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**If you have sold or transferred** all your shares in China Unicom Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**CHINA UNICOM LIMITED**

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

**AMENDMENTS TO THE SHARE OPTION SCHEME**

**AND**

**PRE-GLOBAL OFFERING SHARE OPTION SCHEME**

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A notice dated 16 April 2002 convening the extraordinary general meeting of the Company to be held at Ballroom C, Island Shangri-la Hotel, 5/F, Pacific Place, Supreme Court Road, Hong Kong on 13 May 2002 at or about 11:00 a.m. is set out on pages 25 and 26 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event no less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

16 April 2002

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The Company has not authorised anyone to provide you with information that is different from what is contained in this circular.

Any information or representation not contained in the circular must not be relied on by you as having been authorised by the Company or its directors.

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## DEFINITIONS

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*In this circular, the following expressions having the meanings set out below unless the context requires otherwise.*

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of Directors
“Commencement Date”	the date upon which any particular Option is accepted in accordance with the terms of the Share Option Scheme or the Pre-Global Offering Share Option Scheme, as the case may be
“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 Stock Exchange and whose ADSs are listed on the New York Stock Exchange
“Connected Persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company as at the date of this circular
“Effective Date”	the date on which the Share Option Scheme or Pre-Global Offering Share Option Scheme became unconditional, as the case may be
“Eligible Participant”	the persons to whom the Board can grant Options under the Share Option Scheme or the Pre-Global Offering Share Option Scheme, as the case may be
“Grantee”	subject to the rules of the Scheme, the Eligible Participant who accepts the offer of the grant of any Option
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong
“Latest Practicable Date”	12 April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Agreement”	the agreement entered into between the Company and the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Non-executive Directors”	the non-executive directors of the Company which include independent non-executive directors of the Company
“Offer Date”	the date on which an Option is offered to an Eligible Participant
“Option”	an option to subscribe for Shares granted pursuant to the Share Option Scheme or the Pre-Global Offering Share Option Scheme, as the case may be
“Pre-Global Offering Share Option Scheme”	the pre-global offering share option scheme adopted by the Company on 1 June 2000 prior to the listing of the shares of the Company on the Stock Exchange and, where the context requires, as amended from time to time
“Scheme”	the Share Option Scheme or the Pre-Global Offering Share Option Scheme, as the case may be
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 1 June 2000 and where the context requires, as amended from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on exercising an Option under the Share Option Scheme or the Pre-Global Offering Share Option Scheme, as the case may be
“subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of section 2(4) of the Companies Ordinance) of the Company whether incorporated in Hong Kong or elsewhere
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“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



**CHINA UNICOM LIMITED**

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

*Executive Directors:*

Yang Xian Zu  
Wang Jianzhou  
Shi Cuiming  
Li Zhengmao  
Tan Xinghui

*Registered Office:*

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

*Non-Executive Directors:*

Ge Lei  
Craig O. McCaw

*Independent Non-Executive Directors:*

Lee Hon Chiu  
Wu Jing Lian

*Alternate Director to Craig O. McCaw:*

C. James Judson

16 April 2002

*To the Shareholders*

Dear Sir or Madam,

**AMENDMENTS TO THE SHARE OPTION SCHEME  
AND  
PRE-GLOBAL OFFERING SHARE OPTION SCHEME**

**1. INTRODUCTION**

It is proposed that certain amendments are made to the Share Option Scheme both to comply with the requirements set out in the new chapter 17 of the Listing Rules which came into effect on 1 September 2001 and provide a more favourable scheme to attract and retain key personnel. In order to synchronise the administration of the Options granted under the Pre-Global Offering Share Option Scheme in conjunction with the Share Option Scheme, it is also proposed that certain amendments that are proposed to be made to the Share Option Scheme are also reflected in the Pre-Global Offering Share Option Scheme. The Options already granted under the Pre-Global Offering Share Option Scheme and the Share Option Scheme will be governed by the amended Pre-Global Offering Share Option Scheme and Share Option Scheme, respectively. The amended Share Option Scheme will comply with the requirements set out in the new Chapter 17 of the Listing Rules. No further Options can be granted under the Pre-Global Offering Share Option Scheme.

