

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

**If you are in any doubt** as to any aspect of this document, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.



## 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)**

*Executive Directors:*

Zhang Chunjiang (*Chairman*)  
Zuo Xunsheng (*Chief Executive Officer*)  
Li Jianguo  
Zhang Xiaotie  
Li Fushen (*Chief Financial Officer*)

*Registered Office:*

Room 6701  
The Center  
99 Queen's Road Central  
Hong Kong

*Non-executive Directors:*

Yan Yixun  
Cesareo Alierta Izuel  
José María Álvarez-Pallete

*Independent Non-executive Directors:*

John Lawson Thornton  
Victor Cha Mou Zing  
Qian Yingyi  
Hou Ziqiang  
Timpson Chung Shui Ming

7 April 2008

*To the shareholders*

Dear Sir or Madam,

This is the Explanatory Statement required to be sent to shareholders under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in connection with the proposed Ordinary Resolution set out in item 5 of the Notice of Annual General Meeting (the “**AGM Notice**”) dated 7 April 2008 for the approval of the renewal of the general mandate for repurchase of shares. This document also constitutes the Memorandum required under section 49BA of the Companies Ordinance. Reference in this document to “Shares” means share(s) of all classes in the capital of China Netcom Group Corporation (Hong Kong) Limited (the “**Company**”).

## **EXERCISE OF THE REPURCHASE MANDATE**

Whilst the Directors do not presently intend to repurchase any Shares immediately, they believe that the flexibility afforded by the mandate granted to them if the Ordinary Resolution set out as item 5 of the AGM Notice (the “**Repurchase Mandate**”) is passed would be beneficial to the Company and to its shareholders as a whole.

It is proposed that up to 10 per cent. of the issued and outstanding Shares on the date of the passing of the resolution to approve the Repurchase Mandate may be repurchased. As at 25 March 2008, the latest practicable date for determining such figures, 6,684,105,900 Shares were issued and outstanding. On the basis of such figures, the Directors would be authorised to repurchase up to 668,410,590 Shares during the period up to the date of the next annual general meeting in 2009, or the expiration of the period within which the next annual general meeting of the Company is required by law to be held, or the revocation or variation of the Repurchase Mandate by an ordinary resolution of the shareholders at a general meeting of the Company, whichever of these three events occurs first.

## **REASONS FOR REPURCHASES**

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

## **FUNDING OF REPURCHASES**

Repurchases pursuant to the Repurchase Mandate would be financed entirely from the Company’s available cash flow or working capital facilities. Any repurchases will be made out of funds of the Company legally permitted to be utilised in this connection in accordance with its memorandum and articles of association and the laws of Hong Kong, including profits otherwise available for distribution. Under the Companies Ordinance, a company’s profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published audited accounts for the year ended 31 December 2007 dated 25 March 2008) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

## **DISCLOSURE OF INTERESTS**

None of the Directors, and to the best of their knowledge, having made all reasonable enquiries, none of their associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, nor have any undertaken not to do so, if the Repurchase Mandate is exercised.

## **DIRECTORS’ UNDERTAKING**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

## SHARE REPURCHASE MADE BY THE COMPANY

No repurchases of Shares have been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

## TAKEOVERS CODE CONSEQUENCES

If as a result of a repurchase of Shares by the Company, shareholder's proportionate interest in the voting rights of the Company increases, such increases will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). As a result, a shareholder, or group of shareholders acting in concert, depending on the level of increase of its or their shareholding, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The Directors are aware of the consequences arising under the Takeovers Code of any repurchase.

As at 25 March 2008 (being the latest practicable date prior to the printing of this document), the immediate controlling shareholder of the Company, China Netcom Group Corporation (BVI) Limited ("**CNC BVI**"), beneficially held 4,647,449,014 Shares, representing approximately 69.53 per cent. of the issued and outstanding share capital of the Company as at that date. In the event that the Repurchase Mandate is exercised in full and assuming that there is no change in the number of Shares held by CNC BVI, the number of Shares beneficially held by CNC BVI will be increased to represent approximately 77.26 per cent. of the reduced issued share capital of the Company immediately after the exercise in full of the Repurchase Mandate. The Directors are not aware of any consequences in relation to CNC BVI which would arise under the Takeovers Code as a result of such share repurchase by the Company. In addition, in exercising the Repurchase Mandate (whether in full or otherwise), the Directors will ensure that the Company shall maintain a public float of not less than 23 per cent. of the issued share capital of the Company and comply with the requirements of the Listing Rules.

## MARKET PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the latest practicable date prior to the printing of this document were:

	<b>Traded Market Price</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2007</b>		
March	20.65	16.60
April	21.50	18.80
May	21.00	18.40
June	23.25	19.60
July	22.15	19.72
August	20.20	14.90
September	21.10	17.88
October	26.35	20.80
November	25.45	19.88
December	26.50	22.85
<b>2008</b>		
January	26.15	19.60
February	27.00	21.80
March (up to and including 25 March 2008)	24.85	19.60

## SHARE ISSUE MANDATE

As stated in the proposed Ordinary Resolution set out in item 6 of the AGM Notice, it is proposed that a general mandate be granted to the Directors to allot, issue and deal with up to 20 per cent. of the issued and outstanding Shares on the date of the passing of the resolution (the “**Issue Mandate**”), subject to the extension set out under “Extension of Share Issue Mandate” below. As at 25 March 2008, the latest practicable date for determining such figures, 6,684,105,900 Shares were issued and outstanding. On the basis of such figures, the Directors would be authorised to allot, issue and deal with up to 1,336,821,180 Shares during the period up to the date of the next annual general meeting in 2009, or the expiration of the period within which the next annual general meeting of the Company is required by law to be held or the revocation or variation of the Issue Mandate by an ordinary resolution of the shareholders at a general meeting of the Company, whichever of these three events occurs first.

## EXTENSION OF SHARE ISSUE MANDATE

A resolution as set out in item 7 of the AGM Notice will also be proposed at the Annual General Meeting authorising the Directors to increase the maximum number of new Shares which may be issued under the general mandate for the issuance and allotment of Shares by adding to it the nominal amount of any Shares repurchased pursuant to the Repurchase Mandate (“**Extension of Share Issue Mandate**”).

## RECOMMENDATION

The Directors consider that the Issue Mandate, the Repurchase Mandate and the Extension of Share Issue Mandate are in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

## PROCEDURES FOR DEMANDING A POLL AT THE ANNUAL GENERAL MEETING

According to the Articles of Association of the Company, a poll may be demanded by:

- (a) the chairman of the Annual General Meeting; or
- (b) at least three shareholders present in person (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy and entitled to vote at the Annual General Meeting; or
- (c) any shareholder or shareholders present in person (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the Annual General Meeting; or
- (d) any shareholder or shareholders present in person (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to attend and vote at the Annual General Meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Yours faithfully  
**Zhang Chunjiang**  
*Chairman*