



Creating Value

2004 Annual Results

For the twelve months ended December 31, 2004

Hong Kong - March 30, 2005



Forward Looking Statements

The statements included in this presentation that are not historical in nature are “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933 as amended and Section 21E of the U.S. Securities Exchange Act of 1934 as amended. These forward-looking statements, which may include statements regarding PCCW’s future results of operations, financial condition or business prospects, are subject to significant risks, uncertainties and other factors and are based on PCCW’s current expectations, some of which are beyond PCCW’s control and are difficult to predict.

Actual results may differ materially from those expressed or implied in these forward-looking statements as a result of a variety of factors. These factors are discussed in PCCW’s reports furnished to or filed with the U.S. Securities and Exchange Commission, including, but not limited to, PCCW’s most recent Annual Report on Form 20-F and the Interim Report on Form 6-K.



Overview

Jack So

*Deputy Chairman
&
Group Managing Director*

2004 Financial Performance

	(HK\$ million)	(US\$ million)
<i>Revenue</i>	22,895	2,935
<i>Net Profit</i>	1,638	210
<i>EPS</i>	30.50 cents	3.91 cents

Dividend

The Board has declared a final dividend of 9.6 cents per share

Brings total dividend for 2004 to 15.1 cents per share

Total 2004 dividend yield of 3.66% based on the closing share price as of March 30, 2005

2004 Strategic Focus

Stabilize and Revitalize Core Business

NGFL service to reduce line loss & retain customers
NOW Broadband TV as a growth driver

Reform Telecom Regulations

Type II interconnection phased out by July 2008
New license provides greater flexibility to compete

Expand Beyond Hong Kong

Alliance with China Netcom Communications Group
Phased rollout of UK Wireless broadband
Unihub China IT business continued to grow

Improve Financials

Achieve profitability and pay dividend
Further cost cutting and debt reduction
Unlocked value in property assets

The CNC Group - PCCW Alliance

China Netcom Group subscribing for 20% of expanded PCCW equity

- Net proceeds approximately US\$1 Bn
- PCCW Extraordinary General Meeting on March 16, 2005 approved new share issuance

3 new Directors from CNC Group will join PCCW's Board

- Dr. Edward Tian to be appointed a Deputy Chairman of PCCW

Working Groups negotiating agreements in four areas

- Broadband, property redevelopment, yellow pages and international business
- Reached agreement on key principles in several areas subject to PRC regulations & necessary consents

**Enhancing PCCW's Financial Strength and Growth
Opportunities in China**

Outlook

Core Business

Continue retention and loyalty programs
Compete in the market to win back customers
Further grow NOW Broadband TV & Netvigator

CNC Group – PCCW Alliance

Pursue growth opportunities in China

Expansion Beyond HK

Phased rollout of UK Wireless broadband
Increase Unihub IT presence in China

Financials

Maintain strict cost controls
Further reduce debt

Property

Continue sales progress in Bel-Air
Develop new opportunities including projects with CNC Group



Financial & Business Review

Alex Arena

*Executive Director
&
Group Chief Financial Officer*

Summary P&L

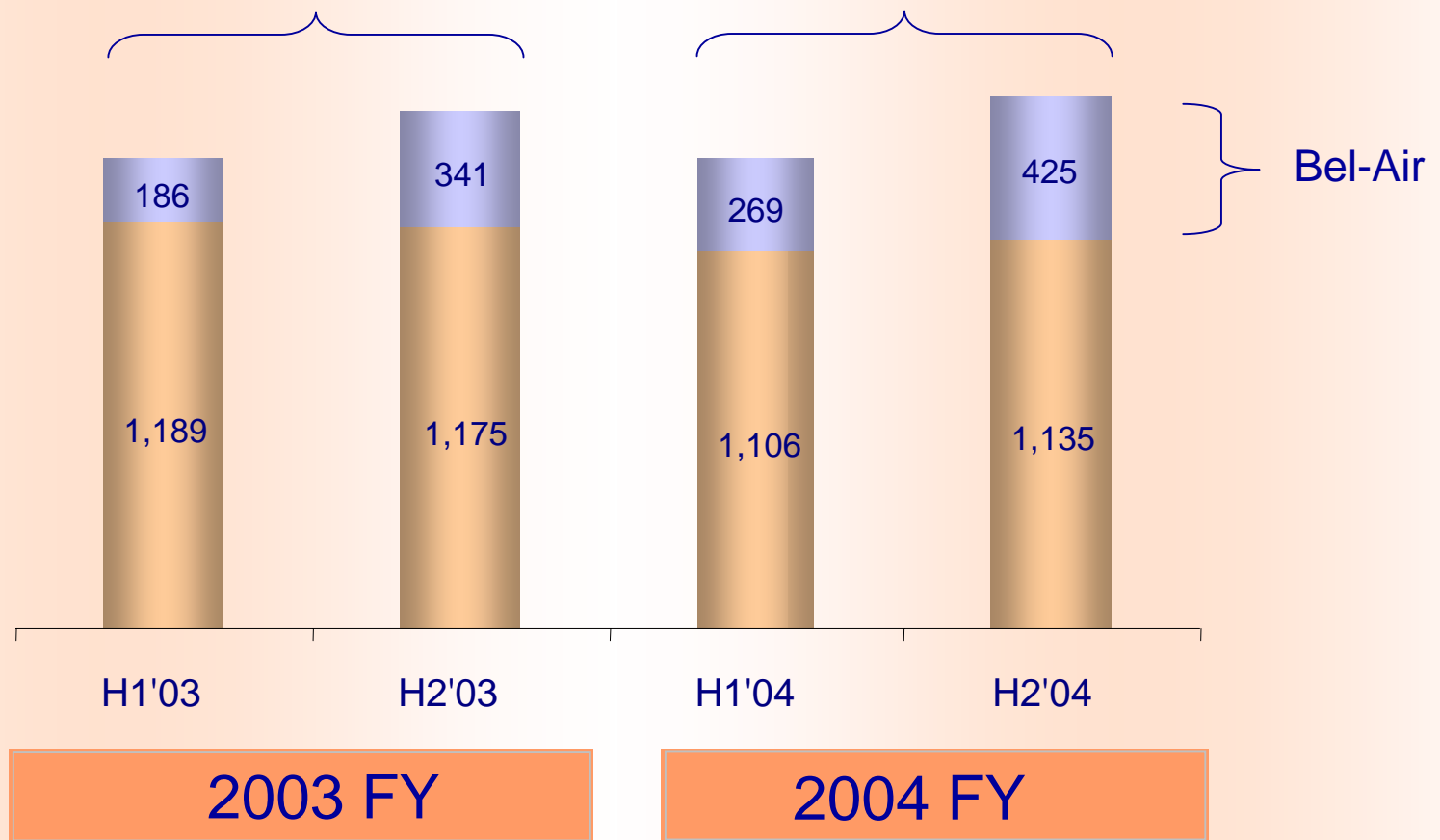
(US\$ million)	<u>2003</u>	<u>2004</u>	<u>y-o-y</u> Better/ (worse)
Revenue	2,891	2,935	2%
Cost of Sales	(1,119)	(1,350)	(21)%
General and administrative expenses	(1,216)	(1,063)	13%
Operating profit	556	522	(6)%
Gains on investments, net	52	59	
Provision for impairment losses and restructuring costs	(320)	(11)	
Finance costs, net	(271)	(247)	9%
Share of results of JVs and associates	(106)	18	
Impairment loss for interests in JVs & associates	(572)	(2)	
Profit before taxation	(661)	339	
Taxation	(149)	(126)	15%
Minority interests	28	(3)	
Profit for the year attributable to shareholders	(782)	210	

