

PCCW

- *Building on Fundamentals* -

FY2001 Annual Results Review

for the year ended December 31, 2001

ANALYST PRESENTATION

Hong Kong

March 20, 2002





Forward Looking Statements

This presentation contains forward-looking statements as defined in Section 21E of the U.S. Securities Exchange Act of 1934, as amended. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the Directors and management of Pacific Century CyberWorks Limited (“the Company”) about its business and the industry and markets in which it operates. These forward-looking statements include, without limitation, statements relating to revenues, earnings, and stock performance. The words “believe”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “predict” and similar expressions are also intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Company’s control and are difficult to predict. Consequently, actual results could differ materially from those expressed or forecast in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include: (a) the Company’s substantial debt and net deficit position which may impair its ability to implement its business plans; (b) the Company’s ability to successfully expand its business to markets in Greater China and beyond; (c) the Company’s participation in Reach Ltd and other ventures; (d) the Company’s financing needs and its expected future expenditures for capital projects; (e) the pace of development of Internet and telecommunications markets in Asia, the growth in demand for services in those markets, and the Company’s ability to successfully develop, and sustain demand for, services that respond to those demands in the face of strong competition; (f) the continuing effects of deregulation of the Hong Kong telecommunications markets and the Company’s ability to deal with those effects; (g) changes in the market price and valuation of the Company’s investments in publicly-traded and non-publicly traded securities and its investments in ventures and associated companies; (h) changes in the political, social, economic and regulatory environment in the countries in which the Company operates or intends to operate; and (i) the Risk Factors set out in the “Risk Factors” section of the Company’s 2000 Annual Report on Form 20-F, as filed with the U.S. Securities and Exchange Commission on July 2, 2001 and published on the Company’s website.

Overview

Mr. Richard Li - Chairman & CEO

Satisfactory operating performance

Healthy EBITDA growth

Improved EBITDA margin

Solid capital structure

Growth areas showing traction

(US\$ million) except for earnings per share (HK cents)	Pro forma 2000 ⁽¹⁾	2001	Y-o-Y Change
Turnover	2,652	2,815	+ 6%
EBITDA⁽²⁾	790	948	+ 20%
<i>EBITDA margin</i>	30%	34%	
Operating profit⁽²⁾	490	612	+ 25%
Profit attributable to shareholders		243	
EPS - Basic		8.46 cents	
- Fully diluted ⁽³⁾		8.20 cents	

Continuing EBITDA Margin Improvement & Growth

(1) 2000 pro forma numbers before consideration of prior year adjustment.

(2) Before net gains/(losses) on investments and provisions for impairment losses and results from associates, joint ventures and unconsolidated subsidiaries

(3) Based on weighted average number of shares 23,067 million



Growth in EBITDA 20%

(US\$ million)	2001			Y-o-Y change (Pro forma 2000)	
	Revenue	% of Total Revenue	EBITDA ⁽¹⁾	Revenue	EBITDA
TSS	2,561	91%	1,277	- 1%	+ 6%
Business eSolutions	224	8%	13	+ 45%	N/A
IDC	24	1%	(8)	+ 50%	- 100%
Internet Services	168	6%	(189)	+ 17%	+ 28%
Infrastructure	175	6%	73	+ 88%	+ 232%
Others	59	2%	(218)	- 5%	- 41%
<i>Corporate Functions</i>	-	-	(114)		
<i>PCCW Japan</i>	13	0.5%	(44)		
<i>Ventures</i>	6	0.2%	(20)		
<i>Greater China/Taiwan</i>	39	1.3%	(9)		
<i>Others</i>	1	-	(31)		
Reconciliation	(396)	(14)%			
Total	2,815	100%	948	+ 6%	+ 20%
Depreciation & Amortization			329		+ 9%
Operating Profit ⁽¹⁾			612		+ 25%

(1) EBITDA and operating profit are before gains/losses on investments, provisions for impairment losses and results from associates, joint ventures and unconsolidated subsidiaries



Integrated IT for Enterprise Customers

	PCCW FY01 % of Group Rev*	T-Systems Dec 02E % of DT Rev ⁽¹⁾	BT Mar. 01 % of Group Rev ⁽²⁾
Integrated Revenue	SI Complex Hosting Local IP Int'l IP Carrier Services Others		
	25%	17%	22%

- **Total integrated solutions approach has deep links into other areas of the core business**
- **Integrated services for high value enterprise customers**

* PCCW's current financial reporting structure reflects pure SI revenues through Business eSolutions and does not reflect related revenue across different businesses. Benchmarking based on publicly available info.

