operational by the end of December 2001, the networks will achieve a nationwide coverage of over 330 metropolitan areas in every province and major municipality in China, with a planned total capacity of approximately 15.15 million Subscribers. The portion of this series of networks within the Listed Service Areas which is referred to as the CDMA Network has a total Capacity of approximately 9.18 million Subscribers. The Board believes that Phase 1 of the CDMA Network will provide sufficient geographic coverage for most of the mid- to high-usage subscribers that the Company plans to target.

Through a competitive bidding process, Unicom Group was able to obtain highly attractive terms for its CDMA equipment supply contracts. The construction of its CDMA networks utilizes to a significant extent the existing GSM infrastructure, such as base stations, switching centres and transmission capacity. As a result, the overall construction cost of Phase 1 of Unicom Group's CDMA networks is substantially less than would have been the case if the CDMA networks were built independently of the GSM networks. The total capital expenditure for Phase 1 of the nationwide CDMA networks (having a total capacity of approximately 15.15 million Subscribers) is estimated to be approximately RMB24 billion (approximately HK\$22.64 billion) or RMB1,600 (approximately HK\$1,509) per Subscriber. Since Phase 1 of the nationwide CDMA networks is designed to achieve an extensive nationwide coverage, and because expanding future capacity is relatively less expensive due to the technical characteristics of CDMA technology, the Board expects that Unicom Group will be able to further lower its per Subscriber cost when expanding the capacity of the CDMA Network.

CUCL already maintains the Group's GSM cellular network in the Listed Service Areas. CUCL's technical staff have been closely involved in the planning and design of the CDMA Network, as well as the equipment selection process and in overseeing the construction of the CDMA Network. As a result, CUCL staff are very familiar with the CDMA technology used in the CDMA Network are able to operate and maintain the CDMA Network.

The Company plans to use the CDMA Network to offer basic voice services, mobile data services and value added mobile services such as call forwarding and voicemail, caller identity display and short messaging services in the Listed Service Areas.

CONNECTED TRANSACTIONS

In addition to the Lease, a number of transactions will be entered into between CUCL and Unicom Group which will constitute continuing connected transactions for the Company under the Listing Rules as a result of the entering into of the Lease.

Interconnection arrangements

CUCL's GSM and CDMA cellular, long distance networks and IP telephony networks and Unicom Group's GSM and CDMA cellular and fixed line networks will interconnect with each other. To enable such interconnection services to be offered by CUCL and Unicom Group, CUCL has, subject to, among others, Hong Kong regulatory and Independent Shareholders' approvals, entered into the Services Agreement with Unicom Group with respect to the interconnection arrangements. These

arrangements will be for an initial period of one year, commencing from the second business day following the fulfilment of the conditions of the Lease Agreement, or 1 January 2002, whichever is later and will be automatically renewed or terminated thereafter upon the renewal or termination of the Lease Agreement.

Interconnection settlement between Unicom Group's networks and CUCL's networks is based on relevant standards established from time to time by the MII. However, in the case of calls between cellular subscribers in different provinces, settlement is based on either the relevant standards established by the MII or an agreed settlement arrangement between CUCL and Unicom Group. CUCL is able to choose the more favourable arrangement. The agreed settlement arrangement, which is based on the parties' respective internal costs of providing this service, is currently more favourable to CUCL than the settlement arrangement prescribed by the MII. If in future the tariff standards prescribed by the MII were to be more favourable to CUCL, CUCL would settle on the basis of those tariff standards.

Interconnection revenue and interconnection expenses derived from interconnection with Unicom Group for 2002 are estimated to be approximately RMB83,000,000 (approximately HK\$78,300,000) and approximately RMB32,500,000 (approximately HK\$30,700,000), respectively.

Roaming arrangements

CUCL and Unicom Group will provide roaming services to each other's CDMA cellular subscribers within its respective service areas. In addition, CUCL makes its long distance network available to Unicom Group to enable Unicom Group to give effect to its roaming arrangements with third party operators. To enable such roaming services to be offered by CUCL and Unicom Group, CUCL has, subject to, among others, Hong Kong regulatory and Independent Shareholders' approvals, entered into the Services Agreement with Unicom Group with respect to the roaming arrangements and will be for an initial period of one year, commencing from the second business day following the fulfilment of the conditions of the Lease Agreement, or 1 January 2002, whichever is later and will be automatically renewed or terminated thereafter upon the renewal or termination of the Lease Agreement.

