



Delivering on Our Strategy

2005 Interim Results

For the six months ended June 30, 2005

Hong Kong – August 18, 2005

Forward Looking Statements

This presentation contains "forward-looking statements" that are not historical in nature. These forward-looking statements, which may include statements regarding PCCW's future results of operations, financial condition or business prospects, are based on the current beliefs, assumptions, expectations, estimates, and projections of the directors and management of PCCW about the business and the industry and markets in which PCCW operates. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond PCCW's control and are difficult to predict.

Actual results may differ materially from those expressed, implied or forecast in these forward-looking statements for a variety of factors. These factors are set out in PCCW's most recent Annual Report on Form 20-F filed with the United States Securities and Exchange Commission on May 12, 2005 and published on PCCW's website.



Overview

Jack So

*Deputy Chairman
&*

Group Managing Director

H1 2005 Financial Performance

(US\$ million)

	H1'04	H1'05
Revenue	1,382	1,500
Profit for the period	98	141
Profit attributable to Equity Holders of the Company	98	122
EPS	1.83 US cents	2.02 US cents

2004 figures restated in accordance with new HKFRS effective from January 1, 2005

**The Board Has Declared an Interim Dividend
of 6.5 HK Cents Per Share**

H1 2005 Strategic Focus

Stabilize and Revitalize Core Business

Achieve zero line loss through NGFL and winback campaign
Enhance NOW TV with innovation and content exclusivity

Sunday Acquisition

Re-enter the mobile market - reverting to an integrated telco
Invest prudently to provide full spectrum of telecom services

Expand Beyond Hong Kong

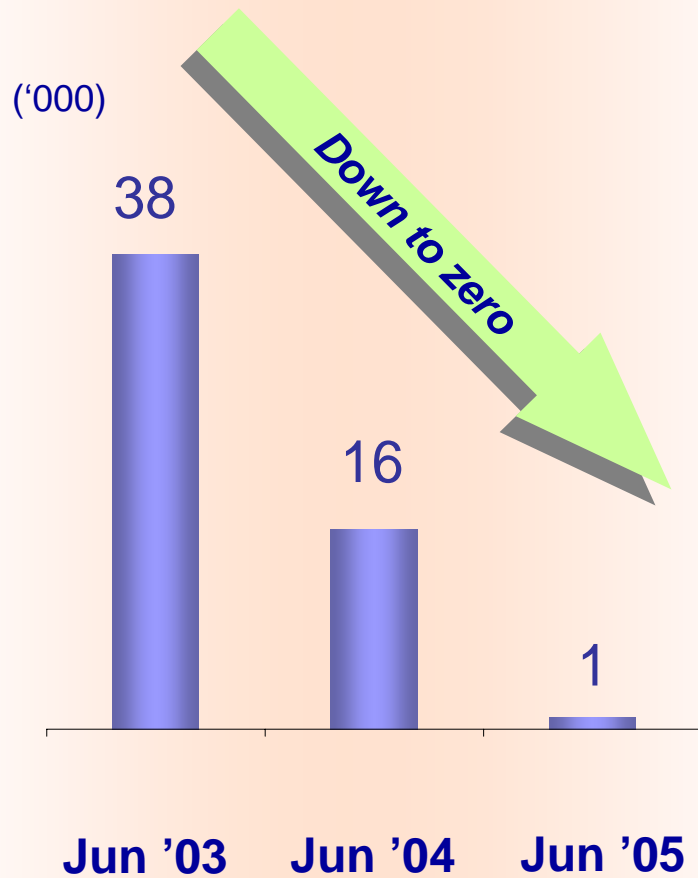
Jointly develop business in China with China Netcom Group
Continue to grow Unihub China IT business
Phased rollout of UK wireless broadband

Improve Financials

Improve profitability and continue paying dividend
Further cost cutting and debt reduction

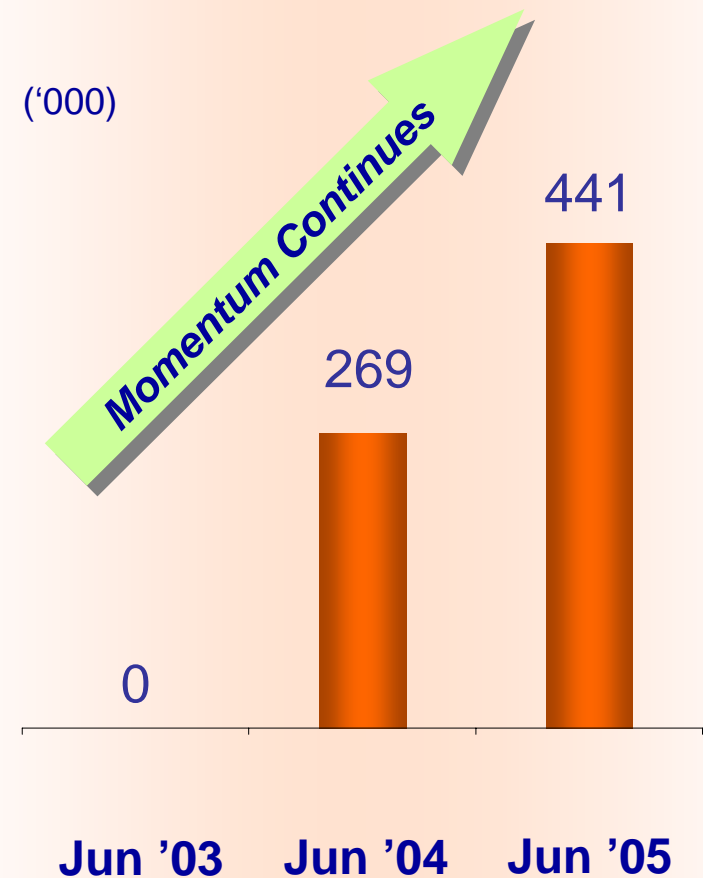
Improved Core Performance

Total Fixed-line Loss



now Installed Subscribers

BROADBAND TV



Net fixed-line loss in respective months

Co-operation with China Netcom Group

Broadband

China Netcom Broadband Corporation Limited

- PCCW intends to acquire 50 percent stake
- Broadband access and VAS in Hangzhou and Ningbo

Property development

Hujialou exchange, Chaoyang district, Beijing

- Jointly applied to increase the land area for development
- PCCW Group to develop and manage the project

International connectivity

- CNC International recently underwent restructuring
- Continue to discuss possible forms of co-operation

Directories (Yellow Pages)

ChinaBig

- PCCW and CNC are in discussion to form a JV
- Would operate directories and VAS businesses in 20 provinces of China through ChinaBig

Outlook

Core Business

End to line loss, further winback success
Continued growth of NOW TV – more exclusive content
Integrated cross platform advertising & marketing solutions

Mobile

Enhanced revenues through wider customer base
Provide 3G and Fixed-Mobile Convergence services
Achieve operating synergies for cost savings

CNC – PCCW Alliance

Further progress in joint ventures & cooperation agreements
Ongoing identification of investment opportunities

Expansion Beyond HK

Increase Unihub IT presence in China & Asia
Phased rollout of UK wireless broadband

Financials

Maintain strict cost controls
Expect continued sales progress at Bel-Air
Continue to strengthen financials



概覽

蘇澤光

副主席

兼

集團董事總經理

2005年上半年財務表現

(百萬美元)	04年上半年	05年上半年
收益	1,382	1,500
期內溢利	98	141
本公司股權持有人 應佔溢利	98	122
每股盈利	1.83 美仙	2.02 美仙

