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TELECOMMUNICATIONS SERVICES



PCCW operates Hong Kong's leading fixed-line telecommunications network services business. We offer a broad range of services to business and residential customers, including local and international voice and data services, broadband access lines, and sales of telecommunications, computer and network equipment.

PCCW maintains a leading competitive position in the major telecommunications sectors in Hong Kong, with a 94 percent market share of local exchange lines in service, 82 percent share of broadband access lines, as well as an 84 percent share of local backbone services at the end of 2000. Since market deregulation began six years ago, we have also established a strong wholesale business, providing local connectivity solutions to other fixed and mobile operators in Hong Kong. On average, we have invested approximately HK\$3,000 million each year in infrastructure since 1995 – substantially more than any other telecommunications operator in Hong Kong.



> Accelerating growth in data and broadband services

> Broadening our service portfolio

> Leveraging our Hong Kong network and operational expertise into new markets

> Delivering greater value to our customers

Over the past several years, we have progressively transitioned the business from a reliance on international voice services to a more balanced mix of revenues from voice, data, broadband and other value-added services. PCCW plans to continue to innovate and focus on the provision of next-generation network products and services to increase customer satisfaction and drive growth in revenue and profits.

Looking ahead, we are in a strong competitive position in Hong Kong based on our ubiquitous local broadband network, full-service capability, strong customer relationships, proven operational expertise and reputation for high levels of service quality. We plan to leverage our expertise into new markets, with a particular focus on mainland China and Taiwan.

Local Telephony Services

Most of the public-switched telephone network traffic in Hong Kong is carried on PCCW's network, either as traffic from our own retail services or as wholesale traffic carried for other local operators and service providers.

PCCW operates 3.7 million direct exchange lines in Hong Kong, comprising 2.2 million residential lines and 1.5 million business lines. PCCW's digital network is capable of supporting a wide range of customer services using voice, data and video applications including video services, integrated services digital network (ISDN) services and enhanced customer-calling features, such as voice mail and caller number display.

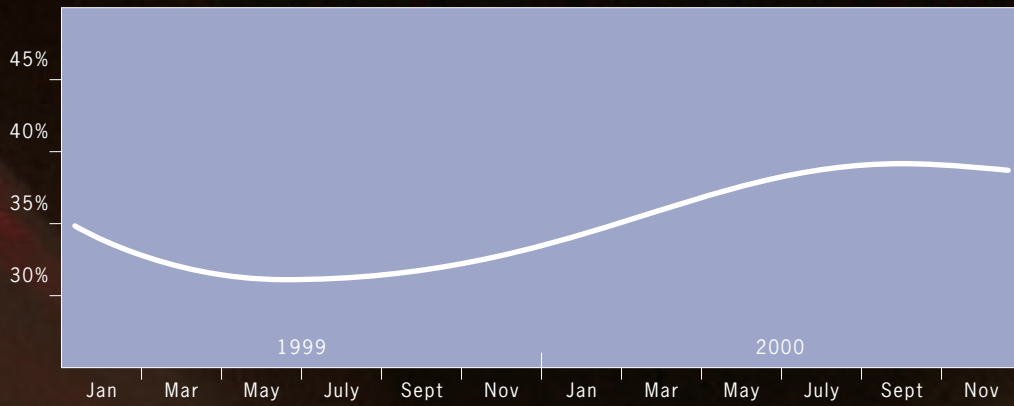
PCCW is focused on providing high-quality service levels in voice, data and broadband services, benchmarked against the leading global operators. During the year, overall network availability was maintained at 99.99 percent.

An advanced network-management center is now overseeing the performance of all our voice, data, broadband and Internet Protocol (IP) networks on an end-to-end, and real-time basis. The deployment of a Dynamic Work Force Management System, a fully automatic work-force dispatch engine, has helped enhance voice, data and broadband service delivery quality by 30 percent and field-service capability by 20 percent. This has resulted in an identifiable 10 percent rise in customer satisfaction.

PCCW has invested in several world-class Customer Relationship Management tools as part of PCCW's "100 percent" customer service commitment. The Company conducts regular customer-feedback market research; in 2000 more than 50,000 customers were surveyed. Asia Market Intelligence research showed improved overall customer satisfaction of more than 4 percent between March and December of 2000. To further enhance customer services, PCCW plans to introduce more quality management initiatives in 2001 to further improve service quality performance.

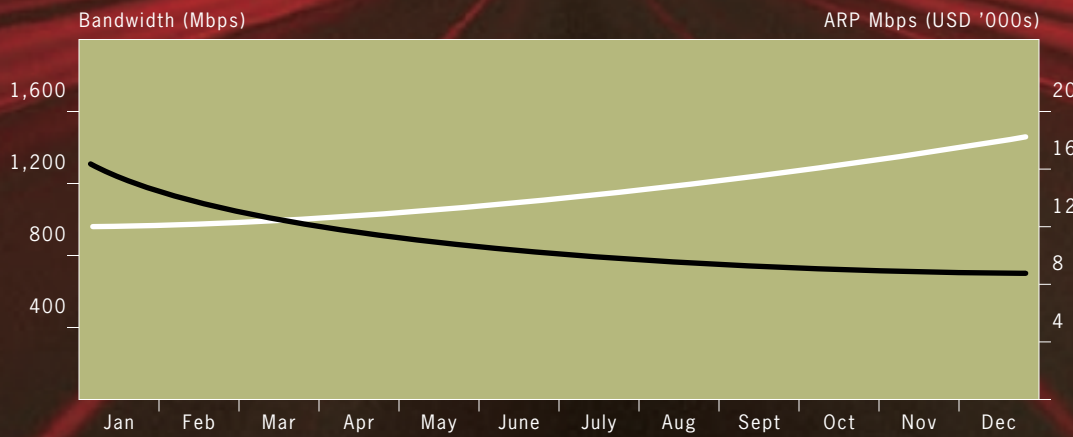
Local Data and Broadband Services

Our substantial investments in a world-class broadband communications network underpin our strength in the local market and position us to capture continued growth in demand for high-speed data and Internet services. PCCW's core network comprises approximately 492,000 core kilometers of optical fiber contained in approximately 6,630 kilometers of cable, covering more than 95 percent of Hong Kong's homes and all the major business areas. Total capacity of our ATM backbone is currently more than 1.1 Terabits per second.



