



北京2008年奧運會合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES

Analyst Presentation

- Merger of China Netcom and China Unicom

June 2, 2008

China Netcom Brings the Olympics to You



Disclaimer



北京2008年奧運會合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN

This presentation and the presentation materials contain “forward looking statements.” Except for statements of historical fact, all of the statements made by China Netcom Group Corporation (Hong Kong) Limited (“China Netcom”) regarding business activities, events, or developments (including but not limited to forecasts, goals, estimates, and operating plans) predicted or expected to occur in the near future are all forward looking statements. Being subject to the impact of numerous variables and uncertainties, China Netcom’ s actual results or development may vary materially from these forward looking statements. The above-described variables and uncertainties include but are not limited to: the demand for telecommunications services, competitiveness in an increasingly open market, the impact of reduced fees, changes in regulatory policy or sector environment, and other risks and factors which are not under China Netcom’ s control. Furthermore, the forward looking statements made herein by China Netcom are only its views as of today, and China Netcom shall be under no obligation to update the above-described forward looking statements.

Agenda



Transaction Overview

Expected Benefits of Merger with China Netcom



China Netcom Brings the Olympics to You



北京2008年奥运会合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES

Transaction Overview

LI Fushen,
Executive Director & CFO



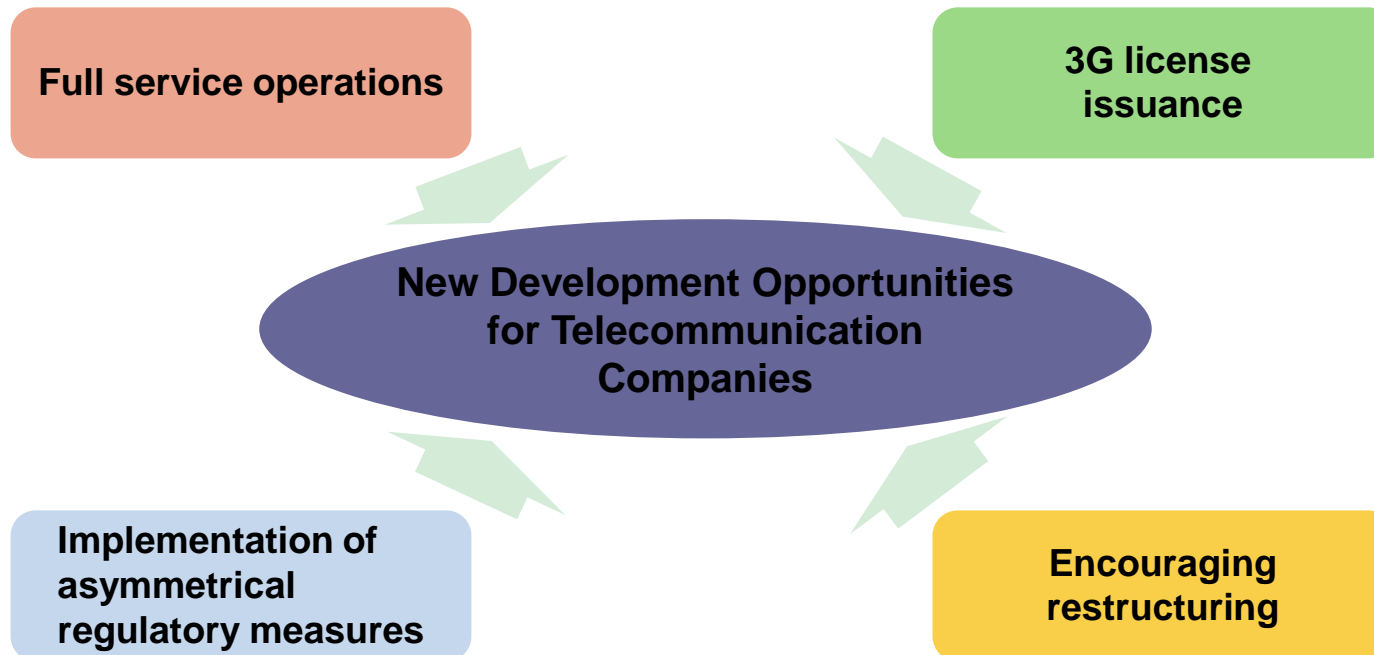
China Netcom Brings the Olympics to You

Transaction background



北京2008年奥运会合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN

- **Goals of telecom sector restructuring according to government-published notice:**
 - Achieve full service operations,
 - Issue three 3G licenses,
 - Implement asymmetrical regulatory measures, and
 - Encourage restructuring within telecom industry
- **CNC believes the plan will lay a foundation for the industry's healthy growth and maximize shareholder value in the long-term**
- **Discussions with some relevant parties about the restructuring plan already started**