Revenue

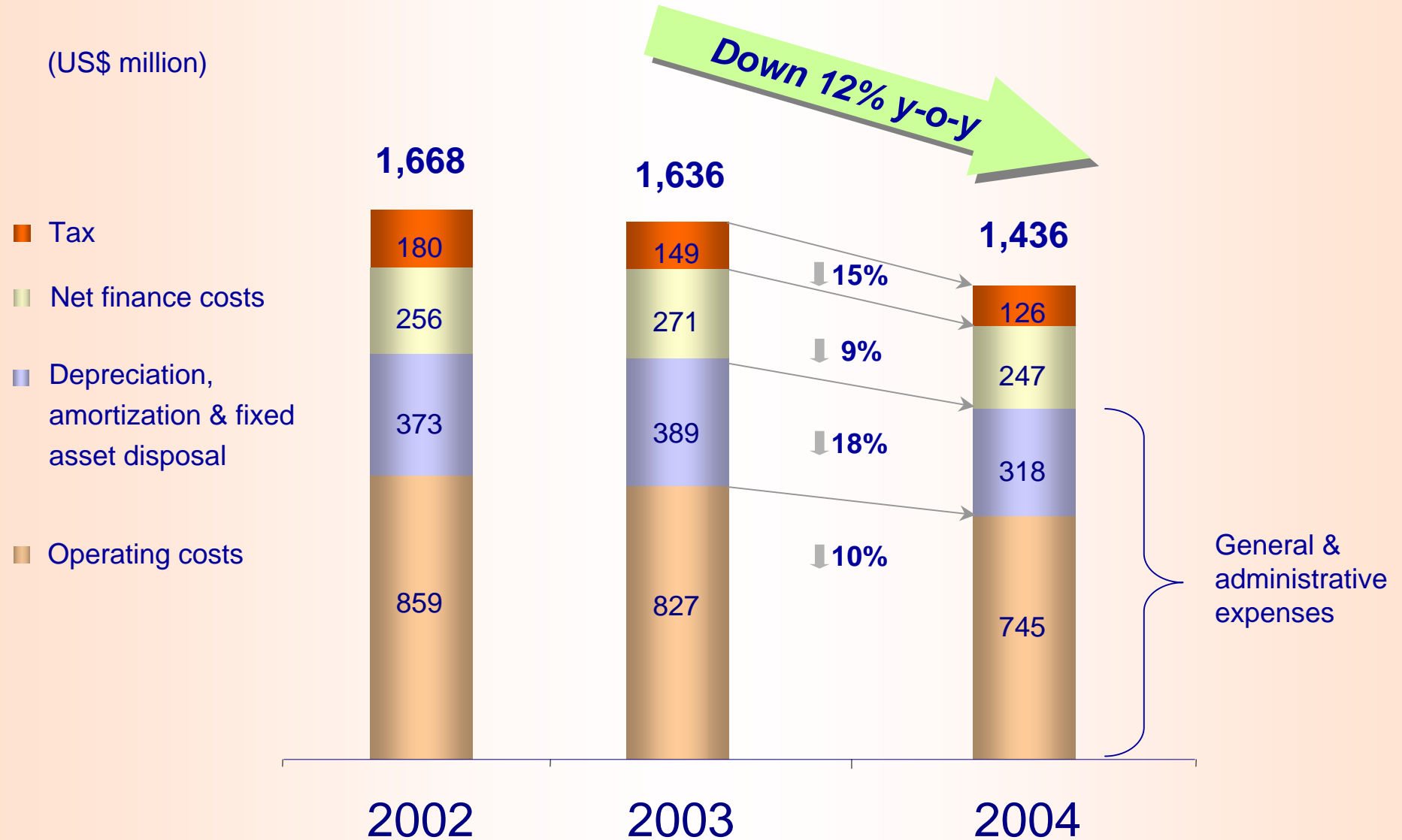
(US\$ million)

2,891

2,935 (+2% y-o-y)

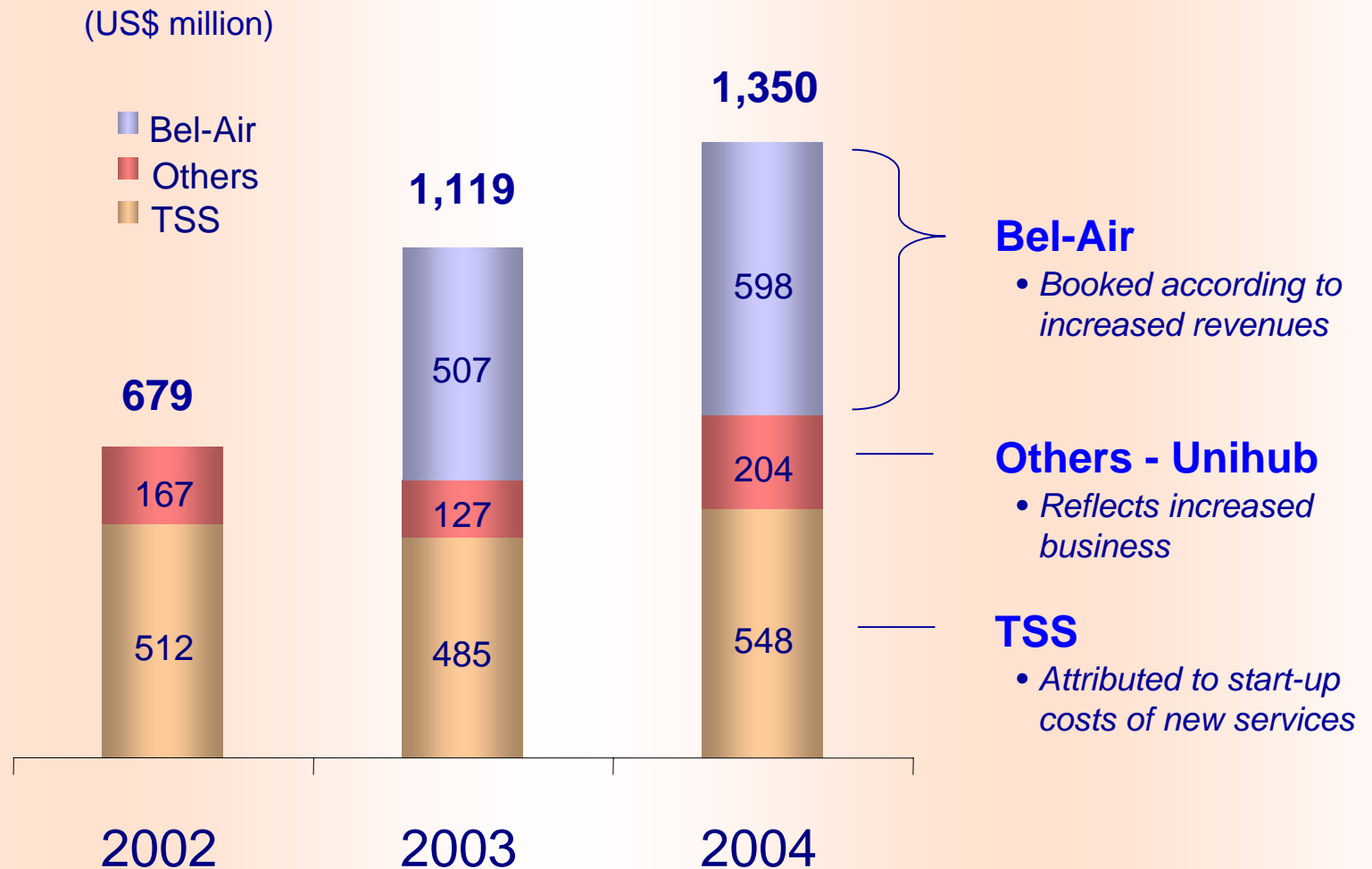


Expenses



Continued Progress in Reducing Expenses

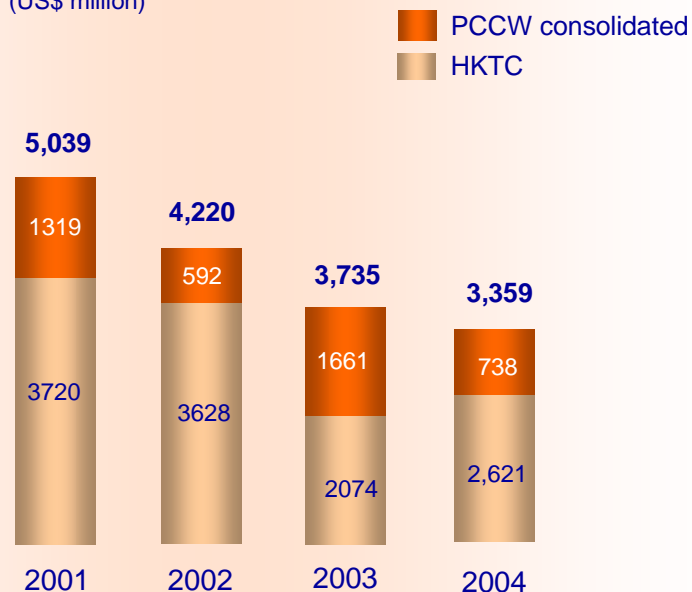
Cost of Sales



Solid Credit Fundamentals

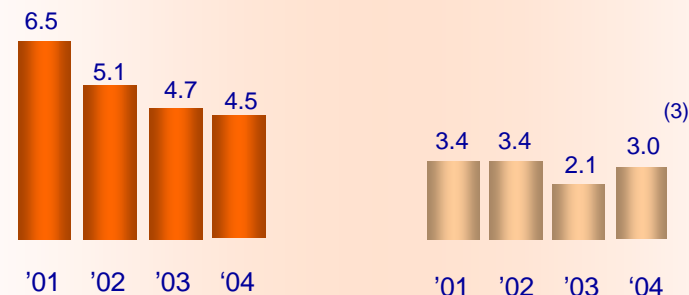
Net Debt

(US\$ million)

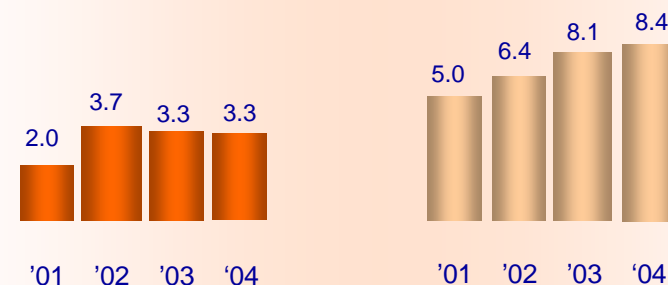


Gross Debt down 14% y-o-y to US\$ 3,807m
Net Debt down 10% y-o-y to US\$ 3,359m

Debt/ EBITDA (1)



EBITDA/ Interest (2)



