



**Speech by Mike Butcher
Chief Operating Officer, PCCW**

**Interim Results Announcement
28 August 2003**

Our strong first half results combined with our very well-received initiatives in narrowband services and a major breakthrough in broadband services now coming to the market create the basis for the most optimistic outlook for PCCW in some time.

The restructuring and reorganization accomplished in 2002 resulted in significant cost improvements this year, enabling us to increase our EBITDA margin on the core business despite weakness in the telecoms sector. We have successfully instituted a variable cost structure and assured productivity gains into the future.

Our investment in Cyberport, once criticized by some as imprudent, has been vindicated by excellent sales, culminating in selling out all of the units in Phase 1 of Residence Bel-Air and encouraging high expectations about the rest of the project.

We returned to profitability in the first half of the year, with our substantial turnaround here in Hong Kong masked somewhat by the difficult trading conditions at Reach.

Taking advantage of renewed confidence in our future and our strong free cash flow, we have continued to reduce our net debt and to extend debt maturities, moving us closer to our goal of an 'A' rating for our HKTC subsidiary.

All of this progress would be insufficient if we were not making gains in our core fixed line narrowband and broadband businesses. And it is here that one finds the greatest cause of excitement about our future.

The extraordinary response of residential and business customers to our new generation of narrow band services has been enormously satisfying. This will help to limit line loss and facilitate win-back of customers, while we anticipate a more balanced regulatory environment. The substantial uptake on these new services should fulfill our goal of maintaining market share and, at the same time, also maintaining or improving revenue per customer.

We are about to launch a parallel breakthrough in broadband services, and are confident our major pay TV initiative will engender the same kind of enthusiasm among our customers as our narrow band innovations.

PCCW has the clear vision and strategy required in this competitive market, and has demonstrated it has the management, creativity, and ability to achieve its goals. It all adds up to the most optimistic outlook for PCCW in some time.