

China Netcom Group CORP (Hong Kong) LTD
Form 6-K
March 26, 2008

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 March, 2008

(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 ☐ 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 ☐

(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
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Xicheng District
Beijing, 100031 PRC

This Form 6-K consists of:

1. an announcement on 2007 final results of China Netcom Group Corporation Hong Kong) Limited (the “Registrant”);
2. an announcement on change of joint company secretary of the Registrant; and
3. a notice on closure of register of members of the Registrant;

each made by the Registrant in English on March 25, 2008.

CHINA NETCOM GROUP CORPORATION (HONG KONG) LIMITED

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(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 906)

2007 ANNOUNCEMENT OF FINAL RESULTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

Over the past three years, the Company has focused its efforts on strategic transformation and reform of operating principles. In 2007, I am delighted to report that we have made significant progress in this regard. We were able to strengthen and reinforce our new corporate identity as a broadband and multimedia service provider, paving the way for the Company's rapid growth in the future. We believe that the Company can sustain growth and create value for shareholders as long as it follows this long-term vision.

Strategic Transformation

In 2007, the revenue generated from innovative businesses maintained its growth momentum and grew by 38.9% , and accounted for 34.7% of the total revenue, up 9.5 percentage points compared with the same period last year.

China's Internet market continued to maintain a fast growth in 2007. According to China Internet Network Information Center, China added 73 million Internet users in 2007, reaching a total of 210 million by December 2007, up 53.3% from December 2006. The increasing use of Internet by all sectors of the public is accelerating and the number of younger, low-income and rural users also started to increase. People have become more reliant on Internet in their daily lives. Access to the Internet is increasingly regarded not as a luxury but a household necessity.

Capitalizing on the rapid growth of the Internet market, the Company launched its "Super Broadband Plan" to drive the growth of broadband services in two areas — broadband access, and broadband content and applications. In terms of broadband access, the number of broadband subscribers has been growing rapidly in the past three years. In 2007, the growth rate of broadband subscribers was 37%, which was 6.3 percentage points higher than that of the previous year.

In terms of broadband content and applications, the Company is delivering integrated content and applications directly onto the desktops of our broadband subscribers through its "CNC MAX". It is also running a pilot scheme of delivering broadband content and applications to other terminals such as TVs through technological innovation. In 2007, the Company began delivering smart terminals and HomeBox for home multimedia information to the users in some cities. The Company plans to deliver content and applications to user terminals of various types and offer quadruple-play multimedia and information services as it continues the execution of its strategic transformation into a broadband communications and multimedia services provider.

With the increase in our broadband subscribers and "CNC MAX" Client, and the growth in content

and applications, the Company has begun to develop its advertising and media business. In 2007, through its services of “Phone Navigation”, “CNC MAX” and “CNC Yellow Pages”, the Company is exploring its competitive advantages in the area of advertising and media business.

During 2007, the Chinese government conducted a sweeping informatization drive. The aim is to raise efficiency in government, improve the competitiveness of enterprises, and upgrade living standards for the general public. The Company clearly recognizes the opportunities presented by government policy on informatization. To capture these, the Company has improved its ability to provide ICT solutions to government and corporate users, particularly at the high end of the ICT value chain. In 2007, the Company had built competitive advantage in providing integrated solutions for e-government, pollution monitoring, and “Safe City” etc.

Olympic Opportunities

In 2007, the Company intensified marketing around its “Broadband Olympics” strategy, which is expected to drive substantial growth in both broadband and ICT services. The “Broadband Olympics” strategy is expected to deliver significant improvements to brand image, services, management, and overall competitiveness.

High-speed networks: The Company launched a series of projects for the construction of high-speed optical networks. These include an optical network connecting all Olympic venues, the world’s first ASON + MSTP network designed for the Olympics, and the first wide-area Centrex across the country.

Easy network access: The Olympics will highlight the wide range of access modes offered by the Company, including LAN, EPON, McWill wireless access, and IC card certification access.

