



China Netcom Disposes of Telecommunications Assets in Guangdong and Shanghai

Beijing, P.R. China – January 15, 2007 – China Netcom Group Corporation (Hong Kong) Limited (“China Netcom” or the “Company”) (HKSE: 0906; NYSE: CN) announced that China Netcom (Group) Company Limited (‘CNC China’), a direct wholly-owned subsidiary of the Company, entered into a conditional Asset Transfer Agreement (the ‘Transfer Agreement’) on January 15, 2007, pursuant to which CNC China agreed to dispose of its telecommunications assets, liabilities and business operations in Guangdong Province and Shanghai Municipality of the PRC (the ‘Target Assets’) to China Network Communications Group Corporation (the ‘Parent Company’). The completion of the disposal is expected to take place before the end of February 2007.

According to the Transfer Agreement, the cash consideration of the disposal is RMB3,500 million. The Parent Company will pay an initial amount of RMB1,050 million (equivalent to 30% of the consideration) in cash the first business day following the completion of the disposal and will pay the remaining RMB2,450 million (equivalent to 70% of the consideration) in cash within 30 days after completion of the disposal. In addition, the Parent Company will assume the debt of CNC China in the aggregate principal amount of RMB3,000 million upon completion of the disposal. Furthermore, the Parent Company has granted CNC China a first right under the Transfer Agreement to acquire the abovementioned assets, liabilities and business operations if the Parent Company decides to dispose of them in the future at terms equal to or no less favourable than those offered by the Parent Company to other parties.

Completion of the disposal is conditional on the passing of an ordinary resolution by independent shareholders and the receipt of approvals or consents from the relevant PRC authorities.

Regarding the consideration of the disposal of the Target Assets, Mr. Zuo Xunsheng, China Netcom’s CEO, commented, “The consideration of the disposal of the Target Assets was determined on various factors, including the quality of the assets being sold, their growth prospects, earnings potential and competitive advantages in their respective markets, as well as by reference to other financial and operational indicators. As a result, the management believes that the terms of the Asset Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders.”

Mr. Zhang Chunjiang, Chairman of China Netcom, concluded, “China Netcom has extensive network resources and higher profitability in the northern service region. After the sale of the Guangdong and Shanghai assets, we will be

well-positioned to concentrate our resources in the northern service region. The Board believes that the disposal will enable us to take better advantage of the growth opportunities and reinforce our competitiveness in terms of operations and services in our northern service region. We are confident that this will result in better financial results in the future.”

About China Netcom:

China Netcom is a leading 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. After this disposal, Shanghai Municipality and Guangdong Province will not be included in the Company’s service region.

Disclaimer

This press release includes "forward-looking statements". All statements, other than statements of historical facts, that address activities, events or developments that China Netcom expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. China Netcom's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to the level of demand for telecommunications services; competitive forces in more liberalised markets; the effects of tariff reduction initiatives; changes in the regulatory policies and other risks and factors beyond China Netcom's control. In addition, China Netcom makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.