

BUSINESS OVERVIEW

DELIVERING HONG KONG'S FIRST QUADRUPLE-PLAY EXPERIENCE



PCCW mobile®



PCCW Fixed Line

Year 2006 saw PCCW become Hong Kong's first "quadruple-play" operator, changing the face of the local telecommunications industry.

Customers are now able to tailor their own digital lifestyles at home, at work and on the move, thanks to PCCW's newfound power to provide innovative services across four platforms – fixed line, broadband Internet access, TV and mobile.

A prime example was the world's first screening of real-time television on 3G handsets using Cell Multimedia Broadcast technology to take programming from our NOW TV platform to mobile phones.

A whole new vista of opportunity then materialized as PCCW set out to discover more imaginative ways of applying our quadruple-play capability to produce a succession of innovative-yet-affordable services.

Synergies between formerly disparate units soon began to emerge, giving rise to new lines of business and the transformation of the Company from access provider – as a traditional telecoms operator – to new breed of ICT/media-delivery player, bringing a whole new meaning to the PCCW brand.

In addition, our award-winning innovation at home in the public and private sectors is now in demand overseas, opening up more revenue opportunities and positioning the Company as an industry role model on the world stage.

BUSINESS OVERVIEW
**Telecommunications
Services (TSS)**

ENRICHING OUR FIXED-LINE OFFERING



PCCW

charging / in use 充電 / 使用中

missed call message 未接來電

LOCAL TELEPHONY

Yet more innovative services and functionality from PCCW continued to enrich Hong Kong's fixed-line experience in 2006, helping the Company to enjoy more net line gain and stability, and focus on increasing average revenue per user.

New initiatives launched to differentiate PCCW in the residential market included the EasyReach service to provide customers with express hotline access to "personal assistants" without having to go through the Interactive Voice Response Service (IVRS) process. For a modest monthly fee, EasyReach now expedites all customer issues relating to fixed-line and other services – such as International Direct Dial (IDD), NETVIGATOR and NOW TV – in the same account.

In addition, our New Generation Fixed Line services were enhanced by the latest audio-infotainment phone, which provides an array of exciting audio content at the press of a user-friendly, one-touch button. This innovative new strain of fixed-line service delivers enjoyment to the home in the form of Disney stories, quizzes, cooking tips and fortune telling, plus a range of other useful infotainment.

More innovation in the pipeline will enrich our fixed-line offering with high-speed data and video, giving rise to a revolutionary service combining communications with everyday-life applications, entertainment and information, plus an ability to perform transactions, all on one terminal – making full use of PCCW's quadruple-play capability.

In the commercial fixed-line market, a strong Hong Kong economy stimulated demand, with new and expanding businesses prompting growth of some 1,000 lines per month in 2006.

Large-scale contracts signed last year included an IP Telephony project to revolutionize communications for DBS Bank, a corporate private automatic branch exchange (PABX) project for CLP Power and installation of full telecoms infrastructure for a major new hotel.



PCCW Macau team members assemble after completing a major IT and telecoms infrastructure project for Wynn Resort Macau one month ahead of schedule.

The Company's Commercial Group scored a number of lucrative contract wins last year, especially in Macau's booming hospitality and gaming market, which resulted in some HK\$200 million in new income generated by telecoms infrastructure projects via the business unit's PCCW Macau arm.

INTERNATIONAL TELECOMS SERVICES

Even though Hong Kong's IDD market remains fiercely competitive, PCCW achieved double-digit growth in international traffic in 2006, with overall price erosion at lower levels than in previous years.

In the consumer market, term plans offering a number of IDD minutes at a fixed price proved popular, and the Company was particularly successful in encouraging SUNDAY and PCCW mobile subscribers to adopt our 0060 IDD service for their international calling.

PCCW's Hello-branded prepaid international calling card proved extremely attractive to workers from overseas and led the local prepaid IDD-card market last year.

LOCAL DATA

Hong Kong's buoyant economy generated strong demand for data services, as the local business community deployed an increasing number of bandwidth-hungry applications to serve their growing commercial needs.

General growth led to more business premises requiring data connectivity, especially in the retail industry, which saw a rise in the number of new outlets opened by chains.

PCCW's Commercial Group also won business by supporting Hong Kong's 3G operators with fixed-carrier services, as more users adopted mobile data applications and placed heavier demand on operational bandwidth.

One of PCCW's most notable commercial projects occurred when the International Telecommunication Union (ITU) staged the ITU TELECOM WORLD 2006 event in Hong Kong, attracting 62,000 visitors from overseas. The eyes of the global telecoms industry were on PCCW as 600 exhibitors from all over the world presented formidable challenges in meeting their technical demands at the AsiaWorld-Expo complex, which we serve as ICT partner. Our full range of technologies was utilized to provide mobile communications, optical fiber, Internet access, mobile broadband and the Company's latest FiberNET offerings to provide a Hong Kong network service of unprecedented scale, flexibility, stability and throughput.

BUSINESS OVERVIEW

Telecommunications Services (TSS)

ITU TELECOM WORLD 2006 provided a particularly significant international showcase for PCCW, as this was the first time the ITU had staged such an undertaking outside of Switzerland since the event was first organized in 1971. The result was that PCCW was voted Best Service Partner by the venue and event organizers.

The Commercial Group was also recognized at the Asia Pacific Service Provider of the Year 2006 event when our Next Generation Metro IP Network solution received an Outstanding Innovation award from the Metro Ethernet Forum, a global industry alliance comprising major telecoms players and manufacturers. More honors came in the form of the Best Telecom Managed Service Provider title from the Computerworld Hong Kong Awards and the Best Infrastructure and Traffic Management title from the Sing Tao IT Square Editor's Choice recognition scheme.

BROADBAND

The NETVIGATOR brand grew in stature throughout 2006, as PCCW continued to increase numbers of broadband customers.

Our reputation for quality, stability and tip-top customer service, coupled with the increasing popularity of NOW TV, helped reduce rate of churn among Consumer Group customers last year to a record low.

In the commercial market, Business NETVIGATOR focused on the continued creation of practical value-added services, as well as differentiating the brand and value proposition among competitors.

Growth was driven by exploring the potential beyond simple Internet access and designing innovative broadband applications to boost business power and competitiveness for enterprises. PCCW also generates revenue by supplying capacity to other broadband providers on a wholesale basis.

The boldest move in the local broadband market came in early 2007 when PCCW began to transform Hong Kong into a "Wi-Fi city" by increasing the number of hotspots from 400 to more than 3,000 and extending coverage to MTR stations. High-speed Internet access without wires is now no more than a short walk away in the city and PCCW Wi-Fi users are able to get online at an affordable price with any of a growing number of Wi-Fi-enabled devices, such as laptops, PDAs, mobile phones and entertainment gadgets.

As well as rolling out hotspots throughout convenience store chains, shopping malls and other busy areas, PCCW is extending Wi-Fi coverage to nine universities and provides Internet access free of charge to Hong Kong's 120,000-strong population of university students, wherever they may be locally. Free access has also been granted to all Hong Kong Government service websites to promote the concept of eGovernment.

The "Wi-Fi city" plan followed a move in December last year when PCCW joined with Hong Kong International Airport to provide free Wi-Fi Internet access throughout the entire passenger terminal building. This created the largest indoor wireless broadband area among the world's major international airports.