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## LETTER FROM THE BOARD

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The amendments to the Share Option Scheme and Pre-Global Offering Share Option Scheme are subject to approval by the shareholders of the Company at the Extraordinary General Meeting to be held on 13 May 2002, notice of which is set out in pages 25 and 26 of this circular. The amended Share Option Scheme and Pre-Global Offering Share Option Scheme, if approved by the shareholders of the Company at the Extraordinary General Meeting, will take effect from the date of such approval.

No amendments are being made to either Scheme with respect to provisions relating to performance targets, treatment of options already granted in the event of termination of the Scheme, or transferability of options.

### 2. PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME

The proposed changes to the current Share Option Scheme requiring the approval of shareholders in general meeting are summarised in the following table:

#### (a) Who may join

*Existing provisions*

Employees, including executive Directors, of the Group.

*Proposed amendments*

Employee, including executive Directors, of the Group, or any of the Non-executive Directors.

#### (b) Definition of Grantee

*Existing provisions*

*Proposed amendments*

Include, in the case of incapacitation, the Eligible Participant's lawful attorney or legal representative.

#### (c) Maximum Option Period

*Existing provisions*

The period, to be determined and notified by the Board to each Grantee, during which the Grantee may exercise an Option may commence on a day after the Commencement Date but not later than 10 years from the Effective Date.

*Proposed amendments*

The period, to be determined and notified by the Board to each Grantee, during which the Grantee may exercise an Option may commence on a day after the date on which an Option is offered to an Eligible Participant but not later than 10 years from the Offer Date.

(d) **Conditions**

*Existing provisions*

The Scheme shall take effect subject to the passing of the necessary resolution to adopt the Scheme by the shareholders of the Company and is conditional upon the Listing Committee of the Stock Exchange granting approval of:

- (i) the Scheme;
- (ii) any Options which may be granted under the Scheme; and
- (iii) the listing of and permission to deal in any Shares to be issued pursuant to the exercise of Options under the Scheme.

If any of the above conditions are not satisfied on or before 31 December 2000, the Scheme shall forthwith determine, any option granted or agreed to be granted pursuant to the Scheme and any right of such a grant shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Scheme.

*Proposed amendments*

The Scheme has taken effect on 21 June 2000. Any alterations to the Scheme shall be subject to the requirements of Clause 15 of the Scheme, which sets out the procedural requirements for any alterations to the Scheme.

(e) **Maximum number of Shares**

*Existing provisions*

The maximum number of Shares in respect of which Options may be granted under the Scheme when aggregated with the maximum number of Shares in respect of which options may be granted under any other scheme involving the issue or grant of options over Shares or other securities by the Company and/or any of its subsidiaries from time to time shall not exceed 10 per cent. of the issued share capital of the Company from time to time excluding any Shares allotted and issued pursuant to the Scheme.

*Proposed amendments*

- The maximum number of Shares in respect of which Options may be granted under the Scheme when aggregated with the maximum number of Shares in respect of which options may be granted under any other scheme involving the issue or grant of options over Shares or other securities by the Company and/or any of its subsidiaries shall not exceed 10% of the issued share capital of the Company as of the date of approval of the amendments to the Scheme by the shareholders of the Company. On the basis that no shares will be issued between the publication of this circular and the approval of the amendments by the shareholders of the Company in general meeting to be held on 13 May 2002, the issued share capital of the Company as of the date of the approval of the amendments to the Scheme will be HK\$1,255,299,607 divided into 12,552,996,070 shares of HK\$0.1 each. Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the 10% limit.



- Upon the grant of options for Shares up to 10% of the issued share capital of the Company and subject to the approval of the shareholders of the Company in general meetings, the maximum number of Shares to be issued under the Scheme (when aggregated with securities to be issued under any other share option scheme(s) of the Company and/or any of its subsidiaries) may be increased by increments as determined by the Board provided that such increments shall not exceed 10% of the issued share capital of the Company as of the date of approval of such increments by the shareholders of the Company.
  
- Under any circumstances, the total number of Shares to be issued upon exercise of all outstanding options shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of Shares shall be adjusted, in such manner as the Company's auditors shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transfer to which the Company is a party.

The maximum number of Shares shall be adjusted, in such manner as the Company's auditors shall certify in writing to the Board to be fair and reasonable, in the event of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transfer to which the Company is a party.