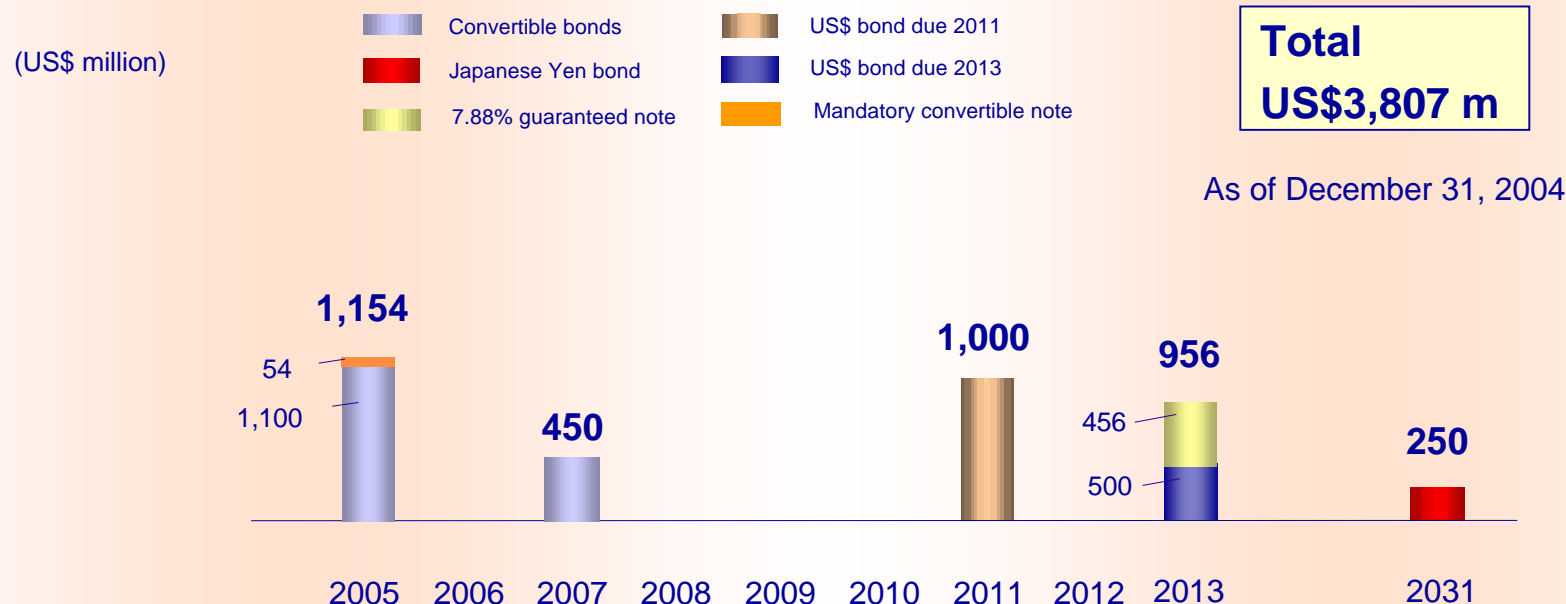
(1) Based on the gross debt as at period end divided by EBITDA for the last 12-month period

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

(3) The US\$ 456m guaranteed note was transferred from PCCW level to HKTC as part of the Group's corporate finance activities in H1'04

Does not include: 1) Final US\$ 324m proceeds from sale of PCCW Tower received in Feb-05
2) CNC Group transaction proceeds of US\$1 Bn expected shortly

Well Managed Debt Profile



- Approximately 70% fixed
- About 6 years weighted average maturity and 6% average cost of debt
- Approximately US\$ 1.4bn of medium term revolving credit lines for liquidity & working capital purposes

Cash and Financing in Place to Meet 2005 Debt Repayments



Operational & Strategic Review

- I. Fixed Line
- II. nOW Broadband TV
- III. Innovation Roadmap

Competitive Fixed-line Strategy

Retaining existing customers

- Extensive loyalty programs
- Continually extending NGFL applications & features
- Targeted packaging & services bundling
- 60% of residential customers committed to term plans

Winning back customers

- We are using a new license granted in January to:
 - Respond swiftly to market dynamics
 - Introduce winback service plans
- A variety of promotions targeted to different segments
- Generate incremental revenue from winback customers

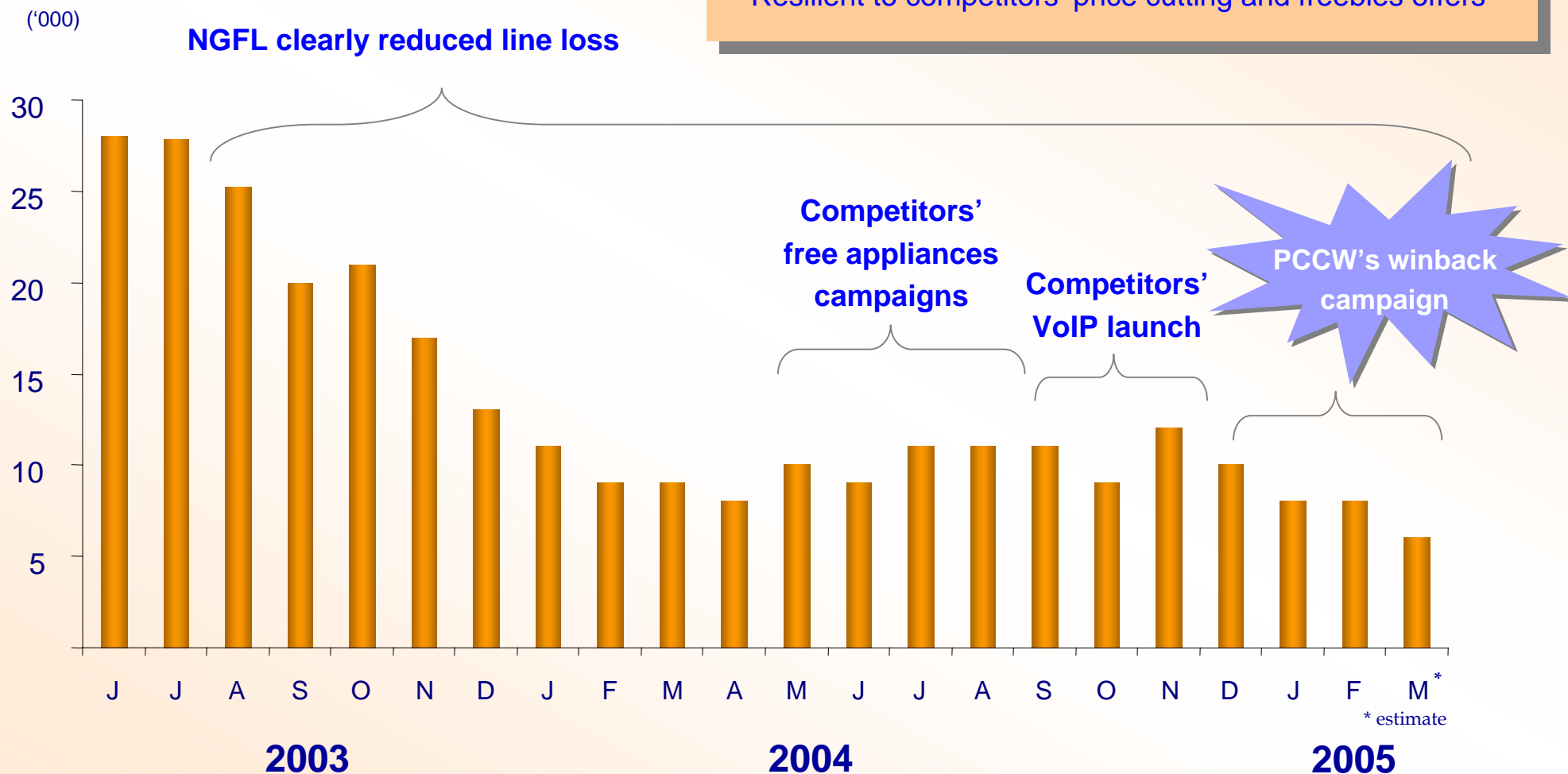


Successful in Stabilizing Customer Base

Reduced Line Loss Despite Fierce Market Competition

Monthly Net Residential Line Loss

- Line loss drastically reduced
- ~ 1 million NGFL lines installed on 12-18 month term plans
- Resilient to competitors' price cutting and freebies offers



