

Chairman and Chief Executive's Statement

Dear fellow shareholders,

I am pleased to present our interim results for the six months ended June 30, 2002 on behalf of my fellow directors.

It is now two years since the merger of PCCW and Cable & Wireless HKT, and it is appropriate to address the progress we have made and the challenges ahead.

Since the merger, we have concentrated on and successfully pursued three objectives. First, we have responded to the poor economic environment and intense competition in our industry by driving operating efficiencies within our Company. Secondly, we have increased our financial flexibility, successfully reduced debt to a prudent level; extended the maturity of our remaining debt and reduced significantly our overall funding costs. Thirdly, we have brought together a world-class management team with broad industry experience and strong leadership qualities.

Increased operating efficiencies and reduced funding costs are, in turn, driving strong and accelerating free cash flows to give the Company unprecedented flexibility going forward.

Without diminishing our commitment to the objectives set during our first two years and, in particular, our commitment to find greater productivity gains and to reduce debt further, our management team is now concentrated on forming strategies to deliver sustained growth over the coming years.

Since the merger, PCCW has been positioned to prosper in extraordinarily difficult economic and operating conditions. Accordingly, when our economy and operating environment turns round, PCCW will be able to exploit opportunities to the benefit of our shareholders, customers and employees.

Richard Li

Chairman & Chief Executive
September 5, 2002