2004年的比較數字已按照2005年1月1日起生效的新訂《香港財務報告準則》重列。

董事會宣派中期股息每股港幣**6.5**分

2005年上半年策略目標

穩定核心業務

「新世代」固網服務及客戶優惠策略，令線路流失率下降至零水平
加強**now**寬頻電視具創意及獨家的內容

收購 SUNDAY

再度踏足流動通訊市場 – 重新成為綜合通訊服務商
審慎投資，提供全面的電訊服務

衝出香港

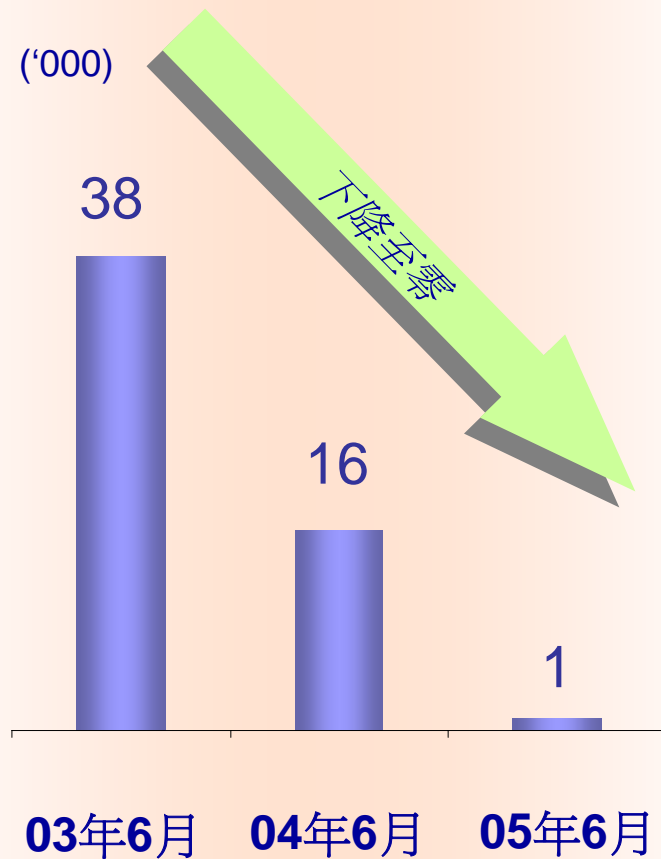
與中國網通集團在內地合作發展業務
繼續擴展「優創」內地的資訊科技業務
分階段推出英國無線寬頻服務