NETVIGATOR also empowers **snaap!**, which was launched in early 2007 as the first service in Hong Kong to enable people to share and view photographs and video clips on a computer monitor via broadband, a TV screen through NOW TV's channel 508, a mobile handset or a new fixed-line terminal from PCCW. This unique experience enables customers to upload digital photos and video to a centralized library using a mobile phone or an online computer, and share their digital albums via the four delivery platforms.

Among accolades scooped by PCCW's broadband prowess last year was the Best Broadband Carrier title from *Telecom Asia* magazine, plus the Best Service Award – Internet Service Provider Category, for the eighth consecutive year, in *Next* magazine's Top Service Awards 2006. NETVIGATOR has won the Best of Broadband ISP Award in *PC Market* magazine's Best of IT Award for the last three years and the Yahoo! Emotive Brand Award in the Internet Services Category for the last two years, as well as the Quality Living Award in the HK-Broadband ISP Category of a scheme run by *East Week* magazine in 2006.

Honors for Business NETVIGATOR included the Best Internet Service title for the third consecutive year in the Sing Tao IT Square Editor's Choice recognition scheme, the Best Business Internet Service Provider title in the Computerworld Hong Kong Awards and a Corporate Broadband Service Provider accolade from PC3 magazine.

PCCW CONSUMER SALES AND CHANNELS

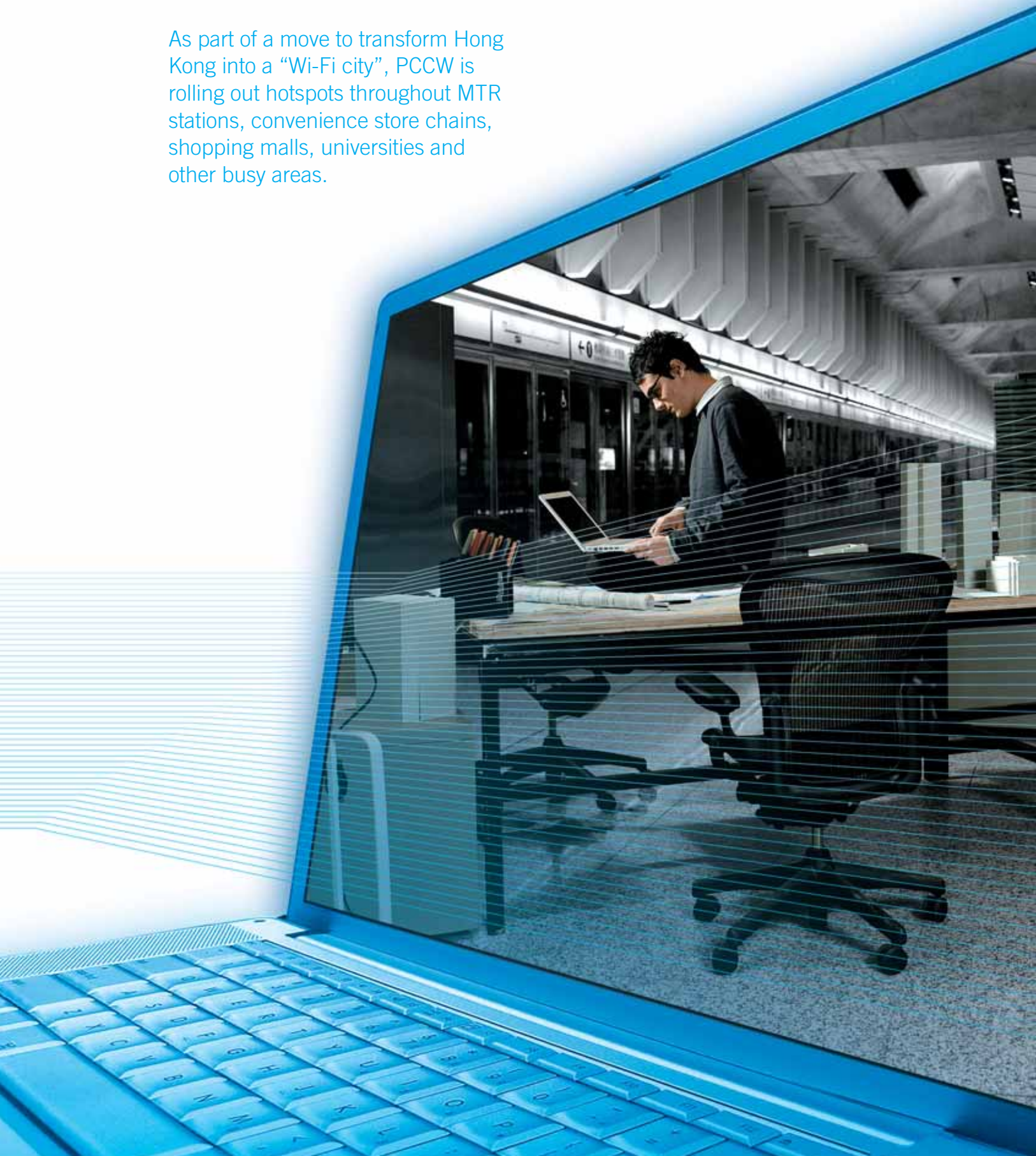
A major task last year was to coach PCCW's sales professionals to ensure customers enjoy optimum benefit from the Company's newfound ability to provide services and media content across four delivery platforms.

PCCW runs one of the largest and most innovative sales operations in Hong Kong, via channels that include retail outlets, 24-hour call centers, a direct sales team and partnership arrangements.

The number of PCCW shops in Hong Kong rose from 17 to 25 in 2006 and is expected to increase by another 18 in 2007 as SUNDAY outlets join the chain (see page 21).

Providing an interactive shopping experience and practical demonstrations of the Company's quadruple-play capability, these attractive retail outlets offer total connectivity plus a full range of digital products and a greatly expanded mobile communications service to support the PCCW mobile brand.

As part of a move to transform Hong Kong into a “Wi-Fi city”, PCCW is rolling out hotspots throughout MTR stations, convenience store chains, shopping malls, universities and other busy areas.



CONNECTING THE BUSINESS COMMUNITY AROUND THE WORLD

For the third consecutive year, top marks for popularity in a survey by the 1.5 million-circulation *Guangzhou Daily* newspaper resulted in the Hong Kong Merchant of Integrity title being awarded to PCCW shops. Our retail chain was also voted winner of the scheme's My Favorite Top Ten Brands of Hong Kong Award.

PCCW shops won the Service Retailer of the Year (2006) title in the electronic & electrical appliances category of the Hong Kong Retail Management Association's Mystery Shoppers Programme, while a 24-hour call center achieved a gold-standard Customer Service Excellence Award (Individual) from the Hong Kong Association for Customer Service Excellence.

PCCW's products and services are also taken to consumers by Hong Kong's largest mobile team of direct sales professionals, while more than 1,000 business agents act as retail outlets for PCCW phonecards, network services, computer hardware and accessories.

The increasingly popular *i.shop* lifestyle magazine continues to generate significant revenues by promoting a wide variety of ICT products and services available from PCCW's integrated sales channels.