(1) T-Systems Financials estimates from Goldman Sachs Feb 2002 Deutsche Telekom report

(2) BT FY Mar 01 Financials provided by BT company results presentation and US SEC 20F report – includes Syntegra and Ignite

2001 Progress

Efficiency

Opex & capex savings → Strong Cash Flow

**Solid Capital
Structure**

Lengthened maturity of debt and debt repayment

**Increasing Customer
Focus**

Reorganization into consumer and commercial groups

**Broadband Service
Uptake**

Broadband network customers- 282,000 to 402,000

**Business
eSolutions**

Major contract wins



Bottom line : Revenue, EBITDA and PAT Growth

Market Challenges

PCCW's Approach

Competition - Pricing

- Offer mission-critical integrated services leading to pricing power
- Pricing for long term sustainability

Growth in Hong Kong

- Increase broadband penetration through enhanced services
- Offer “total solutions” to enterprises driving connectivity

Greater China Growth

- Business eSolutions to target high value sectors
- Scalability of products and services

Regulation

- Advocate an environment that fosters telecom investment and a level playing field

FX Management, Interest Rate Volatility

- Proactive hedging strategy, no foreign currency exposure

Technology

- Adopting new technology to enhance products/ services and improve efficiencies

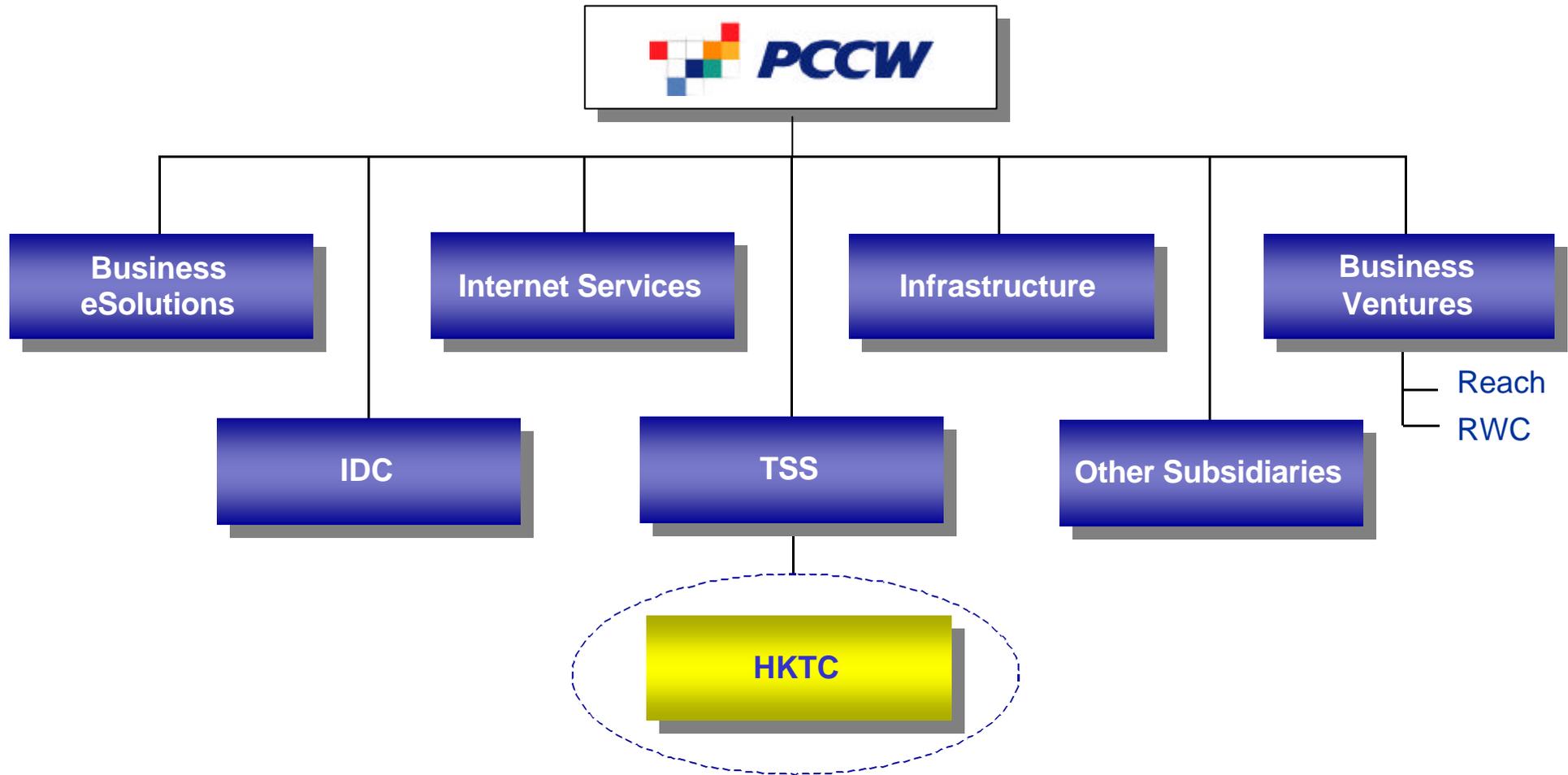
Talent

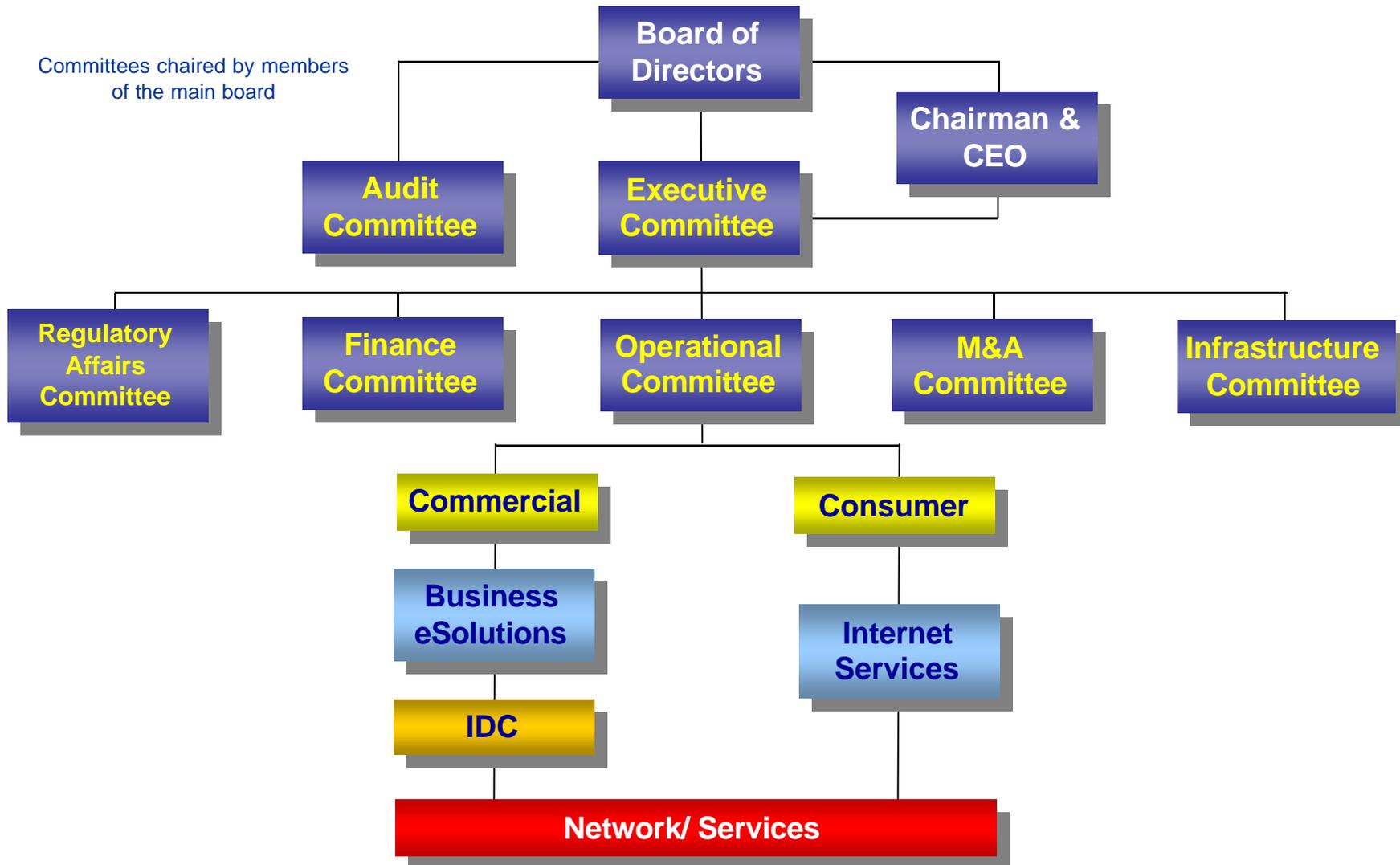
- Provide an environment to attract and retain talent



