

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Highlights of Consolidated Results

The consolidated financial results for the year to December 31, 2000 include 12 months results of the original PCCW business and only 4 1/2 months of HKT revenues, and do not provide a complete picture of the underlying business performance.

Accordingly, in addition to the discussion of the major non-recurring items in the consolidated results, we have also provided a review of all the major businesses of the group on a full year pro forma basis which we believe will assist shareholders and investors in better understanding the year-on-year trends. These unaudited pro forma financial data are set out on pages 41 to 46.

Summary of Audited Consolidated Results Year ended December 31	12 Months PCCW and 4 1/2 Months HKT	12 Months PCCW
	2000 HK\$ million*	1999 HK\$ million*
Turnover	7,291	152
Operating profit / (loss)	520	(293)
(Losses) / Gains on investments, net	(4,887)	574
Provisions for impairment losses	(312)	-
(Loss) / Profit from operations	(4,679)	281
Finance (costs) / income, net	(2,356)	56
Gain on disposal of discontinued operations	-	21
Share of results of jointly controlled companies	(100)	-
Share of results of associated companies	(63)	(5)
Share of profits of unconsolidated subsidiaries	790	-
(Loss) / Profit before taxation	(6,408)	353
Taxation	(522)	(7)
(Loss) / Profit after taxation	(6,930)	346
Minority interests	23	1
(Loss) / Profit for the year and attributable to shareholders	(6,907)	347
(Loss) / Earnings per share	(47.54) cents	9.99 cents

*except per share data

Basis of Presentation

Our consolidated revenues increased from HK\$152 million for the year ended December 31, 1999 to HK\$7,291 million for the year ended December 31, 2000. This included 4 1/2 months of the HKT Group's results but does not include the revenues of the HKT Group's IP Backbone business and its Hong Kong wireless communications business which results are included in share of profits of unconsolidated subsidiaries.

The losses attributable to shareholders for the financial year include certain non-recurring items, including the unrealized losses and impairment provisions relating to the decline in value of certain of our investment securities, as well as the costs associated with the short term financing facility arranged for the acquisition of HKT.

On a consolidated basis before investment losses and the provision for impairment losses, PCCW generated operating profits of HK\$520 million for the year ended December 31, 2000, compared to a loss of HK\$293 million in 1999.

Acquisition of HKT

As a result of the Company's acquisition of HKT, which became effective on August 17, 2000, the above consolidated income statement includes the operating results of the HKT Group for the period from August 17, 2000 to December 31, 2000.

Goodwill arising from the transaction of HK\$172 billion, representing primarily the difference between the value of consideration of HK\$225 billion and the fair value of separable assets and liabilities of the businesses acquired, was charged to reserves in accordance with the Group's accounting policy for goodwill.

Telstra Alliance

The detailed terms of the Telstra alliance were finalized and announced in October 2000 and became effective as of February 1, 2001. Our intention to form the Telstra alliance was initially announced in April 2000, prior to the completion of the Company's acquisition of HKT. As a result, and as described more fully in notes 1 and 2 to the financial statements, the Company's control over the HKT Group's IP Backbone business and Hong Kong wireless communications business acquired as part of the acquisition of HKT was intended to be temporary, and accordingly, the PCCW Group has not consolidated these businesses.

The Group's share of profits of these businesses, being 100 percent of the HKT Group's IP Backbone business and 40 percent of the HKT Group's Hong Kong wireless communications business, have been included in share of profits of unconsolidated subsidiaries. The 60 percent interest in the HKT Group's Hong Kong wireless communications business purchased by Telstra has been accounted for using the cost method of accounting and is recorded as a current asset on the balance sheet at December 31, 2000.

We believe that with the combination of the partners' complementary IP Backbone businesses, ventures and relationships under Reach, we can build a pan-Asian IP Backbone company that will be a partner of choice in Asia and whose assets will provide a competitive service and cost base and the critical mass for expansion on a global scale.

The HKT Group's Hong Kong wireless communications business provides an excellent base for the Regional Wireless Company to build a regional business through strategic acquisitions and alliances with wireless communications operators in Asia.

An Internet Data Center Company will combine expertise from the two partners to establish a new data center business to capitalize on the potentially significant demand for data centers in the Asia-Pacific region.

