

China Netcom Group CORP (Hong Kong) LTD
Form 6-K
September 13, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of September, 2007

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F T Form 40-F _____

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes _____ No T

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b):

82-_____.)

N/A

China Netcom Group Corporation (Hong Kong) Limited
Building C, No. 156, Fuxingmennei Avenue
Xicheng District
Beijing, 100031 PRC

This Form 6-K consists of:

An announcement on 2007 interim results of China Netcom Group Corporation (Hong Kong) Limited (the “Registrant”), made by the Registrant in English on August 22, 2007.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the under-signed, thereunto duly authorized.

CHINA NETCOM GROUP CORPORATION (HONG KONG) LIMITED

By /s/ Li Fushen

By /s/ Mok Kam Wan

Name: Li Fushen and Mok Kam Wan

Title: Joint Company Secretaries

Date: September 12, 2007

CHINA NETCOM GROUP CORPORATION (HONG KONG) LIMITED
(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 906)

2007 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of 2007, the Company continued to proactively pursue its strategic transformation to become a “broadband communications and multimedia services provider” and achieved remarkable results. Revenue from our high-growth businesses grew rapidly at a growth rate of 39.4% in the first half of 2007, reaching RMB13,029 million. We are confident that the Company will persistently increase value for its shareholders as we progress towards our strategic goals.

Strategic Transformation

China's telecommunications industry has experienced a drastic turn since 2006. As a result of increasing mobile substitution, fixed-line operators have seen revenue growth slow down drastically and in some cases all but disappear. The trend was further accelerated in the first half of 2007 as mobile telecommunications services providers continued to aggressively adjust their tariff and marketing strategies, prompting us to accelerate our transformation.

As you know by now, this transformation strategy is focused on “broadband and broadband-enabled services”. Leveraging technological progress and network convergence, the Company is committed to deliver broadband access and bandwidth-intensive content and applications to individual customers and ICT services to business customers to meet changing market demand. We aim to become a “leading ICT service provider in China” and a “network information & communication expert” for our government and corporate customers.

In the first half of 2007, our strategic transformation progressed satisfactorily. Our broadband subscriber base continued to grow rapidly. The total number of broadband subscribers increased from 12,968 thousand in the same period last year to 17,123 thousand, representing an increase of 32.0%. Revenue from ICT services contributed 3.5% towards total revenue, while the contribution of the high-growth businesses towards total revenue grew to 32.0% from 23.1% a year earlier, representing an increase of 8.9 percentage points.

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As a century-old traditional telecommunications operator we are facing unprecedented challenges in our transformation. As we move from a fixed-line, voice centric focus into the new broadband content and applications and IT regimes, we are facing new competitors that are technologically ahead and have accumulated extensive market experience. We need to create demand and anticipate changing customer needs effectively, innovate faster, master marketing techniques and customer service and use all our resources more effectively so we can fund our future while continuing to increase shareholder value. Our organizational structure and corporate culture need to change so that we can reinforce our core competitiveness in this new environment. I am confident that we have the necessary vision, the ability and the will to reform ourselves and inject vitality into this time-honored company.

Olympic Opportunities

As an official partner of the Beijing 2008 Olympic Games, we have shaped and pursued our “Broadband Olympics” vision to make the Beijing 2008 Olympic Games the first “Broadband Olympics” and “Digital Olympics” in history. After more than two years of intense preparation, we are close to turning our vision into reality. On July 25, 2007, we launched the “Broadband Olympics” products series, which enable us to best meet customer demand for network stability, security and convenience to the fullest possible extent and more importantly, to create demand and satisfy the diversified needs of our subscribers for Olympics-related telecommunications, content and applications, and IT support services, and to promote rapid growth in the broadband and ICT businesses. These products address the diversified needs of all our customers and provide:

Convenient, high-speed and reliable Internet access through a seamless network and include Olympic broadband cards which provide users with high-speed Internet access anytime anywhere; VLAN-based private networks for news agencies with real-time multimedia feeds; and Olympic high-definition video transmission;

Diversified and exclusive broadband contents to our subscribers to stimulate and satisfy the demand for Olympics-related content and applications of the public. e.g., CNC MAX Olympic channel, “Hello 2008” Olympic content push.

Reliable telecommunications and high quality integrated solutions to BOCOG and the media, and integrated solutions to business customers looking to grow and build their brands through the Olympics. Our products include Olympic Call Center, Olympic Network Surveillance System, Olympic Events Management System, Olympic Fixed-line Telecommunications Command System, 2008 Smart Traffic, and 2008 Convenient Medicare.