改善財務狀況

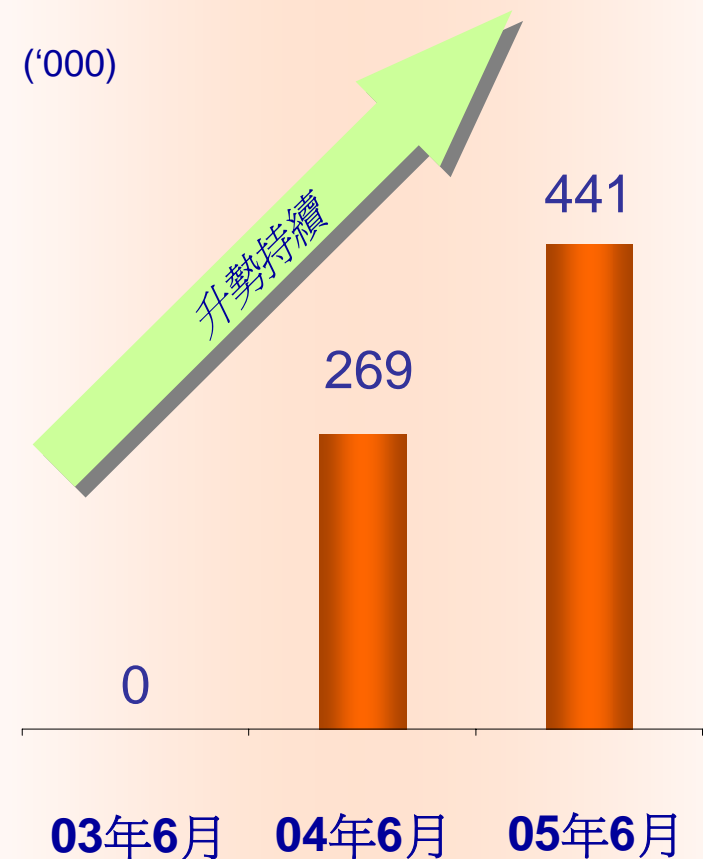
提升盈利能力，繼續派發股息
進一步削減成本和債務

核心業務表現改善

固網線路流失總數



now 安裝客戶數目



於上述各個月份的固網線路流失淨額

與中國網通集團合作

寬頻

網通寬帶網絡有限責任公司

- 電訊盈科擬收購百分之五十股權
- 在杭州和寧波提供寬頻上網及增值服務

物業發展

北京市朝陽區呼家樓機樓

- 共同申請擴大發展用地面積
- 電訊盈科集團負責發展及管理有關項目

國際傳輸業務

- 中國網通國際分公司近期進行重組
- 繼續商討可能合作的形式

電話指南(黃頁)服務

大中華黃頁

- 電訊盈科及中國網通正磋商成立合營企業
- 透過大中華黃頁在內地20個省份營辦指南及增值服務業務

展望

核心業務

終止線路流失情況，進而吸引舊客戶重新選用服務
now寬頻電視持續增長 – 更多獨家內容
綜合跨平台廣告及市場推廣方案

流動通訊

擴大客戶基礎，增加收益
提供3G和匯合固網及流動通訊服務
節省成本，取得協同效益

中國網通與電訊盈科 合作

合營企業和合作協議進展順利
繼續物色投資機遇

衝出香港

擴展「優創」在內地及亞洲區的資訊科技業務
分階段推出英國無線寬頻服務

財務狀況

繼續嚴格控制成本
貝沙灣可望在銷售方面取得進展
進一步鞏固財務狀況



Financial & Business Review

Alex Arena

*Executive Director
&
Group Chief Financial Officer*

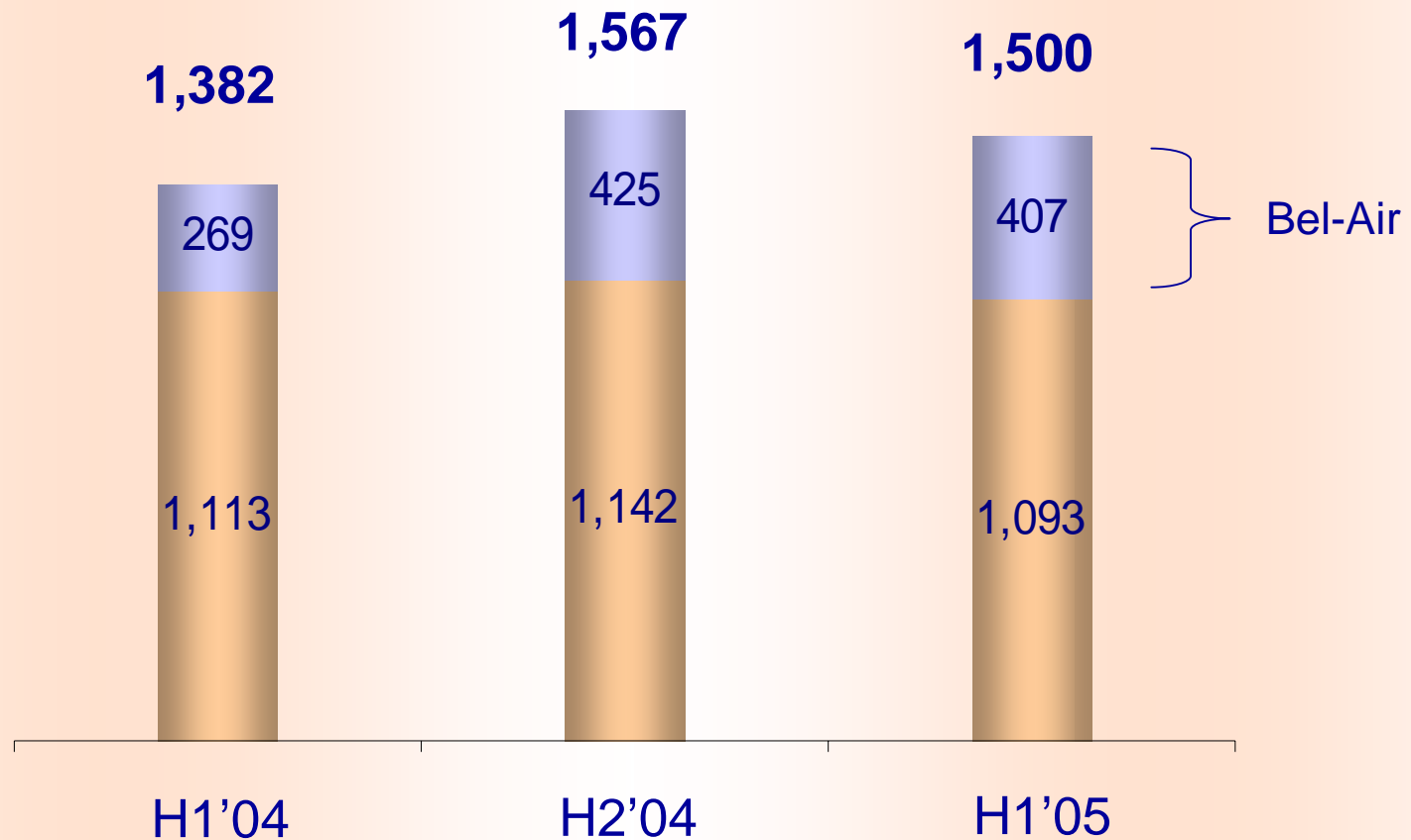
Summary P&L

(US\$ million)	<u>H1'04</u>	<u>H1'05</u>	<u>y-o-y</u> Better/ (worse)
Revenue	1,382	1,500	9%
Cost of Sales	(582)	(755)	
General and administrative expenses	(544)	(492)	
Operating profit	256	253	(1)%
Other gains, net	28	70	
Provision for restructuring costs	(3)	-	
Finance costs, net	(128)	(119)	
Share of results of JVs and associates	1	13	
Profit before taxation	154	217	
Taxation	(56)	(76)	
Profit for the period	98	141	
<i>Attributable to:</i>			
Equity holders of the Company	98	122	25%
Minority interests	0	19	
Profit for the period	98	141	43%

2004 figures restated in accordance with new HKFRS effective from January 1, 2005

Revenue

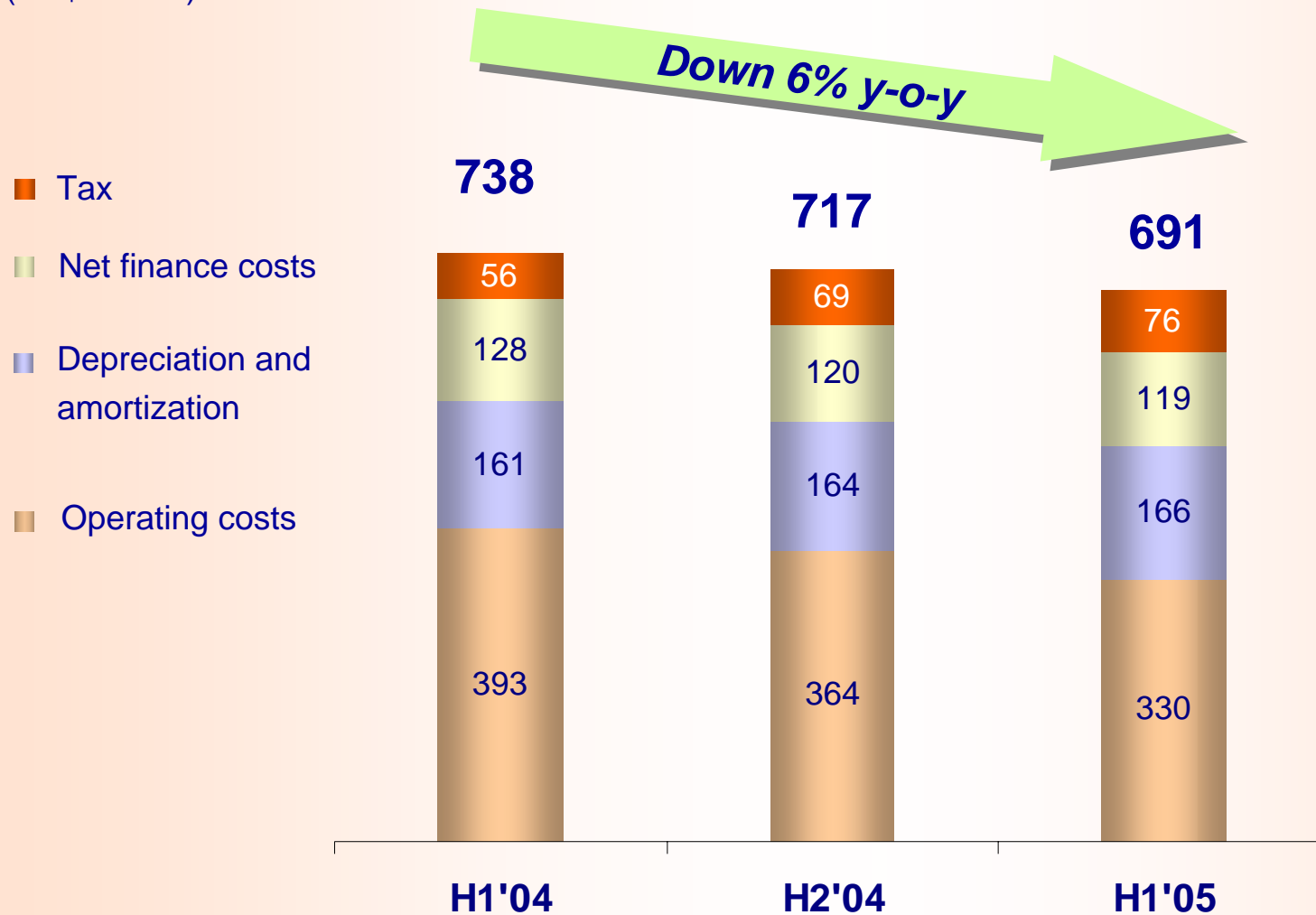
(US\$ million)



2004 figures restated in accordance with new HKFRS effective from January 1, 2005

Expenses

(US\$ million)