IDD OUTGOING MARKET SHARE OF SELECTED COMPETITIVE ROUTES

Includes Australia, Canada, United States, and the United Kingdom.
 Market share derived from PCCW outgoing minutes/OFTA published minutes.



TRENDS IN IPLC BANDWIDTH AND PRICING

(During the year 2000)

During 2000 we saw explosive growth in the number of broadband access lines in service, connecting an average of 16,000 new lines a month for a total of 282,000 at year-end. Our next-generation network in Hong Kong will enable the connection of new Internet-based office and home devices, and allow the convergence of multiple platforms such as unified messaging, video streaming and multi-channel digital broadcasting.

There was also strong demand for enterprise data and network solutions, with a 27 percent increase in local leased bandwidth to 86 Gigabits per second (Gbps). The demand increase for data capacity in Hong Kong is driven by surging Internet usage and corporate private-network requirements. PCCW's range of dependable data network links enable many Hong Kong businesses to maintain their cost effectiveness and competitive advantages over their regional counterparts.

A large number of other fixed-line and mobile carriers rely on PCCW's backbone network to connect to their own facilities. Our wholesale services are utilized by numerous other operators and lead to greater utilization of PCCW's network. We intend to expand our range of wholesale services, leveraging our operational scale and expertise in areas such as billing and network management.

Retail International Services

Price competition in Hong Kong's international voice services (IDD) market continues to be intense. However, during 2000 PCCW stabilized its retail market share of the major IDD routes and grew its volume of outgoing IDD traffic by 2 percent year-on-year. For 2001 we will have greater pricing flexibility following the recent granting of non-dominant status for mainland China and Philippines routes.

Our customers for international private leased circuits (IPLCs) include more than 500 multinational companies, many of which require end-to-end pan-Asian connectivity solutions. PCCW offers a fully managed service, including restoration, back-up facilities and cost control.

International facilities-based competition was introduced from January 2000 and IPLC prices fell by 54 percent year-on-year. Demand for international bandwidth grew by 63 percent, with a total of 1.4 Gbps of international circuit capacity leased as at December 31, 2000. PCCW is sharpening its focus on end-to-end IPLC solutions, for example Internet-based Virtual Private Network services, to increase market penetration, and has initiated a new customer care program to improve customer service.

The formation of our international network business joint venture with Telstra – Reach – was completed in February 2001. This business provides city-to-city international network connectivity to PCCW, Telstra and other carriers and service providers as described under Global Communications Services in this report. PCCW will continue to provide corporate and residential customers in Hong Kong with international voice and data services on a retail basis, leveraging the increased scale and efficiency of Reach's operations.

A photograph of a highway interchange with multiple levels of concrete overpasses. A semi-truck is visible on the road below. The scene is captured from a low angle, looking up at the structure. The lighting is bright, suggesting daytime.

196%

Wholesale broadband lines in service grew by 196% to 282,000.



> Riding on the digitalization of Hong Kong and Asia



> Leveraging broadband infrastructure to deliver next generation solutions to businesses and consumers

> Partnering to achieve scale across greater China

network of the world

Mail Content E-greetings Firewalls Messenger

Search your world

NOW Connect

NOW

Florida judge

> Carrier-class data center capabilities for mission critical solutions

NET ENTERPRISES

A black and white photograph of a man in a light-colored suit and glasses, standing in profile and looking towards the right. He is positioned in front of a large, curved wall that features a world map. The map is partially obscured by a dark vertical structure on the left. The man's hands are slightly raised and he appears to be in the middle of a presentation or discussion.

PCCW is focused on building cohesive high-growth Internet-related businesses, particularly in greater China and throughout Asia, the world's fastest-growing Internet and broadband regional market.

BUSINESS eSOLUTIONS

PCCW's Business eSolutions unit provides seamless end-to-end systems and Internet infrastructure solutions to support enterprise customer requirements across Asia. Its service scope includes business consulting, systems integration, web design, applications development, online security and payment platforms, broadband access, business Internet portals, online marketplaces, and logistics and fulfillment services. Leveraging on PCCW's network infrastructure and regional connectivity coverage, Business eSolutions provides next-generation network services by focusing on vertical industrial applications and value-added services that benefit from the networked economy. Business eSolutions is targeting selected high-growth industrial sectors in greater China, including finance, the public sector, multimedia communications and manufacturing.

Providing eSolutions for Private Sector and Government

Business eSolutions delivered several important e-infrastructure and solutions contracts in Hong Kong during the year, including the development of an order routing system for the Automatic Matching and Execution System 3 (AMS/3) for Hong Kong Exchanges and Clearing Limited, and an online banking platform for Dah Sing Bank.

In October 2000, PCCW signed a contract with the Planning and Lands Bureau of the Hong Kong Government to conduct a consultancy study on data alignment involving three bureaus and 13 government departments.

PCCW is developing integrated customer relationship management and call center systems for the Hong Kong Government's Efficiency Unit, and a wireless local area network for the Hong Kong Airport Authority. PCCW has also secured contracts from a leading Japanese multimedia conglomerate for implementation of their Internet access service and e-commerce platforms.

Expanding into Greater China

Business eSolutions took important steps in building a greater China base during the year. It established an e-commerce software development center in the Shenzhen Special Economic Zone in China, and secured new systems integration business with Ping An Insurance Company (mainland China's largest non-state owned insurance company). Business eSolutions also expanded its Hong Kong Yellow Pages directory business through the acquisition of 37.65 percent of ChinaBiG (one of mainland China's largest telecom directory businesses) in November 2000. China Unicom is a partner in ChinaBiG.

