



China Netcom Announces 2007 Interim Results

**Expanding High-growth businesses and
solidifying traditional fixed-line operations
Poised to be a leading broadband communications and
multimedia services provider**

Financial results and business highlights⁽¹⁾:

- Consolidated net profit rose 1.6% to RMB5,858 million⁽²⁾
- Free cash flow increased by 13.3%⁽³⁾
- High-growth businesses soared 39.4% to RMB13,029 million
- Broadband subscribers increased by 32.0% to 17,123 thousand
- Local fixed-line subscribers increased by 1,105 thousand over the end of last year, reversing the downward trend of last year
- The Company strives to realize the “Broadband Olympics” vision

(1) All figures in this document exclude discontinued operations unless otherwise stated.

(2) All figures in this document exclude upfront connection fees of RMB855 million unless otherwise stated.

(3) Freecash flow means cash flow from operating activities of continuing operations net of capital expenditure.

Hong Kong, August 22, 2007 – China Netcom Group Corporation (Hong Kong) Limited (“China Netcom” or the “Company”) (HKSE: 0906; NYSE: CN), China’s leading broadband and fixed-line telecommunications operator, announces its 2007 interim results⁽⁴⁾ today. For the six months ended June 30, 2007 (the “Review Period” or the “Period”), continuing operations generated RMB40,653 million in revenue, representing a 0.43% increase over the same period of last year. Consolidated net profit, including net profit from discontinued operations, totalled RMB5,858 million.

During the Review Period, CAPEX was RMB8,454 million, down 16.2% from the same period of last year. Free cash flow continued to grow and reached RMB8,126 million, up 13.3% from the same period of last year.

Commenting on the 2007 interim results, Mr. Zhang Chunjiang, Chairman of China Netcom, said, “The migration from fixed-line to mobile communications has gathered momentum since 2006. Accordingly, the Company accelerated the pace of its strategic transformation and achieved remarkable results in this regard in the first half of 2007. With the development of technologies and network convergence, we

are committed to delivering quality services in broadband access, bandwidth-intensive content and applications to individual customers, as well as integrated solutions to governmental and business customers. We aim to become a leading ICT service provider in China and will accelerate our transformation towards a “broadband communications and multimedia services provider.”

Mr. Zuo Xunsheng, CEO of China Netcom, added, “In the first half of the year, the major strategies of the Company were to vigorously develop its high-growth businesses, stabilize the traditional fixed-line business, improve corporate governance and increase cash flow. Our high-growth businesses featuring ICT services, as well as broadband content and applications experienced robust growth and helped us progress towards our strategic goal of becoming a leading broadband communications and multimedia services provider. We will continue to optimize our budget and CAPEX management processes, further strengthen CAPEX controls and increase the utilization efficiency of resources by giving priority to investments in high-growth businesses.”

High-growth businesses maintained growth momentum

During the Review Period, the development strategy for the Company’s high-growth businesses included the continuous broadening of the subscriber base and enhancements to the “access + content” combined fee mechanism riding on a “PC + TV” multi-terminal platform. The Company implemented aggressive marketing programs to promote value-added services which were provided to its customers through bundled packages for fixed-line telephone services. Meanwhile, it optimized the use of its internal resources to ensure rapid growth in its ICT business.

High-growth businesses, such as ICT, broadband content and applications, grew faster in the Period. They generated revenues of RMB13,029 million, up 39.4% from the same period of last year. As a driving force behind the Company’s growth, revenues from high-growth businesses accounted for 32.0% of total revenue, an increase of 8.9 percentage points over the same period of last year.

The number of broadband subscribers rose 32.0% to a total of 17,123 thousand in the Period. Revenue from broadband and other Internet-related services reached RMB6,632 million, representing a 33.8% over the same period of last year. Average revenue per user (ARPU) of broadband services was RMB67.4, up 3.4% from the same period of last year.