Unrealized Losses and Provisions for Investments

We conducted a thorough review of our investment portfolio, which consolidated that of PCCW and HKT following the acquisition. Taking a prudent approach, to reflect current market conditions, the losses on investments for the year include a substantial provision for a decline in the value of certain of our investment securities that we believe was other than temporary. The provision for other than temporary decline in value of investment securities amounts to approximately HK\$3,911 million. In addition, we recognized unrealized losses of approximately HK\$1,076 million in respect of other investments which were marked-to-market at the period end. This compares with net gains of HK\$537 million in 1999. Other net realized gains from disposals of investments amounts to approximately HK\$231 million, compared to a net gain of HK\$37 million in 1999.

Debt Refinancing

In February 2000 we entered into an agreement for a short-term bridge loan facility of US\$12,000 million (HK\$93,600 million) for the purpose of financing the cash element consideration for the acquisition of HKT. On August 17, 2000 we drew down approximately US\$11,320 million (HK\$88,300 million) under this facility to finance the consideration payable for the acquisition of HKT. On August 22, 2000, we drew down a further US\$680 million (HK\$5,300 million) for working capital purposes.

Total net finance costs for the year ended December 31, 2000 were HK\$2,356 million. We incurred a loan arrangement fee of HK\$1,159 million in respect of the bridge loan facility which was refinanced and repaid in February 2001. The amortized portion of this fee of HK\$896 million was taken into account in finance costs for the year ended December 31, 2000. We will charge the balance of this fee of HK\$263 million to the profit and loss account in 2001. Gross interest expenses and other bank charges of HK\$2,458 million included interest expenses relating to the bridge loan facility of HK\$2,215 million.

Since September 2000 we focused on refinancing the bridge loan facility through various means, including the use of internal funds and the raising of additional capital through the rights issue of HK\$4,143 million and the issue of US\$1,100 million (approximately HK\$8,580 million) in convertible bonds in December 2000. By December 31, 2000 we had reduced the outstanding amount of the bridge loan facility to US\$7,655 million (approximately HK\$59,700 million).

In December 2000, a group of five major international banks led the syndication of US\$4,700 million (approximately HK\$36,660 million) in long-term loans, which was drawn down in February 2001 after completion of the Telstra alliance to refinance the outstanding balance under the bridge loan facility and to provide working capital for the PCCW Group.

Liquidity and Borrowings

Net cash from operating activities for the year amounted to HK\$2,838 million, which includes 12 months operating cash flows of PCCW and 4 1/2 months operating cash flows of HKT. Cash and short term borrowing balances of the Group stood at HK\$13,819 million and HK\$65,049 million respectively. As detailed in note 35 to the financial statements, the Group arranged syndicated bank borrowings of US\$4,700 million (HK\$36,660 million) and completed the Telstra alliance in February 2001. The cash inflows arising from these transactions allowed the Group to repay short term borrowings of approximately US\$7,655 million (HK\$59,709 million) and reserve additional funds of approximately US\$600 million (HK\$4,680 million) for working capital purposes.

Based on the Group's working capital projection, which has taken into account the available banking and other borrowing facilities of the Group, for the year ending December 31, 2001, the directors are of the opinion that the Group has adequate working capital to meet its current requirements.

Hedging Policy

Market risk arises from foreign currency exposure and interest rate exposure related to cash investments and borrowings. As a matter of policy, we continue to manage the market risk directly relating to our operations and financing and we do not undertake any speculative derivative trading activities. The Executive Committee of the Board of Directors determines the appropriate hedging activities undertaken by the Group with the aim of prudently managing the market risk associated with transactions undertaken in the normal course of our business. All treasury risk management activities are carried out in accordance to policies and guidelines approved by the Executive Committee, which are reviewed on a regular basis to reflect the best market practice.

In the normal course of business, we enter into forward contracts in order to limit our exposure to adverse fluctuations in foreign currency exchange rates. These instruments are executed with creditworthy financial institutions, and all foreign currency contracts are denominated in currencies of major industrial countries. Gains and losses on these contracts serve as hedges in that they offset fluctuations that would otherwise impact our financial results. Costs associated with entering into such contracts are not material to our financial results.

PCCW Japan

On November 7, 2000, we completed the acquisition of Jaleco Limited, now named Pacific Century CyberWorks Japan K.K. ("PCCW Japan"), a publicly traded company in Japan which develops video game software, for 27 billion Japanese Yen (approximately HK\$1,950 million). At December 31, 2000 the Company's interest in PCCW Japan was 77 percent.

