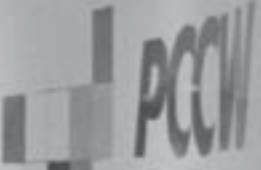




EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

The past year has been one of fundamental change for technology and telecommunications markets worldwide, and within this environment, PCCW has taken the opportunity to transform itself from a predominantly Internet-focused business to a broad-based integrated communications company. The foundation for this transformation came with the acquisition of Cable & Wireless HKT Limited (HKT) in August 2000. We have successfully established a new business structure for the enlarged company and created a firm financial base for growth.



> We are in a stable and comfortable financial position

> We have well established customer relationships, and a focused team to execute our plans to operate a solid growth enterprise

> We aim to deliver enhanced value to our corporate and consumer customers in Hong Kong and across Asia

> We will continue to invest prudently



Today we are in a stable and comfortable financial position. We have repaid and refinanced our short-term borrowings ahead of the tightening of global debt markets. The cash consideration for the acquisition of HKT was funded by a US\$12 billion short-term bridge loan drawn down in August 2000. By the end of the year we had reduced this debt by US\$4.34 billion to US\$7.66 billion. By mid-February 2001, following the completion of the Telstra transaction, we had repaid the bridge loan and put in place medium and long-term bank borrowing at our targeted level of US\$4.7 billion and held an ample cash position of over US\$1 billion.

In our core telecommunications business we will drive for improved efficiency across our operations and aim to deliver enhanced value to our corporate and consumer customers in Hong Kong and across Asia. In the last financial year PCCW's dedicated Internet bandwidth grew 209 percent, international leased-circuit capacity grew 142 percent, and our broadband lines in service grew by 196 percent in Hong Kong alone. We expect to see and answer continuing strong demand for data and applications – driven by corporate networks, Internet access, wireless messaging and corporate and consumer broadband services.

The year saw a dramatic reversal of global sentiment toward investments in technology, media and telecommunications. In response, we have taken a prudent approach and made substantial provisions against the value of certain investment securities. Going forward, we intend to maintain a very cautious approach to taking minority investment positions. We will continue to invest prudently, within our resource capacity, to enable us to offer our customers total solutions that are of strategic importance to PCCW as a growth company.

PCCW is a stronger company now than it was in 1999. We have a stable cash flow, well-established customer relationships, and a focused team to execute our plans to operate a solid growth enterprise. We believe the potential for growth within Hong Kong, greater China and the Asia region is tremendous. And we have every intention of seizing the opportunities before us.

Richard Li
Executive Chairman
March 28, 2001