Joint Ventures and Partnerships

Business eSolutions has teamed up with international IT and financial-information partners with a view to speeding new e-commerce applications and services to market.

In October 2000, Business eSolutions launched MartPOWER, a B2B horizontal electronic marketplace. MartPOWER is leveraging PCCW's e-commerce-enabling capabilities to create an advanced, technology-neutral, e-trading platform. PCCW, together with partners Cathay Pacific Airways and Pacific Century Insurance, trades on this platform, along with ready-to-trade users involved in its procurement process.

In November 2000, PCCW announced that it would extend its joint venture with SecureNet Asia, which includes members of the HSBC group as shareholders, with an aggregate 16 percent interest. SecureNet Asia offers development, design and installation of complete security solutions for the Internet, with a focus on greater China, Japan, Korea, Singapore, Malaysia and India.

In December 2000, Business eSolutions and Mercury Interactive (NASDAQ: MERQ), the leading provider of web-performance management solutions, created the first automated web-based load-testing center for greater China and Hong Kong.

Business eSolutions has also teamed up with Oracle and Ariba (NASDAQ: ARBA) to offer turnkey e-procurement solutions to customers across Asia.

INTERNET DATA CENTERS

PCCW believes demand for Internet data center (IDC) and web-hosting services in Asia will continue to grow as enterprises increasingly outsource their e-infrastructure requirements to IDCs as the number and complexity of websites and corresponding data service needs increase.

PCCW's IDC unit intends to become a leading carrier class, value-added web-hosting and co-location service provider in the Asia-Pacific region, working closely with the Business eSolutions unit and Reach, the PCCW-Telstra joint venture IP backbone company, to provide customers with total solutions.



120%

Internet data center revenues grew by 120%.

70%

Business eSolutions is targeting four key industries – finance, public sector, multimedia communications and manufacturing – representing over 70% of market demand for IT and applications services in greater China.

PCCW's IDC operations are anchored by its Powerb@se brand, launched in June 2000, which operates one of Hong Kong's largest data center facilities, as well as data centers in Beijing and Shanghai through joint ventures. Powerb@se is the first data-center operation in the Asia-Pacific region to receive Sun Microsystems' SunTone [SM] Certification for delivery of high-standard service quality.

The IDC unit has established a base of more than 210 customers including major corporate and public sector institutions requiring mission-critical solutions. Its state-of-the-art data center in Quarry Bay, Hong Kong was expanded to 80,000 square feet in November 2000 to meet growing demand from customers. In November 2000, Powerb@se announced an agreement with VeriSign Global Registry Services (formerly Network Solutions, Inc.) to host one of 12 generic top-level domain name system servers for the .com, .net and .org top-level domains. Powerb@se is providing co-location facilities, Internet connectivity, and managed services for the domain name server.

Focus on greater China

Responding to rapid growth in Internet use in China, PCCW and Beijing Centergate Communications Network Development Co., Ltd. launched the Beijing Centergate Data Center (Cendata) in November 2000. The first of the center's three phases includes an operations center with 400 standard racks.

In Shanghai, PCCW has a 45 percent interest in a facilities management joint venture with Shanghai P&T Development General Corporation.

PCCW's 50:50 Internet data center joint venture with Telstra will provide IDC services outside the companies' domestic markets of Hong Kong and Australia on a non-exclusive basis. PCCW also holds a 60 percent interest in a joint venture with Sybond Ventures Ltd. and ASPEngines, Inc. to provide computing power, storage and network connectivity solutions to customers in greater China.

BUSINESS-TO-CONSUMER SERVICES

PCCW offers both broadband and narrowband Internet services to the consumer market under the NETVIGATOR, NOW and iTV brands.

Broadband Internet services year-on-year subscriber growth was 506 percent to 194,000 for Netvigator's 1.5 Mbps (Megabits per second) Ultraline service, representing more than 70 percent of the consumer broadband market in Hong Kong. PCCW's total Hong Kong Internet access subscriber base grew 29 percent year-on-year to 626,000, including 432,000 narrowband subscribers.

PCCW's www.netvigator.com portal provides Internet users access to a broad range of content and applications in Chinese and English from websites based in Hong Kong and Taiwan. These sites offer local news, entertainment and financial information, search engines, web-based e-mail services and online scheduling tools, primarily targeted at Chinese-speaking users. As of December 31, 2000, aggregate average traffic to the two NETVIGATOR.com sites was approximately 6.4 million page views per day.

In October 2000, NETVIGATOR joined the world's first global Internet alliance initiated by @nifty with five other major ISPs - Earthlink, SingNet, T-Online, Unitel and UOL of Brazil. The alliance numbers more than 20 million subscribers.

PCCW launched trial service for its Network of the World (NOW) in June 2000. During the trial period, from June to December 2000, NOW's global English-language service received more than 5 million page views per month with an average visitor session length of 20 minutes.

Designed primarily for broadband, NOW was introduced as a converged service that combines the unique capabilities of television (mass media), the PC (interactivity), and the World Wide Web (networking) into a single, integrated service. NOW is entering its next stage of more focused development, whereby management will be leveraging the combined group's telecommunications assets and alliances, and focusing future development efforts upon creating an integrated platform that facilitates content, access, and applications tailored to individual markets.

To produce and popularize Asian-oriented interactive content, PCCW has entered into various regional production joint ventures. These provide original content and are expected to reduce PCCW's development risks and up-front cash costs. PCCW is also acquiring Japanese content. In April 2000, PCCW signed an agreement with 12 of the top 15 "Manga" cartoon artists in Japan.

PCCW's iTV interactive television service, launched commercially in March 1998, includes a wide range of on-demand entertainment and information such as video-on-demand, home shopping, music videos, news, home banking and educational content. iTV was serving 67,000 customers at year end.

