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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)

CONNECTED TRANSACTION

SUMMARY

The Board announces that China Netcom System Integration, an indirect wholly-owned subsidiary of the Company, entered into the Equity Interest Transfer Agreement on 5 December 2007 with China Netcom Beijing Communications, pursuant to which China Netcom System Integration agreed to acquire the entire equity interest of Beijing Telecommunications Design Institute from China Netcom Beijing Communications for a total consideration of RMB298,915,300. It is expected that completion of the Acquisition will take place before 30 December 2007.

China Netcom Beijing Communications is a wholly-owned subsidiary of China Netcom Group, the ultimate holding company of the Company. As such, China Netcom Beijing Communications is a connected person of the Company and the Acquisition constitutes an one-off connected transaction for the Company.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 0.1% (but are below 2.5%), the Acquisition is only subject to the reporting and announcement requirements under the Listing Rules.

EQUITY INTEREST TRANSFER AGREEMENT

Date: 5 December 2007

Parties: (1) Vendor: China Netcom Beijing Communications

(2) Purchaser: China Netcom System Integration

Pursuant to the Equity Interest Transfer Agreement, China Netcom System Integration, an indirect wholly-owned subsidiary of the Company, agreed to acquire the entire equity interest of Beijing Telecommunications Design Institute from China Netcom Beijing Communications.

CONDITIONS OF THE COMPLETION OF THE ACQUISITION

Completion of the Acquisition is conditional upon the fulfillment of the following conditions:

- (a) the obtaining of the necessary approvals and authorisations by China Netcom Beijing Communications in connection with the disposal of Beijing Telecommunications Design Institute in accordance with the relevant laws, regulations and administrative policies; and
- (b) the compliance by China Netcom System Integration of the approval and authorisation procedures in respect of the Acquisition as stipulated under law and the articles of association of China Netcom System Integration.

The above conditions cannot be waived.

CONSIDERATION

The consideration of the Acquisition is RMB298,915,300 which was determined and agreed between the parties after arm's length negotiations and was based on various factors, including the quality of the assets being acquired and the financial and operational indicators of Beijing Telecommunications Design Institute. China Netcom System Integration will pay the entire consideration in cash to China Netcom Beijing Communications on or before 20 December 2007. The consideration will be paid using the Group's internal resources.

COMPLETION OF THE ACQUISITION

It is expected that completion of the Acquisition will take place before 30 December 2007.

INFORMATION ON BEIJING TELECOMMUNICATIONS DESIGN INSTITUTE

Beijing Telecommunications Design Institute is a first-class design institute established in 1953. It has strong technical expertise and possesses technical qualifications to undertake all of its design work. Its quality assurance system is amongst the most advanced in the PRC. The principal business of Beijing Telecommunications Design Institute is the construction of networks for the communications industry, provision of communications planning services, technical consultancy services, consultancy and design services which are targeted to the telecommunications needs of intranet and commercial customers and consultancy services in respect of overseas markets, as well as the construction of information systems for governmental departments. Beijing Telecommunications Design Institute possesses various professional technical qualifications for the provision of these services.

According to the audited accounts of Beijing Telecommunications Design Institute, its audited net asset value as at 31 December 2006 was RMB137.42 million and its unaudited net asset value as at 30 September 2007 based on its management accounts is RMB313.67 million. The audited net profit before and after taxation and extraordinary items for the financial years ended 31 December 2005 and 31 December 2006 as prepared under PRC GAAP of Beijing Telecommunications Design Institute are set out below:

	For the financial year ended 31 December	
	2005	2006
	<i>RMB million</i>	<i>RMB million</i>
Net profit before taxation and extraordinary items	63.41	74.80
Net profit after taxation and extraordinary items	53.98	57.50

REASONS FOR AND BENEFITS OF THE ACQUISITION

In view of the growing integration between information technology and the communications business, in 2007 the Company set a long-term objective of becoming “China’s leading information communications technology services provider” in the field of information communications technology and the Company intends to pursue such objective by increasing its efforts in developing its information communications technology business.

