

Other Information

SHARE OPTION SCHEMES OF THE COMPANY

1. *Share option scheme*

The Company adopted a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to employees who have made contributions to the development of the Company. The terms of the Share Option Scheme comply with the requirements set out in chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and provide favourable scheme to attract and retain key personnel. Under the Share Option Scheme:

- (a) Share Options may be granted to employees including executive directors of the Group and any of the non-executive directors;
- (b) Any grant of share options to a Connected Person (as defined in the Listing Rules) of the Company must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the grantee of the options);
- (c) The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at 13 May 2002;
- (d) The option period commences on any day after the date on which an option is offered, but may be exceed 10 years from the offer date;
- (e) The subscription price shall not be less than the higher of:
 - i. The nominal value of the shares;
 - ii. The closing price of the shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as stated in the Stock Exchange’s quotation sheets on the offer date in respect of the options; and
 - iii. The average closing price of the shares on the Stock Exchange’s quotation sheets for the five trading days immediately preceding the offer date.

As of 30 June 2004, 138,140,800 share options had been granted and remain valid under the Share Option Scheme of the Company, of which 4,572,000 share options are being held by the directors. Please refer to the paragraph “Directors’ Rights to Acquire Shares” hereinbelow for details. All the options granted and outstanding as at 30 June 2004 under the Share Option Scheme are governed by the terms as amended on 13 May 2002.

For the six months ended 30 June 2004, 8,790,000 options granted under the Share Option Scheme have been exercised. Among which, 8,424,000 options were exercised at the price of HK\$6.18 per share, 366,000 options were exercised at the price of HK\$4.30 per share.

2. *Pre-global offering share option scheme*

On 1 June 2000, the Company also adopted a pre-global offering share option scheme (the “Pre-Global Offering Share Option Scheme”). The terms of the Pre-Global Offering Share Option Scheme are substantially the same as the Share Option Scheme stated above except that:

- (a) The price of a share payable upon the exercise of an option shall be HK\$15.42 (excluding the brokerage fee and Stock Exchange transaction levy);
- (b) The period during which an option may be exercised commenced two years from the date of grant of the options and ends 10 years from 22 June 2000; and
- (c) No further options can be granted under the scheme.

As of 30 June 2004, 25,436,600 share options had been granted and remain valid under the Pre-Global Offering Share Option Scheme of the Company, of which 893,200 options are being held by the directors. Please refer to the paragraph “Directors’ Rights to Acquire Shares” hereinbelow for details.

All of the options granted and outstanding as at 30 June 2004 under the Pre-Global Offering Share Option Scheme are governed by the terms as amended on 13 May 2002.

Up to 30 June 2004, no options granted under the Pre-Global Offering Share Option Scheme have been exercised.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES

For the six months ended 30 June 2004, the interests or short positions of the directors of the Company reported and disclosed under the Securities & Futures Ordinance (the “Ordinance”) in the equity securities of the Company and any of its associated corporations as defined in the Ordinance were as follows:

| Name of Directors | Personal Interests | Changes during the period | Personal Interests |
|--------------------------|-----------------------------------|------------------------------|-----------------------------|
| | at the beginning of the period | | at the end of the period |
| Shi Cuiming ¹ | 30,000 ordinary shares | — | N/A |

¹ Mr. Shi Cuiming resigned as Executive Director and Executive Vice President on 1 February 2004.

In addition, certain directors personally hold options to purchase ordinary shares of the Company as disclosed under the paragraph “Directors’ Rights to Acquire Shares” below. These share options are granted pursuant to the terms of the Share Option Scheme and the Pre-Global Offering Share Option Scheme adopted by the Company.

