

***PCCW***

***TRANSITIONING PCCW***



## FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on the current beliefs, assumptions, expectations, estimates and projections of the management of Pacific Century CyberWorks Limited (the "Company") about the industry and markets in which the Company operates. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of the Company, are difficult to predict and could cause actual results to differ materially from those expressed or forecast in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, (a) the Company's financing needs and its expected future expenditures for capital projects; (b) the pace of development of Internet and telecoms markets in Asia, the growth in demand for services in those markets, and the Company's ability successfully to develop, and sustain demand for, services that respond to those demands in the face of strong competition; (c) the Company's ability to generate revenues and profits from its Internet operations; (d) changes in the market price and valuation of the Company's investments in publicly-traded and non-publicly traded securities and its investments in joint ventures and associated companies; (e) the continuing effects of deregulation of the Hong Kong telecoms markets and PCCW's ability to deal with those effects; and (f) changes in the political, social, economic and regulatory environment in the countries in which the Company operates or intends to operate. An expanded statement of these factors can be found in the "Risk Factors" section of the convertible bond Offering Circular dated December 5, 2000 issued by PCCW Capital Limited, a copy of which has been filed by the Company with the United States Securities and Exchange Commission. Reliance should not be placed on these forward-looking statements, which reflect the view of the Company's management as of the date of this presentation only. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after publication.



## PCCW TODAY FUNDAMENTALLY A DIFFERENT COMPANY

**PACIFIC CENTURY CYBERWORKS**  
電訊盈科

A Leading Internet Company in Asia

- CyberWorks Ventures
- Pacific Convergence
- Cyberport



**CABLE & WIRELESS**  
**HKT**  
香港電訊

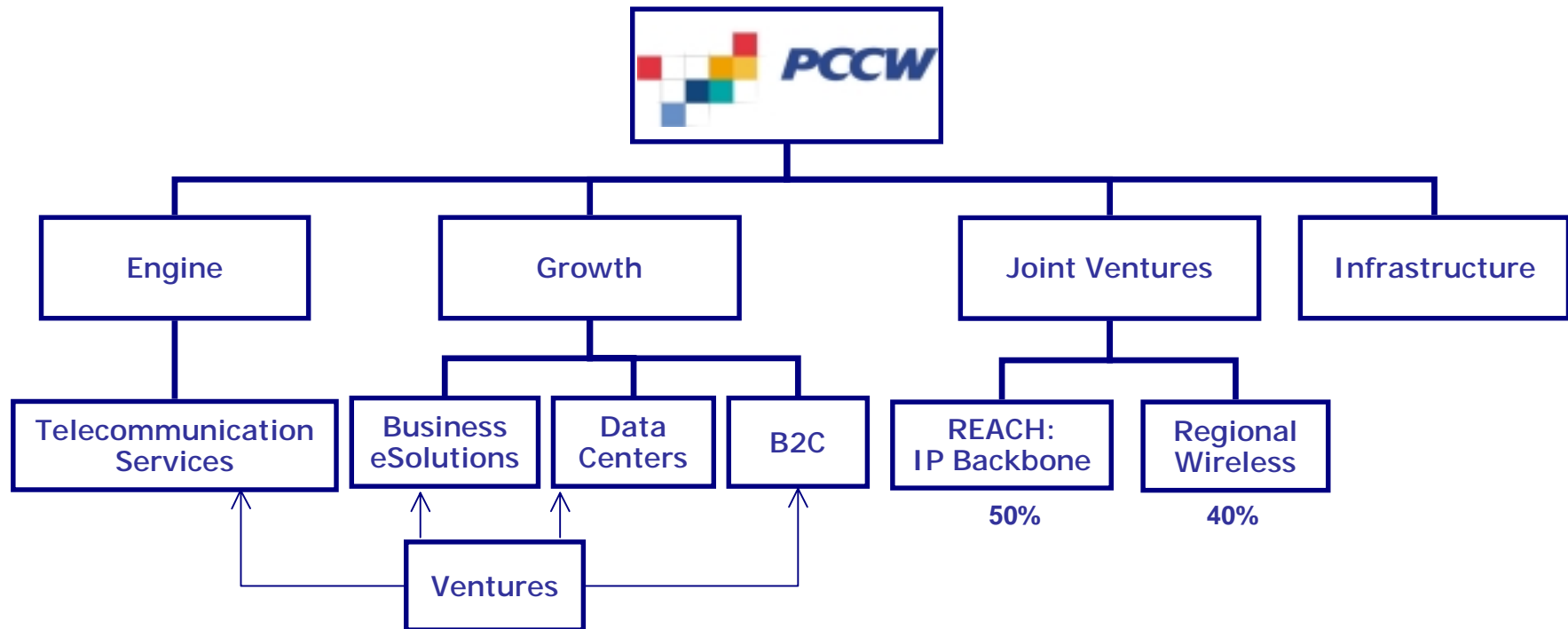
Incumbent Carrier in Hong Kong

- International telecommunications
- Local telecommunications
- Mobile
- Internet and interactive multimedia services
- Technical and other services