TECHNOLOGY ROADMAP

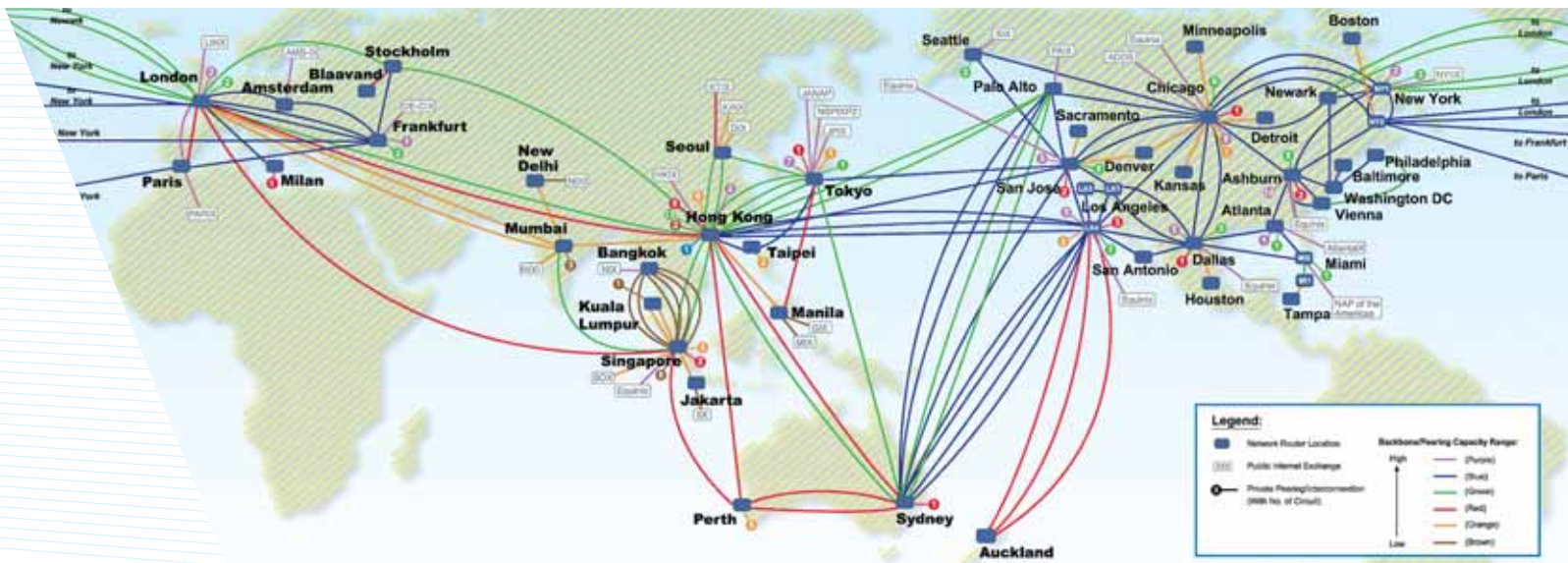
Year 2006 saw steady progress in PCCW's evolution from access provider – as a traditional telecoms operator – to new breed of ICT/media-delivery player carrying content, applications and transactions, as well as voice.

Part of that evolution is PCCW's transition to an all-IP network – or Next Generation Network (NGN) – that will create a “superhighway” to carry all traffic, whether voice, Internet, video, multimedia or applications (see page 17).

Running until 2014, the NGN project has been planned so that annual capital expenditure and eventual cost will be proportionate to the levels of investment traditionally required over time to keep legacy networks up to speed with demand. Based on a “just-in-time” planning model so that existing equipment is replaced at the end of its useful lifespan, the transition will begin switching exchanges to the NGN in 2007.

Higher-speed bandwidth rollout to customers – beyond existing 8 Mbit/s rising to 25 Mbit/s services – continued in 2006, as PCCW introduced optical fiber to more Hong Kong buildings. This enables ADSL2+ (up to 25 Mbit/s) and Very High Speed DSL (VDSL – up to 50 Mbit/s) services to support provision of multiple pay-TV set-top boxes in the home or commercial premises, as well as the 2007 launch of a high definition TV (HDTV) service, following trials among PCCW staff and some customers. In fact, about one-third of all English Premier League football coverage for the next three seasons will be made available to NOW TV in HDTV format.

As VDSL upload and download speeds are the same – unlike conventional broadband, which provides high speed for downloading but low for uploading – the service will also meet a demand from users who generate and dispatch content online.



Potential is also being explored in the provision of home networks that can be used for a multitude of applications such as security surveillance, building-management systems and digital libraries for storing and sharing home videos and photographs.

PCCW GLOBAL

A little over a year after launch, PCCW Global has been able to report encouraging growth in operations that serve enterprise and wholesale markets, as well as successful rationalization in pursuit of greater profitability.

Created by the merging of the international section of PCCW's Commercial Group and BtN Access in 2005, PCCW Global enables organizations to bring their business to Asia, run operations across Greater China and other parts of the region and take Asian business to the rest of the world.

The unit serves multinational corporations and large enterprises, as well as carriers, with a portfolio of integrated global communications solutions from a presence in the Americas, Europe, the Middle East, Africa and Asia.

Notable achievements included a three-year contract to supply an Internet search engine giant with bandwidth, and extending global reach by clinching highly cost-effective network-to-network interface agreements with established carriers. The unit's success using this strategy in parts of South America and the Middle East were highlighted in the independent Yankee Group DecisionNote Company Analysis series in August 2006 under the headline "PCCW Global steps onto the global stage".

PCCW Global and China Telecom Group announced a milestone agreement in May last year when they launched the first International Ethernet Private Line service providing high-bandwidth connectivity between Hong Kong and mainland China. The move was welcomed by Chinese enterprises expanding across the region, as well as multinational corporations moving into mainland China.

The unit also generated revenue by assisting enterprises to migrate from legacy networks to IP-based NGN technology, while the volume of traffic carried on PCCW Global's own worldwide IP network doubled in 2006.

Designed to evaluate operators serving multinational corporations with pan-regional networks in Asia Pacific, the Gartner Magic Quadrant 2006 report assessed PCCW Global for the second consecutive year as having the "highest ability to execute" among other players in the same category. In addition, PCCW Global's IP network (identified as AS3491) was ranked in the world's top 10 by the Netconfigs network management resource in late 2006.

More industry recognition came in the form of the coveted Best National/Regional Operator title from the prestigious World Communication Awards. Organized by the Total Telecom media group, the awards scheme also ranked PCCW Global as a finalist in the Best Managed Services category.

Year 2006 saw significant expansion of PCCW Global operations in South America and Africa, where the unit's VSAT (Very Small Aperture Terminal) satellite solution proved attractive to carriers in remote areas not served by terrestrial infrastructure. PCCW Global's relatively new satellite-based Cellular Backhaul Service is also proving popular among Africa's mobile phone operators.

BUSINESS OVERVIEW

Telecommunications Services (TSS)

A new global account management structure was put into place last year to facilitate the unit's developing relationships around the world, while the customer advocacy function serves to differentiate PCCW Global from competitors by surpassing traditional approaches to customer service.

CONTACT CENTERS

Outsourcing operations run by our Contact Center Business (CCB) unit to provide contact center facilities for major organizations across Greater China grew more than 60% in 2006 against industry forecasts for the year of 18.3% in Asia Pacific and 5.7% globally.