As our Olympic products allow our individual customers to learn, experience and enjoy our Olympic telecommunications services, we expect to gain recognition as a high quality and reliable “broadband communications and multimedia services provider”. Furthermore, the Olympics are a unique opportunity to enhance our ability to offer IT-CT integrated solutions to government and corporate customers and establish ourselves as a “leading ICT service provider in China” while providing comprehensive and high quality telecommunications solutions to BOCOG, the media and our business customers.

The implementation of our “Broadband Olympics” vision will help us achieve great progress in our transformation into a “broadband communications and multimedia services provider”.

Corporate Governance Improvement

In the first half of 2007, the Board continued to refine the Company’s corporate governance. Based on the results of the performance assessment of the Board and its Directors in 2006, the Company has developed a focused plan to enhance the performance of the Board. A specific training program will allow both internal and external Directors to gain a deeper understanding of the Company’s operations and of their responsibilities and obligations under the rules of the various stock exchanges where the shares of the Company are listed. The Board has also begun in-depth research in areas such as Director selection and succession procedures, as well as management succession planning and compensation. This will allow the Company to develop open and transparent Director selection and succession processes and more effectively appraise the performance and potential of senior executives.

Changes of Directors and Management

On July 12, 2007, Dr. Edward Tian Suning resigned from his positions as Non-Executive Director and Vice President as well as member of the Strategy Committee of the Board. On the same day, Mr. Miao Jianhua also resigned from his positions as Executive Director and Chairman and member of the Supervision Committee of the Board. On the same day, Ms. Li Jianguo was appointed Executive Director and Chairman and member of the Supervision Committee. The Board fully acknowledges and value the outstanding contributions made by Dr. Edward Tian Suning and Mr. Miao Jianhua during their service on the Board, and welcome Ms. Li Jianguo as a member of the Board.

Prospects

In the second half of 2007, the Company will continue to pursue innovation and growth. In support of its transformation into a “broadband communications and multimedia services provider”, the Company will continue to reform its organizational structure, operation model, human resources structure and corporate governance and reinforce core competitive advantages in a new competitive landscape. We firmly believe that only continuous innovation will enable the Company to compete and enhance value for its shareholders.

Last but not least, I would like to extend our most sincere gratitude to all of you for your support and trust.

Zhang Chunjiang

Chairman

Hong Kong, August 22, 2007

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CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

In the first half of 2007, the major business strategies of the Company were to vigorously develop its high-growth businesses, stabilize its traditional fixed-line business, refine management quality and improve cash flow. The first half of 2007 witnessed escalating imbalances in the competitive landscape in China's telecommunications industry and intensifying mobile substitution. Although our traditional fixed-line business declined, our strategic transformation showed satisfactory results, our high-growth businesses maintained rapid growth and the ratio of free cash flow over total revenue improved.

I. Financial Performance

In the first half of 2007, revenue from continuing operations reached RMB41,508 million, which included upfront connection fees of RMB855 million. Excluding upfront connection fees, revenue from continuing operations amounted to RMB40,653 million, an increase of 0.43% compared with the same period last year (unless otherwise specified, all figures are net of the effect of upfront connection fees and our discontinued operations). EBITDA was RMB21,907 million and EBITDA margin was 53.9%. Consolidated net profit was RMB5,858 million, which included RMB624 million from discontinued operations. As a result of mobile substitution, revenue growth slowed down in the first half of 2007. However, our high-growth businesses continued to develop strongly. With the rapid development of new businesses such as ICT and broadband content and applications, revenue from high-growth businesses reached RMB13,029 million in the first half of 2007, an increase of 39.4% compared with the same period last year, highlighting their potential to strongly contribute to future growth.

In the first half of 2007, the Company continued to optimize its budget and CAPEX management processes. We further strengthened our control over CAPEX and increased the utilization efficiency of resources, while at the same time ensuring sufficient investments in high-growth businesses. By the end of the first half of 2007, the Company's CAPEX totaled RMB8,454 million, a decrease of 16.2% compared with the same period last year. As a result of the decrease in CAPEX, our free cash flow continued to grow, reaching RMB8,126 million, an increase of 13.3% compared to the same period last year.