Key transaction terms



北京2008年奧運會合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN

Merger Method

- Scheme of arrangement

Consideration

- Total consideration is approximately HKD 439.2 billion

Exchange ratio

- 1.508 shares of Unicom stock will be converted into 1 share of Netcom stock
- 3.016 shares of Unicom ADS will be converted into 1 share of Netcom ADS

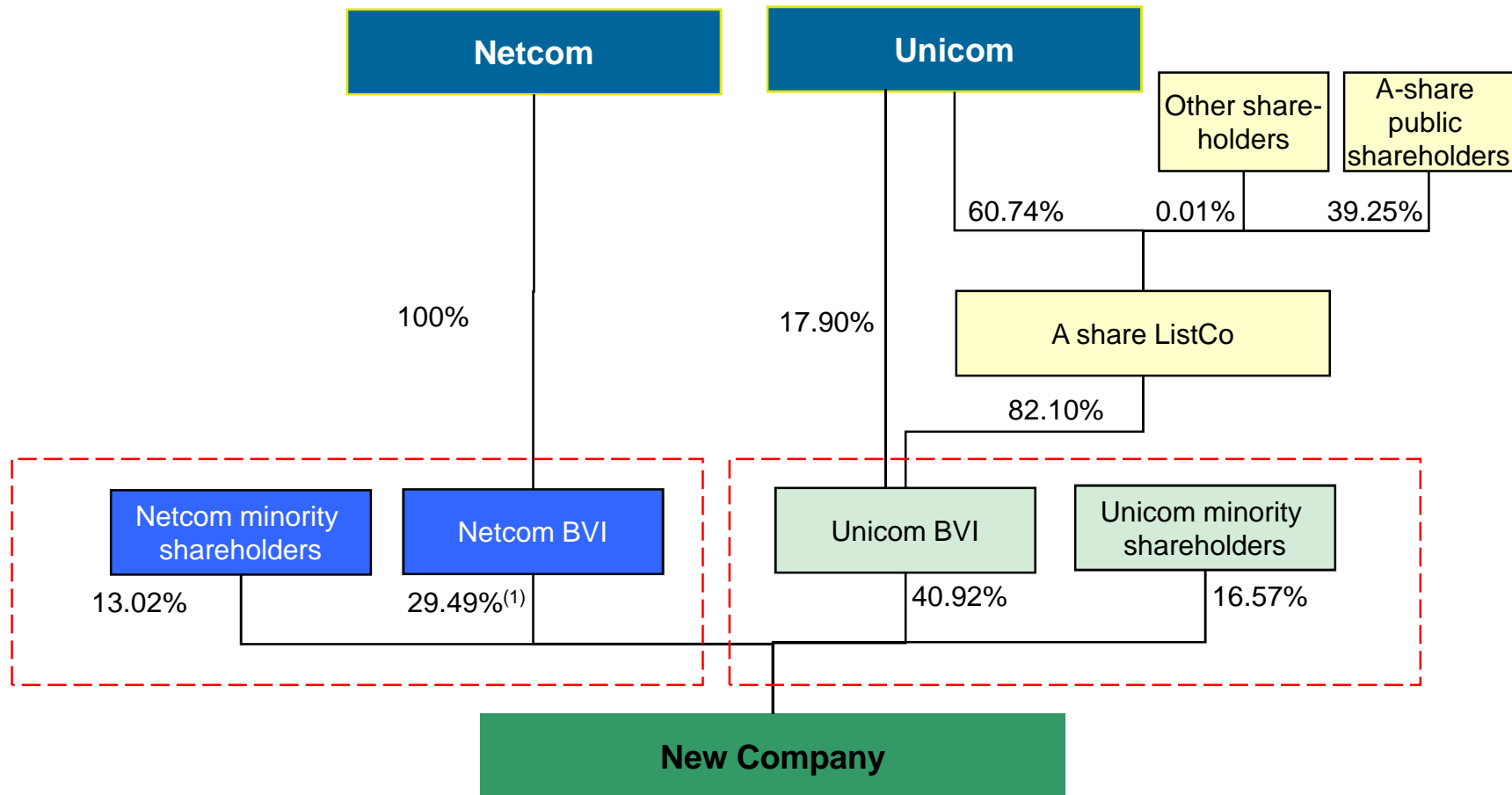
Conditions of the Scheme

- Scheme to be approved (by way of poll) by at least 75% of the disinterested/unaffiliated votes attaching to the Scheme Shares and a majority in number of the voting Scheme Shareholders attending either in person or by proxy at the Court Meeting
- The number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attached to all of the Scheme Shares held by the Scheme Shareholders

Timing

- Scheme of Arrangement's timetable will be determined by the availability of the Court. Usually, Scheme documents will be disseminated approximately 2 months after the announcement
- EGM will be held 1 month after the scheme documents are disseminated and will become effective approximately 2 weeks after the Court hearing and EGM

Post merger shareholding structure



Note: (1) Netcom BVI excludes shares held by five Chinese shareholders

(2) Assume Unicom acquires Netcom via share swap by issuing new shares, with exchange ratio of 1.508



北京2008年奥运会合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES

Expected Benefits of Merger to China Netcom

ZUO Xunsheng,
Chairman & CEO