PCCW JAPAN

PCCW established operations in Japan in January 2000 in recognition of the strategic importance of Japan as a major producer of game, mobile and Internet content.

In November 2000, PCCW completed its acquisition of a majority share in Jaleco Ltd, a Japanese game software developer listed on Japan's over-the-counter (OTC) share market. Jaleco was subsequently renamed Pacific Century CyberWorks Japan K.K. ("PCCW Japan").

PCCW Japan comprises three mutually reinforcing business units:

Game Division

PCCW Japan is utilizing and refocusing the former Jaleco's infrastructure, skilled employees and long-standing relationships with Japanese game and media companies to become a leading, global provider of game software and next generation online games.

PCCW Japan intends to further expand and develop its capabilities through organic and acquisitive growth.

In April 2001, PCCW Japan completed its acquisition of VR-1, one of the world's leading developers of online games. The acquisition provides PCCW Japan access to cutting edge technology that enables multiple users to play games in a limited bandwidth environment. VR-1 has operations in the US, Canada, Japan and Russia.

CS NOW Corp.

In December 2000, PCCW Japan's 80 percent-held joint venture, CS NOW Corp., received a next-generation digital broadcasting license from the Japanese government. As one of 18 licensees approved out of 41 applicants, CS NOW will provide interactive content television services via the NSAT satellite, covering all of Japan. The new CS NOW service is due to be launched in the first half of 2002.

Content Aggregation and Export Services

PCCW Japan is currently developing its Japanese content services to offer targeted interactive game division and other acquired content, via multiple narrowband and broadband platforms.

PCCW has engaged in extensive alliances and made significant investments in content and infrastructure related companies in Japan, including B-Factory, a leading i-mode content supplier and Tomen Mediacom, one of the largest independent cable television operators with multiple franchises in Japan.

In recognition of the increasing popularity of Japanese content throughout Asia and in other regions, PCCW Japan intends to aggregate and edit high-quality, popular Japanese content for international markets and arrange for its distribution through the PCCW network.

INDIA

In June 2000, PCCW acquired an indirect 29.4 percent interest in Data Access (India) Limited, which has licenses to operate as an ISP and to operate international gateway services in New Delhi. In January 2001, PCCW increased its indirect holding in Data Access (India) Limited to 44.4 percent.

In October 2000, an English-language, narrowband version of the NOW Internet service was rolled out, coupled with the establishment of an international gateway to provide high-speed access for customers through a Data Access ISP service in New Delhi, Mumbai and, since March 2001, in Chennai. By early 2002, ISP services under the NOW brand are planned to be available in 26 Indian cities.

CYBERWORKS VENTURES

CyberWorks Ventures, established in June 1999, takes strategic positions in, incubates and operates a portfolio of Internet technology companies that have synergies with PCCW's core businesses.

At year-end, CyberWorks Ventures had invested in 62 companies, joint ventures and strategic partnerships operating in the areas of Internet infrastructure, Internet content, e-commerce solutions and connectivity services.

Going forward, CyberWorks Ventures will assist other PCCW business units in the execution of their growth strategies and will participate in investments that add value to PCCW businesses.



NETVIGATOR SUBSCRIBERS – CUMULATIVE GROWTH
('000 Subscribers)

GLOBAL COMMUNICATIONS SERVICES

Following the completion of PCCW's alliance with Australia's Telstra in February 2001, PCCW holds stakes in three strategic joint ventures:

- > A 50 percent interest in Reach, which combines PCCW's and Telstra's complementary IP backbone businesses, ventures and relationships and which will be the principal vehicle for the two companies' future international connectivity infrastructure activities.
- > A 40 percent interest in a regional wireless company focusing on mobile wireless operations and the provision and supply of wireless content and wireless infrastructure in the Asia-Pacific region, including Hong Kong.
- > A joint venture Internet data center (IDC) company which intends to draw on the two companies' domestic strengths in this area and roll out an IDC business model throughout the Asia-Pacific region.



> Focus on next generation wireless applications

> Hong Kong's most profitable wireless operator

> Leveraging pan-Asian connectivity and customer relationships for regional and global growth

> Top ten global carrier and one of Asia's largest providers of Internet connectivity

CONNECTIVITY SERVICES

Reach

Reach brings together the international connectivity operations of HKT and Telstra's global wholesale operations, two of the largest carriers of voice, data and Internet traffic in the Asia-Pacific region. From its inception, Reach is the second-largest provider of Internet connectivity in Asia and the largest outside Japan, with international capacity of more than 42 Gbps. With international voice traffic of more than 5 billion minutes, it ranks among the world's top 10 international carriers of voice traffic.

Reach's regional backbone comprises 20 points of presence in 13 countries, and landing points in Australia, Hong Kong, mainland China, Japan, Korea, Singapore, Thailand and Malaysia, with connectivity to both the United States and Europe. Reach holds ownership rights and contracts in more than 50 different cable consortia and offers connectivity over 160,000 route kilometers of cable.

On April 9, 2001, Alistair Grieve, formerly Chief Operating Officer of Maxis Communications, one of Malaysia's leading telecommunications companies, and a former Deputy Chief Executive of HKT, joined Reach as Chief Executive Officer.

Corporate Access Satellite Solutions

Strengthening its global communications service capabilities outside of Reach, in February 2001, PCCW acquired 100 percent of Hutchison Telecommunications Technology Investments, including satellite communications company Hutchison Corporate Access (HCA), for approximately HK\$803 million (US\$103 million) in new PCCW shares. HCA is a leading satellite-based network communication solutions provider in Asia. It provides VSAT (Very Small Aperture Terminal) satellite links enabling companies to establish their own communications systems. VSAT technology is particularly vital in remote areas, or areas otherwise facing constraints on bandwidth or without ready access to terrestrial telecommunications infrastructure.

