



CHINA NETCOM GROUP CORPORATION (HONG KONG) LIMITED

中國網通集團(香港)有限公司

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

(Stock Code: 906)

ANNOUNCEMENT

The board of directors of the Company announces that on 2 June 2006, the Company entered into the Share Purchase Agreement with the Purchasers. Pursuant to the Share Purchase Agreement, CNCI, a wholly-owned subsidiary of the Company and parent of Asia Netcom, agrees to sell, and the Purchasers agree to purchase, 100% of the equity interest in Asia Netcom. The Company agrees, under the Share Purchase Agreement, to guarantee to the Purchasers, the full performance by CNCI of all its obligations under the Share Purchase Agreement and related ancillary agreements. The Purchasers shall pay the aggregate consideration of USD168,840,000 for the equity interest in Asia Netcom. After the disposal of Asia Netcom and its subsidiaries, the Company will maintain its business relationship with Asia Netcom in connection with its own international operations and such business relationship will include the purchase of capacity from Asia Netcom.

As each of the percentage ratios under Rule 14.07 of the Listing Rules is less than 5% and that the Purchasers and their ultimate beneficial shareholders are third parties independent of the Company and its connected persons (as defined in the Listing Rules), the transaction contemplated under the Share Purchase Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules nor a connected transaction under Chapter 14A of the Listing Rules.

Pursuant to a share purchase agreement dated 2 June 2006 (“**Share Purchase Agreement**”) entered into among the Company, China Netcom Corporation International Limited (“**CNCI**”), Asset Holder PCC Limited re Ashmore Emerging Markets Liquid Investment Portfolio (“**Ashmore**”) and Spinnaker Global Opportunity Fund Limited (“**Spinnaker**” and together with Ashmore, the “**Purchasers**”), CNCI, a wholly-owned subsidiary of the Company and parent of Asia Netcom Corporation Limited (“**Asia Netcom**”), agrees to sell, and the Purchasers agree to purchase, 100% of the equity interest in Asia Netcom. The Purchasers shall pay the aggregate consideration of USD168,840,000 for the equity interest in Asia Netcom. The Company agrees, under the Share Purchase Agreement, to guarantee to the Purchasers, the full performance by CNCI of all its obligations under the Share Purchase Agreement and related ancillary agreements. The key conditions to closing under the Share Purchase Agreement include the receipt of all regulatory approvals, all approvals from telecommunications authorities and that no revocation or termination of any communications licenses has occurred, the representations and warranties of CNCI are true and accurate in all material respects and all covenants have been complied with in all material respects, the absence of a material adverse effect and the receipt of a legal opinion from each of Bermuda counsel and People’s Republic of China counsel. Closing under the Share Purchase

Agreement (“**Closing**”) is to occur by 45 days after the date of the Share Purchase Agreement. If Closing does not occur by such date and the only unsatisfied condition to Closing is the lack of receipt of any regulatory approval, such date will be extended by an additional 60 days. Further announcement will be made by the Company promptly after Closing or upon the expiry of such 60-day period, whichever is earlier.

The sale of Asia Netcom and its subsidiaries (the “**ANC Group**”) is in line with the Company’s strategy of focusing on the development of telecommunications services in relation to the People’s Republic of China. Asia Netcom on its own behalf and through its affiliates owns and operates, mainly in the Asia-Pacific region, a subsea cable system and related physical network assets.

After the disposal of Asia Netcom and its subsidiaries, the Company will maintain its business relationship with Asia Netcom in connection with its own international operations and such business relationship will include the purchase of capacity from Asia Netcom. Asia Netcom and the Company will cooperate in good faith to explore potential future business partnerships and opportunities.

As each of the percentage ratios under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) is less than 5% and that the Purchasers and their ultimate beneficial shareholders are third parties independent of the Company and its connected persons (as defined in the Listing Rules), the transaction contemplated under the Share Purchase Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules or a connected transaction under Chapter 14A of the Listing Rules.

By Order of the Board
China Netcom Group Corporation (Hong Kong) Limited
Zhang Chunjiang
Chairman

Hong Kong, 2 June 2006

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhang Chunjiang, Mr. Zuo Xunsheng, Mr. Zhang Xiaotie and Mr. Miao Jianhua as executive directors, Dr. Tian Suning, Ms. Li Liming, Mr. José María Álvarez-Pallete and Mr. Yan Yixun as non-executive directors, and Mr. John Lawson Thornton, Mr. Victor Cha Mou Zing, Dr. Qian Yingyi, Mr. Hou Ziqiang, and Mr. Timpson Chung Shui Ming as independent non-executive directors.

Please also refer to the published version of this announcement in South China Morning Post.