

# CHAIRMAN & CHIEF EXECUTIVE'S STATEMENT

## **To our Shareholders:**

We are pleased to report our interim results for the six months ended June 30, 2001, the first full reporting period since the merger of PCCW and Cable & Wireless HKT.

Our integrated businesses have performed satisfactorily in a difficult economic climate, giving us continued confidence in the business strategy which we discussed in our annual report to you in March 2001.

We set out to develop the following major lines of business: Telecommunications (including Business eSolutions and Internet Data Centers); Internet Services; Infrastructure and Others (including PCCW Japan and CyberWorks Ventures). The results for the first half of this financial year demonstrate that we have been successful in managing these business lines to achieve solid growth in revenue and EBITDA.

Another goal we set out for 2001 was financial prudence. After reducing our debt earlier this year and refinancing our remaining debt over the medium and long term, we have been successful in securing solid investment grade debt ratings from the key agencies for our principal subsidiary, PCCW-HKT Telephone.

Our third objective was to achieve improvements in operating efficiency, EBITDA and profit. While we have controlled costs sufficiently to maintain, and actually to increase slightly, our EBITDA margin, more needs to be done to improve the efficiency of our operations. We are committed to making these improvements, as well as to continue to improve capital efficiency.

Looking ahead, we believe that PCCW is well positioned to execute on our strategy. That strategy includes our previously announced commitment to be customer-centric in everything we do. It focuses on continued progress in our new businesses which we believe are crucial to supporting and growing our core connectivity services. Over the past year, our commitment has been to drive growth in EBITDA and profit.

We are cautiously optimistic on PCCW's outlook for the rest of this year. Despite Hong Kong's softening economic outlook and the persistent uncertainty in the regional and global economic climate, we believe that PCCW is well positioned to achieve its growth and performance objectives through a focus on operational efficiencies.

## **Richard Li**

*Chairman & Chief Executive*

September 6, 2001