The acquisition of Beijing Telecommunications Design Institute will strengthen the operational capabilities of China Netcom System Integration in terms of technical qualifications, the provision of consultancy services and comprehensive solutions and also human resources, and the Acquisition will accelerate the strategic transformation of the Company.

COMPLIANCE WITH THE LISTING RULES

China Netcom Beijing Communications is a wholly-owned subsidiary of China Netcom Group, the ultimate holding company of the Company. As such, China Netcom Beijing Communications is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company.

The Group has acquired certain telecommunications assets in Shandong from China Netcom Group on 31 December 2006. The consideration for the acquisition was RMB81,291,663. As the size of the acquisition is far below the applicable percentage ratios set out in Rule 14.07 of the Listing Rules, it was not subject to the reporting, announcement or shareholders approval requirements under the Listing Rules. However, as the transaction was entered into within 12 months of the Acquisition, the transaction is, pursuant to the Listing Rules, required to be aggregated with the Acquisition for the purpose of determining the applicable percentage ratios in respect of the Acquisition. Taking into account such aggregation, the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition, together with the previous acquisition, exceed 0.1% (but are below 2.5%). Accordingly, the Acquisition is only subject to the reporting and announcement requirements under the Listing Rules. Save as disclosed above, there are no prior transactions with each of China Netcom Beijing Communications, China Netcom Group and their ultimate beneficial owners which require aggregation under Rule 14A.25 of the Listing Rules.

The Directors are of the view that the Equity Interest Transfer Agreement was entered into after arm’s length negotiation between China Netcom Beijing Communications and China Netcom System Integration and reflect normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Interest Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION

The Company is a leading broadband and fixed-line telecommunications operator in China. Its service regions cover the area of Beijing Municipality, Tianjin Municipality, Hebei Province, Henan Province, Shandong Province, Liaoning Province, Heilongjiang Province, Jilin Province, Neimenggu Autonomous Region and Shanxi Province.

China Netcom Beijing Communications is a wholly-owned subsidiary of China Netcom Group, a state-owned enterprise established under the laws of the PRC which is the ultimate holding company of the Company. China Netcom Group is the second largest fixed-line telecommunications operator in China. China Netcom Group owns and operates its fixed-line telecommunications networks, and provides telecommunications services including fixed-line telephone, broadband and other Internet-related services in all provinces, municipalities and autonomous regions in China that are outside the Company's existing service regions.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition by China Netcom System Integration of the entire equity interest of Beijing Telecommunications Design Institute from China Netcom Beijing Communications pursuant to the Equity Interest Transfer Agreement
“Beijing Telecommunications Design Institute”	Beijing Telecommunications Planning and Designing Institute Corporation Limited (北京電信規劃設計院有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of China Netcom Beijing Communications as at the date of this announcement
“Board”	the board of Directors
“China” or “PRC”	the People's Republic of China (excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan)
“China Netcom Beijing Communications”	China Netcom Group Beijing Communications Corporation (中國網通集團北京市通信公司), a company established under the laws of the PRC and a wholly-owned subsidiary of China Netcom Group

“China Netcom Group”	China Network Communications Group Corporation (中國網絡通信集團公司), a company established under the laws of the PRC and the ultimate holding company of the Company
“China Netcom System Integration”	China Netcom Group System Integration Limited Corporation (中國網通集團系統集成有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Company”	China Netcom Group Corporation (Hong Kong) Limited (中國網通集團(香港)有限公司), a company incorporated in Hong Kong whose ordinary shares are listed on The Stock Exchange of Hong Kong Limited and whose American depository shares are listed on the New York Stock Exchange, Inc.
“Directors”	the directors of the Company
“Equity Interest Transfer Agreement”	the equity interest transfer agreement dated 5 December 2007 entered into between China Netcom Beijing Communications and China Netcom System Integration in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC GAAP”	generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 5 December 2007

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhang Chunjiang, Mr. Zuo Xunsheng, Ms. Li Jianguo, Mr. Zhang Xiaotie and Mr. Li Fushen as executive directors, Mr. Yan Yixun, Mr. Cesareo Alierta Izuel and Mr. José María Álvarez-Pallete 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.