(f) **Maximum entitlement of each Eligible Participant**

*Existing provisions*

No Eligible Participant shall be granted an Option which, if exercised in full, would result in such Eligible Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued to him under all Options previously granted to him which have been exercised, and, issuable to him under all Options previously granted to him which are for the time being subsisting and unexercised, would exceed 25 per cent. of the aggregate number of Shares for the time being issued and issuable under the Scheme.

(g) **Minimum Subscription price**

*Existing provisions*

Not less than the higher of:

- (i) the nominal value of a Share; and
- (ii) 80% of the average of the closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the Offer Date on which there were dealings in Shares on the Stock Exchange.

*Proposed amendments*

The maximum number of Shares in respect of which Options may be granted under the Scheme to any Eligible Participant (together with any Shares issued in respect of Options which have been exercised by that Eligible Participant and any Shares which would be issued upon the exercise of outstanding Options granted to that Eligible Participant) in any 12-month period up to the date of the latest grant shall not exceed 1.0% of the issued share capital of the Company from time to time, unless the relevant provisions of the Listing Rules are complied with.

*Proposed amendments*

Not less than the higher of:

- (i) the nominal value of the Shares;
- (ii) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's quotation sheets on the Offer Date in respect of such Option; and
- (iii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the Offer Date.

**(h) Offer of Option before a price sensitive matter**

*Existing provisions*

No offer of Options within the period of one month preceding the date of publication of the interim results or within the period of one month preceding the date of the preliminary announcement of the final results of the Company for any financial year.

*Proposed amendments*

No offer of Options:

- (i) after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published in the newspapers; or
- (ii) during the period of one month immediately preceding the earlier of:
  - (1) the date of the board meeting for the approval of the Company's interim or annual results; and
  - (2) the deadline for the Company to publish its interim or annual results under the Listing Agreement,

and ending on the date of the results announcement.

**(i) Exercise of Options in the event of termination of employment of the Grantee**

*Existing provisions*

In the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death or the summary termination of the Grantee's employment, the Grantee may exercise the Option up to his entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of 1 month following the date of such cessation;

*Proposed amendments*

In the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death or the summary termination of the Grantee's employment or the removal of the Grantee's office as Non-executive Director leading to the Board resolving that the Options should lapse, the Grantee may exercise the Option up to his entitlement at the date of cessation of his employment or office (to the extent not already exercised) within anytime from the date of such cessation up to the end of the Option Period;

**(j) Exercise of options in the event of death of the Grantee**

*Existing provisions*

In the event of the Grantee ceasing to be an Eligible Participant by reason of death and none of the events which would be a ground for summary termination of the Grantee's employment has occurred, the Options of the Grantee can be exercised in full (to the extent not already exercised) within a period of 12 months from the date of death (or such no longer period as the Board may determine);

*Proposed amendments*

In the event of the death of the Grantee and none of the events which would be a ground for summary termination of the Grantee's employment or the removal of the Grantee's office as Non-executive Director which has led the Board resolving that the Option should lapse has occurred, the Options of the Grantee can be exercised in full (to the extent not already exercised) within anytime from the date of death to the end of the Option Period;

**(k) Exercise of Options in the event of a general offer**

*Existing provisions*

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on exactly the same terms, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;

*Proposed amendments*

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on exactly the same terms, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 21 days after the date on which such general offer becomes or is declared unconditional;

**(1) Reorganisation of Capital Structure**

*Existing provisions*

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make such corresponding adjustments (if any) to:

- (a) the number or nominal amount of Shares, the subject matter of the Option (insofar as it is unexercised); and/or
- (b) the aggregate number of Shares subject to outstanding Options; and/or
- (c) the Subscription Price; and/or
- (d) the method of exercise of the Option,

provided that any adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustment shall remain as nearly as possible the same as that to which he was entitled before such adjustment.

*Proposed amendments*

In the event of any capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make such corresponding adjustments (if any) to:

- (a) the number or nominal amount of Shares, the subject matter of the Option (insofar as it is unexercised); and/or
- (b) the aggregate number of Shares subject to outstanding Options; and/or
- (c) the Subscription Price; and/or
- (d) the method of exercise of the Option with respect to the Board Lot if the Option is being exercised in part,

provided that any adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustment shall remain as nearly as possible the same as that to which he was entitled before such adjustment.