PCCW Structure

Mr. Fred Ma - Executive Director





Corporate Governance

Mr. Robin Nicholson - Senior Advisor to the Board

- The review of Corporate Governance being undertaken by the Stock Exchange, the Enron situation in the US and other well publicized corporate failures have brought Corporate Governance into focus
- The market rewards sound Corporate Governance plus management and financial transparency.

- PCCW's objective is to adopt prudent Corporate Governance standards in line with best international market practice.
- This standard was also adopted by the Stock Exchange when framing the revised Listing Rules.
- Corporate Governance involves more than compliance with the Listing Rules or other regulatory requirements.



PCCW Believes Key Elements Involve:-

- Management structure which permits informed and efficient decision making.
- Proper levels of delegation and effective oversight arrangements.
- Effective compliance procedures which are properly understood at all management levels.
- Creation of a culture which supports proper reporting and disclosure.

- New committee structure designed to strengthen decision making and oversight of all key areas within the Group.
- Each committee meets regularly and reports back to Excom which has overall delegated authority from the Board.
- Adoption of revised authority matrix designed to introduce higher levels of supervision over Capex, Opex and Business Operations
- Increased emphasis on global investor relations and communication with investment banks, investment managers and the market.
- Compliance strengthened through the appointment of a Company Secretary who has specific responsibility for Stock Exchange and regulatory compliance.

Review of Financials

Mr. David Prince - CFO



Key Financial Highlights

	<u>Y-o-Y (Pro forma 2000)</u>
<i>Revenue Growth</i>	6%
↑ Broadband and data services	15%
↑ Business eSolutions	45%
<i>Operating Efficiencies</i>	
↑ EBITDA margin	30% to 34%
<i>Prudent Investment</i>	
↓ Capex reduced	41%
↓ Internet Services - maintained commitment	
<i>Capital Structure</i>	
↓ Gross debt reduced	32%
↑ Weighted average maturity	1.5 to 6.4 years

(US\$ million, except EPS)

	2000 ⁽¹⁾	2001
Turnover	935	2,815
Operating profit/(loss) before net gain on investments and provisions for impairment losses	67	612
Gains/(losses) on investments, net	(627)	98
Provision for impairment losses ⁽²⁾	(15,731)	(12)
Profit/(loss) from operations	(16,291)	698
Finance (costs) / income, net	(302)	(392)
Share of results of jointly controlled companies	(13)	67
Share of results of associates	(8)	20
Share of results of unconsolidated subsidiaries	101	20
Profit / (Loss) before taxation	(16,513)	413
Taxation	(67)	(183)
Profit / (Loss) after taxation	(16,580)	230
Minority interests	3	13
Profit / (Loss) for the year attributable to shareholders	(16,577)	243
Earnings / (Loss) per share (HK cents)		
- basic	(889.97) cents	8.46 cents
- diluted ⁽³⁾	N/A	8.20 cents

(1) 2000 results include 4 1/2 months results of HKT Group

(2) After prior year adjustment of due to Hong Kong Society of Accountants rule changes as discussed in PCCW interim results

(3) Based on weighted average number of shares 23,067 million



Growth in EBITDA 20%

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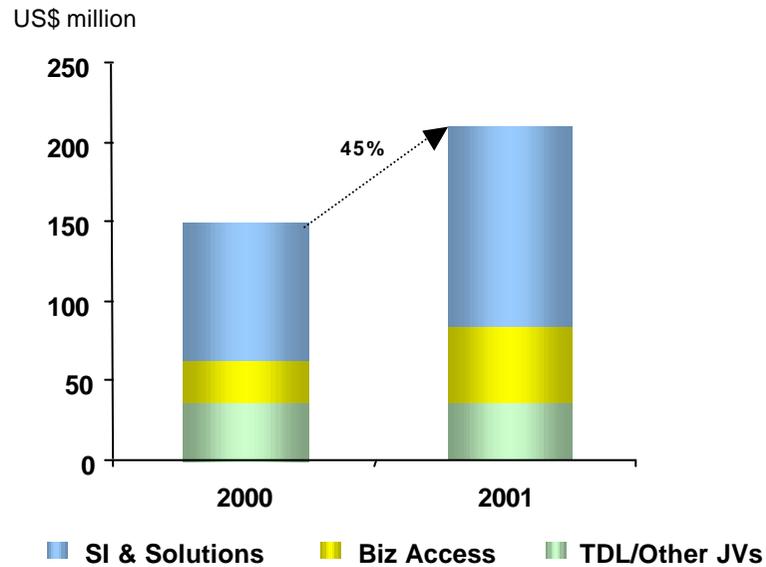
TSS - Balanced Revenue Stream Strong Market Position

