



China Netcom 2006 Interim Results

Strategic transformation to “broadband communications and multi-media services provider” yields remarkable results

High-growth businesses record robust growth

- Local telephone services subscribers up 4.7% to 119.412 million
- Broadband subscribers up 28.6% to 13.506 million
- Revenue from continuing operations up 2.2% to RMB41,851 million, among which revenues from high-growth businesses up 26.3%; Net profit of RMB5,815 million from continuing operations

Hong Kong, August 23, 2006 – China Netcom Group Corporation (Hong Kong) Limited (“China Netcom” or the “Company”) (HKSE: 0906; NYSE: CN), China’s leading broadband and telecommunications company, announced its 2006 interim results.

In the first six months ended June 30, 2006, continuing operations generated RMB43,181 million in revenues, including amortization of upfront connection fees of RMB1,330 million. Excluding amortization of upfront connection fees, revenues from continuing operations were RMB41,851 million, an increase of 2.2% over the same period of last year. (Unless otherwise specified, all the figures are net of amortization of upfront connection fees and discontinued operations). EBITDA was RMB22,969 million, and EBITDA margin was 54.9%. Net profit was RMB5,815 million while net profit margin was 13.9%.

“During the first half of 2006, the Company’s commitment to the strategic goal of transforming itself into “a broadband communications and multi-media services provider” began to produce visible results. The proportion of our revenues generated from high-growth businesses increased to 23.9% from 19.4% of the same period last year. We have improved our revenue structure and demonstrated our potential for maintaining sustainable growth.” said Zhang Chunjiang, Chairman of China Netcom. “The Company’s corporate governance project aims to create a world-class corporate governance structure, and to serve as a model for other large state-owned enterprises in China. The continued improvement of our corporate

governance has been one of our important driving forces for transformation and innovation.”

“In the first half of 2006, we encountered many challenges as well as new opportunities for growth in our operations. Growth of the traditional fixed line business was modest due to mobile substitution, but our broadband driven high-growth businesses maintained rapid growth. Our broadband-based business model of ‘PC+TV’ and ‘charging for access + content’ is maturing and our broadband business is expanding target subscribers from PC’s to the huge customer base of TV consumers.” said Zuo Xunsheng, Executive Director and Chief Executive Officer. “The government’s efforts in encouraging the informatization in small and medium-sized enterprises, rural areas, government administration and district communities, will also bring us unprecedented opportunities for strategic transformation.”

High- growth Businesses: Robust growth and visible results

Central to the strategic transformation and business development, the Company will continue to focus on the enhancement of the contribution of high growth businesses to revenues in 2006.

During the first half of 2006, the broadband business maintained its rapid growth momentum. The number of broadband subscribers grew by 28.6% over the same period of last year, to 13.506 million. Revenue from broadband and other Internet related services amounted to RMB5,340 million, a year-on-year increase of 33.3%, and accounted for 12.8% of total revenue. Starting in the second half of 2005, the Company focused on the development of video-centric broadband content and applications. In May 2006, the Company established China Netcom Group Broadband Online Company Limited. This new business concentrates on the development and marketing of broadband content and applications. The Company also launched “CNC MAX”, China’s first comprehensive audio-visual entertainment portal. Broadband content and applications revenue for the period grew by 104.1%, to RMB402 million.

In 2005, the Company commissioned the first commercial IPTV services of China in Harbin, Heilongjiang province. In line with the government policy of “rural area informatization”, in July 2005 the Company successfully launched “integrated informatization services for rural areas” based on IPTV technology in Henan

province. This has been approved as a model for “rural area informatization” by the National Development And Reform Commission of the People’s Republic of China. By the end of June 2006, the Company had 85,800 IPTV service subscribers, up by 48.1% over the end of last year. In July 2006, five other cities in the Company’s northern service region were approved to operate IPTV business.

During the first half of 2006, the Company’s value-added businesses saw fast growth. Revenues amounted to RMB2,532 million, a year-on-year increase of 34.3%. The share of total revenue grew notably from 4.6% in the same period of last year to 6.1%. Contribution of the value-added services to ARPU of local telephone services increased by 28.6% to RMB3.6 compared to the same period of last year.

Taking advantage of the government’s informatization policy, the Company began a pilot test of integrated informatization services targeted at small- and medium-sized corporations in certain regional markets in 2006. Leveraging on our strengths in network resources, customers and distribution channels, we integrated the resources of hardware suppliers, service providers and applications providers to provide corporate customers with integrated informatization solutions including both standard modules and customized solutions. It is expected that the service will be marketed in all of the service regions during the second half of 2006, and become a new growth engine.

Traditional Fixed-line Business: Solid foundation and continued expansion

In 2006, the Company’s development strategy for the traditional fixed-line business has been to retain its existing subscribers and traffic volume, while exploring new markets. Local telephone service subscribers continued to grow during the first half of 2006. The number of subscribers for local telephone services reached 119.412 million by the end of June 2006 with 89.632 million fixed-line subscribers and 29.780 million PHS subscribers, representing an increase of 1.9% and 14.1% respectively compared to the same period last year.

Due to intensified mobile substitution for traditional fixed-line business, in the first half of 2006, the Company’s local telephone usage net of Internet dial-up usage dropped marginally to 108.107 billion pulses by 1.6% over the same period of last year. The Company launched multi-business bundling services in order to cope with the mobile substitution and reduce the churn rate. This has given full play to the uniqueness of the Company’s broadband business and its advantages in the local

telephone tariffs. The soft launch of multi-business bundling services in the trial regions has had a positive impact on MOU, the growth in new subscribers, and revenue.

Disposal of Asia Netcom

On 2 June 2006, the Company concluded an agreement with a consortium led by Ashmore Emerging Markets Liquid Investment Portfolio and Spinnaker Global Opportunity Fund Limited, disposing of its 100% equity interest in Asia Netcom Company Limited (“Asia Netcom”) for an amount of USD168.84 million. The transaction was completed on August 22, 2006.

Outlook

“Continued expansion of our high-growth businesses will remain our focus during the second half of the year. We shall fully leverage opportunities created by technology innovation, government’s informatization drive and the 2008 Beijing Olympic Games. We remain committed to transforming the Company into a ‘broadband communications and multi-media services provider’. At the same time, we shall continue to perfect the Company’s corporate governance, turning the Board of Directors into trusted representatives of the shareholders and creating shareholder value,” Chairman Zhang Chunjiang concluded.

About China Netcom:

China Netcom is a leading broadband communications and fixed-line telecommunications operator in China. Its northern service region in China consists of Beijing Municipality, Tianjin Municipality, Hebei Province, Henan Province, Shandong Province, Liaoning Province, Heilongjiang Province, Jilin Province, Neimenggu Autonomous Region and Shanxi Province. In these regions, the Company is a dominant provider of fixed-line telephone services, broadband and other Internet-related services, as well as business and data communications services. Its southern service region in China consists of Shanghai Municipality and Guangdong Province in which it focuses on providing telecommunications services to enterprises and high usage residential customers in selected densely populated areas.