While the number of agents serving client organizations increased from 1,196 in 2005 to 1,936 last year, CCB sought to control costs by keeping the numbers of agents serving PCCW's own contact center needs at 2005 levels.

Last year, CCB was ranked as Greater China's premier industry player in terms of scale, quality and customer feedback by international Customer Relationship Management (CRM) evaluation organization, GCCRM Associates.

The business unit's growth strategy is to provide industry-leading consultancy in a proactive manner to enhance operational performance for customers and build positive client relationships to help establish PCCW as the ideal choice of multi-service business partner.

A significant milestone in 2006 was the unit's first Business Process Outsourcing (BPO) contract, which opened up a new opportunity outside the traditional contact center market.

A leading international financial institution's entire mainland China and Hong Kong credit card back-office operation is now handled by CCB, which has taken on responsibility for processes such as credit assessment, compliance and training. This BPO project is regarded as the start of a whole new revenue stream for CCB, as the unit plans to capitalize on forecasts that BPO will become a high-growth business in mainland China over the next five to 10 years.

Year 2006 also saw the unit broaden contact center services to multinational corporations by handling incoming calls on a global, rather than just regional, scale. A prime example was a contract with a premier mobile phone manufacturer to handle technical support hotline calls from all over the world at our contact center in Beijing.

In response to increasing demand for offshore contact center support for businesses in the US and UK, CCB has established a PCCW-branded operation in the Philippines, where English is widely spoken. The move is significant, as the industry has traditionally sited offshore English-language contact centers in India. CCB plans to expand the new operation in Manila to 1,000 seats by the end of 2007.

As well as providing contact center services, CCB also built 20 contact center complexes to order in 2006. In addition, CCB has been generating revenue by marketing a solution developed inhouse that offers large enterprises a new concept in CRM. CCB has performed some 13 installations since the solution, sub-branded Unicall, was developed in 2005 and plans to focus on the Greater China market in 2007 before taking Unicall further afield in 2008.

The unit has attracted local and international acclaim for being highly skilled in all forms of customer contact and has won Hong Kong Call Centre Association (HKCCA) awards every year since 2001. At the HKCCA's Hong Kong Call Centre Awards 2006, CCB won three team and four individual accolades, plus the Best China Customer Service Center Award 2005-2006 from the Guangdong Information Industry Association. In addition, the Hong Kong Productivity Council presented CCB with the 2006 Hong Kong Awards for Industries: Productivity and Quality Certificate of Merit, while the Hong Kong Association for Customer Service Excellence (HKACE) conferred two gold awards on the business unit for Contact Center Service and Internal Support Service, as part of the HKACE Customer Service Excellence Awards 2006.

For the third consecutive year, the business unit has been ranked among the top-50 teleservices agencies in the world by *Customer Inter@ction Solutions*, a US-based magazine specializing in the global contact center industry. Based on 2006 findings, CCB was ranked eighth in the Top International Outbound Teleservices Agencies league table and second in the Top Interactive Inbound Teleservices Agencies category.

CASCADE

In just the third year of operation since service launch in 2003, Cascade Limited (CASCADE) enjoyed a very positive 2006, growing revenues earned outside PCCW by a significant margin.

As well as serving PCCW's day-to-day technology needs, CASCADE has been winning contracts as far afield as Morocco, Indonesia, Serbia, Vietnam and Thailand.

CASCADE's efforts to win business outside PCCW and Hong Kong have been impressively productive, with the division's 2006 business development activities enjoying a bidding success rate of more than 60%.

The wholly-owned technical services subsidiary has earned a worldwide reputation for leadership in IPTV technology, which has led to sales inquiries from broadband network operators planning to rollout their own IPTV services. Central to CASCADE's IPTV expertise is the QualiTVision solution, developed as a result of CASCADE's pivotal role in PCCW's NOW TV success story.

In fact, QualiTVision won industry recognition last year when the International Engineering Consortium's Broadband World Forum Asia 2006 conferred the InfoVision Award on CASCADE in the content, entertainment, applications and services category.

As well as building an end-to-end IPTV solution last year for Thailand's True Digital Entertainment Company Limited, a subsidiary of True Corporation Plc, CASCADE has been working with a Moroccan telecoms provider on an IPTV network that has already become the seventh largest in the world and continues to expand. CASCADE is planning more IPTV projects in markets around the world during 2007.

Another major project last year was CASCADE's implementation of a nationwide email system for the Vietnam Datacommunication Company, the ISP arm of the Vietnam Post and Telecommunication Corporation. In addition, PCCW's technical services arm has been involved in a number of projects serving Macau's mushrooming hospitality and gaming industry.

Working with a Saudi Arabia-based conglomerate late last year, CASCADE began laying the groundwork to support a bid for a fixed-carrier license in the Middle Eastern nation. Such a license would provide the rights to build and run a nationwide network to generate revenues from services such as voice, broadband Internet access and IPTV. Currently served by just one fixed-line operator, Saudi Arabia's fixed-line penetration rate is just 16%, compared with Hong Kong's 92%. A full

service, fixed-facilities license is likely to be granted to the winning-bid entity in late 2007.

Back in PCCW, CASCADE has been building and testing a Next Generation Network (NGN) that will ultimately carry all services on one "superhighway", the first of its kind in Hong Kong. During 2007, CASCADE will begin a seamless migration of all PCCW's fixed-line voice customers to the NGN, as part of a major project scheduled for completion in 2014 (see page 14).

During 2006, CASCADE scooped a number of accolades, including a Best Practice Award in Technology Deployment from the Hong Kong Best Practice Management Group, plus Customer Service Quality Standard Certification with a Top Performance rating – CSQS Level III Strategic Business Unit – from the Asia Pacific Customer Service Consortium. In addition, the Hong Kong Institute of Engineers conferred a Hong Kong Information and Communications Technology Awards: eGovernment Award on CASCADE, which also won a Customer Service Excellence Award from the Hong Kong Association for Customer Service Excellence and Q-mark quality recognition from the Federation of Hong Kong Industries.

In continual pursuit of industry accreditation to support international business development, CASCADE attained the Capability Maturity Model Integration Level 3 from the Carnegie Mellon Software Engineering Institute, and the ISO 27001 international standard for Information Security Management, as well as HKQAA-BPI 9004 Excellence Class Certification from the Hong Kong Quality Assurance Agency.



CASCADE's highly-sophisticated e.Center in Hong Kong performs 24/7 automated and fine-detail surveillance of all PCCW and other major customer networks.

HELPING TO SHAPE THE REGULATORY EVOLUTION OF OUR INDUSTRY

Introduction

As well as being influenced by market forces, the Group's results are affected by policies established by the Hong Kong Government and the two regulatory bodies that oversee the telecommunications and media sectors – the Office of the Telecommunications Authority (OFTA) and the Broadcasting Authority (BA). Year 2006 saw the Company engaging fully with both regulators on policy and compliance issues. Last year, OFTA initiated one major interconnection consultation and several others of importance to PCCW.

Telecoms retail pricing flexibility

Year 2006 was PCCW's first full year of operation under our new ex-post license, which allows substantial retail pricing flexibility. This modification represents a significant change to OFTA's regulatory approach and has allowed PCCW to compete on a more level playing field. During 2006, the Company launched a variety of promotions and loyalty programs to address competition, with ex-post tariff revisions being employed to enhance operations, introduce new services and support network investment. The significant decrease in churn in 2005 and 2006 was, in part, due to greater flexibility to respond to the market following the transition from ex-ante to ex-post regulation.