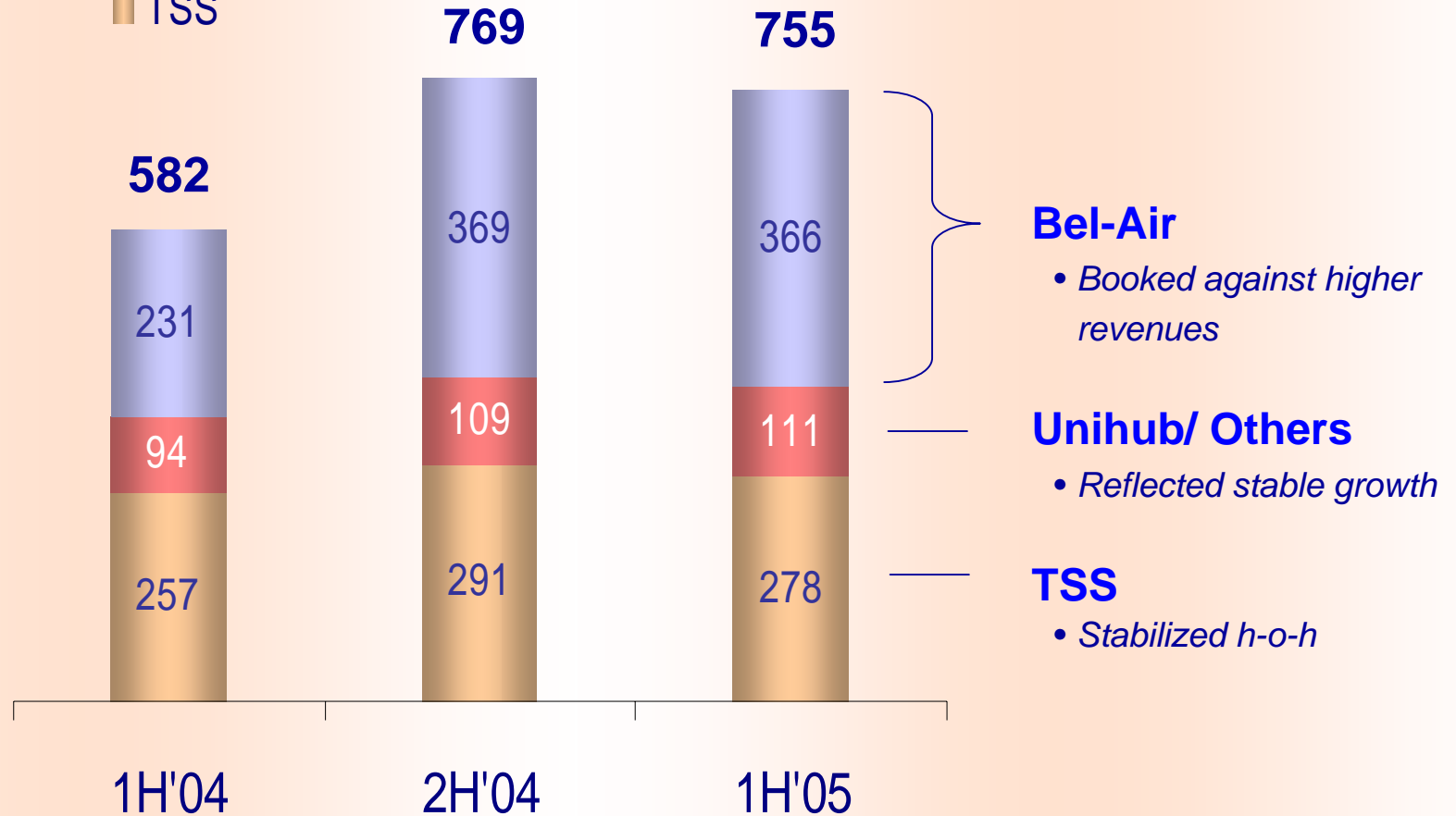


2004 figures restated in accordance with new HKFRS effective from January 1, 2005

Cost of Sales

(US\$ million)

■ Bel-Air
 ■ Others
 ■ TSS

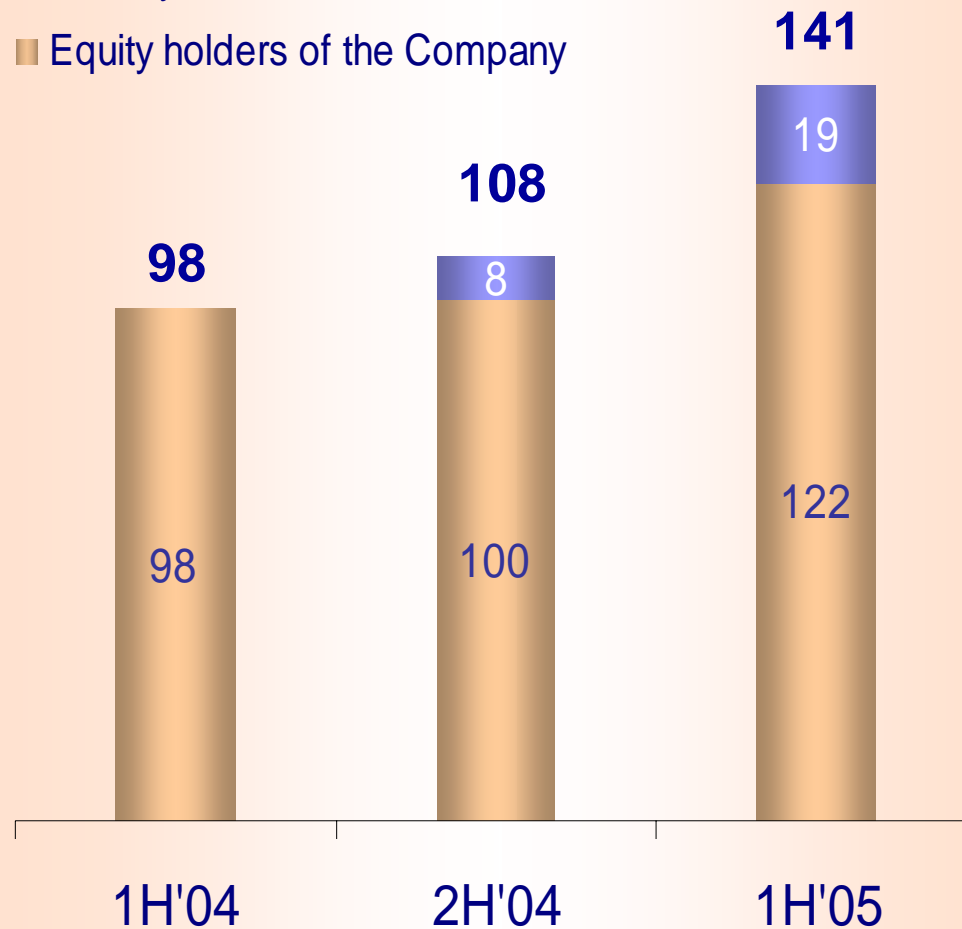


2004 figures restated in accordance with new HKFRS effective from January 1, 2005

Profit for the Period

(US\$ million)

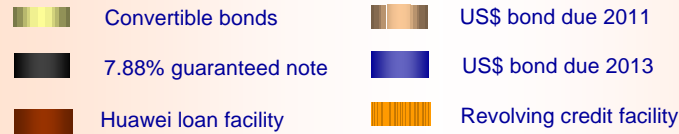
- Minority interests
- Equity holders of the Company



2004 figures restated in accordance with new HKFRS effective from January 1, 2005

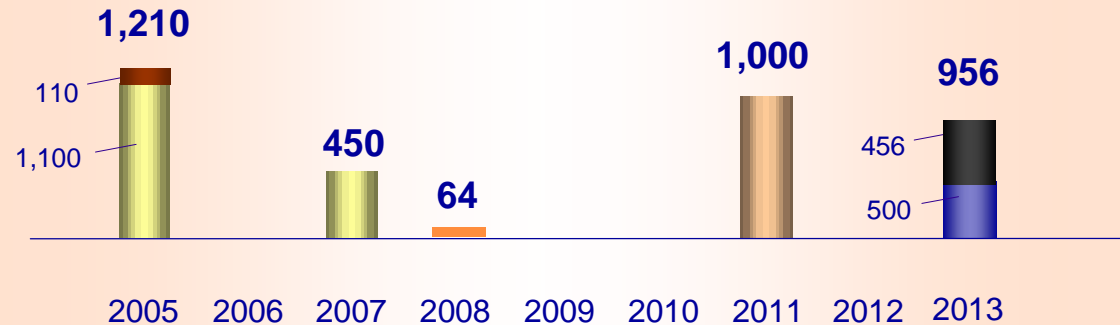
Debt Profile

(US\$ million)