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II. Business Performance

Traditional Fixed-line Business

In 2007, the Company's development strategy for the traditional fixed-line business is to retain subscribers, stimulate voice traffic, increase ARPU and eventually stabilize its traditional fixed-line business by implementing bundled services such as "Family 1+". In April 2007, the Company completed the upgrading of its local network to embrace intelligent functions and the upgrading of its supporting systems in all service regions, and began to promote "Family 1+" bundled service on a large scale. By the end of the first half of 2007, the number of "Family 1+" subscribers reached 4,444 thousand.

The "Family 1+" bundled services mitigated the decline in the number of local telephone subscribers to a certain extent. In the first half of 2007, the Company was able to restore growth in the number of local telephone subscribers. The total number of subscribers reached 115,077 thousand, representing a net increase of 1,105 thousand from the end of 2006. The full-scale implementation of "Family 1+" bundled services also effectively stimulated the growth of our broadband subscriber base and increased usage of value-added services and broadband content and applications, thereby significantly increasing the value of our existing subscriber base.

As a result of continuous mobile substitution and the adjustments of the tariff policies adopted by mobile operators in China, in the first half of 2007, the local voice traffic of the Company dropped by 7.4% compared with the same period last year. In the second half of the year, we will undertake further market segmentation and review resource allocation and tariff model, as well as fully leverage our advantages in network resources with a view to mitigating the decline in local voice traffic.

High-growth Businesses

In 2007, the Company's development strategies for high-growth businesses are: to further increase the broadband subscriber base, to generate revenues from content and applications as well as broadband access and develop the "PC+TV" multi-terminal model; to strengthen marketing for value-added services for its fixed-line subscribers and the bundling of value-added services with basic voice service; to consolidate internal resources in order to accelerate growth in the ICT business. In the first half of 2007, as a result of sound strategic implementation, our high-growth businesses experienced sustained rapid growth. Revenue from high-growth businesses accounted for 32.0% of the Company's total revenue, up by 8.9 percentage points over the same period last year.

By the end of the first half of 2007, we had a total number of 17,123 thousand broadband subscribers, representing an increase of 32.0% over the same period last year and a net increase of 2,694 thousand compared with the end of 2006. Revenue attributable to broadband and Internet-related services increased by 33.8% over the same period last year, reaching RMB6,632 million. The ARPU of broadband services was RMB67.4, an increase of 3.4% over the same period last year.

On May 17, 2007, the Company started the trials of “CNC MAX” Navigator, aiming to provide broadband subscribers with diversified broadband content and application services with both national and local features, in the provincial capitals and Olympic cities within its service regions. “CNC MAX” Navigator was fully extended to all the service regions of the Company on August 8, 2007. In the second half of the year, with the continuous promotion of “CNC MAX” Navigator and the enrichment of the broadband content and application services offered by the Company solely or developed with partners, we expect that the penetration of broadband content and application services will be further enhanced.

In the first half of 2007, the Company increased its efforts to promote value-added services to its fixed-line subscribers and strengthen the development of “Phone Navigation” services, and launched such services as public service hotlines, call centers and product authentication service. By the end of June 2007, the number of “Personalized Ring” subscribers increased from 10,365 thousand at the same period last year to 23,911 thousand, an increase of 130.7%; the number of “Phone Navigation” subscribers reached 196 thousand. Revenue attributable to value-added services for the first half of 2007 reached RMB3,129 million, an increase of 24.2% over the same period last year.

During the first half of 2007, the Company set its long-term goal at becoming the “leading ICT services provider in China” by capitalizing on its strengths in network service, resources integration and customer relationship maintenance. Based on the size of different ICT niche markets, the Company’s capabilities to meet the needs of these niche customers, and its ability to bundle and support core telecommunication businesses, the Company decided to focus on such key customer segments as governmental authorities, securities houses and educational and medical institutions, providing subscribers with long-term leases and services which the Company has competitive edges such as platform lease, network maintenance and IT outsourcing and hosting. In the first half of 2007, the Company entered into a number of important ICT contracts, including the National Electronic Administration Network, an online inspection and monitoring platform for national educational examinations at provincial level, and digital urban management system. For the first half of 2007, revenue attributable to the ICT business was RMB1,438 million, accounting for 3.5% of the Company’s total revenue.

III. Operation Management

The Company has been building a world-class operation and management system to improve operational efficiency. Centralized management has been applied to budget management, human resources, procurement, information system, network operation maintenance and network construction to centralize resource allocation. In the first half of 2007, the Company set up a market-oriented and budget-based resource allocation system, shifting less cost-effective resources from traditional segments to broadband and ICT services.