## PCCW TODAY STRUCTURALLY A DIFFERENT COMPANY



**Accountability**  
**Each BU Has Its Own P&L**



## KEY FINANCIAL MESSAGES

### **Tariff Rebalancing Almost Completed**

- Local line tariff increased in 2000 and Jan 2001
- Impact of IDD Revenue decline is decreasing: 13% of Telecom Services Revenue Dec '00 down from 17% Dec '99

### **Secured Long-Term Financing In Advance Of Troubled Markets**

- Current interest coverage on HKTC syndicated loan: >3.5x interest

### **Solid Net Cash Position**

- Over US\$1 billion Cash

### **One Off Charges/Provisions**

- Investment portfolio
- Bridge loan financing

### **We are confident about the Market Outlook For 2001**

- Broadband and data growth
- Minimizing cash burn of internet businesses
- Strong macro outlook for Greater China



# BUSINESS PERFORMANCE

Proforma-12 mths of PCCW Group & HKT Group unaudited  
(Excluding HKTI & CSL)

## Underlying Business Unit Performance <sup>(1)</sup>

(US\$'M)	Unaudited 2000	Unaudited 1999	Y-O-Y Change
Telecom Services	2,593	2,778	(7)%
Business eSolutions	154	123	25%
Internet Data Centers	16	7	120%
B2C	143	107	34%
Infrastructure and Real Estate	93	50	86%
Others and Eliminations <sup>(2)</sup>	(347)	(449)	23%
<b>Pro forma Revenue</b>	<b>2,652</b>	<b>2,616</b>	<b>1%</b>
<b>EBITDA <sup>(3)</sup></b>	<b>790</b>	<b>—<sup>(5)</sup></b>	
<b>Illustrative EBITDA incl. JVs/Associates' EBITDA<sup>(4)</sup></b>	<b>1,208</b>	<b>—<sup>(5)</sup></b>	

1. Assumes HKT merger effective 1 Jan 1999. 100% of HKTI and 40% of CSL Mobile are recorded as JVs & associates by equity accounting

2. Others include Ventures and PCCW Japan; Eliminations are inter-BU transactions

3. EBITDA is earnings before interest, taxation, depreciation and amortization, calculated before provisions and unrealized gains/(losses) of investments.

4. JVs & Associates EBITDA include 100%HKTI & 40% CSL Mobile recorded as JVs & Associates by equity accounting

5. Due to complex change of internal and external business structure, it is impractical to construct a meaningful EBITDA.



## POST-TELSTRA PROFORMA CONSOLIDATED BALANCE SHEET

### Proforma Consolidated Balance Sheet at 31 December 2000

(US\$ M)	2000	Unaudited Adjustments	Unaudited Proforma <sup>1</sup>
<b>Fixed assets</b>	3,406	-	3,406
<b>Investments</b>	1,290	(156)	1,134
<b>Current assets other than cash</b>	2,419	(1,680)	739
<b>Cash</b>	1,772	513	2,285
<b><i>Total Assets</i></b>	<b>8,887</b>	<b>(1,323)</b>	<b>7,564</b>
<b>Current liabilities</b>	1,023	-	1,023
<b>Short-term loans</b>	8,341	(7,660)	681
<b>Long-term loans</b>	129	4,700	4,829
<b>Convertible bonds</b>	1,100	750	1,850
<b>Other long-term liabilities</b>	106	-	106
<b><i>Net Liabilities</i></b>	<b>(1,812)</b>	<b>887</b>	<b>(925)</b>
<b><i>Shareholders' equity before GW</i></b>	<b>20,174</b>	<b>(82)</b>	<b>20,092</b>
<b><i>GW write-off against Reserves<sup>2</sup></i></b>	<b>(21,986)</b>	<b>969</b>	<b>(21,017)</b>
<b><i>Total Shareholders' Deficit</i></b>	<b>(1,812)</b>	<b>887</b>	<b>(925)</b>