On May 17, 2007, the Company started the trials of “CNC MAX” Navigator in the provincial capitals and Olympic cities within its service regions. “CNC MAX” Navigator was extended to all of the Company’s service regions on August 8, aiming at providing broadband subscribers with diversified broadband content and application services with both national and local features. In the second half of the year, as the Company continues to promote the “CNC MAX” Navigator and enrich the broadband content and application services produced in-house or in cooperation with partners, it is expected that the penetration rate of the broadband content and application business will be improved substantially.

In addition, by leveraging its competitive strengths in network services, consolidated resources and customer relationships, the Company offered its customers in the key market segments such as government, securities, education and medical sectors long-term services in which the Company had a competitive edge, like platform lease, network maintenance, IT outsourcing and hosting services. During the Period, revenues from the ICT business totalled RMB1,438 million, making up 3.5% of total revenue.

Use of bundled services to stabilize traditional fixed-line business

During the Review Period, the strategy for the traditional fixed-line business was to use bundled services such as “Family 1+” to retain users, stimulate voice traffic and increase ARPU. 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 services on a large scale. These measures helped stem the decrease in the number of local fixed-line service subscribers and gave a boost to the number of broadband users. By the end of the first half, “Family 1+” had acquired over 4,000 thousand subscribers.

As at June 30, 2007, fixed-line subscribers reached a total of 115,077 thousand, representing a net increase of 1,105 thousand subscribers over the end of last year. The resumption of growth in subscribers reversed the downward trend in 2006. Nevertheless, as the migration from fixed-line voice services to mobile services continued and mobile service operators adjusted their tariff model, local voice traffic of the Company continued to decline in the first half of the year.

China Netcom will re-segment its customer base and explore alternatives to optimize its resource allocation and tariff model. It will take advantage of its strength

in network resources to mitigate the decline in local voice traffic.

Capitalizing on the Olympics

As the partner of the 2008 Olympics, the Company has gradually realized the concept of “Broadband Olympics” after two years of preparations. On July 25, 2007, the Company announced the launch of the “Broadband Olympics” products series which enables it to best meet customers’ demand for stability, security and convenience, and more importantly to satisfy different users’ needs for Olympic communications, Olympic content and applications. The Company will provide safe and sound communications and quality solutions for the Beijing Organizing Committee for the 2008 Olympics and the media. It will provide integrated solutions for business customers looking to grow and build their brands through the Olympics.

With the implementation and deepening of the “Broadband Olympics” strategy, our broadband and ICT businesses will experience phenomenal growth and our transformation towards a “broadband communications and multimedia services provider” will achieve rapid progress.

Improvement in corporate governance

In response to its business transformation and increasing challenges lying ahead, such as the changing needs of customers and competition from more experienced rivals, the Company has to restructure its organization, enhance its marketing and servicing skills, consolidate its resources so as to enhance its core competitiveness. In the first half of the year, the Company set up a market-oriented and budget-based resource allocation system, shifting resource allocation from traditional services of low utilization efficiency to broadband and ICT services.

The Company has formulated a targeted improvement plan for the Board and strengthened training for the Directors. As a result, both internal and external directors have gained a deeper understanding of the Company’s operations and regulatory rules and Directors’ responsibilities and obligations under the rules of various stock exchanges. In addition, the Board developed open and transparent selection and succession processes for directors and senior managers and leveraged the potential of executives under a more competitive human resource management system.

On May 31, 2007, the Company completed the testing of its internal control over financial reporting as at December 31, 2006. It was the first Chinese

telecommunications operator in compliance with Section 404 of the Sarbanes-Oxley Act.

Outlook

“In the second half of 2007, the Company will persist with the ‘innovation and development’ guideline and have an open mindset towards how to reform and adjust its organization, business models, human resources structure and corporate governance mechanism to develop core competitive advantages in the new competitive landscape. We firmly believe that only constant innovation will help the Company foster and maintain leadership as it ventures into new services in order to enhance value for its shareholders,” Chairman Zhang Chunjiang concluded.

(4) Financial statements are prepared in accordance with generally accepted accounting principles in Hong Kong.

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.

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