Broadband products for the Olympic Games: These include the Olympic Yellow Pages, Broadband Olympic Content-Push, Portable USB key, and Multi-media broadband card. The Company will soon launch new products such as the “CNC MAX” Olympic Channel and Easy Broadband Cards in 2008.

Comprehensive ICT solutions for the Olympics: Construction of an Olympic network monitoring system has been completed, and the Company has started offering Olympic call center services. The Company will complete a fixed-line communications command and control system, event management network system, and organization management system for the Olympic Games in 2008. Capitalizing on its Olympic partnership status, the Company has signed ICT contracts for security, transport and fire-fighting agencies associated with the Olympic Games.

Higher service standards: CNC Olympic Services standards have been established and will be implemented in the Olympic cities.

Corporate Governance

In 2007, the Company continued to improve its corporate governance focused on its existing board governance structure.

After reviewing the performance of the board and the directors in the year 2006, the Company devised a plan to further enhance directors' understanding of the Company's operations through professional training. This includes a system to enable directors to exchange information and knowledge on a regular basis as well as receive timely information on operations, in order to help them make informed and scientific decisions on matters of significance to the Company. This system includes regular meetings between directors and the management, and monthly reports to directors.

In 2007, the Company launched new procedures for the selection and succession of senior executives, which will lead to a more open, transparent and systematic approach to appointment and succession of directors and senior executives.

Since 2004, the Company has won recognition from public and professional bodies for its persistent efforts in "establishing world-class corporate governance". In 2007, the Company received the prestigious "Directors of the Year Award 2007" from the Hong Kong Institute of Directors in the Hang Seng Index Constituents category. The award has strengthened the Company's confidence and commitment to achieving the highest standards of corporate governance.

Dividend

Based on the financial performance of the Company in 2007 and its development strategy, the Board of Directors has proposed the payment of a final dividend of HK\$0.592 per share for the financial year ended December 31, 2007, up 7.1% compared with HK\$0.553 per share in 2006.

Resignation and Appointment of Directors and the Management

On January 15, 2007, Ms. Li Liming resigned as Non-Executive Director of the Company and Mr. Li Fushen was appointed as Executive Director. On the same day, Mr. Zhang Changsheng resigned as Senior Vice President and Mr. Zhang Xiaotie was appointed as Senior Vice President. On July 12, 2007, Mr. Miao Jianhua resigned as Executive Director and Mr. Tian Suning resigned as Vice-Chairman and Non-Executive Director. On the same day, Ms. Li Jianguo was appointed as Executive Director. On December 5, 2007, Mr. Mauricio Sartorius resigned as Non-Executive Director and Mr. Cesareo Alierta Izuel was appointed as Non-Executive Director. On the same day, Ms. Hong Chen Jin (Margaret Chen), was appointed as Alternate Director to Mr. Cesareo Alierta Izuel and ceased serving as Alternate Director to Mr. Mauricio Sartorius. On the same day, Mr. Jiang Zhengxin was appointed as Vice President of the Company.

On behalf of the Board, I would like to extend my sincere thanks to Mr. Miao Jianhua, Mr. Tian Suning and Mr. Mauricio Sartorius for their outstanding contributions to the Company during their tenures as directors. I would also like to extend a warm welcome to Ms. Li Jianguo and Mr. Cesareo Alierta Izuel in joining the board of directors.

Looking into the Future

The telecommunications industry is undergoing rapid and profound changes. It is hard for the traditional operational model to keep up with the fast growth in demand and the quick pace of technological innovation. We firmly believe that the only way to sustain growth and enhance value for our shareholders is to deliver breakthrough innovation, embrace challenge proactively, and drive trends rather than following them.

In 2008, the Company will continue its strategic transformation into a broadband communications and multimedia service provider. For our public subscribers, we will leverage opportunities presented by the exponential growth of the Internet to attract more broadband access subscribers, strengthen the integration of content and applications, and deliver content and applications to user terminals via “CNC MAX” Client and HomeBox. The Company will expand its advertising and media business by optimizing its internal resources, which will generate new factors to drive sustainable growth.