MOBILITY SERVICES

PCCW's mobility services unit consists of its 40 percent-held regional wireless joint venture with Telstra. CSL, which under the Telstra alliance forms the base of the new joint venture company, is the leading provider of mobile services in Hong Kong and provides the foundation on which the new company can build a regional business through strategic acquisitions and alliances with other wireless communications groups. Hubert Ng is Chief Executive Officer of CSL, and Mike Robey, formerly Head, Customer Management for Telstra OnAir, became Chief Operating Officer of CSL in February 2001.

CSL owns and operates three major brand names; 1010, which targets business clients, One2Free, a youth-oriented brand, and 1+1, a value-oriented TDMA (Time Division Multiple Access) network.

In 2000, CSL delivered a solid performance with increasing average revenues and reduced customer churn, in one of the world's most competitive markets for wireless services.

CSL, a pioneer in the mobile communications market, introduced Hong Kong's first commercial General Packet Radio Service (GPRS) in November 2000 and GPRS roaming agreements are already in place in key overseas markets such as Singapore and Taiwan. In May 2000, CSL became the first Hong Kong operator to offer HSCSD (High-Speed Circuit-Switched Data) at rates as high as 43.2 Kilobits per second.

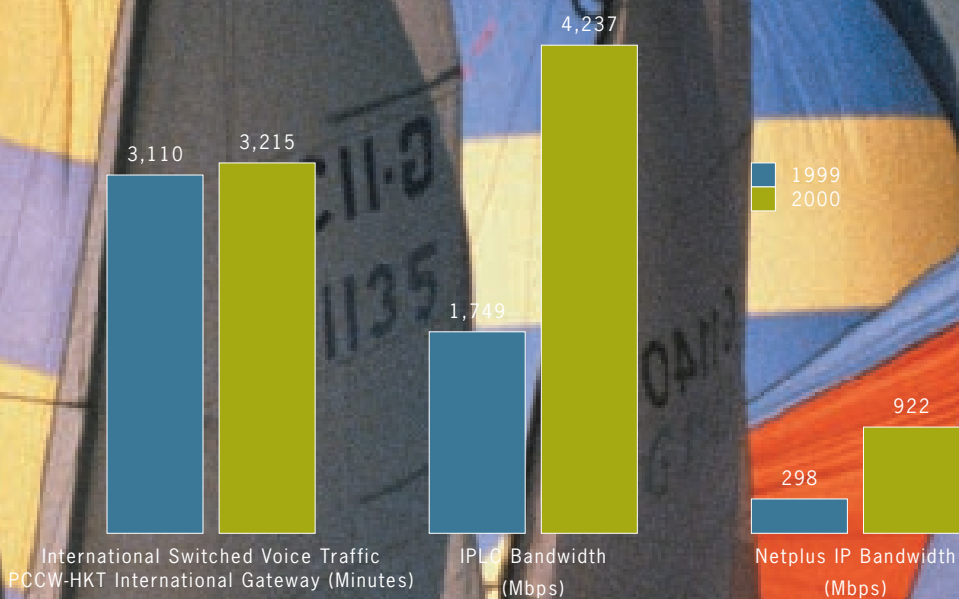
Future growth in the mobile sector will be driven by advanced data services rather than voice-only services. CSL is paving the way for the third generation of wireless communications services through the introduction of multiple-platform applications such as i-dating, wireless betting, banking, stock trading, financial news and e-mail. CSL is well positioned to compete for a 3G license in Hong Kong.

MobileOne Singapore

PCCW also holds an indirect 14.7 percent interest in MobileOne (Asia) Pte Ltd., an operator of wireless communications services in Singapore.

209%

IP bandwidth grew by 209%. IPLC bandwidth grew by 142%.