The Company continued its stringent control of CAPEX to improve resource utilization efficiency. In the first half of 2007, the Company formulated a CAPEX enhancement plan, which optimized the pre-project evaluation of fixed assets investments and investment decision-making processes. Integrated analysis and comprehensive scientific evaluation improve decision-making, enhancing resource utilization efficiency.

On May 31, 2007, the Company completed the testing of its internal control over financial reporting as at December 31, 2006. The company became the first PRC telecommunications operator to be in compliance with Section 404 of the Sarbanes-Oxley Act. Over the past three years, the Company has built an internal control system which is based on comprehensive risk management and is in line with domestic and foreign regulatory and legal requirements.

IV. Prospects

In the second half of the year, the Company will intensify its efforts to retain growth in its traditional businesses while promoting development in high-growth businesses such as broadband, value-added services and ICT services. At the same time, the Company will shift its business model from product-oriented to customer-oriented and focus on the following aspects:

optimizing the bundling components and pricing of “Family 1+” service, attempting to reform and adjust the tariff model for voice services, and slowing down the decline in voice traffic while achieving moderate growth in the number of local telephone subscribers;

increasing broadband subscribers and the penetration of broadband content and applications through the bundling of services, promoting “CNC MAX” Navigator to deliver more personalized and more diversified broadband content and applications through self-operated and co-operative means to customers’ desktops, and promoting further growth in broadband access, content and applications;

promoting and marketing Olympics-related products fully so as to lay a sound foundation for rapid growth in the broadband and ICT businesses in 2008;

adjusting organizational structures and marketing and management models to accelerate the Company's transformation, shifting from a product-oriented business model to a customer-oriented business model to allow the Company to better respond to market changes and improve its competitiveness; increasing analysis of the Company's existing resources and product profitability to better allocate resources and price its products; and further optimizing budgeting and investment management processes to improve resource utilization efficiency.

The Company is expecting more opportunities and challenges in 2007. However, it is my belief that through the joint efforts of the Board of Directors, the management and all of our staff, we will be able to deliver satisfactory results for our shareholders.

ZUO Xunsheng
Chief Executive Officer

Hong Kong, August 22, 2007

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GROUP RESULTS

China Netcom Group Corporation (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2007.

**UNAUDITED CONSOLIDATED CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30 2007**

		Six months ended June 30	
	<i>Note</i>	2007	2006
		RMB million	RMB
		Unaudited	<i>million</i>
			<i>Unaudited</i>
			<i>Restated</i>
			<i>Note 2</i>
Continuing operations:			
Revenues	4	41,508	41,808
Operating expenses			
Depreciation and amortisation		(12,616)	(12,282)
Networks, operations and support		(6,642)	(5,640)
Staff costs		(5,722)	(5,764)
Selling, general and administrative		(4,854)	(5,751)
Other operating expenses		(1,528)	(670)
Total operating expenses		(31,362)	(30,107)
Interest income		66	50
Profit from operations		10,212	11,751
Finance costs		(1,770)	(1,886)
Profit before taxation		8,442	9,865
Taxation	6	(2,353)	(2,671)
Profit for the period from continuing operations		6,089	7,194

		Six months ended June 30	
	<i>Note</i>	2007	2006
		RMB million	RMB
		Unaudited	million
			Unaudited
			Restated
			Note 2
Discontinued operations:			
Profit/(loss) for the period from discontinued operations	11	624	(100)
Profit for the period attributable to shareholders of the Company		6,713	7,094
Earnings per share for profit from continuing operations attributable to shareholders of the Company for the period	8		
- Basic earnings per share		RMB 0.92	RMB 1.09
- Diluted earnings per share		RMB 0.90	RMB 1.08
Earnings/(loss) per share for profit/(loss) from discontinued operations attributable to shareholders of the Company for the period	8		
- Basic earnings/(loss) per share		RMB 0.09	RMB (0.02)
- Diluted earnings/(loss) per share		RMB 0.09	RMB (0.02)
Earnings per share for profit attributable to shareholders of the Company for the period	8		
- Basic earnings per share		RMB 1.01	RMB 1.07
- Diluted earnings per share		RMB 0.99	RMB 1.06

UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEET
AS AT JUNE 30 2007

	<i>Note</i>	As at June 30 2007 RMB million Unaudited	As at December 31 2006 RMB million Audited
Assets			
Current assets			
Cash and bank deposits		4,524	7,571
Accounts receivable	9	8,425	8,283
Inventories and consumables			