**(m) Lapse of Options**

*Existing provisions*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period, to be determined and notified by the Board to each Grantee, during which the Grantee may exercise an Option;
- (ii) the expiry of any of the periods referred to in Clause 6.3(a), (b), (c) or (d) of the Scheme (i.e. in the cases of termination of employment, death of Grantee, general offer and winding up);
- (iii) subject to Clause 6.3(d) of the Scheme (for winding up), the date of the commencement of the winding-up of the Company (as determined in accordance with the Companies Ordinance);

*Proposed amendments*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period, to be determined and notified by the Board to each Grantee, during which the Grantee may exercise an Option, which may commence on a day after the date on which an Option is offered to an Eligible Participant but not later than 10 years from the Offer Date;
- (ii) the expiry of any of the periods referred to in Clause 7.3(c) or (e) of the Scheme (i.e. in the cases of general offer or compromise or arrangement);
- (iii) subject to Clause 7.3(d) of the Scheme (for winding up), the date of the commencement of the winding-up of the Company (as determined in accordance with the Companies Ordinance);

## LETTER FROM THE BOARD

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- (iv) the date on which the Grantee ceases to be an Eligible Participant by reason of the summary termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to summarily terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a Grantee has or has not been terminated on one or more of the above grounds shall be conclusive; or
- (v) the date on which the Grantee commits a breach of the Scheme regarding the assignment or transfer of or creation of interest in the Option.
- (iv) the date on which the Board resolves that the Option of the Grantee shall lapse and not be exercisable as a result of the Grantee, being an employee (including an executive director) of any member of the Group, ceasing to be such an employee by reason of the summary termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty. A resolution of the board of directors of the relevant member of the Group to the effect that the employment of a Grantee has or has not been terminated on one or more of the above grounds shall be conclusive for the purpose of determining whether the employment of the Grantee will be terminated;
- (v) the date on which the Board resolves that the Option of the Grantee shall lapse as a result of the Board or meeting of the shareholders of the Company having resolved, in accordance with their respective powers granted under the articles of association of the Company or relevant laws or regulation, that the Grantee, being a Non-executive Director, shall cease to hold the office of Non-executive Director on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty, or being prohibited by laws or regulation or court order from being a director, or being reprimanded by the Stock Exchange or the stock exchanges or relevant government authorities of other jurisdictions outside Hong Kong; or

- (vi) the date on which the Grantee commits a breach of the Scheme regarding the assignment or transfer of or creation of interest in the Option.

(n) **Disputes**

*Existing provisions*

Any dispute arising in connection with the Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors who shall act as experts and not as arbitrators and whose decision shall be final and binding.

*Proposed amendments*

- (i) Any dispute arising in connection with the Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors who shall act as experts and not as arbitrators and whose decision shall be final and binding.
- (ii) In the event that any party to the dispute referred to above does not agree to resolve the relevant dispute in accordance with the procedures set out in (i) above or the Auditors are unwilling to act in accordance with (i) above, the dispute shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force and as may be amended by the provisions below.
  - (a) The appointing authority shall be the Hong Kong International Arbitration Centre (*HKIAC*).
  - (b) The place of arbitration shall be in Hong Kong at the HKIAC.
  - (c) There shall be only one arbitrator.
  - (d) The language(s) to be used in the arbitral proceedings shall be English.



Certain provisions, which also require the approval of shareholders in general meeting, are also proposed to be added to the current Share Option Scheme in accordance with the Listing Rules. A summary of such provisions is set out below:

(o) **Purpose**

The purpose of the Scheme is to recognise the contribution that certain individuals have made to the Company, to attract and retain the best available personnel and to promote the success of the Company's business and that of its subsidiaries.

(p) **Grant of Options to "Connected Persons"**

- (i) The independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the grantee of the Options) will be required to approve each grant of Options to a Connected Person of the Company.
- (ii) If a grant of Options to a substantial shareholder or an independent non-executive director of the Company or their respective associates will result in the total number of Shares issued and to be issued upon exercise of Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (1) representing in aggregate over 0.1 per cent. of the issued share capital of the Company from time to time; and
  - (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK\$5 million,

such further grant of Options will be required to be approved (voting by way of poll) by the shareholders of the Company. All Connected Persons of the Company will be required to abstain from voting at such general meeting, except that any Connected Person of the Company may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the shareholder circular.