Total gross debt
US\$ 3,649 m

As of June 30, 2005

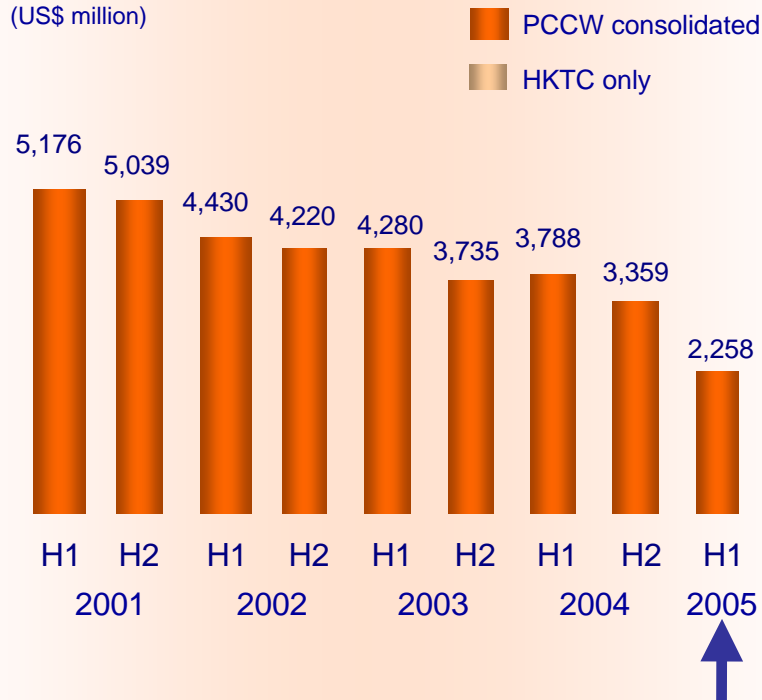


- Repaid Telstra US\$ 54m CB and prepaid 2031 yen bond of US\$ 250m
- Virtually all debt is fixed rate
- Average cost of debt at approximately 6.6%
- Medium term revolving credit lines of US\$1.38bn available for liquidity & working capital purposes
- Subsequent to the June 30, 2005 period end:
 - Repaid Huawei loan facility of US\$ 110m
 - Issued US\$ 500m 5.25% 10 year bond

Solid Credit Fundamentals

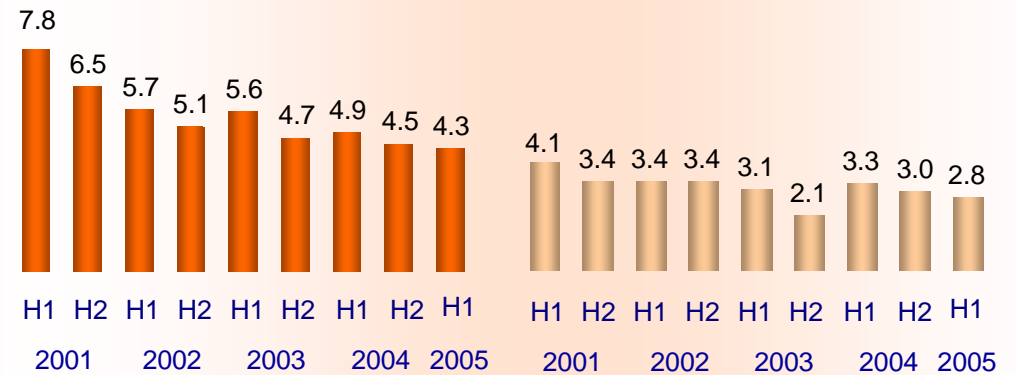
Net Debt

(US\$ million)

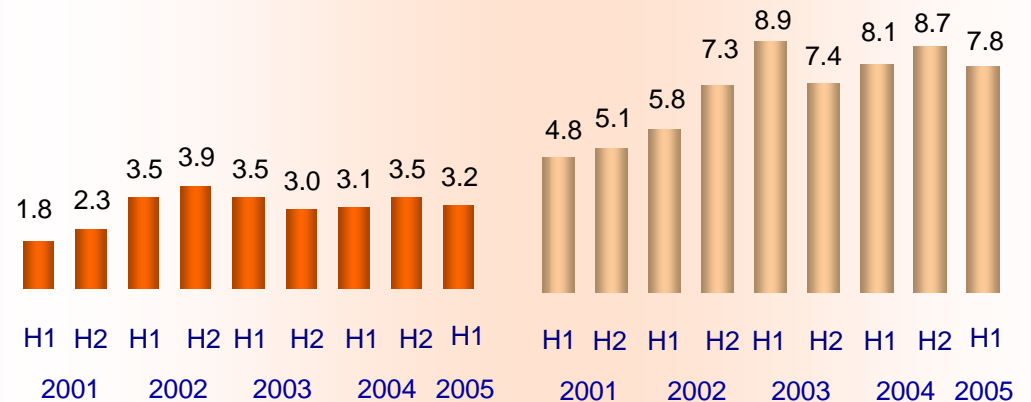


Gross Debt down 4% h-o-h to US\$ 3,649m
Net Debt down 33% h-o-h to US\$ 2,258m⁽³⁾
Net Debt/ EBITDA⁽¹⁾ as of H1'05 is 2.7x

Gross Debt/ EBITDA⁽¹⁾



EBITDA/ Interest⁽²⁾



(1) Based on the gross debt/ net debt as at period end divided by EBITDA for the last 12-month period

(2) Based on EBITDA for the period divided by gross interest plus finance fees

(3) Net debt refers to short-term and long-term borrowings, excluding redemption premium of convertible bonds, minus cash and cash equivalents

2004 figures restated in accordance with new HKFRS effective from January 1, 2005



Operational & Strategic Review

- I. Fixed Line
- II. now Broadband TV

Fighting Back in Fixed Line



Consumer

- Escalate brand preference with new image campaigns
- Retain customers through service bundling and loyalty programs
- Win back switchers with targeted promotions



Commercial

- Cross-product bundling winning back customers & capturing market growth
- Target promotions to different segments & industries
- Positive response to web-based PCCW Convergence introduced at end of June 2005

