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## IMPORTANT

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

*Executive Directors:*

Yang Xian Zu (*Chairman*)  
Wang Jianzhou  
Shi Cuiming  
Li Zhengmao  
Tan Xinghui

*Registered Office:*

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

*Non-Executive Directors:*

Ge Lei  
Craig O. McCaw

*Independent Non-Executive Directors:*

Lee Hon Chiu  
Wu Jing Lian

*Alternate Director:*

C. James Judson — the Alternate Director of Mr. McCaw

16 April 2002

*To the shareholders*

Dear Sir or Madam,

### **Explanatory Statement on Repurchase Mandate**

This is Explanatory Statement required to be sent to shareholders 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 4 of the Notice of Annual General Meeting (the "AGM Notice") dated 27 March 2002 for the approval of the renewal of the general mandate for repurchase of shares. This document also constitutes the Memorandum required under section 49BA of the Companies Ordinance. Reference in this document to "Shares" means share(s) of all classes in the share capital of China Unicom Limited (the "Company").

## **EXERCISE OF THE REPURCHASE MANDATE**

The Directors believe that the flexibility afforded by the mandate granted to them if the Ordinary Resolution set out in item 4 of the AGM Notice (the “Repurchase Mandate”) is passed would be beneficial to the Company.

It is proposed that up to 10 per cent. of the issued and outstanding Shares on the date of the passing of the resolution to approve the Repurchase Mandate may be repurchased. As at 8 April 2002, the latest practicable date for determining the following figure, 12,552,996,070 Shares were issued and outstanding. On the basis of such figure, the Directors would be authorised to repurchase up to 1,255,299,607 Shares during the period up to the date of the next annual general meeting in 2003, 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 of the Company, whichever of these three events occurs first.

## **REASONS FOR REPURCHASES**

Repurchases of Shares will only be made when the Directors believe that such a repurchase 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 in this connection 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 dated 31 December 2001) 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 working capital requirements of the Company or the gearing levels 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 enquiries, none of their associates, have any present intention, if the Repurchase Mandate is approved by the shareholders of the Company, to sell any Shares to the Company or its subsidiaries.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company, nor have undertaken not to do so, if the Repurchase Mandate is granted to directors of the Company.

#### **DIRECTOR'S UNDERTAKING**

The Directors have undertaken to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") that, so far as the same may be applicable, 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 Shares have been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

#### **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. The Directors are aware of the consequences arising under the Takeovers Code of any repurchase.

As at 8 April 2002 (being the latest practicable date prior to the printing of this document), 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 section 16(1) of the Securities (Disclosure of Interests) Ordinance as having an interest in 9,725,000,020 Shares, representing approximately 77.47 per cent. 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 86.08 per cent. 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 8 April 2002. The Directors are not aware of any consequences that may arise under the Takeovers Code of such repurchase.

## 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 before the printing of this document were:

	Traded market price	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2001</b>		
April	11.35	7.75
May	13.25	11.20
June	14.15	12.15
July	14.20	12.15
August	13.70	9.40
September	9.75	7.15
October	9.55	7.05
November	9.80	7.20
December	9.55	8.25
<b>2002</b>		
January	9.10	7.45
February	8.05	7.30
March	8.35	7.10

## EXTENSION OF SHARE ISSUE MANDATE

A resolution as set out in item 6 of the AGM Notice will also be proposed at the Annual General Meeting 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.

Yours faithfully  
**YANG XIAN ZU**  
*Chairman*