The Company will promote ICT services for government and corporate customers and move to a higher position on the ICT value chain. The Company will leverage its advantages in terms of corporate resources and brand name to enter the outsourcing industry, which will help improve its competitive edge in ICT services and in becoming one of China’s leading providers of ICT services.

The Company will persevere in the pursuit of licenses for mobile services and IPTV services which will pave the way for the Company to become a comprehensive “broadband communications and multimedia service provider”.

Let me extend my sincere thanks to the shareholders, customers, employees and partners of the Company for their consistent support.

Zhang Chunjiang
Chairman

Hong Kong, March 25, 2008

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

In 2007, the Company focused on innovation and its strategic transformation into a broadband communications and multimedia services provider in respect of technologies, businesses and systems. Innovative businesses made up 34.7% of its revenue, up 9.5 percentage points compared to 2006. In a competitive environment where fixed-line voice services were increasingly substituted by mobile voice services, the successful development of innovative businesses has been crucial in offsetting the decline of traditional fixed-line voice services and has contributed to an increase in revenue. Through three years of hard work, the Company is gradually moving from a telecommunications services provider of traditional fixed-line voice services to a broadband communications and multimedia service provider.

1. Financial Results

As of the end of 2007, the Company generated RMB84,005 million in revenues from continuing operations, including amortization of upfront connection fees of RMB1,517 million. Excluding amortization of upfront connection fees, our revenue from continuing operations was RMB82,488 million, representing a year-on-year growth of 0.9% (unless otherwise specified, all reported data excludes the effect of amortization of upfront connection fees and discontinued operations). Consolidated net profit of the Company was RMB10,578 million, including net profit of RMB624 million generated from discontinued operations.

In 2007, capital expenditure was RMB20,684 million, representing a decline of 15.8% from last year and a reduction of RMB316 million compared to the guidance provided by the senior management at the beginning of the year. Benefiting from the effective management of cash flow and capital expenditure, our free cash flow* in 2007 was RMB11,775 million, representing a growth of 57.2%.

* Free cash flow refers to the net cash flow from continuing operations excluding capital expenditure.

2. Business Review

In 2007, the substitution of fixed-line voice services by mobile voice services accelerated. Mobile telecommunications operators accounted for 90.3% of the net increase in the revenue of the telecommunications industry. In a fiercely competitive market, the Company continued to implement its strategy of becoming a broadband communications and multimedia service provider. Operationally, it has adopted strategies to expand innovative businesses, stabilize fixed-line voice businesses, push ahead management reforms and improve free cash flow. Our strategy has proved to be effective.

Innovative Businesses

In 2007, innovative businesses contributed RMB28,656 million to revenue, representing a growth of 38.9%.

During the year, the Company launched a "Super Broadband Plan" to take advantage of growth opportunities presented by the rapid expansion of the Internet market in China. Within our service regions, we increased broadband access speed, put new operational and business models into practice, and promoted our Olympic ties and strategy. By the end of 2007, the total number of broadband subscribers of the Company increased 5,339 thousand to 19,768 thousand,

representing a growth of 37.0% compared with the same period of last year and a market share of 88.9%.

Along with the expansion of its broadband subscriber base, the Company focused on integrating broadband content and applications and innovating development model. “CNC MAX” Client was launched to deliver enriched content and applications directly to the desktops of our subscribers. New user terminals, ranging from PCs to TV sets enriched the means of access for customers. Broadband services generated a total revenue of RMB13,835 million in 2007, and ARPU was RMB67.4. In particular, revenue from broadband content and applications business was RMB1,749 million, up 107.7% from the previous year, and contributed RMB8.5 to the average revenue per broadband subscriber.