A proven success story

Key metrics

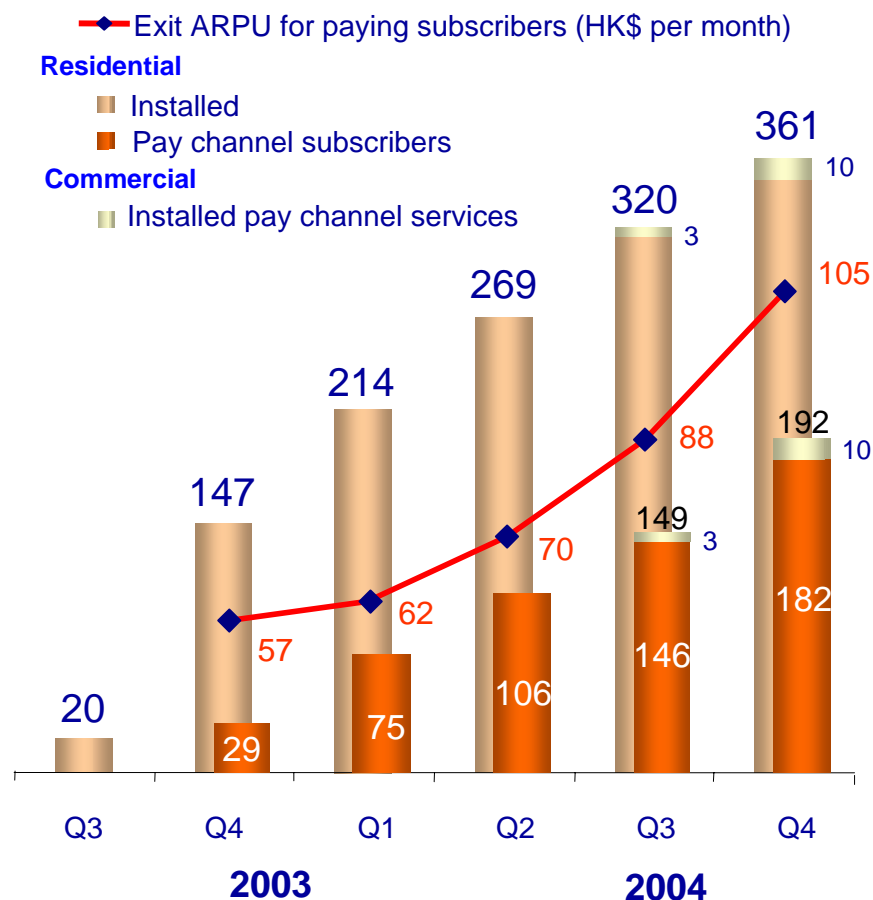
as at December 31, 2004

- Customers signed up in the 16 months since launch
- Installed customers

416k
361k

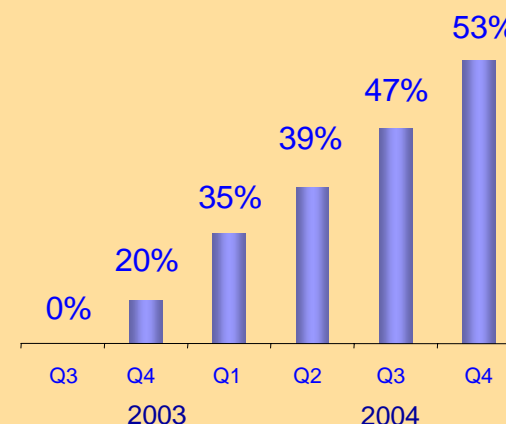
**ARPU of paying customers exceeded HK\$ 100 per month
in December 2004**

Strong Growth of **now** BROADBAND TV



Paid Subscriptions Continue to Grow

Paid subscriptions as % of total installed



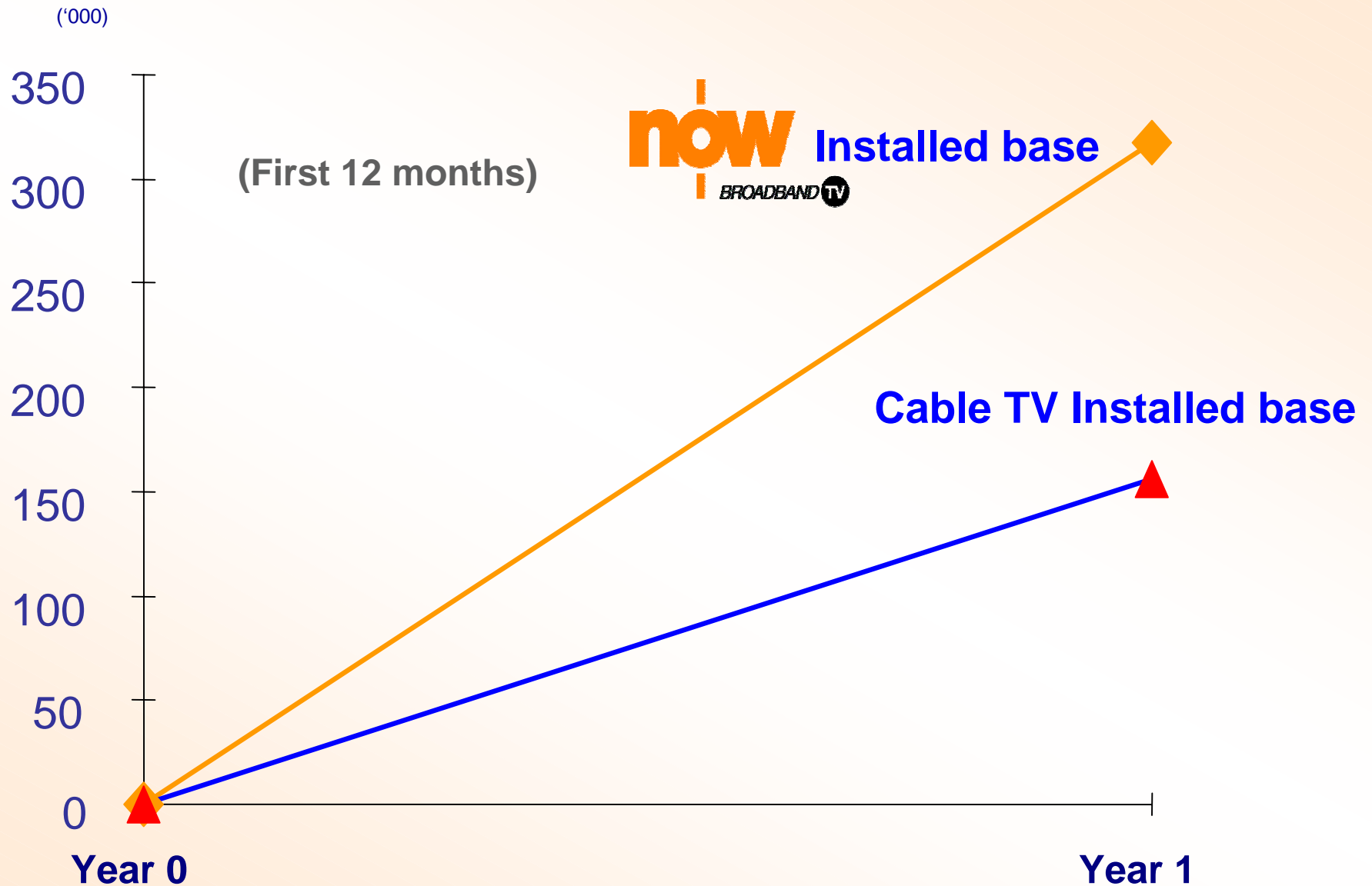
- Currently 58% of installed customers subscribe to pay channels
- 85% of new broadband NETVIGATOR customers are pay channel subscribers

- Mini packs continue to drive up ARPU

- Introduced **now** to business sector

now vs. Cable TV

now BROADBAND TV



Note: for illustrative purposes only; **now** from Sept '03 to Sept '04; Cable TV data from Cable TV 1995 annual results announcement

Mini-Packs Driving up ARPU

Mini-Packs Penetration

Channel Subscriptions

Mini-Packs

58%

0%

Launched in Mar-04

Dec-04

Paying Customers ARPU

(HK\$ per month)