Our acquisition of PCCW Japan provides a business infrastructure to exploit the opportunities of the Japanese Internet and media markets. PCCW Japan is pursuing three main business lines: the development of CS NOW Corporation, content aggregation and export services, and the restructuring of the existing video game software business focused on the development of online gaming services.

UNAUDITED PRO FORMA FINANCIAL DATA AND OPERATING PERFORMANCE

In order to allow a meaningful assessment of the PCCW Group's underlying financial performance and operating trends, the following unaudited pro forma financial data for the year ended December 31, 2000 has been prepared as if the acquisition of HKT by the Company had occurred on January 1, 1999. The financial data are structured according to the new business units after the merger of PCCW and HKT and are based on the combined results of the Group Companies excluding HKT Group's IP backbone business and wireless communications business for the years ended December 31, 1999 and 2000, respectively.

This presentation of business units' performance serves as a means for day-to-day managerial and budgetary control purposes. Transactions between different business units are recorded at arms' length and in accordance with applicable regulatory requirements. The Company does not represent that this unaudited pro forma financial data reflects what the results of the Group would actually have been or would be if the merger between the Company and HKT had, in fact, occurred on January 1, 1999.

Group Reorganization

Following the acquisition of HKT, we reorganized the combined group into eight major business areas to ensure more focus within their respective markets to develop and grow shareholder value, and to benchmark performance against leading global comparators:

- Telecommunications Services comprises the fixed line telecommunications network services and equipment businesses in Hong Kong.
- Business eSolutions comprises the systems integration, applications development and business broadband access businesses.
- Internet Data Centers comprises Internet data center and facilities management businesses in Hong Kong and joint ventures in mainland China.
- Business-to-Consumer services comprises Internet access and content businesses based in Hong Kong, India, Taiwan and London.
- CyberWorks Ventures is the PCCW Group's investment arm which takes strategic positions in, incubates and operates a portfolio of Internet technology companies.
- Infrastructure Services comprises the investment property development and management businesses based in Hong Kong and China.
- Connectivity Services includes the PCCW Group's 50 percent interest in the global IP Backbone company, Reach.
- Mobility Services includes the PCCW Group's 40 percent interest in the Regional Wireless Company.

Overall, unaudited pro forma revenues increased 1 percent to HK\$20,686 million for the 12 months to December 31, 2000. Unaudited pro forma EBITDA (Note I) was HK\$6,162 million for the year.

In addition, the Group's existing IP Backbone business generated unaudited pro forma revenues of HK\$7,340 million and EBITDA of HK\$2,785 million for the year to December 31, 2000. The Group's Hong Kong wireless business generated unaudited pro forma revenues of HK\$5,171 million and EBITDA of HK\$1,186 million.

PCCW Group's Unaudited Pro Forma Financial Data (excluding Connectivity Services and Mobility Services)

Revenues	2000	1999	Increase/ (Decrease)
Year ended December 31	HK\$ million	HK\$ million	
Telecommunications Services	20,225	21,668	(7%)
Business eSolutions	1,201	959	25%
Internet Data Centers	121	55	120%
Business-to-Consumer Services	1,115	835	34%
Infrastructure Services	725	390	86%
Others & Eliminations	(2,701)	(3,502)	23%
Unaudited Pro Forma Revenues	20,686	20,405	1%
Unaudited Pro Forma EBITDA (Note I)	6,162	(Note II)	(Note II)

Notes:

I. Earnings before interest, taxation, depreciation, amortization, gains/losses on investments, provisions for impairment losses and results from associates, joint ventures and unconsolidated subsidiaries.

II. There are no comparable EBITDA figures for 1999. Due to changes in the Company's business structure it is not possible to reconstruct meaningful EBITDA figures for 1999.

Unaudited Pro Forma Financial Data for Connectivity Services and Mobility Services (for illustrative purposes only)

The following unaudited pro forma financial data relates to the businesses injected by the PCCW Group into the joint ventures established under the Telstra Alliance.