In 2007, with the expanding “CNC MAX” Client user base and enrichment of content and applications, the Company began to develop its advertising and media business. In 2007, based on “Phone Navigation”, “CNC MAX” and “CNC Yellow Pages”, the Company explored its competitive advantage in the area of advertising and media. By the end of the year advertising and media business had generated revenue of RMB380 million.

With the increasing penetration of IT across all sectors of society, the fast pace of technological change and increasing network integration, the traditional boundaries among communications networks, the Internet, and corporate intranets have been diminishing and this has led to the development of an integrated ICT industry. The Company has established a long-term goal of becoming one of China’s leading ICT service providers, as well as a network information specialist for government and corporate customers by leveraging its brand and resources. In 2007, the Company made great efforts to develop ICT services in order to enhance its position in providing integrated solutions for key customers and markets, as well as enhance its ability to provide higher-value added services.

In 2007, the Company seized the opportunities presented by the Chinese government’s initiative to promote information technology in administrative affairs, and secured a number of significant integrated IT projects. It has built up its key competitive advantages in providing integrated solutions for government, Olympics, health, education, finance and other industries. For instance, the Company developed business relationships with important customers such as the State Council Informatization Office, the National People’s Congress, the Ministry of Commerce, China International E-commerce Center and the Chinese Academy of Medical Sciences. It has also improved its capabilities on research and development and project management. At the end of 2007, the Company acquired Beijing Telecommunications Planning and Designing Institute Corporation Limited. The acquisition has brought stronger technical qualifications, broader customer relationships and a greater number of professionals to the Company. These will strengthen the Company’s capabilities to deliver ICT services and accelerate the Company’s shift towards the high end of the ICT value chain. In 2007, the Company generated RMB3,990 million in its ICT business, representing a growth of 366.7%.

In 2007, the Company focused on expanding the scope of value-added services and increasing the penetration rate of value-added services for its fixed-line subscribers. By the end of 2007, revenue from value-added services had increased by 14.5% to RMB6,114 million, accounting for 7.4% of total revenue, an increase of 0.9 percentage points from 2006. The number of Personalized Ring subscribers was 28,137 thousand, representing a growth of 78.6%. Of this number, 19,970 thousand used fixed-line Personalized Ring, representing a growth of 124.1% and a penetration rate of 23.6%. The penetration rate of Caller Identification Service was 72.2%, an increase of 3.4 percentage points.

Traditional Fixed-line Voice Services

In 2007, in the field of traditional fixed line services, the Company continued to promote bundled services and integrated services under the brand names “Family 1+” and, “Same Number”, driving the growth of innovative businesses by bundling various services in one package. By the end of 2007, the number of “Family 1+” subscribers reached 8,378 thousand, representing a growth of 650.7% over the previous year. The “Same Number” subscriber base had grown to 1,663 thousand, an increase of 75.7%. Fast growth of the “Family 1+” service supported development of broadband access, broadband content and applications as well as value-added services. In 2007, more than 80% of the net growth in the broadband subscribers of the Company also subscribed to “Family 1+”.

Due to the increasingly rapid mobile substitution, the number of our local telephone subscribers declined. By the end of 2007, the number had decreased by 3,152 thousand to 110,820 thousand, of which PHS subscribers numbered 26,189 thousand, a drop of 4.1% compared with the previous year. The ARPU and traffic for local telephone services continued to fall.

We believe that with the growing penetration of the “Family 1+” service plan, the steady improvement of its pricing system and shift of the service plan positioning to home multimedia information service, the value of the fixed-line telephone services customer will be maximized.

3. Management Reforms

Strategic transformation is leading the Company into new businesses such as multimedia and IT services, where we are facing new operational models and new competitors different from those in the traditional fixed-line voice services. The only way to develop core competitiveness in new business areas and meet customers’ constantly changing needs is to introduce ground-breaking changes to our management model.