China Netcom Brings the Olympics to You

Expected benefits of merger to Netcom



北京2008年奧運會合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN

- 1 Full service operations will meet diverse needs of customers
- 2 Multi-network integration will promote broadband growth
- 3 Unique combination of growth & cash flow
- 4 Enhanced scale and ability to compete
- 5 Synergies achieved and greater shareholder value realized

Full service operations to meet diverse needs of customers



北京2008年奧運會合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN

Full-service integration in-line with global telecommunication trends :

Ranking of Global Top 10 Telecom Operators by Market Cap.

2007	Operator	2004	2002	2001
1	China Mobile	9	7	9
2	AT&T	6	4	2
3	Vodafone	1	1	1
4	Telefonica	11	8	10
5	Verizon	2	2	3
6	Deutsche Telekom	3	6	8
7	France Telecom	7	-	15
8	NTT	8	5	13
9	NTT DoCoMo	5	3	4
10	AMX	-	-	-

Source: Factset.

Based on a 2007 ranking by market cap, most top-10 operators run on a full-service basis

Strategic & Operational Objectives:

Multi-tiered Product Suite

- Address customer needs with range of Fixed, Wireless, Broadband & VAS services

Cross-selling & Bundling

- Improve customer loyalty, focus on retention
- Share customer resources

Business Integration

- Combine sales channels for national network
- Enhance operating efficiency

Network Integration

- Facilitate fixed-mobile convergence; for products, network & technologies

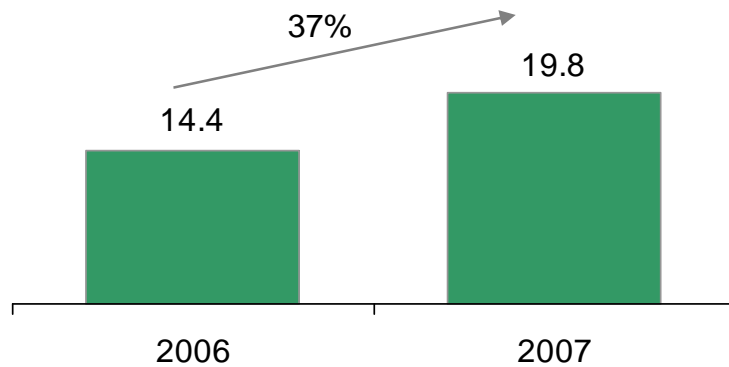
Multi-network integration will promote broadband growth



