

STATEMENT FROM THE CHAIRMAN

Dear Fellow Shareholders,
I am pleased to report another year of value creation by leveraging our existing assets and investing in new growth opportunities. In 2005, we further expanded our highly regarded NOW TV service, stabilized and revitalized our core fixed line business, and the acquisition of SUNDAY Communications Limited provided the platform to offer complete and integrated telecom services to our customers and opened up new opportunities for growth.



It was pleasing to see the growing evidence that NOW TV is becoming Hong Kong's favorite delivery platform for pay-TV and interactive services. NOW TV's success has enhanced PCCW's reputation as a world-class innovator in Information and Communications Technologies (ICT), and strengthened the PCCW brand. It has become a new revenue stream, and our unique proposition for acquiring new Netvigator broadband customers with good margins in the rapidly growing broadband market.

Our alliance with China Netcom Group has enhanced PCCW's prospects in mainland China, while strengthening our financial fundamentals. We reached agreement with China Netcom Group during 2005 to work together in broadband, property redevelopment and directories. Should China Netcom Group obtain a 3G license, we expect to be presented with the opportunity to cooperate, and we will then seriously consider our interest in this area.

While we remain prudent in our approach to the development of a wireless broadband network business in the United Kingdom, we began to see significant fundraising activities and deployment of similar technology and services in the United States. Following on the successful soft launch in 2004, we expanded coverage to the Western part of London. We are cautious on further expansion, as we await for a global consensus on technology standards.

The favorable property market continued to support the success of our premium property arm, Pacific Century Premium Developments Limited.

On behalf of the Board, I wish to thank PCCW's people for continuing to volunteer in such great numbers in support of various community and social projects. Their involvement provides evidence of the compassion and sense of social responsibility shown by the PCCW team throughout the year.

It is pleasing to report that prospects for 2006 are encouraging. The Hong Kong economy is growing strongly against a backdrop of continued strong growth in mainland China. We are operating in an improved regulatory environment. Our alliance with China Netcom Group has increased our potential to expand our various businesses beyond Hong Kong into mainland China.

We achieved important strategic objectives in 2005. During 2006, I will continue to work closely with the Board in laying solid foundations for the future growth and prosperity of our Company.

A handwritten signature in blue ink, appearing to read 'Richard Li', enclosed within a hand-drawn blue oval.

Richard Li
Chairman
March 29, 2006