	Pro forma 2000		2001		Y-o-Y	Drivers
	(US\$ million)		(US\$ million)			
Local Telephony	925	36%	976	38%	+ 6%	↑ Tariff increase. Jan ' 01
Local Data	433	17%	495	19%	+ 14%	↑ Local data bandwidth grew 63% ↑ Wholesale broadband lines grew 43%
Int'l Telecommunications	743	28%	579	23%	- 22%	↓ Price competition on China routes
Other Services	492	19%	511	20%	+ 4%	
Total Revenue	2,593	100%	2,561	100%	- 1%	
EBITDA	1,201		1,277		+ 6%	↓ Operating costs down 9%
EBITDA Margin	46%		50%			

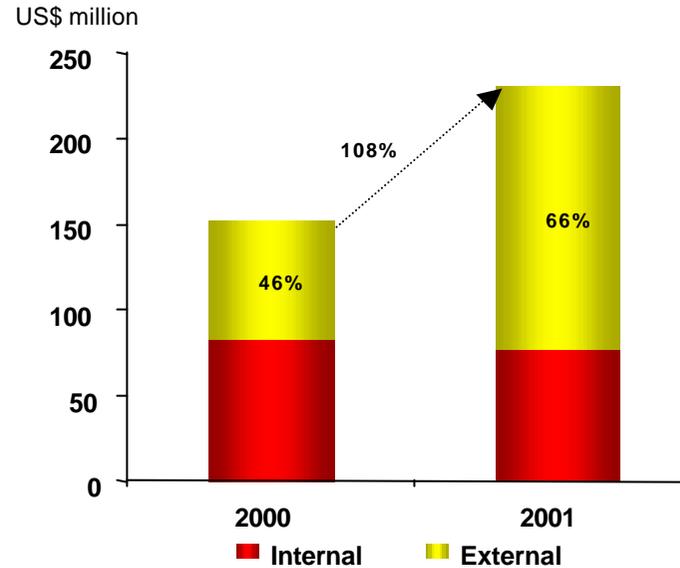
EBITDA Margin Improvement = Stable Cash Flow

Business eSolutions - Winning Projects

Strong Revenue Growth



Externalizing Revenue Stream

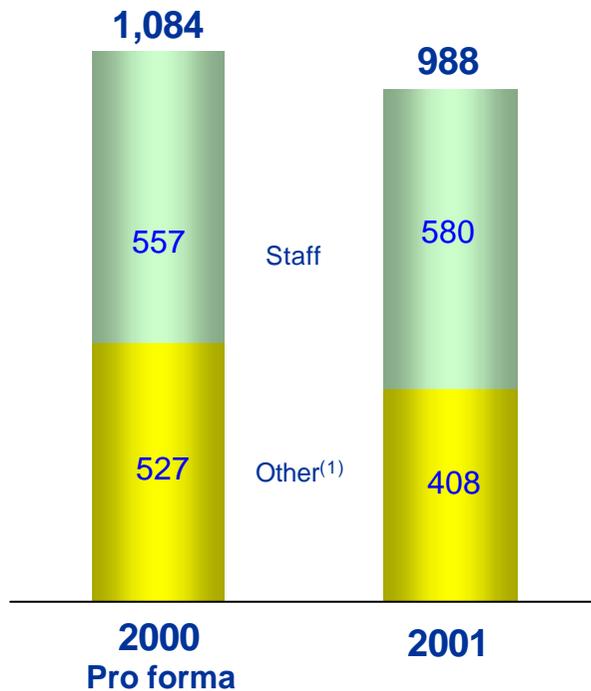


- **Winning new projects against world class competitors**
- **EBITDA positive**
- **Over 50% of 2001 revenue contractually committed for 2002**
- **Enhancing core telecom revenues**