1. After refinancing and Telstra JVs transactions, before cash outlays in 1st quarter of 2001.

2. Related to HKT acquisition only.



## A MORE TRANSPARENT COMPANY

- **Visible Performance**
  - Pre-Merger: PCCW: 4 Lines of Business  
HKT: 5 Lines of Business  
(Not separately reported)
  - Post-Merger: 8 Individual P&L (include JVs)  
Key Revenue Drivers for each BU
- **Management Incentives tied to BU Profitability**
- **Applying “Regulation FD” type Disclosure**

*Increases Transparency for External Valuation*

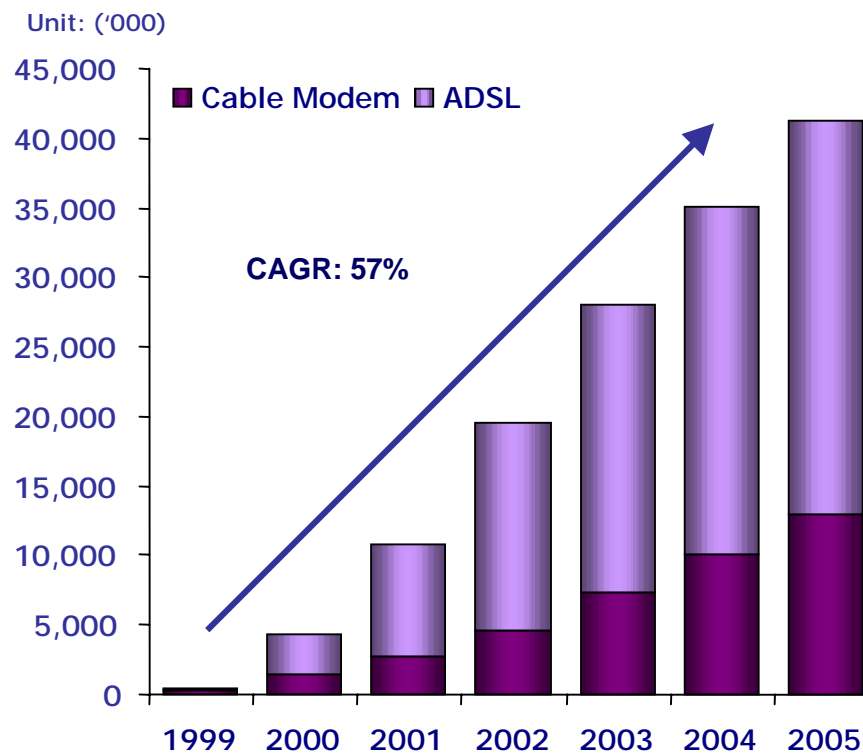




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## Strong Broadband Growth in Asia