北京2008年奧運會合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN

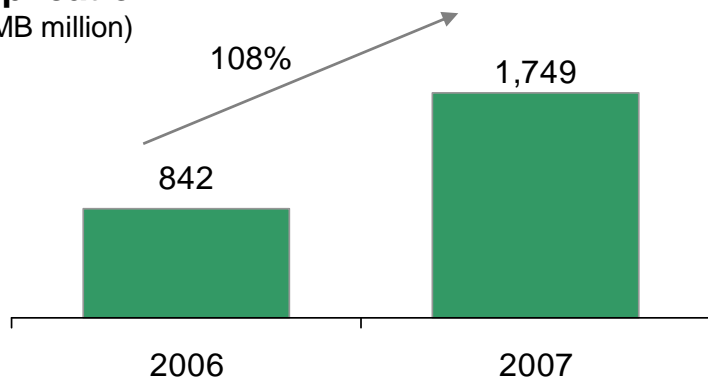
Increasing broadband subscribers

(million)



Increasing revenue of broadband content & application

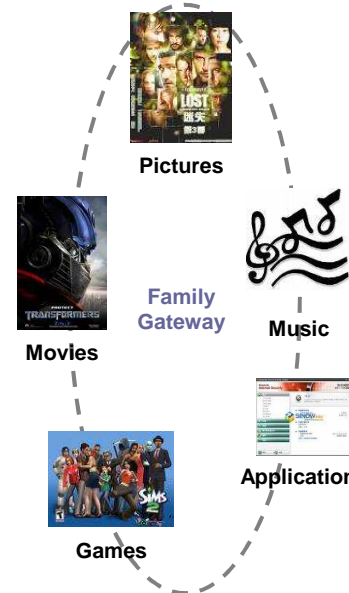
(RMB million)



Source: Company reports.

Mobile enhances the broadband business model

Multimedia Content & Applications



Multiple Terminals



Achieving a unique combination of growth & cash flow

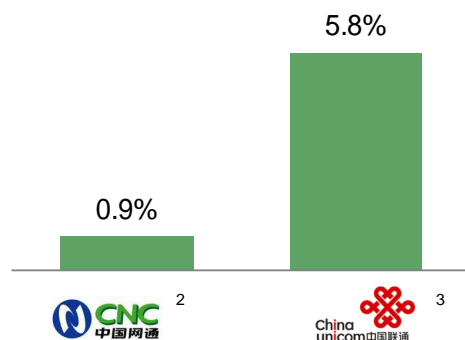


北京2008年奥运会合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN

Improved growth Profile...

2007 Subscriber Growth¹ (2.8%) 12.7%

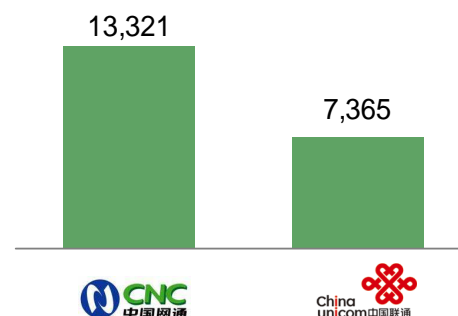
2007 Revenue Growth²



... Strong cash flows

2007 Capex as % of Revenue 25.1% 38.4%

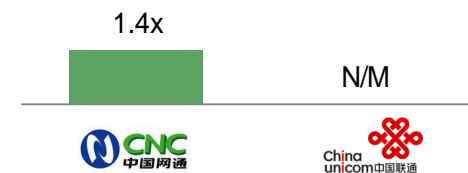
2007 Levered Free Cash Flow (RMB mm)⁴



... and substantial financial capabilities

Net Debt To Capital⁵ 39% NM

2007 Net Debt / EBITDA⁵



- Strong basis for growth
- Strong basis for cash flow
- Substantial debt capacity

To pursue new growth opportunities

New 3G License

FTTx

Content Acquisition

Source: Company reports.

¹ Fixed line and PHS subscribers for Netcom, GSM subscribers for Unicom

² Revenue excludes upfront connection fee for Netcom

³ Total revenue less CDMA revenue for Unicom

⁴ Levered free cash flows defined as Net cash from operating activities of continuing operations - net cash from investing activities of continuing operations