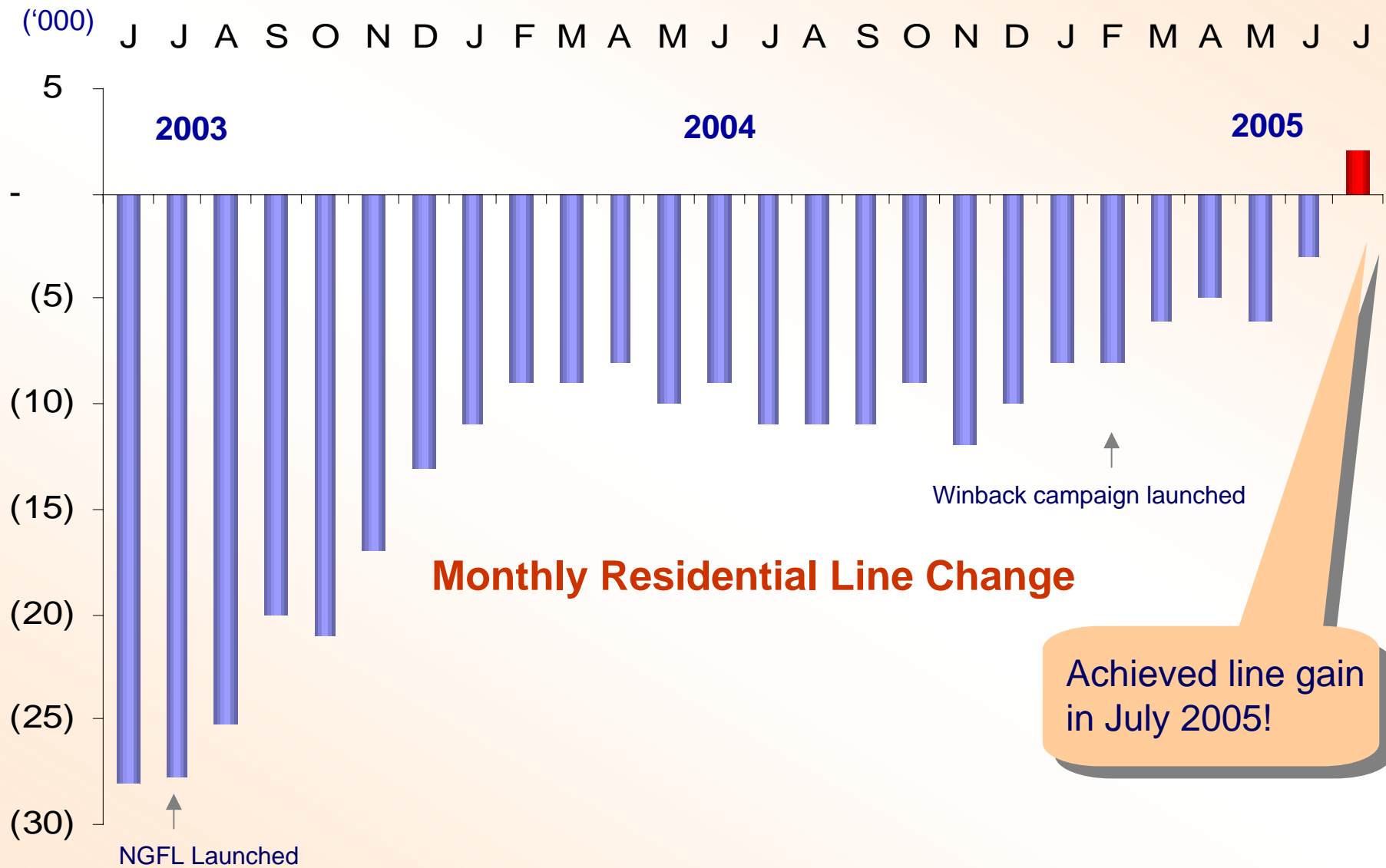


Residential Line Recovery Trend

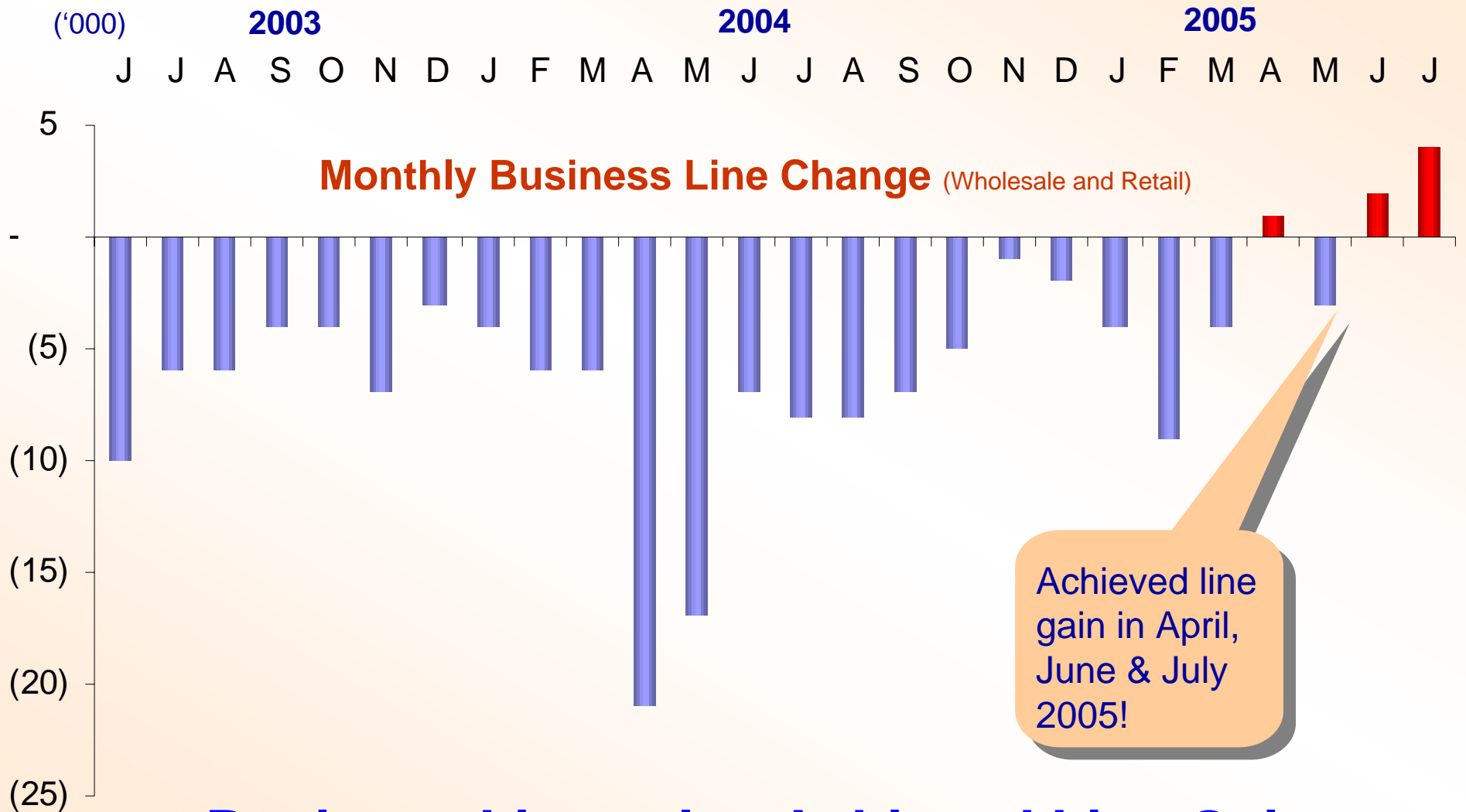


Winback Campaign Continues to be Successful

Inflection Point Reached - Residential



Business Lines



Business Lines also Achieved Line Gain

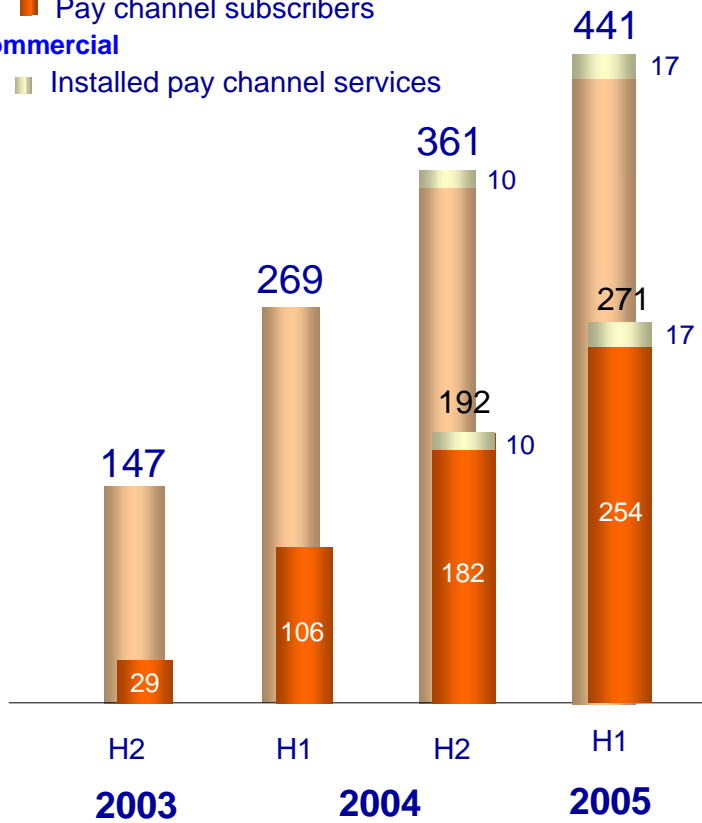
Strong Growth of **now**

Residential

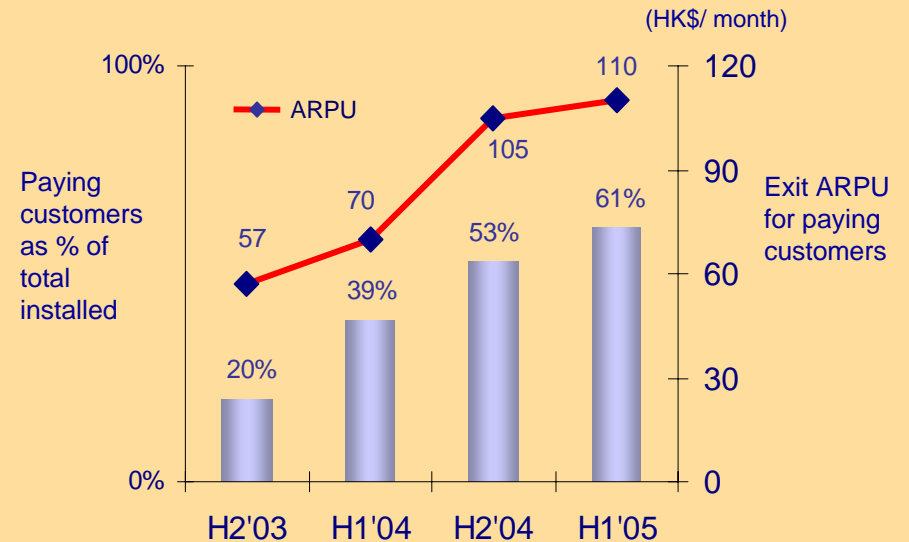
- Installed
- Pay channel subscribers

Commercial

- Installed pay channel services



Paying Customers & ARPU Continued to Rise



- As of today 63% of installed customers subscribe to pay channels
- 93% of new NETVIGATOR broadband customers are pay channel subscribers