+69%

62

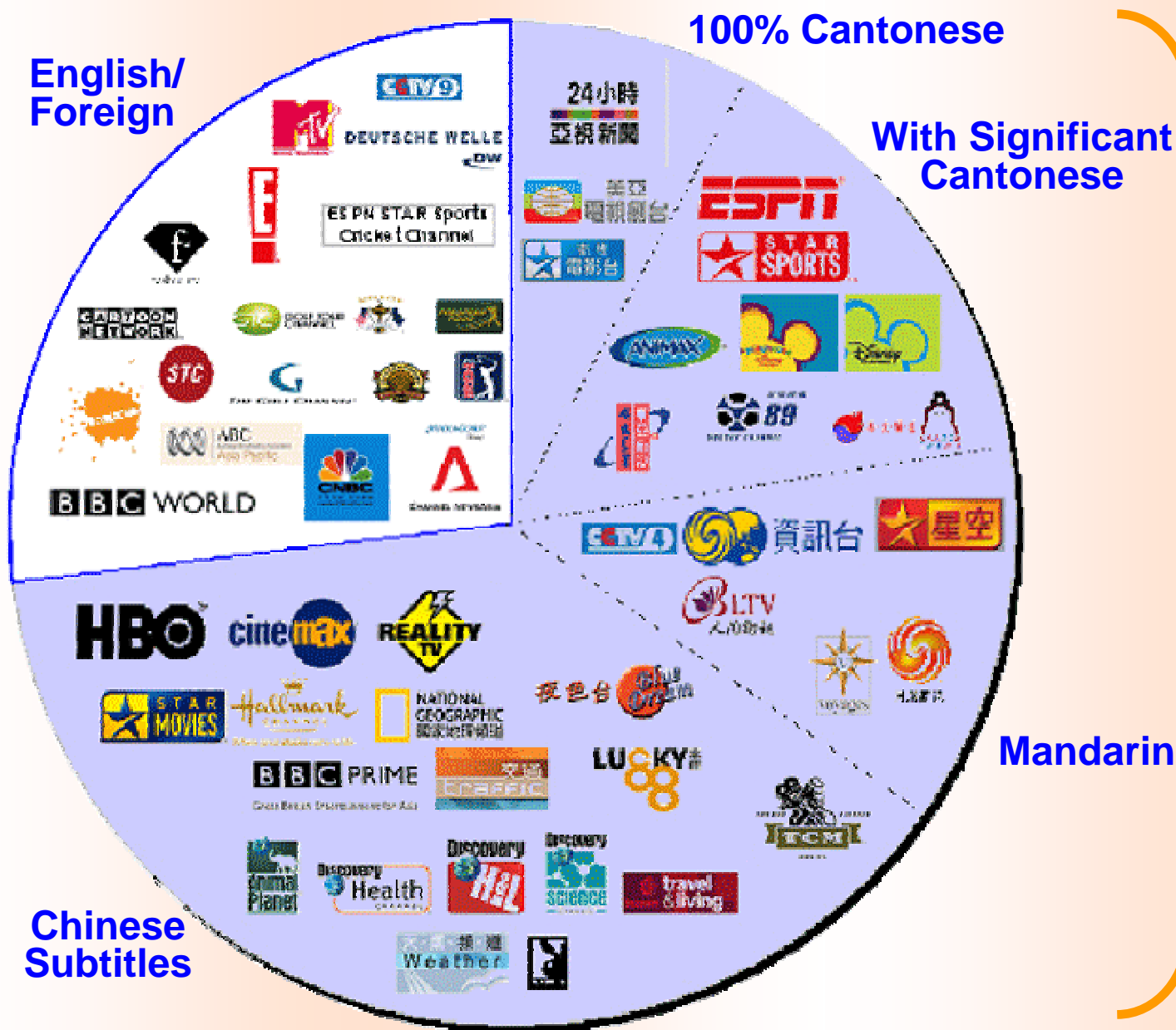
105

Mar-04

Dec-04

**Percentage of Paying Customers and Their ARPU
are Increasing**

Tremendous Progress in Localizing into Chinese



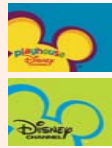
Over 70%
Localized Channels

(37 out of 52 video channels)

Objective

Enrich content

From 23 to 67 channels in 18 months



Unique flexible pricing

A la carte proposition – low entry point



Drive ARPU

Mini-packs drive up ARPU



Mass market content

Chinese Content Platform



Mass market packages



Sept-03 (Launch)

Mar-04

Nov-04

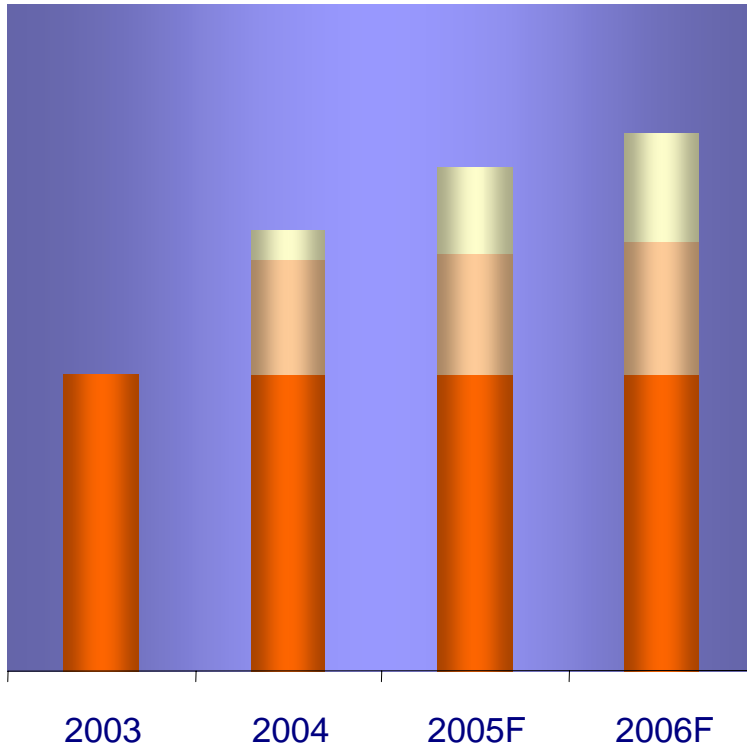
Mar-05

now Strategy is Working

now BROADBAND TV

Broadband Revenue* Enhanced by now

- NOW Broadband TV revenue
- Broadband revenue enhanced by now Broadband TV
- Broadband revenue



* for illustrative purposes only

1) Solidifies NETVIGATOR position as the premium broadband provider

- Market share rising since now launch
- Churn rate halved to less than 1%
- ARPU protected

2) now - another reason to want



- 85% of all new NETVIGATOR customers subscribe to now pay channels

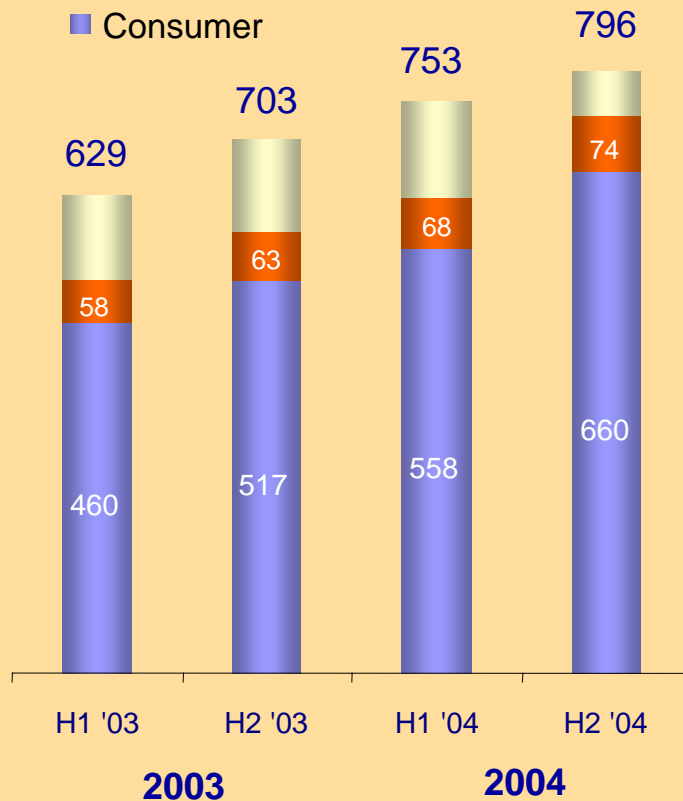
3) New revenue stream from now

- Rising number of customers & increasing ARPU

Broadband Customers

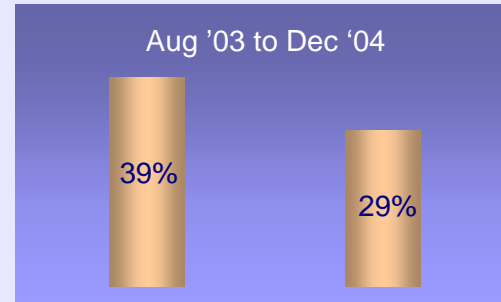
('000)

- Wholesale
- Business
- Consumer



Consumer NETVIGATOR has outgrown the market since now launch

Consumer broadband Internet subscribers growth



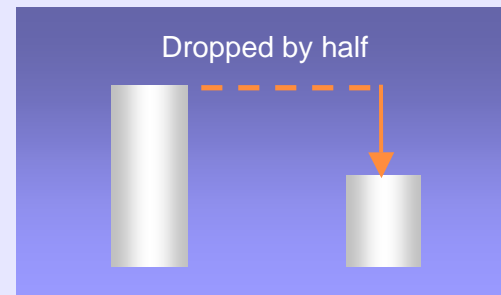
NETVIGATOR

Market*

* OFTA data

And churn has dropped significantly since now launch

Consumer NETVIGATOR



Before launch

Dec-04

2005 Target for **now** BROADBAND TV

Continue to enhance content line up

Exceed 500,000 installed customers

Further increase ARPU and percentage of paying customers

Outlook

Core Business

Continue retention and loyalty programs
Compete in the market to win back customers
Further grow NOW Broadband TV & Netvigator

CNC Group – PCCW Alliance

Pursue growth opportunities in China

Expansion Beyond HK

Phased rollout of UK Wireless broadband
Increase Unihub IT presence in China

Financials

Maintain strict cost controls
Further reduce debt

Property

Continue sales progress in Bel-Air
Develop new opportunities including projects with CNC Group

Business Transformation

Extending Value Chain

Access

Conduit (POTS, Basic Broadband)

Own content (e.g phone calls)

Separate networks and billing

Content Application Transactions

Unlocking Capabilities

Secure third party content
Managed high bandwidth
Converged network and billing
Trusted partner
Increased stickiness

Full Range of Services Now and Going Forward



Voice

PSTN
(Circuit Switched)

NGFL
Basic Convergence
(Partial IP)



Advanced Converged Services
(Full IP)

Television



IP TV

Basic Interactivity

Advanced Interactivity

HDTV

Broadband



1.5-6Mbps

6Mbps



8 - 25Mbps

CONVERGENCE

Full Range of Services Now and Going Forward



Voice

PSTN
(Circuit Switched)

