

STATEMENT FROM THE CHAIRMAN



Dear Fellow Shareholders,
The results for 2006 demonstrate that we are continuing to deliver on our strategy to create value by leveraging existing assets and investing in new growth opportunities. We have begun to turn our core business round, while integrating our new mobile service and continuing to expand our innovative TV & Content offerings.

We have achieved a solid financial and operating performance in the face of intense competition and our market-leading service standards and innovative technologies have clearly distinguished us from domestic competitors.

We invested in completing our quadruple-play platform in 2006. In 2007, we will unlock the potential in this investment, as we deliver a growing variety of content and interactive services to our customers over fixed-line, broadband, mobile and TV platforms.

Our success in winning the exclusive live broadcast rights to English Premier League matches for the next three seasons beginning in August 2007 has further strengthened our position as Hong Kong's premier pay-TV operator.

In addition, further enhancements to our fixed-line service will ensure that we continue to be regarded as Hong Kong's premium and preferred telecommunications and broadband provider.

PCCW mobile has become the sole brand for marketing our mobile services, following our acquisition of all SUNDAY Group operating businesses and assets at the end of 2006. During the year, we launched a 3G service, improved our network and began offering innovative content on mobile including NOW TV and MOOV. The result is an improved mobile service that has been fully integrated with our other telecommunications and media offerings to appeal to a broader cross-section of our customer base. Our focus going forward is on increasing the number of subscribers, further improving our service quality and raising average revenue per user (ARPU).

Our Pacific Century Premium Developments property arm continues to perform well, benefiting from an improved local economy and the quality reputation of our premium brand, Bel-Air. We have begun planning new developments in Hong Kong and Beijing and continue to consider other opportunities.

Our alliance with China Netcom continues to develop. We are working together in broadband, IT, international connectivity and property redevelopment and look forward to similar opportunities in Yellow Pages and mobile. China Netcom has reiterated an interest in working with us in mobile communications, should the company obtain a 3G license.

In the UK, our wireless broadband business continues to develop steadily. Further expansion will be tempered by caution, as we wait for a global consensus on technology standards.

We made significant progress during 2006 – but with a healthy economy, I believe there is room for the management team to do better. I will continue to work closely with the Board and our management team to achieve our strategic objectives.

Richard Li
Chairman
March 28, 2007