Mini packs continue to drive up ARPU

- accounted for 63% of channel subscriptions by H1'05

now Strategy

BROADBAND TV

Objective



Enrich content

From 23 to 85 channels in 2 years



Unique flexible pricing

Reinforce a la carte proposition – low entry point



Drive ARPU

Mini-packs drive up ARPU



Mass market content & packages

Chinese Content Platform



24小時
亞視新聞



Exclusive content

22 exclusive channels to strengthen competitiveness



Sept-03 (Launch)

Mar-04

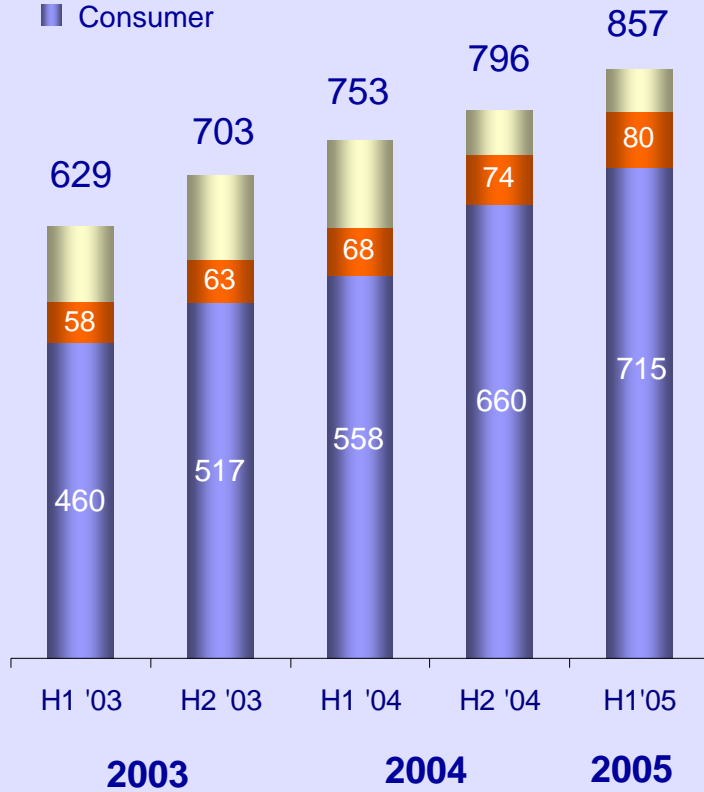
Dec-04

Sept-05

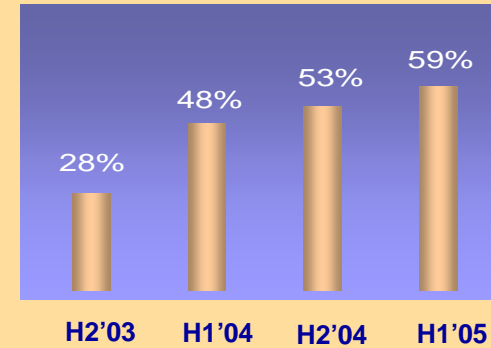
Broadband Customers

('000)

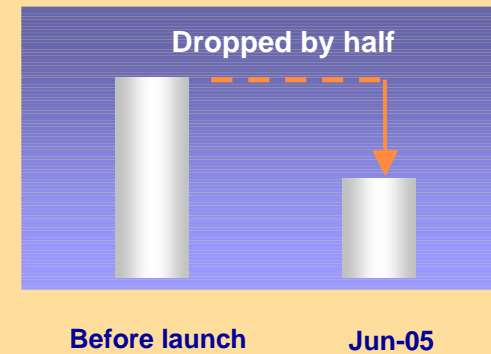
- Wholesale
- Business
- Consumer



Growing penetration rate of now among consumer NETVIGATOR



Maintained low churn rate of consumer NETVIGATOR since now launch



now The Movie House



Starting September 1
Catch all the blockbusters exclusively on
NOW BROADBAND TV - THE MOVIE HOUSE

Only NOW BROADBAND TV exclusively brings you over 600 blockbuster movie titles every month from HBO, HBO Signature, Cinemax, Star Movies, Star Chinese Movies and Mei Ah Movie Channel.

Other exciting new channels include:
 • Star World • Fox News • Sky News • Star Plus • Star News • Channel TV (Wardland China)
 • Channel TV India • Channel TV International • CNN Headline News • Bloomberg
 • Asian Food Channel • E! TV Asia • E! TV Asia News • EuroNews

*Star Movies, Star Chinese Movies and Mei Ah Movie Channel exclusive from Sept. 1, 2012. HBO, HBO Signature and Cinemax exclusive from July, 2012.

Please call **24-hour Sales Hotline 2888 0008** then press 1 or visit any of our PCCW Shops www.nowbroadbandtv.com A PCCW service

EXCLUSIVE: FROM SEPT. 1

- Long term exclusive arrangements – 2011 & 2014 with STAR and HBO
- Continue to strengthen local content including exclusive Mei Ah Movies & STAR Chinese Movies

Coming Up Next.... 24 Hours Financial News Channel in Cantonese

Growing Number of **Exclusive** Channels on **now** BROADBAND TV

<p>Movie</p>		 	 	 <p>GET INTO THE MOVIES</p>
<p>Sports</p>				
<p>News</p>				
<p>Entertainment</p>		 	    <p>Great British Entertainment for Asia</p>	

Plus Channels Shown **ONLY** on **now** BROADBAND TV

Kids



Lifestyle



News



Movie



2005 Targets for **now** BROADBAND TV

Achievements to date

Continue to enhance content line up



Exceed 500,000 installed customers

On Track

Further increase: 1) ARPU
2) Percentage of paying customers



Focused on the Core

Achievements to date

Address line loss

Shifted to line gain

Maintain IDD service

Stabilized market share

Grow broadband

857k subs, up 14% y-o-y

Grow NOW TV

441k subs, up 64% y-o-y
Paying ARPU HK\$ 110

Re-enter mobile

Acquired SUNDAY
Integration well in hand

Outlook

Core Business

End to line loss, further winback success
Continued growth of NOW TV – more exclusive content
Integrated cross platform advertising & marketing solutions

Mobile

Enhanced revenues through wider customer base
Provide 3G and Fixed-Mobile Convergence services
Achieve operating synergies for cost savings

CNC – PCCW Alliance

Further progress in joint ventures & cooperation agreements
Ongoing identification of investment opportunities

Expansion Beyond HK

Increase Unihub IT presence in China & Asia
Phased rollout of UK wireless broadband