Operating Efficiency Improving EBITDA Margin

US\$ million



EBITDA margin

30%

34%

Revenue +6%

Operating Costs⁽¹⁾ - 9%

Staff costs + 4%

↓ Savings US\$ (26)m

↑ New business US\$ 24m

↑ Restructuring costs US\$ 15m

Other Opex⁽¹⁾ - 23%

↓ Increased operating efficiencies

Going forward: Redundancies & closure savings from 2001 exercise will give an **annualized saving of US\$ 50m**

EBITDA Margin Improved to 34% from 30%

(1) exclude depreciation and amortization



Prudently Managing Portfolio of Investments

PCCW Group Investments

(US\$ million)

	2000	2001
Provision	(667)	(59)
Other gain/(loss) investment	40	157
Net gain/(loss) on investment	(627)	98
Carrying value of investments	348	298
Non-current	309	217
Current	39	81

PCCW Ventures

- Only follow on investments with proceeds on disposal
- Exited 22 non-performing/non-core investments
- Conservative ventures portfolio carrying costs



Share of Results of Associates & Joint Ventures

(US\$ million)

	2000	2001	
Share of jointly controlled companies	(13)	67	Total Reach (11 months) EBITDA 398 PBT 181
Share of results of associates	(8)	20	Total RWC (11 months) EBITDA 160 PBT 95
Share of results of unconsolidated subsidiaries	101	20	Non-recurring For the month of January <ul style="list-style-type: none"> • 40% CSL • 100% HKTI

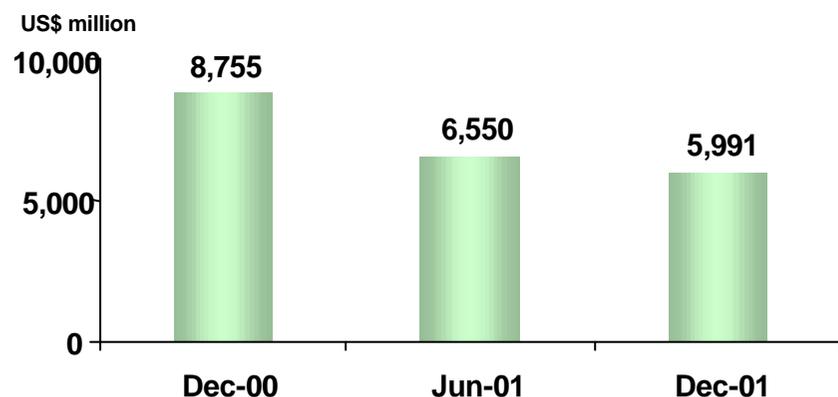
Improving Shareholder Deficit

(US\$ million)	2000	2001	Key Movements
Current assets	4,166	1,757	Sale of 60% of CSL
Non-current assets	4,706	4,976	
Total assets	8,872	6,733	
Current liabilities	(9,315)	(1,406)	Repayment of bridging loan
Non-current liabilities	(1,369)	(6,237)	Extending maturities Bonds - Telstra/ Yankee/ Sakura
Total liabilities	(10,684)	(7,643)	
Net liabilities	(1,812)	(910)	
Shareholders' deficit	(1,812)	(910)	Realization of goodwill in relation to formation of Reach 2001 profit of US\$243 million

Shareholders Deficit Improved by US\$ 902 million

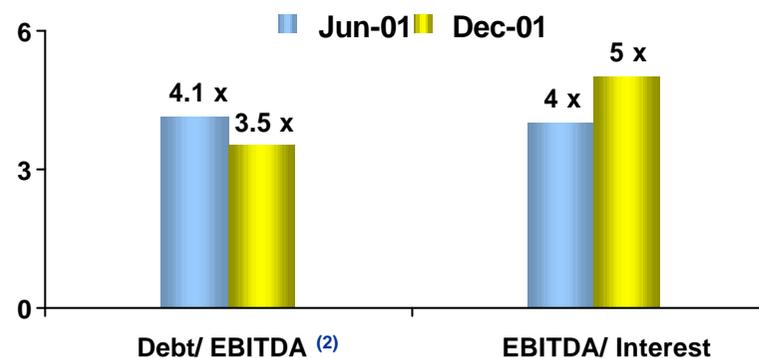
Group

PCCW Group Improving Gross Debt



HKTC (1)

Strong Cash Flows Paying Down Debt



(US\$ million)	Dec 2000	Jun 2001	Dec 2001	y-o-y
Group Debt	8,755	6,550	5,991	(32)%
Group Cash⁽³⁾	1,087	1,502 ⁽⁴⁾	1,099 ⁽⁴⁾	1%