(q) **Cancellation of Options**

- (i) Options granted but not exercised or lapsed may be cancelled with the consent of the relevant Grantee in accordance with the provisions of this Clause.
- (ii) Cancellation of Options granted but not exercised must be approved by a resolution of the Company in general meeting (voting by way of poll), with the relevant Grantees and their associates abstaining from voting.
- (iii) The Grantees whose Options are cancelled pursuant to this provision may be issued new Options in accordance with the provisions of the Scheme, provided unissued options are available under the Scheme (excluding any Options cancelled).

(r) **Alteration of the Scheme regarding Grant of Options to “Connected Persons” and Cancellation of Options**

It is proposed that any change in the clauses in relation to the grant of Options to Connected Persons and cancellation of Options shall not, together with other clauses as specified in the Scheme, be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the articles of association for the time being of the Company for a variation of the rights attached to the Shares. Any alterations to the terms and conditions of the Scheme which are of a material nature shall be subject to the approval of the Stock Exchange save where the alterations take effect automatically under the existing terms of the Scheme. Any change to the authority of the Board in relation to any alteration to the terms of the Scheme must be approved by the Company in general meeting.

**3. PROPOSED AMENDMENTS TO THE PRE-GLOBAL OFFERING SHARE OPTION SCHEME**

No further Options can be granted under the Pre-Global Offering Share Option Scheme. The proposed changes to the current Pre-Global Offering Share Option Scheme requiring the approval of the shareholders in general meeting are summarised in the following table:

(a) **Definition of Grantee**

*Existing provisions*

*Proposed amendments*

Include in the case of incapacitation, the Eligible Participant’s lawful attorney on legal representative.

(b) **Maximum Option Period**

*Existing provisions*

*Proposed amendments*

The period, to be determined and notified by the Board to each Grantee, during which the Grantee may exercise an Option may commence on a day after the Commencement Date but not later than 10 years from the Effective Date.

The period, to be determined and notified by the Board to each Grantee, during which the Grantee may exercise an Option may commence on a day after the date on which an Option is offered to an Eligible Participant but not later than 10 years from the Offer Date.

(c) **Conditions**

*Existing provisions*

The Scheme shall take effect subject to the passing of the necessary resolution to adopt the Scheme by the shareholders of the Company and is conditional upon the Listing Committee of the Stock Exchange granting approval of:

- (i) the Scheme;
- (ii) any Options which may be granted under the Scheme; and
- (iii) the listing of and permission to deal in any Shares to be issued pursuant to the exercise of Options under the Scheme.

If any of the above conditions are not satisfied on or before 31 December 2000, the Scheme shall forthwith determine, any option granted or agreed to be granted pursuant to this Scheme and any right of such a grant shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Scheme.

(d) **Exercise of Options in the event of termination of employment of the Grantee**

*Existing provisions*

In the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death or the summary termination of the Grantee's employment, the Grantee may exercise the Option up to his entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of 1 month following the date of such cessation;

*Proposed amendments*

The Scheme has taken effect on 21 June 2000. Any alterations to the Scheme shall be subject to the requirements of Clause 13 of the Scheme, which sets out the procedural requirements for any alterations to the Scheme.

*Proposed amendments*

In the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death or the summary termination of the Grantee's employment leading to the Board resolving that the Option should lapse, the Grantee may exercise the Option up to his entitlement at the date of cessation of his employment (to the extent not already exercised) within anytime from the date of such cessation up to the end of the Option Period;

**(e) Exercise of options in the event of death of the Grantee**

*Existing provisions*

In the event of the Grantee ceasing to be an Eligible Participant by reason of death and none of the events which would be a ground for summary termination of the Grantee's employment has occurred, the Options of the Grantee can be exercised in full (to the extent not already exercised) within a period of 12 months from the date of death (or such no longer period as the Board may determine);

*Proposed amendments*

In the event of the death of the Grantee and none of the events which would be a ground for summary termination of the Grantee's employment which has led the Board resolving that the Option should lapse has occurred, the Options of the Grantee can be exercised in full (to the extent not already exercised) within anytime from the date of death to the end of the Option Period;

**(f) Exercise of Options in the event of a general offer**

*Existing provisions*

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;

*Proposed amendments*

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 21 days after the date on which such general offer becomes or is declared unconditional;