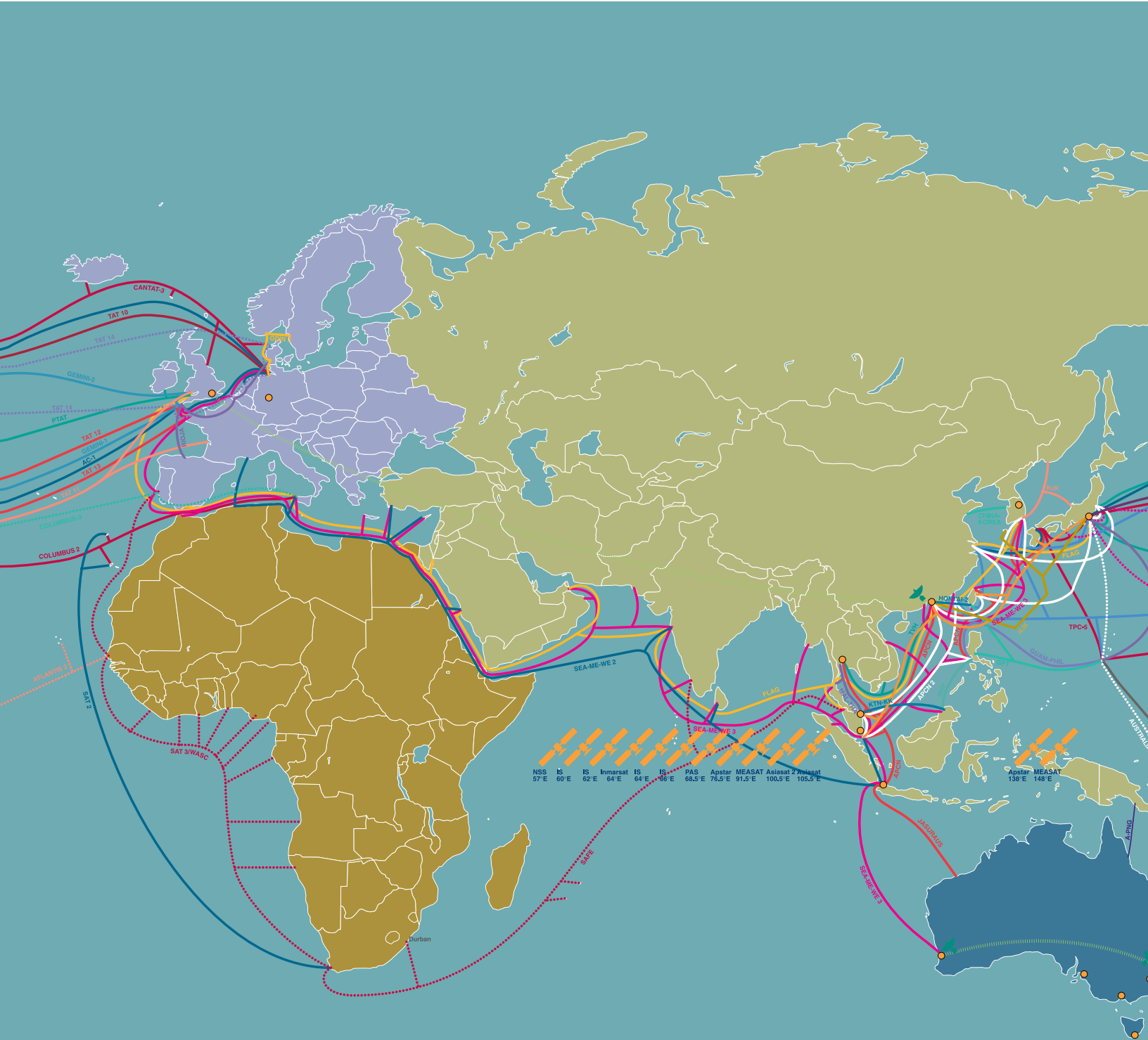


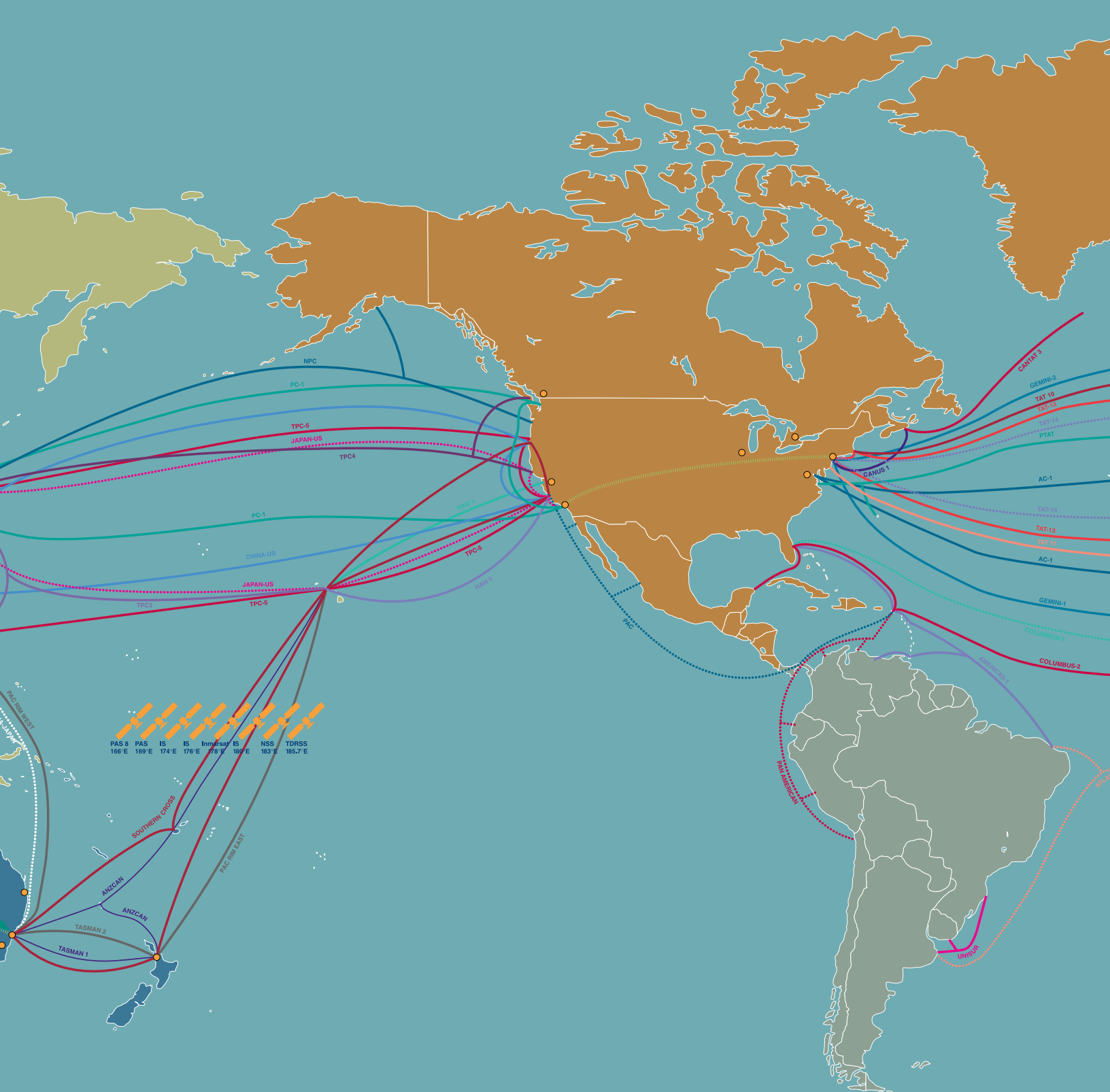
FROM VOICE TO DATA

US\$58

CSL was Hong Kong's most profitable mobile operation – contract ARPU rose to US\$58 per month.