The ex-post regime has also enabled us to de-tariff some services. In addition, no presumption as to the Company's dominance in any market can be drawn from this new license.

Wholesale services

PCCW continued to provide other telecoms providers with network-to-network interconnection in 2006, with charges generally applied on a per-minute basis. Last year, major per-minute interconnection rates remained unchanged.

The Company also provides Fixed Telecommunications Network Services (FTNS) competitors with access to "last-mile" phonelines between exchanges and customers – a requirement known as "local loop unbundling" – pursuant to OFTA-approved tariffs and/or commercially-agreed contracts.

In addition, PCCW provides ISPs and other operators with bandwidth and other services, pursuant to OFTA-approved tariffs and/or commercially-agreed contracts.

Spectrum Policy Review (SPR)

The Hong Kong Government's intention to conduct an overall review of the spectrum policy framework for Hong Kong was mooted in 2004. The consultation paper was not released, however, until October 2006. The consultation paper deals principally with rights pertaining to spectrum holders, allocations and assignments, as well as spectrum refarming, trading, liberalization and pricing. PCCW made a formal submission to the Hong Kong Government in February 2007 advocating the importance of completing this review and establishing a clear policy framework before any further spectrum is licensed. SPR consultation is expected to be completed in 2007.

Broadband Wireless Access (BWA) services

OFTA launched a public consultation in December 2004 on the licensing framework for deployment of BWA as an alternative to the delivery of both fixed and mobile telecommunications services in Hong Kong. Consultation submissions were filed in mid-March 2005. After considering responses, OFTA formulated a set of proposals and issued a second consultation paper in August 2005.

PCCW and 12 other operators filed a joint submission in November 2005 outlining the belief that it was premature to discuss details surrounding the implementation of BWA services when the overall SPR – which would define BWA spectrum, cover interference management and stipulate rights attached to the spectrum used by BWA and other services – had not yet been conducted. In addition, the joint filers presented evidence to OFTA throughout 2006 on the interference that BWA would cause to fixed satellite services if OFTA's proposed frequency band were to be adopted. The BWA consultation is pending.

Licensing for CDMA2000 service

In view of the expiry in November 2008 of a license currently being used to provide a CDMA mobile service, OFTA initiated an industry consultation in October 2006 to consider whether spectrum should be released to the market to enable the continuation of a mobile service using this standard. In the consultation paper, OFTA suggested that a fifth 3G mobile license should be issued to make use of the 850 MHz spectrum to offer a mobile service using the CDMA2000 standard. This would facilitate roaming services for visitors from mainland China. A submission made by PCCW in January 2007 argued that it was inappropriate for OFTA to license any further spectrum until the broad spectrum policy framework under SPR has been finalized. In any case, by specifying the technical standard that should be adopted in offering the proposed service, OFTA was acting inconsistently with its claimed technology-neutral approach. In addition, the proposal to introduce this service in the Hong Kong market was not supported by market demand or previous OFTA analysis of the market.

Fixed Mobile Convergence (FMC)

In anticipation of increasing convergence between fixed-line and wireless services, and the fact that these services are currently being offered under separate licenses, OFTA considered it appropriate to conduct a consultation to examine whether there was a need to revise the existing regulatory regime to cater for converged fixed-mobile services. Consultation papers were issued by OFTA in September 2005 and July 2006. The 2005 consultation focused on terms and conditions associated with a proposed unified carrier license for converged fixed-mobile services. This consultation remains unfinished. The July 2006 consultation focuses on interconnection arrangements between fixed and mobile operators. The proposals put forward by OFTA could result in a significant loss of fixed-mobile interconnection revenue to the Company. In October 2006, the Company sought judicial review on procedural grounds. Leave was granted and the court found against the Company in February 2007. An appeal against that decision is pending.

Broadcasting services

PCCW's domestic pay-TV service continued to grow in 2006, during which PCCW engaged the BA on a number of licensing and compliance issues, including the carriage of other domestic pay-TV services on our platform, the revision of various codes of practice, competition guidelines, complaints-handling approaches and program and advertising standards. PCCW has continued to engage the BA from a policy perspective in discussions on the development of digital terrestrial television and broadcasting services on mobile devices.

THE FOURTH
ELEMENT IN PCCW's
QUADRUPLE-PLAY
DEVELOPMENT



Launched in early 2006, PCCW mobile has made immense progress in a short space of time to become a leading market brand in innovation and quality of service.

This new chapter in the PCCW story began in the summer of 2005 when the Company acquired a controlling stake in SUNDAY Communications Limited (SUNDAY), the operating subsidiaries of which became full members of the Group in December 2006 (see page 81).

A 3G trial early last year led to the launch of PCCW mobile and a rapid succession of exciting new services, beginning with the world's first handset screening of real-time TV using Cell Multimedia Broadcast technology. Under the name "NOW on mobile", six news and sports channels from our NOW TV platform became available to mobile users, followed by another seven channels of infotainment in early 2007 and exclusive agreements to screen live world-class soccer action.

This was the first major signal to the market that PCCW's quadruple-play capability would transform everyday digital lifestyles in Hong Kong.

More media content soon became available to PCCW mobile subscribers when PCCW saw the opportunity to take the MOOV online music service to 3G handsets with the launch of "MOOV on mobile" (see page 22) in December last year. This breakthrough service extended Hong Kong's largest digital music library of 60,000 songs and music videos to mobile phones via advanced streaming technology, with no downloading necessary.

The way "NOW on mobile" and "MOOV on mobile" are included in tariff plans is proving highly attractive to customers, who are able to enjoy one or both as part of an overall package at a fixed monthly price without fear of heavy bills based on usage.

Further innovation from PCCW mobile gave rise to the EasyWatch service, which enables subscribers to keep a watchful eye over home or business premises remotely via video and audio links between a Mobile CAM and 3G handset. PCCW's quadruple-play capability will soon enable customers to benefit from EasyWatch online or on a Wi-Fi-enabled handheld device when the service becomes available on our broadband platform.

That same capability enabled the Company to adapt NOW TV's interactive NOW Ticketing service for the mobile platform. This means that in addition to buying cinema tickets using the NOW TV remote control, customers can buy MMS-format tickets on their handsets via our new MobileTix service. A user simply passes the displayed MMS over a scanner at UA Cinemas to gain entry, ending the need to queue at the box office.

Business users also benefited from a number of innovative applications, including a push-email service in conjunction

with the BlackBerry device, with first-in-market features such as Smart Email and an input facility for Korean and Japanese characters.

Served by the SUNDAY brand, our 2G customer base grew substantially in 2006 when most local operators were losing market share. SUNDAY then hit the headlines in June by winning the Mobile Operator of the Year (Hong Kong) title at the Asian MobileNews Awards, organized by *Asian MobileNews* magazine.

Even though our Mobile business unit did not begin turning 3G trial users into paying customers until partway through 2006, our overall mobile customer base grew 25% – from a total of 738,000 subscribers at the end of 2005 to 921,000 by the end of last year.