**(g) Lapse of Options**

*Existing provisions*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in Clause 6.3(a), (b), (c) or (d) of the Scheme (i.e. in the cases of termination of employment, death of Grantee, general offer and winding up);
- (iii) subject to Clause 6.3(d) of the Scheme (for winding up), the date of the commencement of the winding-up of the Company (as determined in accordance with the Companies Ordinance);
- (iv) the date on which the Grantee ceases to be an Eligible Participant by reason of the summary termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to summarily terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a Grantee has or has not been terminated on one or more of the above grounds of the Scheme shall be conclusive; or

*Proposed amendments*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in Clause 6.3(c) or (e) of the Scheme (i.e. in the cases of general offer or compromise or arrangement);
- (iii) subject to Clause 6.3(d) of the Scheme (for winding up), the date of the commencement of the winding-up of the Company (as determined in accordance with the Companies Ordinance);
- (iv) the date on which the Board resolves that the Option of the Grantee shall lapse and not be exercisable as a result of the Grantee ceasing to be an Eligible Participant by reason of the summary termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a Grantee has or has not been terminated on one or more of the above grounds shall be conclusive for the purpose of determining whether the employment of the Grantee will be terminated; or

(v) the date on which the Grantee commits a breach of the Scheme regarding the assignment or transfer of or creation of interest in the Options.

(h) **Disputes**

*Existing provisions*

Any dispute arising in connection with the Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors who shall act as experts and not as arbitrators and whose decision shall be final and binding.

(v) the date on which the Grantee commits a breach of the Scheme regarding the assignment or transfer of or creation of interest in the Options.

*Proposed amendments*

(i) Any dispute arising in connection with the Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors who shall act as experts and not as arbitrators and whose decision shall be final and binding.

(ii) In the event that any party to the dispute referred to above does not agree to resolve the relevant dispute in accordance with the procedures set out in (i) above or the Auditors are unwilling to act in accordance with (i) above, the dispute shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force and as may be amended by the provisions below.

(a) The appointing authority shall be the Hong Kong International Arbitration Centre (**HKIAC**).

(b) The place of arbitration shall be in Hong Kong at the HKIAC.

(c) There shall be only one arbitrator.

(d) The language(s) to be used in the arbitral proceedings shall be English.

## LETTER FROM THE BOARD

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Certain provisions, which also require the approval of shareholders in general meeting, are also proposed to be added to the current Pre-Global Offering Share Option Scheme, in accordance with the Listing Rules. A summary of such provisions is set out below:

(i) **Cancellation of Options**

- (i) Options granted but not exercised or lapsed may be cancelled with the consent of the relevant Grantee in accordance with the provisions of this Clause.
- (ii) Cancellation of Options granted but not exercised must be approved by a resolution of the Company in general meeting (voting by way of poll), with the relevant Grantees and their associates abstaining from voting.

(j) **Alteration of the Scheme regarding Cancellation of Options**

It is proposed that any change in the clause in relation to cancellation of Options shall not, together with other clauses as specified in the Scheme, be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the articles of association for the time being of the Company for a variation of the rights attached to the Shares. Any alterations to the terms and conditions of the Scheme which are of a material nature shall be subject to the approval of the Stock Exchange save where the alterations take effect automatically under the existing terms of the Scheme. Any change to the authority of the Board in relation to any alteration to the terms of the Scheme must be approved by the Company in general meeting.

#### 4. FURTHER REFERENCES

Drafts of the proposed Share Option Scheme and Pre-Global Offering Share Option Scheme as amended are available for inspection as noted in section 8 of the Appendix to this circular. The amendments contain details of the changes mentioned in this circular and other minor changes made to them by the Board within their power.

#### 5. RECOMMENDATIONS

The Board is unanimous in recommending the proposed amendments to the Share Option Scheme and the Pre-Global Offering Share Option Scheme to you for your favourable consideration and would urge you to vote in favour of each of the resolutions set out in the Notice of Extraordinary General Meeting dated 16 April 2002 at the Extraordinary General Meeting on 13 May 2002. Your attention is drawn to the information set out in the Appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Yang Xian Zu**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

- (i) As at the Latest Practicable Date, the interests of the directors and the chief executive of the Company in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register required to be kept under section 29 of the SDI Ordinance were as follows:

<b>Name of Director</b>	<b>Personal Interest</b>
Shi Cuiming	30,000 Shares
Li Zhengmao	20,000 Shares
Tan Xinghui	20,000 Shares
C. James Judson	1,000 ADSs <sup>(1)</sup>

(1) *One American depositary share represents ten ordinary shares of HK\$0.10 each in the Company*

- (ii) As at the Latest Practicable Date, options exercisable for an aggregate of 2,107,000 Shares had been granted to the following Directors under the Company's share option scheme:

<b>Director</b>	<b>Number of Shares covered by options</b>
Yang Xian Zu	525,000
Wang Jianzhou	396,200
Shi Cuiming	396,200
Li Zhengmao	292,600
Ge Lei	292,600
Tan Xinghui	204,400

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had or was deemed to have any interests in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under section 31 of, or part 1 of the Schedule to, the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.



Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2001, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had since 31 December 2001, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the following persons were, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote at general meeting of any member of the Group. Such persons have no options in respect of such capital:

	No. of Shares	Percentage of Shares held
Unicom Group	9,725,000,020	77.47%
Unicom BVI	9,725,000,020	77.47%

*Note:* Because of the fact that Unicom Group directly controls one-third or more of the voting rights at general meetings of Unicom BVI, in accordance with the SDI Ordinance, the interests of Unicom BVI are deemed to be, and have therefore been included in, the interests of Unicom Group.

Save as disclosed herein, there is no person known to the Directors who, as at the Latest Practicable Date, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital of any member of the Group.

### 4. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract within the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### 6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2001, being the date of the latest published audited financial statements of the Company.

**7. MISCELLANEOUS**

- (a) The Company Secretary is Ngai Wai Fung (*MBA, LLB and FCIS*).
- (b) The registered office and head office of the Company is 75th Floor, The Center, 99 Queen's Road Central, Hong Kong.
- (c) The share registrar for the Shares is Hong Kong Registrars Limited, 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Freshfields Bruckhaus Deringer, 11th Floor, Two Exchange Square, Hong Kong during normal business hours on any business day from the date of this circular until 13 May 2002:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports and accounts of the Company for each of the three financial years ended 31 December 2001;
- (c) the current Share Option Scheme and a draft of the proposed Share Option Scheme as amended; and
- (d) the current Pre-Global Offering Share Option Scheme and a draft of the proposed Pre-Global Offering Scheme as amended.



**CHINA UNICOM LIMITED**

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

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of China Unicom Limited (the “Company”) will be held at Ballroom C, Island Shanghai-la Hotel, 5/F Pacific Place, Supreme Court Road, Hong Kong, on 13 May 2002 at or about 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

**ORDINARY RESOLUTIONS**

1. **“THAT** the amendments to the Share Option Scheme of the Company (the “Share Option Scheme”) referred to in the circular to shareholders of the Company dated 16 April 2002 (the “Circular”) and contained in the amended Share Option Scheme, a copy of which is available for inspection as detailed in the Circular and produced to this meeting and for the purposes of identification initialled by the Chairman, be approved, subject to such modification of those amendments on the Share Option Scheme as the Directors may consider necessary to take into account of the requirements of The Stock Exchange of Hong Kong Limited and that the Directors be authorised to adopt the amendments to the Share Option Scheme and do all acts and things necessary to carry such amendments and modifications (if any) into effect.”
2. **“THAT** the amendments to the Pre-Global Offering Share Option Scheme of the Company (the “Pre-Global Offering Share Option Scheme”) referred to in the Circular and contained in the amended Pre-Global Offering Share Option Scheme, a copy of which is available for inspection as detailed in the Circular and produced to this meeting and for the purposes of identification initialled by the Chairman, be approved, subject to such modification of those amendments on the Pre-Global Offering Share Option Scheme as the Directors may consider necessary to take into account of the requirements of The Stock Exchange of Hong Kong Limited and that the Directors be authorised to adopt the amendments to the Pre-Global Offering Share Option Scheme and do all acts and things necessary to carry such amendments and modifications (if any) into effect.”

By Order of the Board  
**Ngai Wai Fung**  
*Company Secretary*

Hong Kong, 16 April 2002

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his stead in accordance with the articles of association of the Company. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited with the Company at 75th Floor, The Center, 99 Queen's Road Central, Hong Kong not less than 48 hours before the time of the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting should they so wish.