Charges for these services between CUCL and Unicom Group are based on CUCL's respective internal costs of providing these services, and will be on no less favourable terms than those available to any independent third party. CUCL will be paid 50% of the roaming revenue received by Unicom Group from third party operators for making CUCL's long distance network available to Unicom Group to give effect to its roaming arrangements with third party operators.

The roaming revenue and roaming expenses derived from roaming with Unicom Group for 2002 are estimated to be approximately RMB56,000,000 (approximately HK\$52,800,000) and approximately RMB22,000,000 (approximately HK\$20,800,000) respectively.

The Lease and the related Connected Transactions described above constitute, or will upon the commencement of the Lease constitute, connected transactions under Chapter 14 of the Listing Rules. As the Lease and the related Connected Transactions are expected to occur on a regular and continuous basis in the ordinary and usual course of business of the Group, the Company has made an application to the Hong Kong Stock Exchange for a waiver from strict compliance with the normal approval and disclosure requirements related to the connected transactions under the Listing Rules.

The Hong Kong Stock Exchange has indicated that it will grant the waiver applied for in relation to the Lease and the related Connected Transactions, which will be effective until 31 December 2004, on the following conditions:

- (a) Arm's length basis:
 - (i) the transactions as well as the respective agreements governing such transactions shall be entered into by the relevant subsidiary of the Company in the ordinary and usual course of its business, and either:
 - (A) on normal commercial terms; or
 - (B) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from (as appropriate) independent third parties;
 - (ii) the transactions shall be in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) Disclosure: The Company shall disclose in its annual report and accounts details of the transactions as required by Rule 14.25(1)(A) to (D) of the Listing Rules, ie.
 - (i) the date or period of the transactions;
 - (ii) the parties thereto and a description of their connected relationship;
 - (iii) a brief description of the transactions and the purpose of the transactions;
 - (iv) the total consideration and the terms; and
 - (v) the nature and extent of the interest of the connected person in the transactions.
- (c) Independent Directors' review: The independent non-executive Directors shall review annually the transactions and confirm, in the Company's annual report and accounts for the year in question, that such transactions have been conducted in the manner as stated in sub-paragraph (a)(i) and (ii) above.
- (d) Auditors' review: The auditors of the Company shall review annually the transactions and shall provide the Directors with a letter (the "Letter"), details of which will be set out in the Company's annual report and accounts, stating that:
 - (i) the transactions received the approval of the Board;
 - (ii) the transactions have been entered in accordance with the relevant agreement governing the transactions; and
 - (iii) the Lease Fee has not exceeded the relevant cap set out in paragraph (g) below.

Where for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange immediately.

- (e) Shareholders' approval: Details of the transactions are disclosed to the Company's existing shareholders who will (as described below) be asked to vote in favour of an ordinary resolution to approve the transactions at the extraordinary general meeting (at which Unicom BVI and its Associates who are Shareholders will abstain from voting).
- (f) Undertaking: For the purpose of the above review by the auditors of the Company, Unicom Group has undertaken to the Hong Kong Stock Exchange and the Company that it will provide the Company's auditors with access to its records and those of its subsidiaries.
- (g) Cap: In relation to the Lease, the total annual Lease Fee in relation to the year ended 31 December 2002, 2003 and 2004 does not exceed the cap of the amount of RMB2,740,000,000 (approximately HK\$2,580,000,000), RMB6,621,000,000 (approximately HK\$6,250,000,000) and RMB9,361,000,000 (approximately HK\$8,830,000,000) respectively.

The cap amounts stated in paragraph (g) above have been determined with reference to the Company's estimates of the maximum amount of Capacity which may be leased by CUCL for the years 2002 to 2004, and based on the assumption that there will be no reduction in the Lease Fee per Subscriber during such period.

The Hong Kong Stock Exchange has also indicated that if any of the terms of the agreements related to the Connected Transactions, or the nature of the Connected Transactions is altered (unless as provided for under the terms of the relevant agreement) or if the Group enters into any new agreements with connected persons in the future, the Company will need to comply fully with all the relevant provisions of Chapter 14 of the Listing Rules dealing with connected transactions.