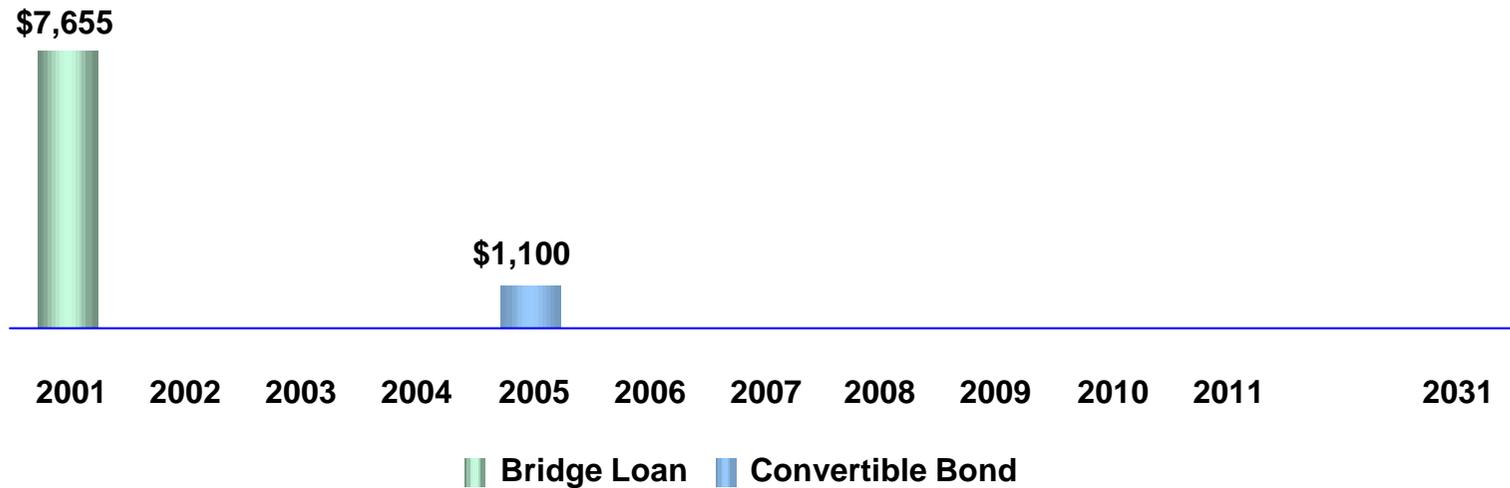
Paid Down US\$ 559 million from Internal Resources

(1) Hong Kong Telephone Company (HKTC) rated S&P BBB and Moody's Baa1 (2) Based on trailing 12 month EBITDA (3) Net of short term debt
 (4) Include term deposit of US\$180 million

Extending Maturity of Debt

Dec 2000

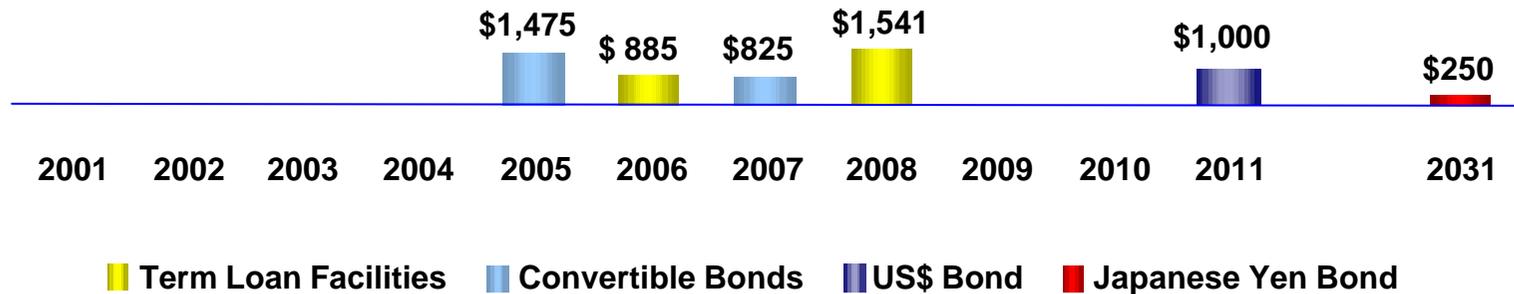
(US\$ million)



Credit Ratings: _____ *S&P BBB, Moody's Baa1*

Mar 2002

(US\$ million)