Year ended December 31, 2000	HK\$ million
PCCW Group's IP Backbone business	
Unaudited pro forma revenues (100 percent)	7,340
Unaudited pro forma EBITDA (100 percent)	2,785
PCCW Group's Hong Kong wireless communications business	
Unaudited pro forma revenues (100 percent)	5,171
Unaudited pro forma EBITDA (100 percent)	1,186

Telecommunications Services

Unaudited pro forma telecommunications services revenues were HK\$20,225 million for the year ended December 31, 2000, down 7 percent year-on-year. Operating margins were maintained through achieving substantial reductions in the costs of services, particularly for international services.

The mix of telecommunications services revenues is changing, particularly as data services grow and become a greater portion of the portfolio. For example, the proportion of total telecommunications revenues from retail international voice (IDD) services fell from 17 percent in December 1999 to 13 percent in December 2000, while revenues from local exchange lines, interconnection, data services and equipment sales increased from 83 percent to 86 percent for the respective periods.

We stabilized our retail market share of the major IDD routes during the year. IDD revenues fell 34 percent as average prices declined 42 percent in the period. We expect that competition in this market will continue to be intense, although the recent granting by the industry regulator in Hong Kong of non-dominant status for certain traffic routes, including mainland China routes, should enhance our competitive position.

Unaudited pro forma local telephone services revenues increased 8 percent year-on-year to HK\$7,561 million. This reflected a full year impact of the residential exchange line tariff increase from HK\$68.90 to HK\$90.00 per month implemented in September 1999 in line with the 1998 Framework Agreement with the Hong Kong SAR Government. The Framework Agreement provided for the early termination of the HKT Group's exclusive international license as at March 31, 1998 and the introduction of competition in international services commencing from January 1, 1999 in return for a package of compensation measures, including the right to increase local exchange line tariffs in agreed phases. In January 2001, we implemented a further increase to the residential exchange line tariff from HK\$90 to HK\$110 per month in accordance with the Framework Agreement and increased the business exchange line tariff from HK\$108.80 to HK\$128.80. The effect of these increases will be reflected in our financial results for the year ending December 31, 2001. The total number of narrowband exchange lines in service remained stable year-on-year at approximately 3.7 million, with an increase in business lines offsetting a marginal decline in the number of residential lines.

As a result of these developments, we have made substantial progress in rebalancing our revenues from IDD services to local telecommunications services, as envisaged in the Framework Agreement.

We have also built a strong position in providing wholesale fixed network interconnection services to other local carriers and service providers for voice and bandwidth services. We believe that PCCW's leading position in both the local retail and wholesale telecommunications markets is underpinned by the significant investments we have made in advanced broadband network technology, our strong operational expertise, a broad range of products and services, and an established reputation for delivering high quality of service. Network availability was maintained at 99.99 percent for the year.

Unaudited pro forma local data services revenues of HK\$3,377 million were driven by a 196 percent increase in broadband access lines in service to 282,000 at December 31, 2000. Revenues from the provision of broadband lines for interactive television services declined due to lower tariffs and a decline in the number of iTV customers in the year. We met strong demand for other local data and network solutions with local bandwidth sold increasing 27 percent year-on-year to 86 Gigabits per second ("Gbps").

International facilities-based competition was introduced from January 2000 and prices for international private leased circuits fell significantly during the year. However, we have met strong growth in demand for international bandwidth, with a total of 1.4 Gbps of international circuit capacity leased as at December 31, 2000, up 63 percent year-on-year.

We continued to provide integrated solutions of network equipment and connectivity products to our enterprise customers. Overall unaudited pro forma equipment sales for the year were HK\$2,624 million.

Business eSolutions

This business unit provides a full range of services to large corporate and small and medium-sized enterprise customers, covering broadband Internet access services, consultancy, systems planning, systems integration, applications development and outsourcing operations.

Significant contracts were completed during the period for leading Hong Kong institutions, predominantly in the financial and banking sectors, as well as for public sector clients. Unaudited pro forma revenues from Business eSolutions increased 25 percent year-on-year to HK\$1,201 million, driven by contracts for major system integration solutions and strong growth in the provision of premium broadband access lines to enterprise customers. By December 2000, revenues from external sources exceeded 51 percent of total Business eSolutions revenues. This business unit also supports the Group's internal information systems requirements.

As part of our strategy to expand into greater China, we established an e-commerce software development center in Shenzhen, secured new systems integration business with Ping An Insurance Company (mainland China's largest non-state owned insurance company), and expanded our Hong Kong Yellow Pages directory business through the acquisition of 37.65 percent of ChinaBiG (mainland China's largest telecom directory business) in November 2000.