During the first half of 2006, PCCW mobile worked hard to upgrade our 3G network coverage by investing significantly in network quality and performance. Then, in the second six months of last year, the unit mounted a marketing campaign to raise the profile of the brand and create a buzz in the market based on our quadruple-play proposition, new services and user-friendly tariff plans. This activity was assisted in December when PCCW mobile came in for major international exposure after being appointed official mobile service provider for the ITU TELECOM WORLD 2006 event (see page 11) to serve many of the expo's 62,000 visitors from overseas.

Also at the ITU event, PCCW mobile became the first operator in Hong Kong to demonstrate the High Speed Downlink Packet Access (HSDPA) 3G protocol running at 7.2 Mbit/s. Enabling extremely fast mobile data downloading, this technology will soon form part of PCCW mobile's overall offer to the Hong Kong market.

One month before the ITU event, "NOW on mobile" won the Wireless Technology (Mobile Infotainment) Silver Award in the Hong Kong ICT Awards 2006, organized by the Information Technology Industry Development Division of the Hong Kong Productivity Council.

PCCW mobile's innovation roadmap for 2007 includes plans for a number of new services, many of which will be based on the Company's quadruple-play capability. Another exciting development will be the creation of a hybrid service that will combine standard mobile phone usage with a Wi-Fi capability so that subscribers can flip to broadband while in one of PCCW Wi-Fi's 3,000-plus Hong Kong hotspots.

In March 2007, a major initiative was undertaken to group SUNDAY services under the PCCW mobile brand. The move enables PCCW to strengthen our quadruple-play proposition and explore vast potential for mobile innovation. All SUNDAY outlets began to be transformed into PCCW shops, providing excellent one-stop sales and customer service, with the aim of ensuring satisfaction among all our mobile customers.

BUSINESS OVERVIEW

TV & Content

By the end of 2006, **NOW TV** – the largest pay-TV operation of its kind in the world – had generated in excess of 750,000 installations in a little over three years, during which time the lineup of content increased from 23 to more than 120 channels.

As well as adding an innovative home-shopping channel to **NOW TV**'s interactive services (see page 25) last year, PCCW scored some major successes in harnessing the enormous pulling power of world-class soccer.

Kicking off in September last year, **NOW TV** provides three seasons of exclusive UEFA Champions League coverage, making all the live action available to fans on ESPN and STAR Sports and to NETVIGATOR subscribers by simulcast via the now.com.hk portal. Viewers are also able to enjoy matches to suit their own schedules from **NOW Select**'s interactive video-on-demand service, offering unprecedented flexibility.

In November, PCCW achieved a highly significant goal by winning exclusive Hong Kong rights to live broadcast of English Premier League action for three seasons beginning 2007/08, featuring a total of up to 380 matches on **NOW TV**. Matches will also be simulcast on our mobile, broadband and fixed-line platforms.

The EPL coup was closely followed by the announcement that exclusive Hong Kong rights will enable PCCW to broadcast the UEFA Euro 2008™ football tournament – Europe's most prestigious soccer event – on multiple platforms.

Made possible by PCCW's quadruple-play capability, the move means soccer lovers will be able to enjoy UEFA Euro action live on **NOW TV** and by choosing an already-played match from **NOW Select**'s interactive video-on-demand service. Fans will also be able to watch games by Internet simulcast from NETVIGATOR's now.com.hk portal, as well as on their handsets via PCCW mobile.

The TV & Content team increased marketing efforts last year to enable **NOW TV** customers to get the best out of the sheer scale of choice and quality provided by more than 120 channels. This was achieved mainly through value packages, one of the most powerful of which was the 2007-launched Mega Sports Pack, which will feature more than 10 channels of top-line football and other sports.

Last year also saw subscribers being encouraged to use more interactive functions such as **NOW Ticketing** and **Stock Market Express**, as well as **NOW shop**, via the **NOW TV** remote control.

A significant move in the media-delivery space last year was PCCW's creation of the **MOOV** online music library service offering Cantonese and international songs and music videos. The service won the backing of 90% of Hong Kong record companies, which were keen to see music delivered to subscribers legally, via the Internet, using advanced streaming technology.

Within just six months, **MOOV** had become so popular that more than 20 million streams had been delivered to customers.

In December, the unique service was made available to PCCW mobile customers under the name "MOOV on mobile". Subscribers are able to benefit from the high quality of sound built into modern handsets and draw on Hong Kong's largest online music library, which boasts a choice of 60,000 songs and music videos. This dual-platform service enables subscribers to use an online computer to assemble personal playlists that can be enjoyed on a mobile phone without any downloading necessary.

The TV & Content business unit also provided programming for our innovative "NOW on mobile" service, which launched last year with six news and sports channels, followed by seven infotainment channels in the first quarter of 2007.

The Advertising & Interactive Services business unit was formed in early 2007 to capitalize on the advertising potential of **NOW TV**'s 120-plus channels and our capability to deliver media content and transactional services on TV, broadband, mobile and fixed-line platforms, as well as via traditional printed directory-based products (see page 25).

GROWING EXPERTISE AS A MEDIA DELIVERY PLAYER



BUSINESS OVERVIEW
PCCW Solutions

HARNESSING THE POWER OF ICT FOR MAJOR ORGANIZATIONS

Operating as the Group's ICT flagship, PCCW Solutions focused on outsourcing during 2006 after technology solutions devised for bespoke projects in previous years achieved tried-and-tested maturity and became ready for deployment to meet similar requirements.

Continuing a tradition of helping to build Hong Kong's global image as a world-class "digital city", PCCW Solutions embarked on a number of large-scale Hong Kong Government projects last year.

In early 2006, for example, the unit was awarded an eight-year contract by the Treasury of the Hong Kong Government for the design, build, installation and maintenance of a Government Financial Management Information System to connect 5,400 users and support accounting and financial management processes.

Two further 10-year contracts were awarded to ensure the smooth running of systems central to the Hong Kong Government's Civil Aviation Department and Marine Department, while another 10-year contract was clinched to produce and maintain the leading-edge Electronic Passport System (e-PASS) for the Hong Kong Government's Immigration Department. In addition, a contract with the Hong Kong Government's Transport Department will result in a Transport Information System to centralize transport and traffic data.

These major wins followed hard on the heels of the PCCW Solutions-developed SMARTICS Identity Card system that has become the envy of governments around the world and has led to opportunities to apply the same technology to different scenarios at home and overseas. Another significant 2006 project involved implementation of an Enterprise Application Integration platform based on Service-oriented Architecture for the Dah Sing Banking Group.

Highly-accredited PCCW Solutions professionals support business-critical operations for customers round the clock from an IT Service Management Center in Hong Kong.



Power Logistics, the logistics arm of PCCW Solutions, made a substantial contribution to the division's document-management outsourcing efforts last year by winning a contract with the Hong Kong Government for the provision of services including printing, enveloping and postage of demands for rates and Government rent issued by the Rating and Valuation Department.

PCCW Solutions maintained a high profile in mainland China, working on an Enterprise Resource Planning upgrade and extension project across multiple provinces for China Mobile, as well as gearing up to offer managed services that range from applications development and maintenance to disaster recovery and business continuity for cross-border operations. The unit has also taken on a major project to meet the IT needs of a joint venture in Wuhan involving Nokia and China Putian.