Prudently Investing

(US\$ million)	2000	2001
Capex	528	310

- **41% reduction in capex⁽¹⁾ to US\$310 million from US\$528 million**
 - Digital & broadband upgrade mostly completed
- **70% of spend on meeting demand projects**
- **Prudent investment criteria**
 - including IRR, NPV
 - Type of business - mature vs start-up
- **Future investment in VAS, opex driven**
- **Capital efficiency⁽²⁾ 11%**

World Class Capital Efficiency

(1) Capex excludes Cyberport Equity investment

(2) Capex/ Turnover ratio

- **Invested approx. US\$263m as of Feb ' 02**
- **Funding Plan:**
 - PCCW Group cash, and/ or
 - Committed but unutilized facilities, and/or
 - Internal cash flows generated from sales/ presales
- **Residential pre-sales expected by 1Q2003**
- **Plans for self funding post 2002**

Solid operating performance

Strong EBITDA growth

Enhanced EBITDA margin

Improved capital structure

Growth areas showing traction

Q & A

Appendix

TSS Revenue

(US\$ million)	2000 ⁽¹⁾	2001
Local Telephone Services	925	976
(Direct Exchange Lines, interconnection, local access link and exchange co-location)		
Local Data Services	433	495
(Wholesale BB, wholesale ITV, traditional IP/data products)		
Int'l Telecommunications Services	743	579
(IDD, retail IPLC, int'l data & messaging, LAC/ MDF)		
Other Services	492	511
(Equipment sales, TeleServices, sub-contracting services)		
Total	2,593	2,561
EBITDA	1,201	1,277

TSS Operating Drivers

	2000	2001
Local Telephony ('000)		
Exchange lines in service	3,703	3,489
Business lines	1,545	1,470
Residential lines	2,158	2,019
Local Market Share	93.8%	88.9%
Business Lines (incl. IDA)	89.0%	83.2%
Residential Lines	97.6%	93.4%
Wholesale Broadband Network ('000)	282	402
Traditional Data (Gbps)	86	140
Retail IDD minutes ('M mins)	1,162	1,085
IPLC Bandwidth (Mbps)	1,401	1,059 ⁽²⁾

(1) Certain 2000 figures have been reclassified to conform with current year's classification which in line with revenue reporting of HKTC statutory book

(2) In connection with the formation of Reach in February 2001, Reach assumed responsibility for certain wholesale international telecommunications services and the associated turnover.

Business eSolutions

(US\$ million)

2000 2001

Revenue

SI & Solutions	87	138
Business Internet Access	29	48
TDL/Other minor JVs	38	38

Total	154	224
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EBITDA	(13)	13
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Business Internet Access ('000)

Broadband	19.4	34.2
Leased line	3.9	2.2

Internet Data Center

(US\$ million)

2000 2001

Revenue

IP based services	7	14
Facilities management	9	10

Total	16	24
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EBITDA	(4)	(8)
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Number of customers	210	800
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Internet Services

(US\$ million)	2000	2001
Revenue	143	168
EBITDA	(261)	(189)
Consumer Broadband Subscribers ('000)		
(including iTV)	249	320
Broadband Internet Access Subscribers ('000)		
	194	311
Infrastructure		
(US\$ million)	2000	2001
Revenue		
Recurring	61	57
Non Recurring	32	118
Total	93	175
EBITDA	22	73

Headcount - as at Dec 31

	2000	2001	Y-o-Y Change
TSS	11,557	10,965	- 5%
Business eSolutions	1,442	1,298	- 10%
IDC	120	94	- 22%
Internet Services	879	488	- 44%
Infrastructure	285	307	+ 8%
Others⁽¹⁾	1,698	1,431	- 16%
Total	15,981	14,583	- 9%
Total (excluding part-time/temp)			
	15,431	14,080	-9%

(1) Ventures, Corp Functions, PCCW Japan, Others

Reach - 11 months to Dec

	2001	
	USGAAP	HKGAAP
(US\$ million)		
Revenue	1,279	1,279
EBITDA	398	398
<i>EBITDA margin</i>		31%
EBIT	180	272
PBT	89	181
PCCW ownership		50%

RWC - 12 months to Dec

	2000	2001
HKGAAP		
(US\$ million)		
Revenue	663	601
EBITDA	152	175
<i>EBITDA margin</i>	23%	29%
Capex	78	52
ARPU (HK\$)	454	410
Churn rate	3.4%	3.6%
Customers (' 000)	995	1,066
PCCW ownership		40%