REASONS FOR ENTERING INTO THE CDMA BUSINESS

The lease of capacity on the CDMA Network from Unicom New Horizon will enable the Company to launch its CDMA services early in 2002. The planned launch of CDMA services is crucial to the cellular business strategy of the Company for the following reasons:

- The Board believes CDMA technology is superior to GSM technology in a number of respects, including better voice quality, higher data transmission capabilities, lower dropped call rate, lower handset radio transmission power, and greater spectrum usage efficiency. The Board considers these technological advantages can result in better cellular service quality that will be attractive to cellular subscribers, in particular mid- to high-usage subscribers.
- The second generation CDMA IS-95 technology based networks that the Company will initially use to offer CDMA services can be migrated relatively efficiently to CDMA 1XRTT technology, which offers much higher practical data transmission rates than the GPRS technology that is the technical equivalent for GSM networks and has already enjoyed commercial success in Korea. The Board believes CDMA 1XRTT technology will provide the Company with a significant competitive advantage as demand for sophisticated wireless data services increases in China.
- Because of its spectrum usage efficiency, CDMA offers higher network capacity and larger cell size and requires fewer base stations than GSM for the same geographic coverage. These advantages can result in lower long term capital expenditure requirements for the same network capacity. The Company expects to realize these cost savings, since the Lease Fee and acquisition price on exercise of the Purchase Option are largely based on the overall cost of construction of the CDMA Network.
- The launch of CDMA services will help alleviate potential constraints that the Company may face in the future from its limited GSM spectrum allocations, which presently consists of 2x6 MHz in the 900 MHz frequency band and 2x10 MHz in the 1800 MHz frequency band. The 2x10 MHz allocation the Company has in the 800 MHz frequency band for its CDMA services represents an important resource that can help ensure that the Company's networks can accommodate future growth of the Company's cellular business, particularly when, as expected, data and video services become an important part of the Company's cellular service offerings.
- The launch of CDMA services will enable the Company to develop a premium branded cellular service that is distinct from GSM based cellular services. The Company intends to promote the technological advantages of CDMA to position its CDMA services as a high-quality product targeted to mid- to high-end subscribers. The Company expects its planned CDMA services also to contribute to its overall brand as a technologically advanced operator that provides high quality services.
- In view of the above reasons, the Directors are of the opinion that the operation of the CDMA business will have a positive effect on the Company's development and in improving its potential profitability.

REASONS FOR ENTERING INTO THE LEASE

The Board considers it preferable to lease Capacity on the CDMA Network from Unicom New Horizon rather than construct a CDMA network itself, principally because the Lease arrangement enables the Company to offer CDMA services without the risks associated with constructing and owning a CDMA Network. In particular:

- CUCL is able to utilize the extensive coverage of Phase 1 of the CDMA Network without the expense of leasing the entire available Capacity immediately.
- The terms of the Lease are flexible and enable CUCL to increase or decrease the amount of leased Capacity based on subscriber demand and the development of its CDMA business.
- By limiting the Initial Term of the Lease to one year, the Company is able to limit its overall risk in entering into the CDMA business.
- CUCL is able to obtain the exclusive right to operate the CDMA Network.
- CUCL retains the flexibility of being able to purchase the CDMA Network in the future by exercising the Purchase Option.