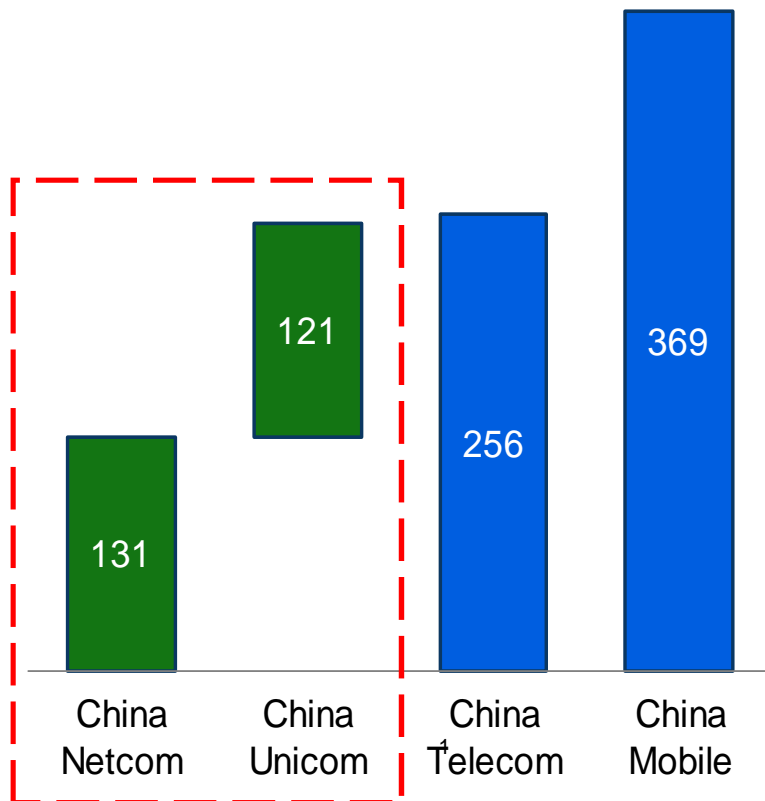
⁵ Net Debt defined as total debt - cash and bank deposits as at 31 Dec 2007. Capital defined as total debt + Shareholders' equity as at 31 Dec 2007. EBITDA excludes other income

Enhanced scale and ability to compete

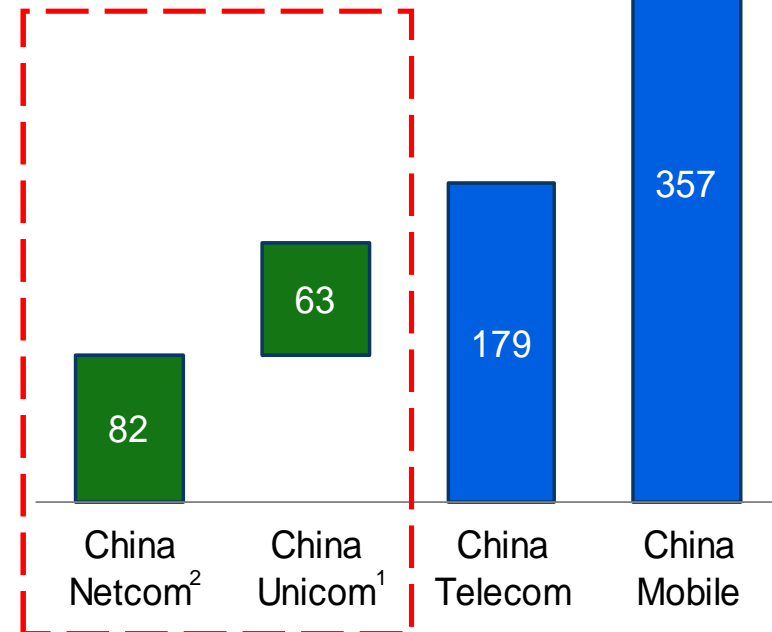


北京2008年奥运会合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN

Subscribers in 2007 (million)



Revenue in 2007 (RMB billion)



Source: Company reports

¹ China Unicom GSM data

² Revenue excludes upfront connection fee for Netcom

Create synergies and shareholders' value



北京2008年奧運會合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES
HKSE: 906; NYSE: CN



- 1 **Enhanced strategic positioning**
- 2 **Improved market position**
- 3 **Greater resources and strengths to achieve economies of scale**
- 4 **Enhanced technological and product innovation to suit ever-changing market trends**
- 5 **Improved management strength and organizational structure**
- 6 **Optimized capital structure and enhanced financial capabilities**



北京2008年奧運會合作夥伴
OFFICIAL PARTNER OF THE BEIJING 2008 OLYMPIC GAMES

联合网络 共创卓越



China Netcom Brings the Olympics to You