Unaudited pro forma revenues from business broadband Internet access services increased 190 percent to HK\$219 million with customers for our high speed "@work" and "Always On" services expanding from 1,400 as at December 31, 1999 to 19,400 at December 31, 2000. The number of customers using leased line access services increased to 3,900.

Internet Data Centers

Unaudited pro forma Internet data center revenues increased 120 percent year-on-year to HK\$121 million following the launch of premium services under the Powerb@se brand in June 2000.

Unaudited pro forma revenues from new Internet data center services and projects were HK\$51 million. This business has already established a base of more than 210 customers including major corporate and public sector institutions requiring mission critical solutions. A state-of-the-art, purpose built 40,000 square foot data center in Quarry Bay, Hong Kong was expanded to 80,000 square feet by November 2000 to meet growing demand from customers.

Responding to rapid growth in Internet use in China, we established a joint venture with Beijing Centergate Technologies, and a 42.5 percent interest in this business. We also have a 45 percent interest in a facilities management joint venture in Shanghai with Shanghai P&T Development General Corporation.

Unaudited pro forma revenues from the provision of facilities management services, predominantly relating to the operation of data network equipment for communications services providers operating in Hong Kong, increased 27 percent year-on-year to HK\$70 million.

Business-to-Consumer Services

Unaudited pro forma Business-to-Consumer revenues increased 34 percent year-on-year to HK\$1,115 million driven by accelerating take-up in broadband Internet access services in Hong Kong.

We operate the leading Internet access service in Hong Kong. Broadband Internet take-up was very strong during 2000 with year-on-year customer growth of 506 percent to 194,000 for our 1.5 Mbps Ultraline service, representing more than 70 percent of the retail broadband market in Hong Kong. PCCW's

total Hong Kong Internet access customer base grew 29 percent year-on-year to 626,000 at December 31, 2000, including a total of 432,000 narrowband customers. The Company had 67,000 Interactive television (iTV) customers at the year end.

PCCW launched its Network of the World ("NOW") Internet content services for trial purposes in June 2000. During the trial period the English language service received more than 5 million page views per month with an average visitor session length of 20 minutes.

In October 2000, our joint venture, Data Access (India) Limited, in which the Company currently holds an indirect 48.5 percent interest, launched NOW bundled Internet access and content services in Delhi and Mumbai and had gained 30,000 customers by December 31, 2000. NOW Internet access services were subsequently launched in Chennai in March 2001.

Infrastructure Services

Unaudited pro forma revenues from Infrastructure Services were HK\$725 million for the year ended December 31, 2000. Revenues from external property projects and rental from investment properties leased to third parties represented approximately 72 percent of Infrastructure Services revenues for the year ended December 31, 2000, compared with 70 percent in the previous year. This includes revenues from space leased at Pacific Century Place in Beijing and the Company's headquarters building at Hongkong Telecom Tower, to be re-named PCCW Tower, in Hong Kong. The balance of revenues represented management fees and property charges to other PCCW Group businesses.

Foundation works for the Cyberport commenced in June 2000. Phase One of the Cyberport, which includes 23,000 square meters of office space, is targeted for completion by early 2002.

Connectivity Services

The HKT Group's IP Backbone business generated unaudited pro forma revenues of HK\$7,340 million. Overall international gateway voice traffic increased 3 percent. Data growth accelerated year-on-year with international leased circuit bandwidth up 142 percent to 4.2 Gbps and Internet bandwidth up 209 percent to 0.9 Gbps.

Mobility Services

The HKT Group's Hong Kong wireless communications business generated unaudited pro forma revenues of HK\$5,171 million. Average revenues per customer increased more than 3 percent to HK\$454 per month for the year to December 31, 2000 and customer churn was contained at a monthly average of 3.4 percent for the year, well below the market average. The current customer base is in excess of 1 million.

Costs of Sales and Services

Unaudited pro forma costs of sales and services on the basis described above were HK\$6,326 million, of which approximately HK\$5,240 million related to Telecommunications Services. This represented a decline of 21 percent primarily due to reductions in the costs of delivery for international services.