DEFINITIONS

"Associate"	has the meaning given to it by the Listing Rules
"Board"	the board of directors of the Company
"Capacity"	capacity on the CDMA Network measured in terms of total number of Subscribers, and including all additional Capacity to be delivered pursuant to the Lease Agreement
"CDMA"	Code Division Multiple Access technology, which is a digital transmission technology that accommodates higher throughput by using various coding sequences to mix and separate voice and data signals for wireless communication, and including all upgrades to such technology from time to time
"CDMA 1XRTT"	one of the principal standards for the next generation cellular technology, including 1X and 3X standards. It is a multi-carrier wideband CDMA technology based on IS-95 standard and supports both packet-switched and circuit-switched communications
"CDMA Network"	the CDMA mobile telecommunications network constructed by Unicom New Horizon in the Listed Service Areas, including all additional Capacity constructed after the date of the Lease Agreement in the Listed Service Areas
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	China Unicom Limited, a company incorporated in Hong Kong whose Shares are listed on the Hong Kong Stock Exchange and whose ADSs are listed on the New York Stock Exchange
"Connected Transactions"	the transactions to be entered into between CUCL and Unicom Group arising in relation to the Lease, as set out in the section headed "The Lease Agreement — Connected Transactions"
"CUCL"	China Unicom Corporation Limited, a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Directors"	the directors of the Company
"Equipment"	all necessary hardware, software and accessories to be used in constructing the CDMA Network in accordance with the designs and specifications agreed between CUCL and Unicom New Horizon
"Group"	China Unicom Limited and its subsidiaries from time to time
"GSM"	global system for mobile communications, a digital mobile cellular telephone system operating in the 900, 1800 and 1900 MHz frequency bands based on digital transmission and cellular network architecture with roaming
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the committee of Directors, consisting of Lee Hon Chiu and Wu Jing Lian, independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Lease and the terms of the Connected Transactions
"Independent Shareholders"	Shareholders other than Unicom BVI and its Associates
"Lease"	the lease of Capacity by Unicom New Horizon to CUCL pursuant to the Lease Agreement
"Lease Agreement"	the conditional lease agreement dated 22 November 2001 between CUCL, Unicom New Horizon and Unicom Group relating to the Lease
"Lease Fee"	the amounts payable by CUCL to Unicom New Horizon as set out in the section headed "The Lease Agreement — Transaction — Lease Fee"
"Lehman Brothers"	Lehman Brothers Asia Holdings Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the laws of Hong Kong) and independent financial adviser to the Independent Board Committee in respect of the terms of the Lease and the Connected Transactions
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Listed Service Areas"	Guangdong, Jiangsu, Zhejiang, Fujian, Liaoning, Shandong, Anhui, Hebei and Hubei provinces and Beijing, Shanghai and Tianjin municipalities
"MII"	the Ministry of Information Industry of the PRC
"Network Construction Cost"	the cost of constructing the CDMA Network borne by Unicom New Horizon, as more fully described in the section "The Lease Agreement — Transaction" in this announcement
"Phase"	a fixed amount of constructed Capacity on the CDMA Network, being approximately 9.18 million Subscribers in respect of Phase 1, and such amount as agreed between Unicom New Horizon and CUCL under the Lease Agreement in respect of any subsequent Phase
"PRC" or "China"	the People's Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
"RMB"	Renminbi, the lawful currency of mainland China
"Services Agreement"	the conditional services agreement dated 22 November 2001 between CUCL and Unicom Group in relation to the Connected Transactions
"Share(s)"	share(s) of HK\$0.10 each in the capital of the Company
"Shareholders"	shareholders of the Company
"Subscriber"	a unit of capacity on the CDMA Network
"UIM"	User Identity Module
"Unicom BVI"	China Unicom (BVI) Limited, a company incorporated in the British Virgin Islands and the immediate controlling shareholder of the Company
"Unicom Group"	China United Telecommunications Corporation, a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
"Unicom New Horizon"	Unicom New Horizon Mobile Telecommunications Company Limited, a company incorporated in the PRC and a wholly-owned subsidiary of Unicom Group

This announcement contains translations between Renminbi amounts and Hong Kong dollars at RMB1.06 = HK\$1.00. The translations are not representations that the Renminbi amounts could actually be converted into Hong Kong dollars at those rates, or at all.

FURTHER INFORMATION

Unicom Group indirectly owns or controls approximately 77.47% of the Company's issued share capital. Unicom New Horizon is a wholly-owned subsidiary of Unicom Group. CUCL is a wholly-owned subsidiary of the Company. Accordingly, under the Listing Rules, the entering into of the Lease Agreement and the related Connected Transactions constitute connected transactions of the Company and require the approval of the Independent Shareholders.

In accordance with the Listing Rules, Unicom BVI, the immediate controlling shareholder of the Company, and its Associates who are Shareholders, will abstain from voting on the resolutions to approve the Lease and the related Connected Transactions at the extraordinary general meeting or any adjournment thereof.

A circular containing, amongst other things, details of the terms of the Lease and the Connected Transactions, letters from the Independent Board Committee and from Lehman Brothers, and a notice to shareholders of the Company convening an extraordinary general meeting to approve, amongst other things, the terms of the Lease and the Connected Transactions will be dispatched to the shareholders of the Company as soon as possible.

By Order of the Board
China Unicom Limited
Ngai Wai Fung
Company Secretary

Hong Kong, 22 November 2001