> REACH'S MAJOR CABLE AND SATELLITE SYSTEM ACCESS







> Ensuring our investment properties remain fully let, well-maintained and serviced

> Providing a safe, secure and reliable operating environment within our owned and leased properties

> Completing our development projects within budget and on schedule, and maximizing sales revenue

> Creating value in our existing property portfolio through upgrading and redevelopment

INFRASTRUCTURE SERVICES

A black and white photograph of two men in business suits standing on a hillside. The man on the left is wearing sunglasses and has his hands in his pockets. The man on the right is holding a small object, possibly a phone or a small notebook, and appears to be speaking. In the background, a city is visible, including a large building on a hillside and a body of water with a boat. The overall scene suggests a professional meeting or site visit in an urban environment.

PCCW's Infrastructure Services sector supports its other operating sectors and business units, and manages the Company's infrastructure and property portfolio in Hong Kong and greater China. It engages in developments, including the Cyberport project, in Hong Kong.

Revenues from external property projects and rental from investment properties leased to third parties represented approximately 72 percent of infrastructure and real estate revenues, compared with 70 percent in the previous year. This includes revenues from space leased at Pacific Century Place in Beijing, the Broadway building and the Company's headquarters building, Hongkong Telecom Tower (to be renamed PCCW Tower), both in Hong Kong. The balance of revenues represented management fees and property charges to other PCCW businesses.

Cyberport

In May 2000, PCCW signed an agreement with the Government of the Hong Kong SAR to design, build and market the Cyberport at Telegraph Bay on Hong Kong Island. The Cyberport will consist of specially designed commercial space dedicated to high-technology industries with related retail, residential, recreational and educational facilities. This technology-themed project is being built to create a nurturing business environment with which Hong Kong can attract and retain promising technology businesses.

The Cyberport will contain a wide range of IT facilities including a Network Operations Center, a Multimedia Lab and Production Center and a Central Data Exchange, all connected by an Internal Private Network.

Under the agreement, the Government is providing the site, while PCCW is responsible for the provision and procurement of funds to complete the project. PCCW does not have to acquire or pay for the right to develop the Government's land and accordingly, does not obtain any title to the site.

Construction of the project consists of two "Portions" and eight phases. The "Cyberport Portion" comprises office towers, a retail center, a hotel, recreational facilities, some residential units and car parks. This portion will be handed to Government on completion and leased to qualified IT companies: thus PCCW will not receive rental or other income derived from it. The "Residential Portion" comprises residential premises and car parks as well as recreational facilities, all of which will be offered for sale. PCCW will receive a share of the surplus proceeds derived from the sale.

Phase One, comprising 23,000 square meters of office space in the Cyberport Portion, commenced in early 2000 and will be completed in early 2002. The rest of the Cyberport Portion will be completed in phases during 2002 and 2003, with the Residential Portion to be completed in phases between 2004 and 2007. The units thereof may, however, be presold in the market prior to completion in accordance with normal market practice.

Greater China Investment and Development Portfolio

Pacific Century Place, Beijing, a 220,000 square-meter mixed-use development, remains a top-ranked quality business and residential complex in China's capital city.

IBM is the major tenant of one of the complex's two office towers, which in 1999 was named "IBM Tower," with the other office tower having been entirely let in 2000 to Nokia and consequently named "Nokia Tower."

The final phase of the six-level retail podium was substantially completed in 2000, and the first retail tenants have taken occupation, including Starbucks and iLink. The Agricultural Bank of China also acquired retail premises. The residential units in Towers "C" and "D" were brought to the market, with approximately 40 percent leased by year-end. Thirty-six residential units totaling approximately 10,900 square meters in Tower "D" were purchased by the US Embassy in 1998.

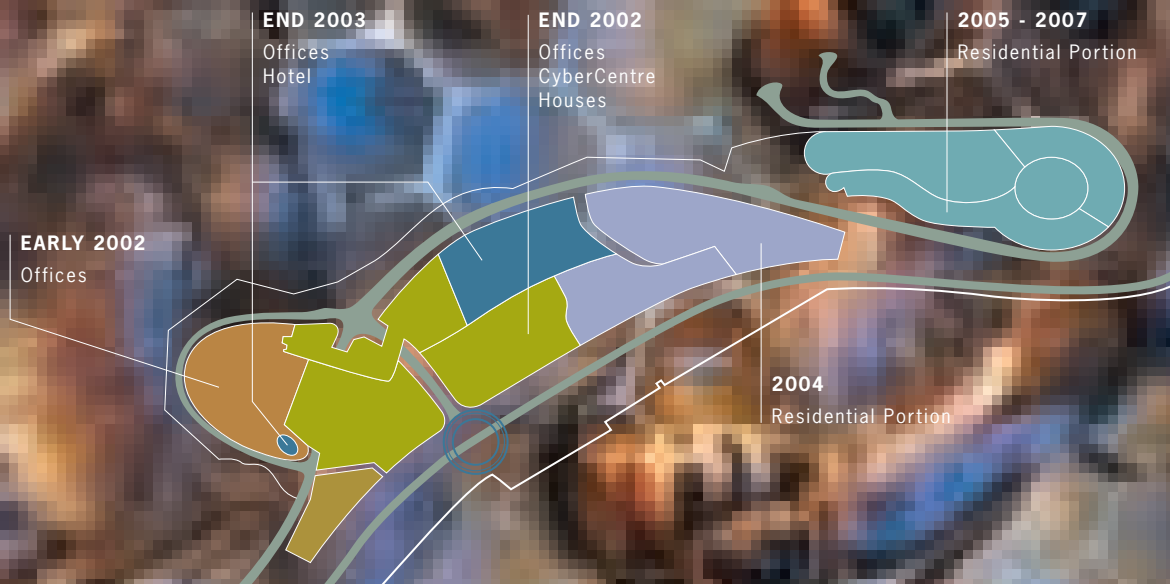
During 2000, PCCW transferred its interest in the Shanghai Parkade, a two-level underground carpark in the forecourt of Shanghai's railway terminal, to Pacific Century Regional Developments, a controlling shareholder of PCCW.