Operating Costs

Overall unaudited pro forma operating costs were HK\$10,819 million for the year ended December 31, 2000, representing an increase of approximately 30 percent. This includes staff costs of HK\$4,345 million, depreciation charges of HK\$2,360 million, repairs and maintenance costs of HK\$522 million, rent, rates and utilities expenses of HK\$818 million, professional fees of HK\$407 million and other operating costs of HK\$2,416 million. The increase in operating costs reflected a full year of operations of Pacific Convergence Corporation, Ltd. in preparation for the soft-launch of NOW in June 2000, as well as increased operating costs in other new business areas, including Business eSolutions, Internet Data Centers and call center services.

The number of employees at December 31, 2000 was approximately 15,000. In February 2001, some 2,000 staff were transferred into the IP Backbone and wireless joint ventures with Telstra.

Capital Expenditure

Unaudited pro forma capital expenditure for the year ended December 31, 2000 amounted to HK\$4,118 million, consisting principally of investments in the local networks to meet increased demand, roll-out of the broadband network, new Internet data centers and technology for the delivery of new Internet services to businesses and consumers.

Regulatory Developments

During the year, we continued to make substantial infrastructure investments in order to both support the overall growth of the telecommunications market as well as the development of competition in Hong Kong, which is among the most competitive telecommunications markets in the world.

We continued to provide interconnection capacity and unbundled local loops to our competitors on a non-discriminatory basis at cost oriented rates. Interconnection rates were modified during the year to take into account increased traffic flows, particularly for Internet, data and wireless voice services.

There were a number of major industry developments during the year. Pursuant to the Framework Agreement between HKT and the Hong Kong SAR Government on early termination of HKT's exclusive international license, the second phase of liberalization – external facilities based competition – was implemented in January 2000.

The Telecommunications Ordinance and the Broadcasting Ordinance were both updated during 2000. The amendments to the Telecommunications Ordinance reinforced the powers of the Telecommunications Authority and created a new right of review through the independent Telecommunications Appeal Board. The amended legislation also strengthened the right of licensed telecommunications carriers to access buildings in Hong Kong. This supports our efforts to provide services promptly and helps to ensure a level playing field with competitors, many of whom are affiliated with property developers.

During the year the Government also enacted an Electronic Transactions Ordinance, set out its policy for licensing of third generation (3G) wireless technology, and consulted the telecommunications industry on the principles for inter-connection of high speed broadband networks.

A large number of tariff charges were effected during the year. Rates were revised to meet competition, to enhance operations and to support further network investments. Promotions and loyalty programs were also accelerated.

PCCW obtained greater pricing flexibility for the provision of IDD services on additional routes, including China, and this is expected to enhance our competitive position in these markets. Looking beyond Hong Kong, PCCW obtained offshore telecommunications licenses in the United States, Canada, United Kingdom, Japan, Singapore and Taiwan. The Company also established Internet service provider operations in Singapore, Malaysia, Thailand, Indonesia, Philippines, Korea, Taiwan and India to position for rapid growth in Internet services in these markets. With the exception of the Taiwan and the India operations, these businesses together with our international network assets were injected into our IP backbone joint venture with Telstra in February 2001.

While continuing to strive for further regulatory flexibility in competitive markets, PCCW is committed to complying with its existing regulatory obligations until such time as they are relaxed. Its Regulatory Compliance Program was updated and expanded to take account of the relevant legislative amendments during the year.

Outlook

Hong Kong is one of the world's most competitive telecommunications markets and PCCW faces intense competition from both local and global operators. Within this environment, PCCW is positioning to benefit from the rapid growth in demand across the Asia region for new Internet and communications services. The business models and technologies for these services are still developing and have been subject to fundamental change in the past year.

However, we have created a solid platform for the development of PCCW's businesses, with a flatter organizational structure, focused business units and management incentives based on performance. We have significantly reduced debt, secured long term financing, and our expansion plans have progressed through completing our joint ventures with Telstra. In April 2001, we agreed on steps to resolve the issue of Cable & Wireless' remaining 14.7 percent shareholding.

Our priorities for 2001 are to deliver stable, improving results from our core telecommunications businesses, strengthen the balance sheet and reduce debt, and build growth businesses and develop regional opportunities, especially in greater China.

PCCW is a stronger company than it was in 1999. We have a strong cash position, a strong brand, well-established and proven operational capabilities, and a team of people with world-leading skills. We believe the opportunities for growth within Hong Kong, greater China and the Asia region are tremendous and we are confident for PCCW's outlook.