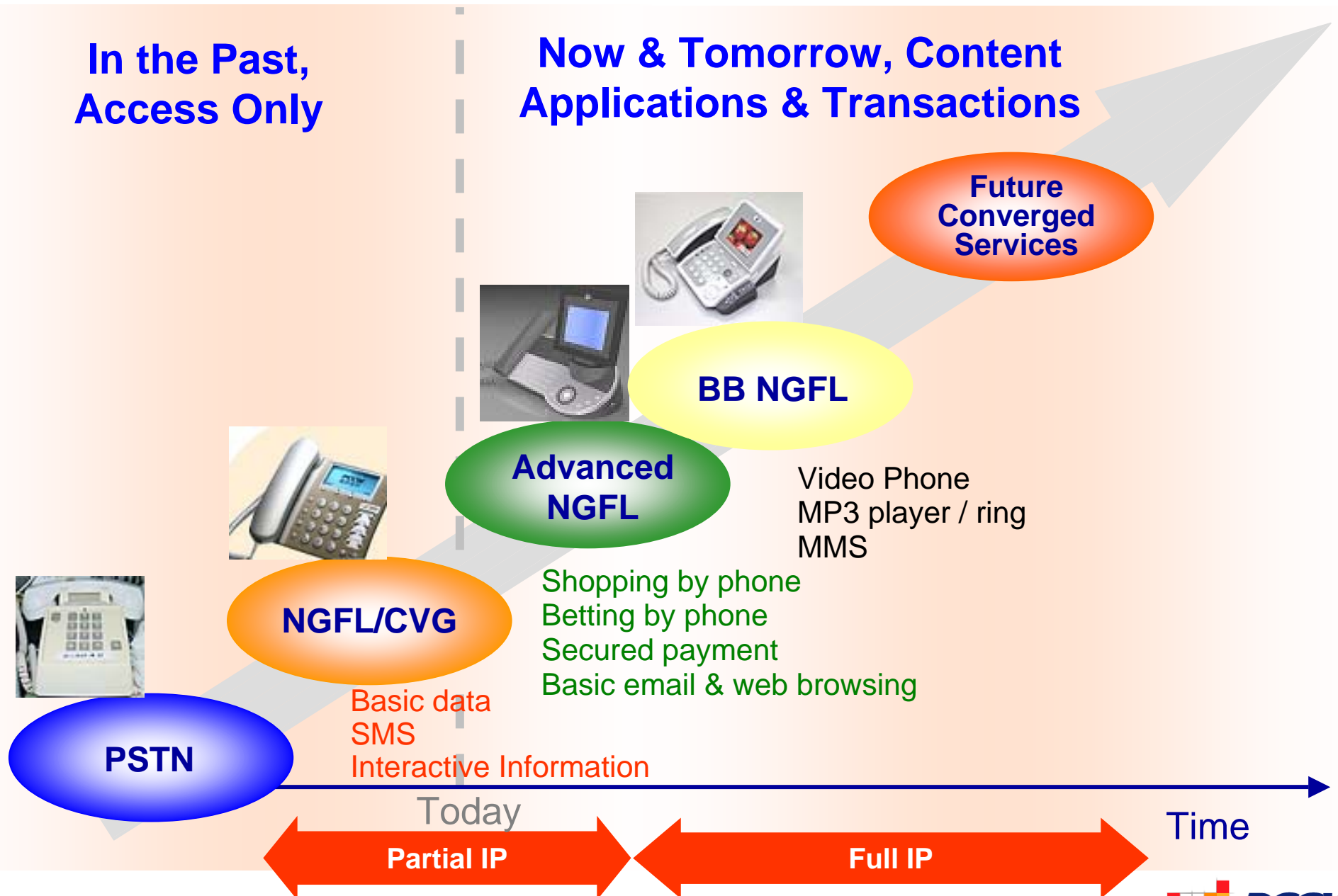
NGFL
Basic Convergence
(Partial IP)



Advanced Converged Services
(Full IP)