Apart from the foregoing, as at 30 June 2004, none of the directors had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures in the Company or any of its associated corporations as defined in the Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

For the six months ended 30 June 2004, the interests of the directors of the Company reported and disclosed under the Ordinance in the equity securities of the Company and any of its associated corporations consisted of share options granted pursuant to the Share Option Scheme and the Pre-Global Offering Share Option Scheme to subscribe for shares of the Company. Details of such share options are set out below:

| Name of Directors | No. of Options of directors outstanding at the beginning of the period ¹ | No. of Options granted to directors during the period ¹ | No. of Options exercised by directors during the period | No. of Options of directors outstanding at the end of the period |
|-------------------------------------|--|---|--|--|
| Wang Jianzhou | 1,236,200 | — | — | 1,236,200 |
| Tong Jilu ² | N/A | — | — | 876,000 |
| Zhao Le ² | N/A | — | — | 544,400 |
| Shi Cuiming ³ | 1,188,200 | — | — | N/A |
| Lo Wing Yan, William | 292,000 | — | — | 292,000 |
| Ye Fengping | 472,000 | — | — | 472,000 |
| Liu Yunjie ⁴ | N/A | — | 292,000 | 584,600 |
| Ge Lei ⁵ | 876,600 | — | — | N/A |
| Lee Hon Chiu ⁶ | 584,000 | — | — | N/A |
| Wu Jinglian | 584,000 | — | — | 584,000 |
| Shan Weijian | 292,000 | — | — | 292,000 |
| Craig O. McCaw | 584,000 | — | — | 584,000 |
| Cheung Wing Lam, Linus ⁷ | N/A | — | — | — |

1 Each option gives the holder the right to subscribe for one share.

2 Mr. Tong Jilu was appointed as Executive Director and Chief Financial Officer on 1 February 2004. Mr. Zhao Le was appointed as Executive Director and Vice President on 1 February 2004.

3 Mr. Shi Cuiming resigned as Executive Director and Executive Vice President on 1 February 2004.

4 Mr. Liu Yunjie resigned as Vice President and was appointed as Non-Executive Director on 1 February 2004.

5 Mr. Ge Lei resigned as Non-Executive Director on 1 February 2004.

6 Mr. Lee Hon Chiu resigned as Independent Non-Executive Director on 12 May 2004.

7 Mr. Cheung Wing Lam, Linus was appointed as Independent Non-Executive Director on 12 May 2004.

Apart from the foregoing, at no time during the six months ended 30 June 2004 was the Company, or any of its holding companies or subsidiaries, a party to any arrangement to enable the directors or any of their spouses or children under eighteen years of age to acquire shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests or short positions in the Company's issued shares at 30 June 2004 amounting to 5% or more of the ordinary shares in issue:

| | | Shares Held Directly | Shares Held Indirectly | Percentage of Total Issued Shares |
|-------|---|----------------------------|------------------------------|---|
| (i) | China United Telecommunications Corporation ("Unicom Group") | — | 9,725,000,020 | 77.42% |
| (ii) | China United Telecommunications Corporation Limited ("China Unicom Corporation") | — | 9,725,000,020 | 77.42% |
| (iii) | China Unicom (BVI) Limited ("China Unicom (BVI)") | 9,725,000,020 | — | 77.42% |

Note: As Unicom Group and China Unicom Corporation directly or indirectly control one-third or more of the voting rights in the shareholders' meetings of China Unicom (BVI), in accordance with the Ordinance, the interests of China Unicom (BVI) are deemed to be, and have therefore been included in, the interests of Unicom Group and China Unicom Corporation.

Apart from the foregoing, as at 30 June 2004 no person or corporation had any interest or short position in the shares or underlying shares in the Company as recorded in the register required to be kept under section 336 of the Ordinance.

INTERIM DIVIDEND

It was resolved by our Board of Directors that no interim dividend for the six months ended 30 June 2004 be declared.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30 June 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed together with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. In addition, PricewaterhouseCoopers, the auditors of the Company, has reviewed the unaudited condensed consolidated interim accounts in accordance with Statements of Accounting Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants.

COMPLIANCE WITH THE LISTING RULES AND THE CODE OF BEST PRACTICE

According to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed materially from the information disclosed in the Company's 2003 annual report.

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2004 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual meetings in accordance with the Company's Articles of Association.

FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of the above statements. These forward-looking statements are subject to risks and uncertainties, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategy.

By Order of the Board

Yee Foo Hei

Company Secretary

Hong Kong, 26 August 2004