Among accolades conferred on PCCW Solutions last year were a Top 10 Solutions for the Telecom Industry Award from mainland China's *Communications Weekly* magazine, which operates under the guidance of the Ministry of Information Industry of the People's Republic of China (PRC). Another mainland China publication, the *21st Century Business Herald* newspaper, honored PCCW Solutions with an Innovative Enterprise Award, while an IT Hosting and Outsourcing Award was bestowed on the business unit by *Computerworld Hong Kong* magazine.

Accreditations last year included ISO 20000 for IT Service Management, the ISO 9001 Quality Management System Standard and the HKQAA-BPI 9004 Certificate (Excellence Class) from the Hong Kong Quality Assurance Agency, plus ISO 27001 for Security Management from BSI Management Systems.

INCUBATING IDEAS SPAWNED BY SYNERGIES

ADVERTISING & INTERACTIVE SERVICES

The Advertising & Interactive Services business unit formed in early 2007 boosts PCCW's power to capitalize on synergies between existing advertising offerings and our capability to deliver media content and transactional services on TV, broadband, mobile and fixed-line platforms, as well as via traditional printed directory-based products.

The advertising potential of NOW TV's 120-plus channels, coupled with an ideal viewership profile for advertisers, positioned PCCW well in 2006 to sell traditional TV advertising slots and sponsorships.

For three seasons beginning 2007/08, however, extremely popular English Premier League soccer action shown exclusively on NOW TV – plus PCCW's ability to carry the same advertising content on other platforms – sets the scene for new revenue opportunities.

Our dual-platform TV offering, formed by NOW TV and PCCW mobile, has already broken down traditional “one-way push” advertising barriers by offering a full range of interactive information and transactional services.

PCCW has already launched a range of transaction-based services across multiple platforms. For example, customers are able to see what's on at UA Cinemas by watching the NOW TV Movie Trailer channel, then reserve cinema seats and purchase tickets from the comfort of their own homes using the TV remote control or while on the move from a PCCW mobile handset (see page 21).

A wide range of products is available from PCCW's NOW shop, including other information-based services such as delayed and real-time stock quotes, as well as consumer products such as electronic goods, books, DVDs and console games. For example, a customer is able to watch a trailer showcasing an exciting console game on one of the NOW TV channels, then purchase the item securely using a credit card via NOW shop on channel 501 and collect the goods at a designated PCCW shop, or even have them delivered to the door. As a customer experience bonus in this scenario, parents are able to judge suitability of the game, while children can decide whether they like it or not.

Users are now able to perform keyword searches via Mobile Yellow Pages to find retailers and suppliers.



As part of the new Advertising & Interactive Services business unit, PCCW Directories (see below) continues to offer highly-effective advertising solutions, primarily to small and medium-sized businesses via traditional print directories and specialized catalogues. PCCW Directories has also harnessed the Company's quadruple-play capability to provide small and medium-sized businesses with interactive services on multiple platforms.

Year 2006 saw PCCW laying the groundwork for a full range of advertising, interactive advertising and transactional services via multiple delivery platforms and has set the scene for further development.

PCCW DIRECTORIES

By forming partnerships with online giants Google, eBay Hong Kong, SINA Hong Kong and Yahoo! Hong Kong, PCCW Directories has opened up a global market for Hong Kong enterprises via an online marketing operation that serves the business community alongside the popular Internet Yellow Pages (IYP) service.

Hong Kong traders and manufacturers are now finding customers in markets as far flung as the US and the UK, as well as locally, thanks to one-stop-shop Internet-based services that enjoyed double-digit growth in 2006 and now account for one-third of total annual business income for PCCW Directories.

In addition to a growing online business, PCCW Directories published 1.8 million paper-based directories and supplements last year and opened up a whole new opportunity for the business unit by taking Yellow Pages to mobile phones.

Users are now able to perform keyword searches via Mobile Yellow Pages (MYP) to find retailers and suppliers, as well as to enjoy discounts and privileges from some 10,000 participating outlets by downloading a special MYP Card to carry in their handsets.

BUSINESS OVERVIEW

Other Businesses

Not yet a year old, MYP is already so sophisticated that a Location Based System built into the solution detects where in Hong Kong a user happens to be while conducting a keyword search and lists the 10 nearest merchants or suppliers. MYP also provides an onscreen street map to help users home-in on an outlet, while a 2007 development is expected to be an automatic display of transport alternatives to help get users to merchant shop doors.

By the end of 2006, some 150,000 mobile phone users were enjoying the benefits of MYP, while helping to stimulate the Hong Kong retail economy – a milestone development in the Yellow Pages journey from paper to Internet to mobile handsets.

In addition, the early 2007 rollout of PCCW Wi-Fi's 3,000-plus wireless broadband hotspots in Hong Kong is likely to boost popularity of the Yellow Pages online search facility, as shoppers will be able to use a rapidly-growing variety of Wi-Fi-enabled gadgets at a greater number of handy locations in the city to enhance their shopping experience.

Attracting 26 million page views per month, IYP is one of the most popular portals in Hong Kong and offers customers maximum advertising exposure on the Web. In fact, our IYP customers enjoy one of the best Internet advertising returns on investment the industry has to offer.

For example, tracking studies show that as many as 82% of end customers find what they want when searching PCCW Directories' optimized online advertising setup in Hong Kong. Of that proportion, about 98% are known to contact advertisers involved and approximately 50% make a transaction.

Looking across the entire PCCW Directories stable of Yellow Pages products, user surveys over 12 months showed that some 28 million individual searches had been carried out in Hong Kong – a figure expected to soar with MYP's continued development.

Yellow Pages scooped two prestigious awards for outstanding print performance last year from the Printing Industries of America (PIA), bringing the business unit's total number of high-profile accolades to 13 since 2002. The PIA's Web Offset

Association (WOA) Print Awards singled out the Chinese-language version of *Yellow Pages Business 2005* as winner of the scheme's Directories category, while *Fun in Hong Kong 2005-Spring Issue* beat all-comers in the UV-R (A) Retail Advertising Insert category.

REACH

A 50:50 joint venture between PCCW and Australia's Telstra Corporation Limited (Telstra), REACH addresses the international service requirements of PCCW and Telstra via the operation and management of one of the most diverse, high-speed networks in Asia.

REACH is also the region's premier provider of international voice and satellite services and one of the world's largest carriers of international voice traffic, according to the TeleGeography communications industry research and analysis company.

UK BROADBAND

Branded NOW (www.now.com), our wireless broadband business in the United Kingdom (UK) consolidated operations and kept investment costs to a minimum last year, while continuing to review strategic technology options and build value around our radio spectrum rights. Launched in the UK's Thames Valley in May 2004, the service expanded into areas of London under the NOW brand in 2005 and covered more than half-a-million homes by the end of 2006.

PACIFIC CENTURY PREMIUM DEVELOPMENTS

Majority owned by PCCW, Pacific Century Premium Developments Limited (PCPD) is engaged principally in the development and management of premium property and infrastructure projects, as well as investment in premium-grade buildings in the Asia-Pacific region.

The prestigious Bel-Air residential complex is the jewel in the PCPD crown.



PEOPLE DEVELOPMENT

NURTURING QUADRUPLE- PLAY SKILLS FOR OUR BUSINESS AT HOME AND ABROAD



The C21 Leadership Development Program provided fast-track development for 48 potential middle managers in 2006.