Changes in Organizational Structure

In 2007, the Company conducted a customer-oriented marketing system reform as a starting point for changes to its organizational structure. Specialized marketing teams were organized under three customer categories - Large Corporates and Government, Small and Medium Enterprises, and Residentials. The changes were made in order to improve customer satisfaction, allocate resources more efficiently, and shift focus from marketing product to customizing product.

Changes in Financial Management

Strategic transformation is also leading changes in financial management, which has shifted focus from volume processing of transactions to decision-making support and value creation. With a shared financial system, standard legal and management reports as well as transaction processing are outsourced to a financial sharing center. Standardized and process-based outsourced management can greatly improve financial efficiency and drive down costs. The quality of accounting and risk control management can also be improved. More importantly, financial managers can be freed from basic transaction activities and can devote more time to providing support for strategic decision-making and value creation.

In 2007, the Company established the “CNC Financial Service Sharing Center”, to share accounting, payment and revenue management processes among headquarters and subsidiaries.

4. Development Strategies for 2008

In 2008, the Company will focus on the following aspects of its development strategies:

Implementing the “Super Broadband Plan” to increase broadband access speed and diversify broadband access modes and terminals;

Developing broadband content and applications in order to increase the market penetration rate of “CNC MAX” Client, and to deliver broadband content and applications to as many user terminals as possible through technological innovation with an aim of increasing revenue contribution from the business of broadband content and applications, as well as advertising and media services;

Integrating available resources to develop advertising and media businesses based on phone search engine, Internet advertising and Yellow Pages;

Optimizing “Family 1+” bundled services and gradually shift its positioning to satisfy residential customers’ needs for broadband and multimedia information services;

Promoting ICT services in order to enhance our capabilities to deliver high-value added ICT services as well as strengthen our competitive edge in core industries and areas.

Developing ICT services to outsourcing business with a focus on call center and IDC areas, where the Company has competitive advantages in terms of resources.

Expanding the customer-oriented marketing system reform, with pilot projects in a number of provinces. The ultimate goal is to promote the system throughout our service regions by the end of 2008. We will also further develop the financial sharing system, and conduct trials in provincial branches.

In 2008, with a focus on innovation, we will seize the historic opportunity of the Beijing 2008 Olympic Games to speed up the Company’s strategic transformation into a broadband communications and multimedia service provider.

I would like to take this opportunity to express my gratitude to our customers, shareholders, the board of directors and the staff for their support and trust.

ZUO Xunsheng
Chief Executive Officer

Hong Kong, March 25, 2008

GROUP RESULTS

China Netcom Group Corporation (Hong Kong) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2007.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

		Year ended December 31	
	Note	2007	2006
		RMB	RMB
		million	million
			Restated
			Note 2
Continuing operations:			
Revenues	4	84,005	84,194
Operating expenses			
Depreciation and amortisation		(25,495)	(24,913)
Networks, operations and support		(14,145)	(13,344)
Staff costs		(12,223)	(11,849)
Selling, general and administrative		(10,615)	(12,607)
Other operating expenses		(4,261)	(1,930)
Total of operating expenses		(66,739)	(64,643)
Other income	5	1,221	621
Interest income		113	135
Deficit on revaluation of fixed assets		—	(1,335)
Profit from operations		18,600	18,972
Finance costs		(3,333)	(3,767)
Profit before taxation		15,267	15,205
Taxation	7	(3,796)	(3,727)

Profit for the year from continuing operations	11,471	11,478
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Discontinued operations			
Profit for the year from discontinued operations	10	624	1,487
		=====	
Profit for the year		12,095	12,965
		=====	
Dividends proposed after the balance sheet date	8	3,700	3,695
		=====	
Earnings per share for profit from continuing operations attributable to shareholders of the Company for the year			
Basic earnings per share	9	RMB1.72	RMB1.74
		=====	
Diluted earnings per share	9	RMB1.70	RMB1.72
		=====	
Earnings per share for profit from discontinued operations attributable to shareholders of the Company for the year			
Basic earnings per share	9	RMB0.09	RMB0.22
		=====	