CONVERGENCE

Evolution from Basic Voice to Advanced Converged Phone Services



Full Range of Services Now and Going Forward



Television



IP TV

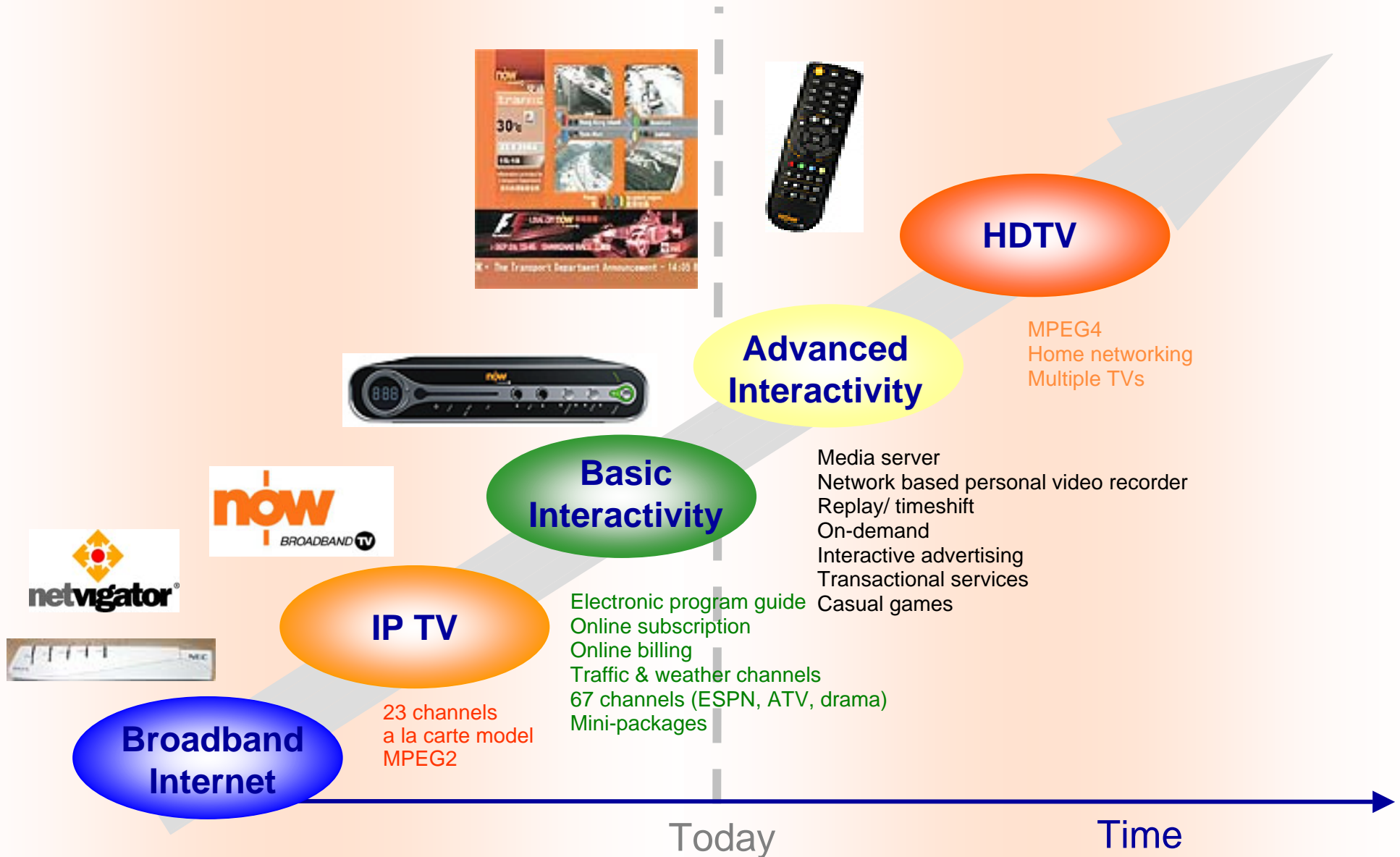
Basic
Interactivity

Advanced
Interactivity

HDTV

CONVERGENCE

Evolution from Basic Broadband to HD IPTV



Full Range of Services Now and Going Forward



CONVERGENCE

Broadband



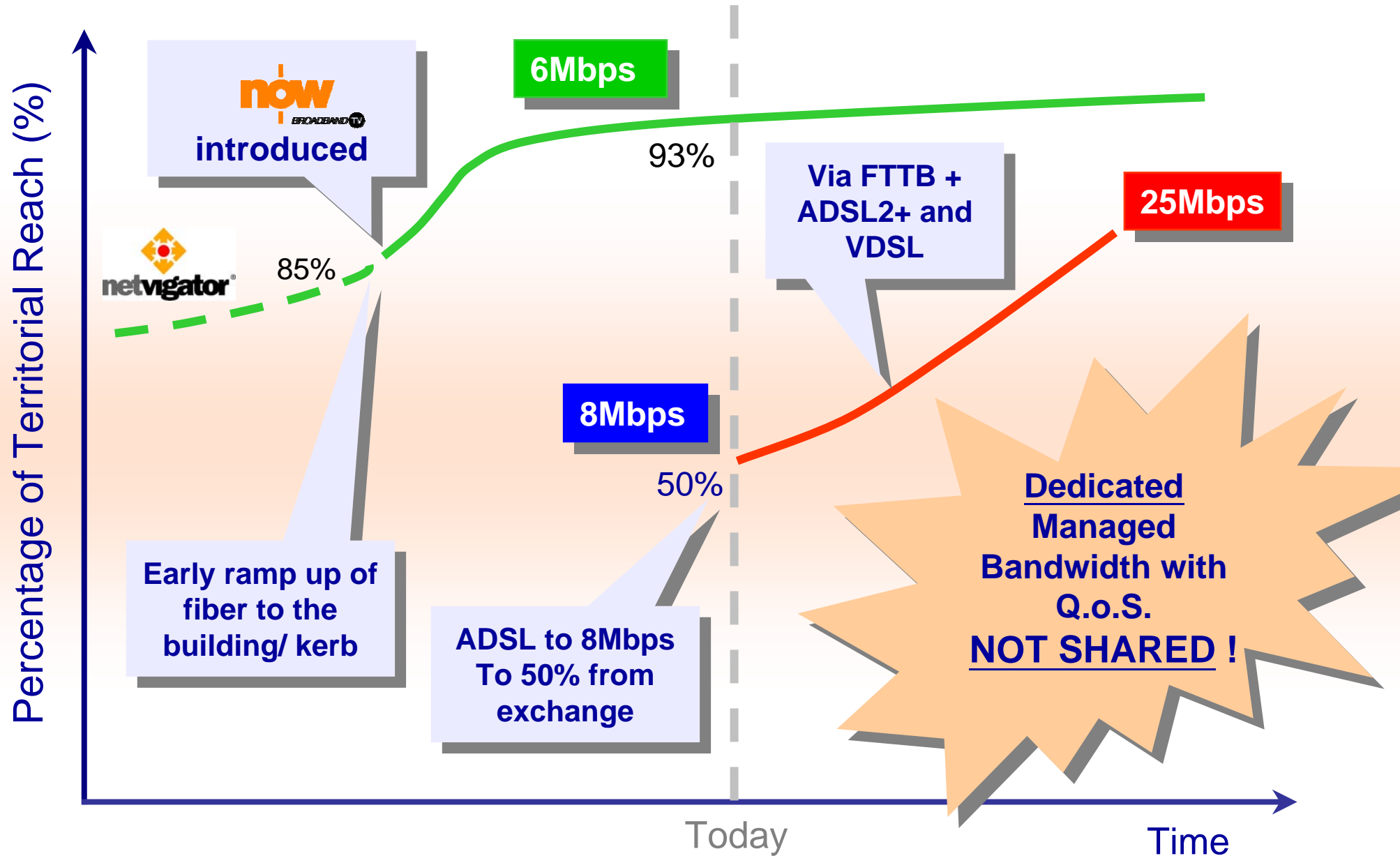
1.5-6Mbps

6Mbps

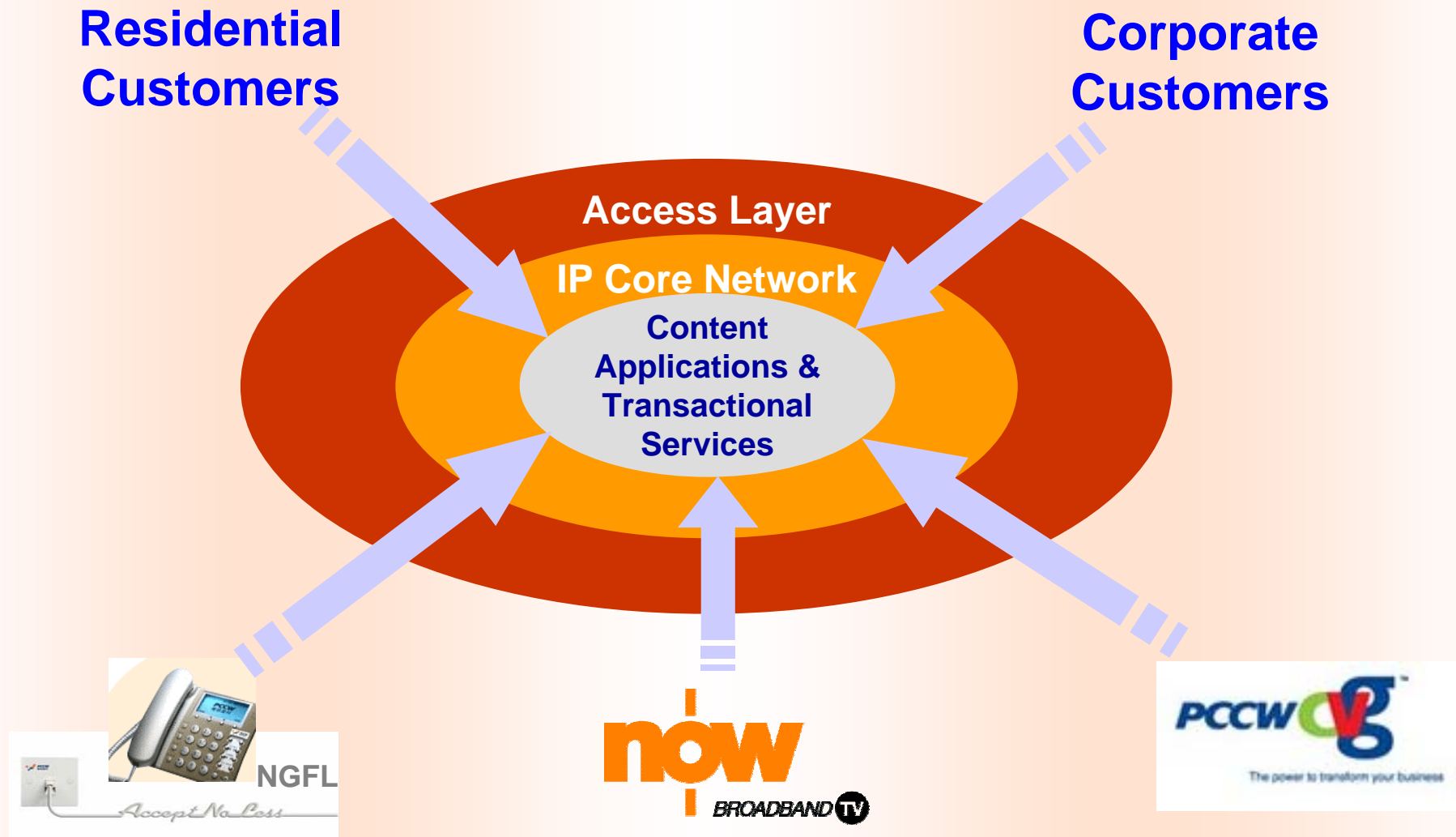


8 - 25Mbps

Broadband Access Development

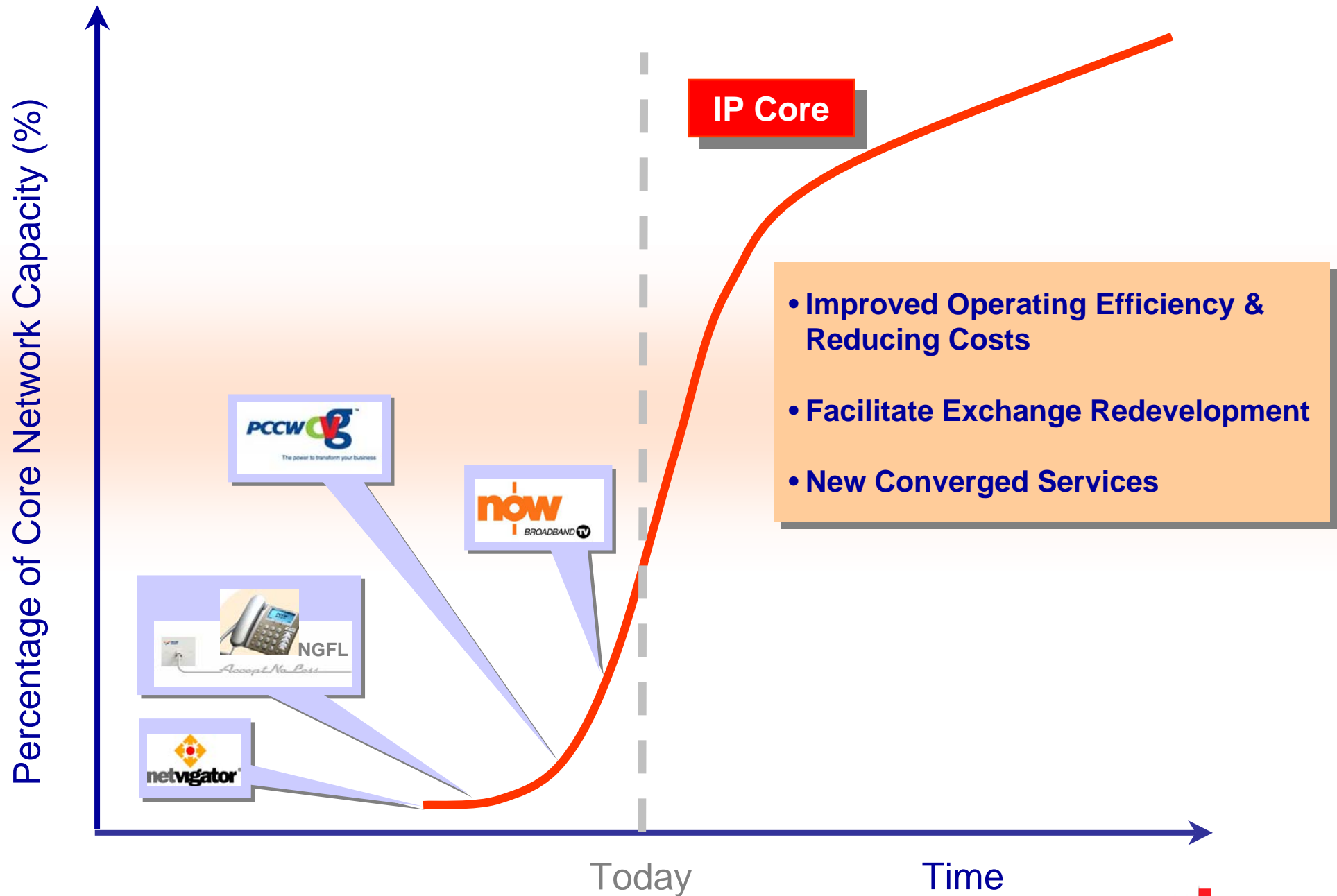


Customers and Services Converge on an All IP Core Network



Access to valuable content and transaction revenues will be via multiple access technologies for a number of customer situations and experiences, fixed, wireless and mobile.