Financials

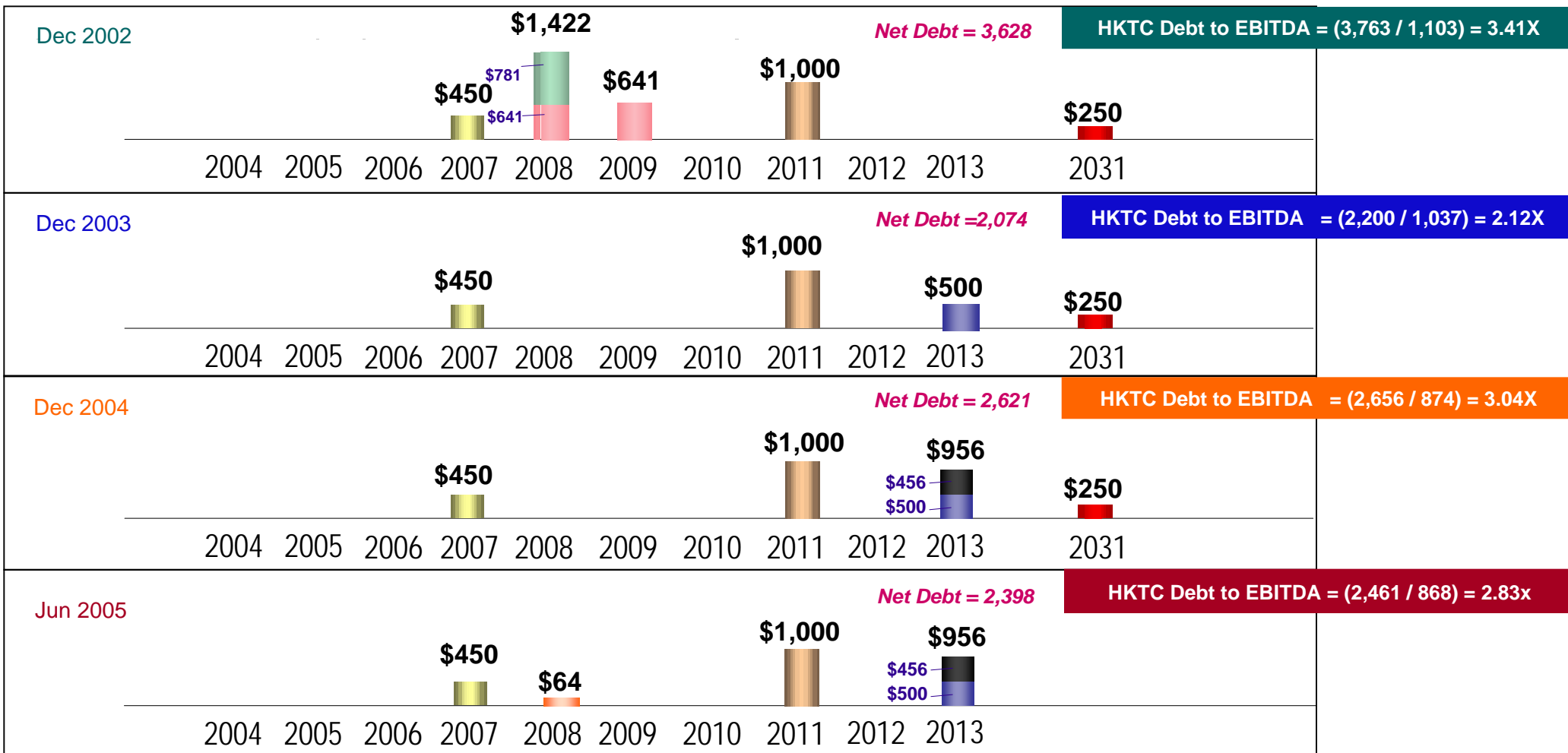
Maintain strict cost controls
Expect continued sales progress at Bel-Air
Continue to strengthen financials



Appendix

HKTC Debt Maturity Profile

US\$m

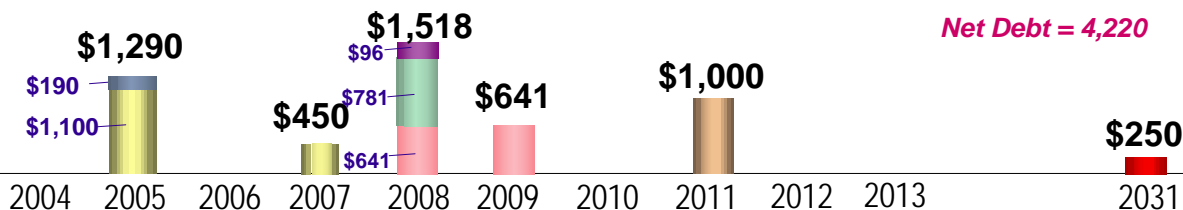


- Term Loan Facility (Original US\$4.7bn facility)
- Term Loan Facilities
- Revolving Credit Facility
- US\$ Bond due 2013
- Convertible Bonds
- Japanese Yen Bond
- US\$ Bond due 2011
- 7.88% Guaranteed Note

PCCW Consolidated Debt Maturity Profile

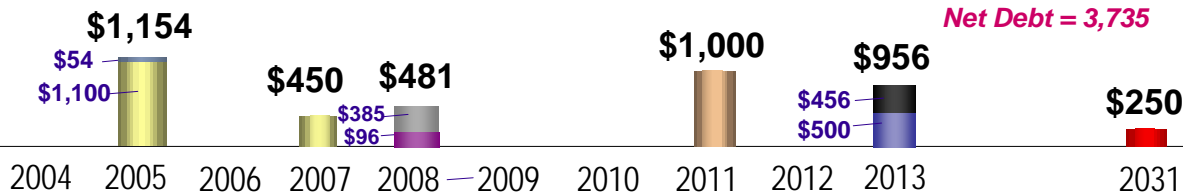
US\$m

Dec 2002



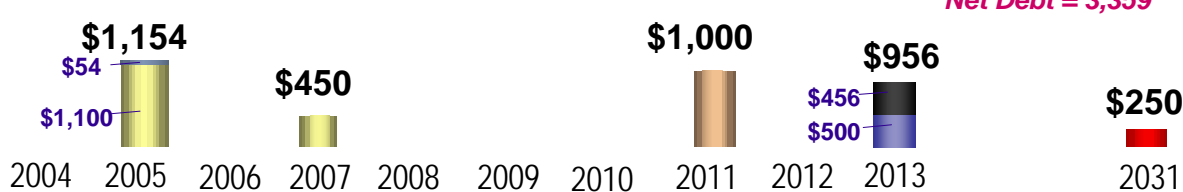
Debt¹ to EBITDA = (5,303 / 1,041) = 5.09X

Dec 2003



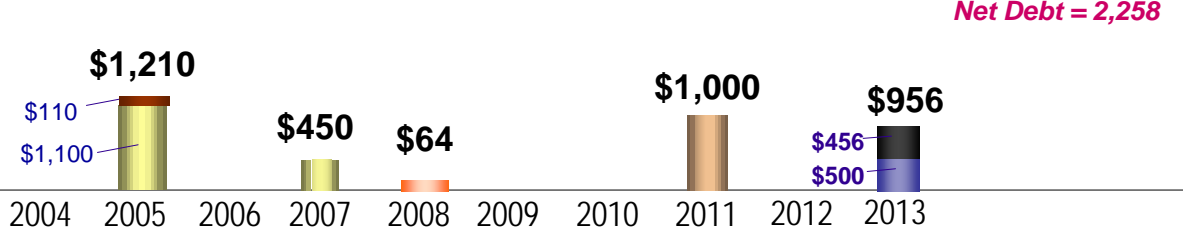
Debt¹ to EBITDA = (4,424 / 945) = 4.68X

Dec 2004



Debt to EBITDA = (3,807 / 840) = 4.53X

Jun 2005



Debt to EBITDA = (3,649 / 849) = 4.30X

- Term Loan Facility (Original US\$4.7bn facility)
- Term Loan Facilities
- HK\$750m Term Loan Facility
- Mandatory Convertible Note
- HK\$3,003m Term Loan Facility
- Revolving Credit Facility
- Convertible Bonds
- Japanese Yen Bond
- US\$ Bond due 2011
- 7.88% Guaranteed Note
- US\$ Bond due 2013
- Huawei loan facility

¹ Includes Beijing property RMB loan