In Guangzhou, preparation works on the Huangjinwei housing development continued during the year, with the first phase of construction scheduled to commence in 2001. In Shenzhen, the construction of a 22,000 square-meter facility for IBM, which had agreed to enter into a 15-year lease for the premises, is close to completion.

Refurbishment of the retail levels of The Broadway, a 22-storey commercial building in Hong Kong, was undertaken during the year, and the Podium floors were let to a number of specialty restaurants. The common areas of the 16 office floors were refurbished, resulting in a significant improvement of occupancy and rental levels.

23,000 m²

Phase One of the Cyberport project, comprising 23,000 square meters of office space in the Cyberport Portion, will be completed in early 2002.



CYBERPORT DEVELOPMENT SCHEDULE

40%

Approximately 40% of the residential units in Pacific Century Place, Beijing were leased by year-end.

GROUP SALES



> Providing customers with solutions from IP connectivity to unified voice/data service

> Expanding industry-specific platforms including tourism, finance, retailing and medical care

Building an integrated communications company requires a centralized, global selling organization capable of tailoring PCCW's spectrum of end-to-end solutions to the requirements of its customers, whether these are multinational corporations, small and medium-size enterprises or families starting homes. Following the August 2000 merger with HKT and the rollout of its energetic new brand, PCCW realigned its sales and strategic market-development functions.

The new Group Sales organization serves all business units and presents a new, single customer interface, enhancing customer relationship management and capturing valuable cross-business-unit opportunities. Group Sales today serves approximately 500 global customers through its 1,700-strong Global Business Division. Through Group Sales' Consumer Business Division, PCCW also operates 21 retail outlets in Hong Kong.



> Leveraging our distinctive brands to compete on value-added, not price



STAFF TRAINING AND CAREER DEVELOPMENT

Leadership and career development are crucial to developing talent for key operational roles and for the sustainable growth of PCCW's businesses. During the year, PCCW continued to identify and fast-track high-potential employees through regular reviews and conferences, career assessment and development centers and leadership training programs.

PCCW continued to operate a two-year intensive Trainee Engineer Scheme in its Network, Mobile and International Engineering departments. Over the past year, 30 outstanding employees continued their participation in the scheme, preparing for long-term careers in the Company's engineering and IP departments. The program is accredited by the Hong Kong Institution of Engineers.

In all, PCCW provided more than 60,000 training-days in various fields such as IP and Internet operations, IP networking, server operation, IP content development and application development.

During the past year, PCCW also offered employees more than 15,000 days of business and management training. More than 250 sales professionals were trained in corporate and business marketing, and another 1,000 staff were trained in outbound, inbound and retail sales. PCCW's marketing curriculum is accredited by Hong Kong's Chartered Institute of Marketing.

More than 200 high-potential employees were nominated for PCCW's Career Development Center. Of these, 40 joined the Nine-Month Challenge 21 Leadership Development Program, taking advantage of fast-track development opportunities, attending seminars, action learning projects and networking. Another 40 have committed to join the 2001 Leadership program.

More than 4,000 staff members also registered to use PCCW's online Aladdin Learning portal since it was introduced in July 2000. By the last quarter of the year, more than 400 Web-based programs were made available to PCCW staffers seeking to develop their technological, business and management skills.

In August 2000, 15 graduates in business and technology were admitted into a new two-year PCCW Business Associates Scheme. Each candidate will rotate among a number of strategic business positions during the scheme, receiving mentoring and senior-executive guidance.

The objective of the scheme is to ensure a continuous inflow to the PCCW organization of talent with the requisite solid knowledge, skills and experience in the IP, communications, and e-business fields.

COMMUNITY AND ENVIRONMENT

PCCW support of the community ranges from leadership initiatives on the scale of the technology-themed Cyberport project – designed to help make Hong Kong an IT hub – to grassroots initiatives, such as providing sponsorships and offering volunteer services.

The PCCW Foundation has financially supported various community programs. The PCCW Athletes' Enhancement Program, under the administration of the Hong Kong Sports Development Board, subsidized 14 outstanding athletes in 2000 to pursue further studies. Local universities also received scholarships and bursaries from PCCW for their top students.

To help the community develop computer literacy and familiarity with the Internet, the Company has supported the establishment of the PCCW e-Community Mobile Center and the Senior Citizen IT Center. These resources offer free education for parents, children and the elderly, and provide IT support to the Hong Kong School for the Deaf.

PCCW provides communication services to a variety of social-service programs that benefit the needy. During the past year, free services continued to be provided to student counseling hotlines, employment support networks, info-line services for Medilink, and donation hotlines for fund-raising TV shows organized by social service organizations.

PCCW also offers big-button phones and free phone lines to senior citizens. The "Care for the Elderly Line" program has benefited more than 5,000 senior citizens in need since its inception in 1992.

The Company's volunteer services have assisted the Hong Kong's Kwong Wah Hospital, the Support Team for the Elderly of the Social Welfare Department and the Environmental Protection Pioneer Program, initiated by PCCW. In November 2000, the PCCW IT Volunteer Group was formed to spearhead efforts to promote IT literacy throughout the community.

PCCW is committed to best-environmental practices in all of its commercial activities. To promote reduction of waste in the business sector, PCCW is leading the promotion of e-commerce in Hong Kong's Business Environment Council (formerly the Private Sector Committee on the Environment). PCCW also participates in the Hong Kong General Chamber of Commerce Environment Committee.

PCCW continues to support material recycling in place of landfill waste disposal. The Company's recycling programs in 2000 handled 800 tons of paper, 600 tons of copper cable and 3,300 units of toner cartridges. Approximately 37,250 mobile phones were recycled.

The Company has also granted funding support to various environmental protection programs including tree-planting projects organized by green organizations and the Hong Kong Government's Clean Air Campaign.