As a year of expansion in geographical coverage, business opportunity and scope of service, 2006 saw PCCW employee numbers in Hong Kong and overseas increase to more than 14,500, with our mainland China complement alone reaching 3,100 by the end of the year.

A significant 2006 milestone was our transformation into a quadruple-play operator, which has placed new demands on the workforce and a clear need to accelerate the skills development process to facilitate growth.

With this in mind, PCCW invested heavily in people development last year, resulting in 48,668 man-days of training – representing a 43% increase on the previous year's figure – and involving a variety of disciplines, ranging from technology to sales and management.

Technology training and accreditation

CASCADE: More than 7,000 ICT trainee-days were provided to cope with the deployment of new technologies and equipment and to uplift technical skills to support rollout of new services, while maintaining high standards of service and quality.

To support preparation of Next Generation Network (NGN) programs, 80 classes were conducted for CASCADE colleagues in planning, design, provisioning and operation.

Intensive training was also provided to support deployment of 2G and 3G mobile communications technologies. In particular, wireless LAN training last year prepared staff for the full commercial launch of our PCCW Wi-Fi service in early 2007.

More than 1,200 employees attended classes to reinforce safety awareness while working at heights, and telecommunications and broadband service installation training and certification continued for contractor staff in order to maintain standards of field service quality.

PCCW Solutions: Training was carried out in relation to a variety of software applications, such as Oracle 11i applications and IBM Websphere, to equip our professionals with knowledge of the latest enterprise solution technologies.

Accreditation: In 2006, 1,950 industrial accreditations were obtained in terms of project management, IT platform operation and administration, networking and security-related certification.

Sales and product training

Sales training programs help our sales force to enhance customer satisfaction and win deals. In 2006, some 8,000 man-days of training, ranging from direct selling to major-account management, were provided.

Outstanding results achieved in the 38th Distinguished Salesperson Award Programme, organized by the Hong Kong Management Association, amounted to high-profile recognition of our efforts in striving for sales and marketing excellence. Five professionals from Commercial Sales received the Distinguished Salesperson Award, with two winning the highest Distinguished Salesperson Award Programme honor – the Best Presentation Award.

BUSINESS OVERVIEW

People Development

A workshop session as part of last year's C21 Leadership Development Program.



Product training equips our sales professionals with the latest product knowledge and last year resulted in 7,300 man-days to the benefit of channels covering direct, contact center and commercial sales.

Systems operation training

In 2006, more than 9,000 man-days of systems operation training were provided in the fields of customer relationship management, billing and order management, business operational support and point-of-sale systems. This ensures effectiveness and efficiency in selling, service fulfillment and service support.

These systems provide online information covering customer and usage profiles, product and service offerings and detailed marketing programs, which can greatly enhance frontline sales efforts by providing a better understanding of customer buying potential and habits. Availability of other information, such as works order monitoring and customer bills can also help hotline operations provide a better customer experience.

Leadership and management training

More than 4,800 man-days of management and leadership training were offered to staff to ensure best management practice throughout our business units. Training programs on strategy and management for excellence in execution and people management were provided for 50 senior executives and more than 500 middle managers from Commercial Group, Consumer Group, Contact Center Business and PCCW Solutions.

The Behaviour Leadership Workshop was introduced to enable 150 Commercial Group managers to enhance leadership skills through personal influence, communications and drama skills.

In a bid to bring about continuous improvement in leadership quality at every level of management, the Company conducted feedback on practice among some 50 senior managers and 430 supervisors to solicit feedback from peers and subordinates.

New talent and career development for high-performing middle managers

As a global ICT provider, we constantly aim to find new ways to capitalize on business opportunities through an infusion of skills, expertise and cutting-edge technology knowledge. In this regard, we focus on creating career opportunities for talented and ambitious applicants around the world.

Technical graduate trainee scheme: This scheme serves CASCADE and PCCW Solutions in Hong Kong and mainland China. In Hong Kong, 21 technical trainees were recruited for CASCADE and 58 for PCCW Solutions. Involving job attachments to various departments, the program ran for two years and offered classroom and on-the-job training and covered product knowledge and technical skills advancement.

In view of growing business opportunities and project delivery in mainland China, PCCW Solutions last year initiated the China Graduate Trainee Program, which succeeded in recruiting 22 technical graduates from Beijing, Shanghai and Guangzhou.



People management coaching was provided for 50 senior executives and more than 500 middle managers last year.

Business and management trainee scheme: This scheme serves the Commercial and Consumer Groups, as well as our Contact Center Business and PCCW Solutions.

For Commercial Group, the Graduate Trainee Program sourced new talent for sales, marketing and pre-sales operations. Forty-three new recruits joined Commercial Group and 22 graduates joined Consumer Group via the trainee channel in 2006.

A Commercial Group manager was assigned to each graduate trainee as mentor in a structured, one-year program that effectively broadened exposure and networks for mentees, while helping to polish mentors' people development skills.

In addition to Hong Kong-based graduate trainees, a total of 13 graduates from Beijing, Shanghai, Guangzhou and Hong Kong were recruited as China Management Trainees (CMTs) in our Contact Center Business and Business Management Trainees (BMTs) in PCCW Solutions operations in mainland China. During the program, CMTs and BMTs worked in strategic, planning, sales and operational departments, where they were able to enrich their experience and knowledge with the aim of developing into future Contact Center Business and PCCW Solutions leaders at business and operational levels.

Career development for high performance middle managers: The fifth C21 Leadership Development Program commenced in March 2006 to provide fast-track development for 48 potential middle managers. Since launch, the program has nurtured more than 140 high-performance leaders for the Company.

CNC/PCCW Staff Exchange Program: This was initiated in 2005 to enhance relationships between the two companies and provide staff development opportunities. In 2006, professionals from CASCADE, Consumer Group and PCCW Global completed the program successfully. They were attached to various departments at China Netcom headquarters in areas such as networks, international and marketing, as well as broadband content. Our people were able to gain valuable experience and a useful awareness of cultural and management diversity, while helping to lay foundations for future co-operation.

Building on the program's success in 2006, PCCW has nominated more candidates to participate in 2007.

Learning Resources Center

Different learning modes and resources have been explored and deployed to improve training and development effectiveness. Our online Learning Resources Center, for example, provides programs covering topics ranging from business and management to technical ICT aspects. Online resources can be accessed by all employees in Hong Kong, mainland China and other countries. In 2006, more than 2,400 online programs were accessed by our people.

The Learning Resources Center also includes real-case training video clips to demonstrate and share best-performer selling skills. They help to boost training effectiveness in telesales, direct sales and customer service.

Internship

PCCW supports youth development by offering real work experience to students via our Internship Program and Shadowing Scheme.

In 2006, our Internship Program involved international and local students and was managed in conjunction with AIESEC, the world's premier international work-exchange organization. Eight students from overseas joined various business and functional units, such as CASCADE, TV & Content, Consumer Group and Group Finance for between three and six months.

PCCW also provided summer internship positions for 109 undergraduate students from local universities during the summer of 2006.

In addition, a number of Form 7 secondary school students were given the opportunity to follow senior PCCW managers for one day as part of our Shadowing Scheme, which is run in support of our commitment to the local community.