

Statement from the Chairman

Dear Fellow Shareholders,
I am pleased to report on a year of considerable progress in creating value and strengthening PCCW's foundations for growth. We paid our first dividend, restructured the Group to unlock the value of our property assets and took important steps to improve our growth opportunities in China.



Particularly fruitful during 2004 were the negotiations that led to the formation of an alliance between PCCW and China Network Communications Group Corporation (China Netcom Group). My Board colleagues and I feel that this development will greatly enhance PCCW's prospects in mainland China, while strengthening our financial fundamentals.

Overseas, we continue to invest in the development of a wireless broadband network business in the United Kingdom. The soft launch went well during 2004 and we will continue to expand its coverage taking a cautious approach, especially pertaining to potential technological developments.

Year 2004 has seen a reinforcement of PCCW's reputation as a world-class innovator in Information and Communications Technologies (ICT), as well as a strengthening of the PCCW brand.

We accumulated a substantial number of accolades and accreditations during the year, thanks to the quality and talent of our staff and management team. Of particular note was the Chairman's Award from the Cable and Satellite Broadcasting Association of Asia (CASBAA) for the success of our groundbreaking pay-TV service, NOW Broadband TV.

Our innovative products and marketing strategies have also successfully reduced line loss at our core fixed line business. We expect further improvement following the recent relaxation in the regulatory regime. The favourable property market should also continue to support the success of our premium property arm, Pacific Century Premium Developments.

On behalf of the Board, I wish to thank PCCW's team for reacting so swiftly to the Indian Ocean tsunami disaster in providing practical and financial assistance. Their response was typical of the compassion and sense of social responsibility shown by the PCCW team throughout the year.

It is pleasing to report that prospects for 2005 are encouraging. The Hong Kong economy is recovering steadily against a backdrop of strong growth in the rest of China. Our alliance with China Netcom Group should strengthen our ability to facilitate the expansion of Hong Kong and international companies into mainland China, as well as to assist mainland companies to venture into world markets via Hong Kong.

We achieved important strategic objectives in 2004. During 2005, I will continue to work closely with the Board in laying solid foundations for the future growth and prosperity of our Company.

Richard Li
Chairman
March 30, 2005