Rapid Transformation to IP Core Network



Appendix

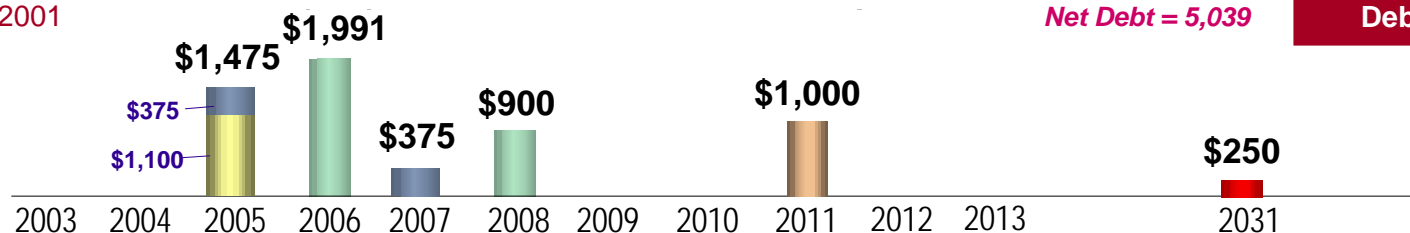
PCCW Consolidated Debt Maturity Profile

US\$m

Dec 2001

Net Debt = 5,039

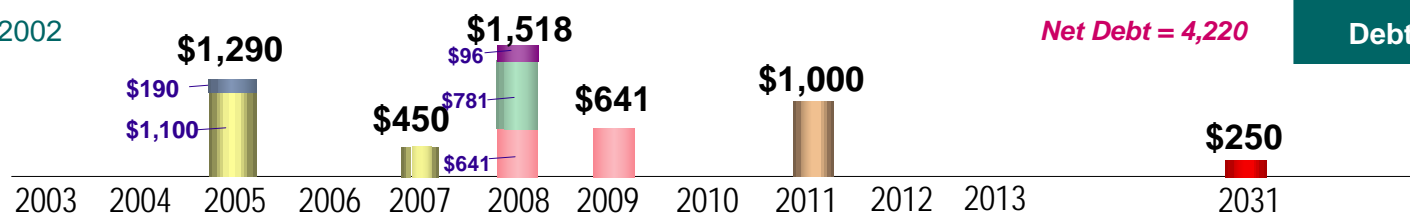
Debt¹ to EBITDA = (6,138 / 948) = 6.47X



Dec 2002

Net Debt = 4,220

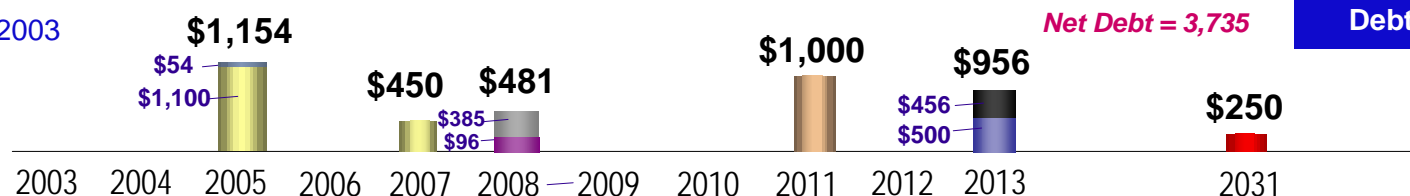
Debt¹ to EBITDA = (5,303 / 1,041) = 5.09X



Dec 2003

Net Debt = 3,735

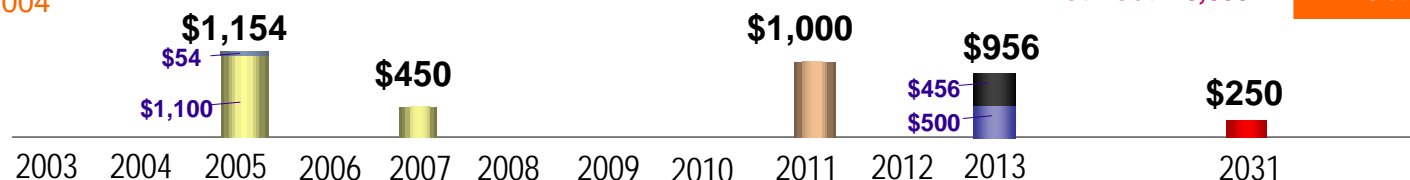
Debt¹ to EBITDA = (4,424 / 945) = 4.68X



Dec 2004

Net Debt = 3,359

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



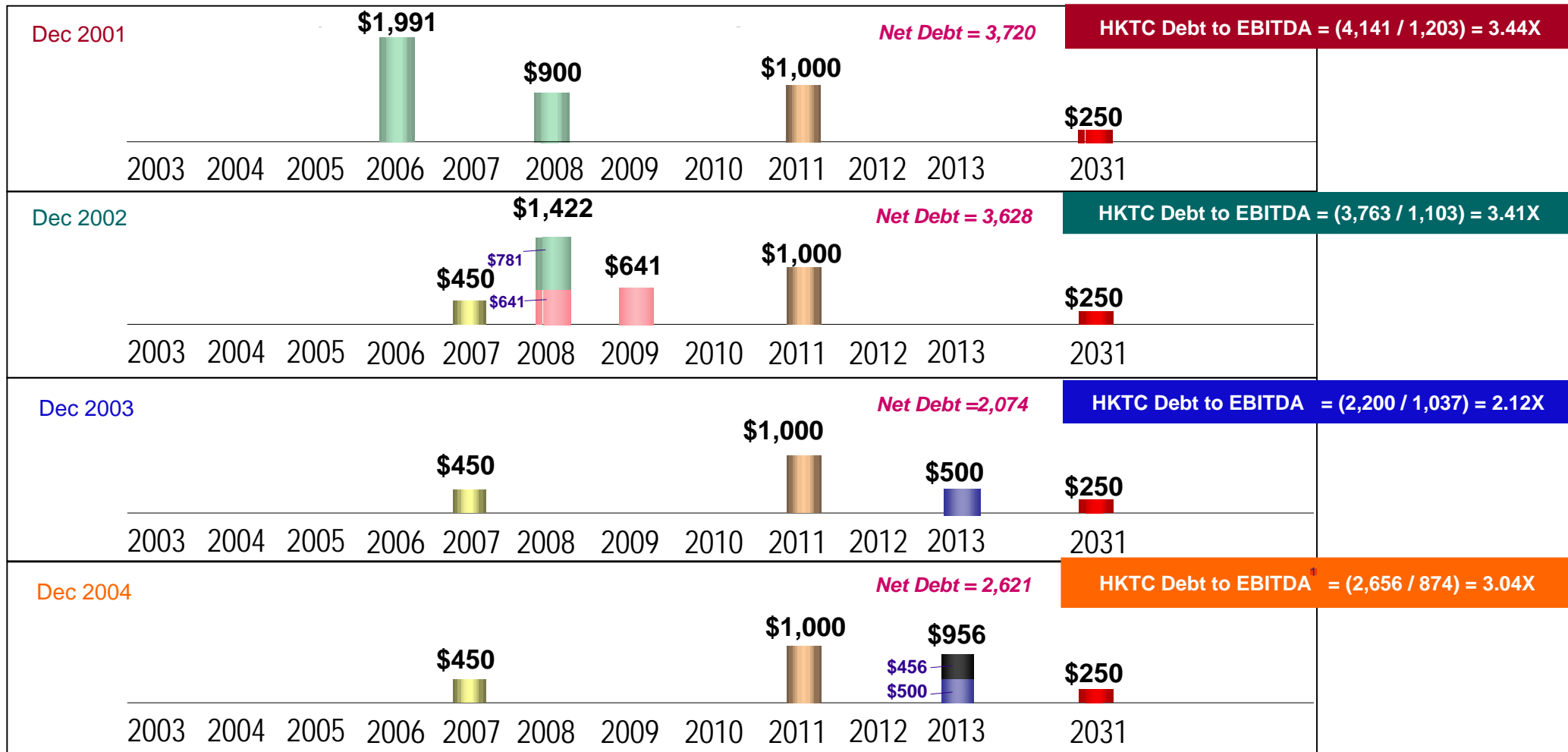
- Term Loan Facility (Original US\$4.7bn facility)
- Term Loan Facilities
- HK\$750m Term Loan Facility
- Mandatory Convertible Note
- HK\$3,003m Term Loan Facility
- Revolving Credit Facility

- Convertible Bonds
- Japanese Yen Bond
- US\$ Bond due 2011
- 7.88% Guaranteed Note
- US\$ Bond due 2013

¹ Includes Beijing property RMB loan

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

¹ Estimate for the year