Projected Broadband Subscribers in Asia Pacific



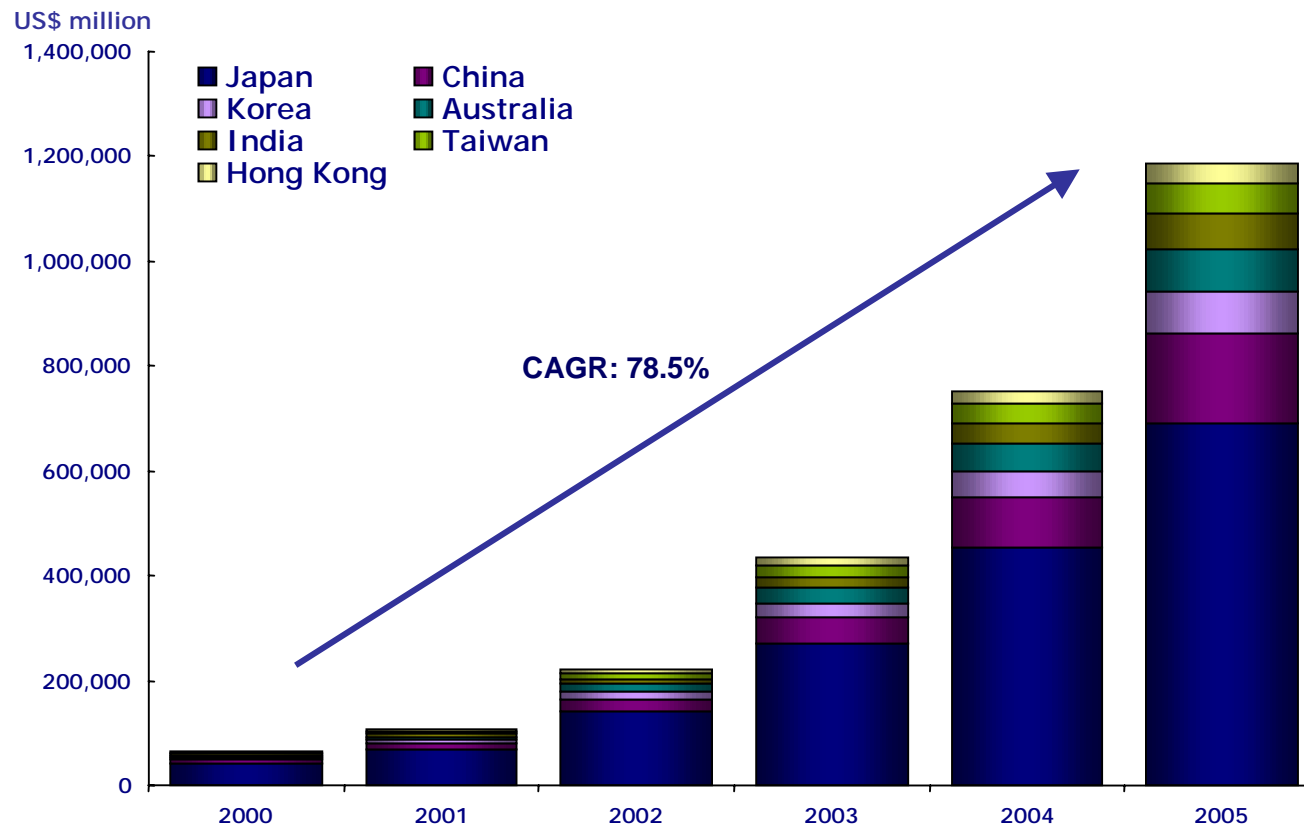
*We are in the early stages of the  
Evolution/Adoption of the Internet*

Source: IDC, March 2001



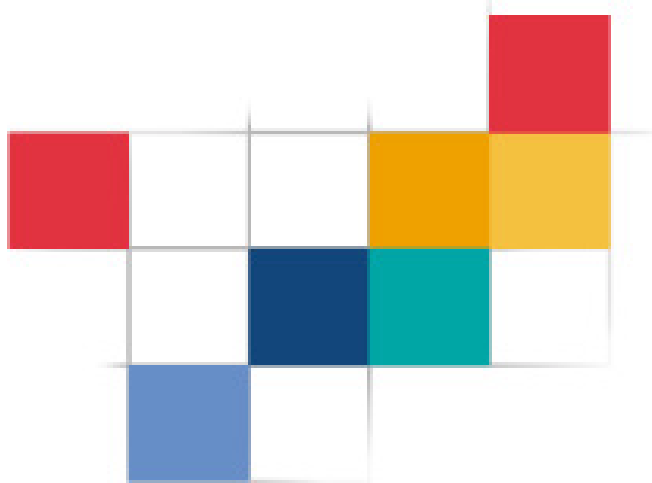
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## Asian Pacific E-Commerce Spending



*E-Commerce Spending Concentrates  
in major Asian markets*

Sources: IDC, Zenith Media, Lehman



***PCCW***

***TELECOMMUNICATION SERVICES***

***“THE CHANNEL FOR SOLUTIONS”***



## STABLE CASH FLOW

### Proforma Profit & Loss Breakdown

12 months ended December 2000

(US\$ M)	1999	2000
Local Telephone Services (Direct Exchange Lines, interconnection, local access charges)	899	967
Local Data Services (Wholesale BB, wholesale ITV, traditional IP/data products)	439	432
International (IDD, retail IPLC, int'l data & messaging)	903	652
Others (Equipment sales, Teleservices, co-location, sub-contracting)	537	542
<b>Total</b>	<b>2,778</b>	<b>2,593</b>
<b>EBITDA</b>	<b>N/A</b>	<b>1,200</b>

### Local:

- **Strong data growth in retail and wholesale**
  - Wholesale broadband lines grew 196% to 282,000
  - Bandwidth growth of 27% to 86 Gbps (excluding broadband)
  - Increase residential line tariff from HK\$68 to HK\$90 in Sept. 1999
  - Residential line tariff increased from HK\$90 to HK\$110 in Jan. 2001
  - Business line tariff increased from HK\$108.8 to HK\$128.8 in Jan 2001
- **Total number of direct exchange lines maintained - 3.7 million**

### IDD:

- **TSS revenue reliance on IDD minimizing to 13% in Dec '00 from 17% in Dec '99**

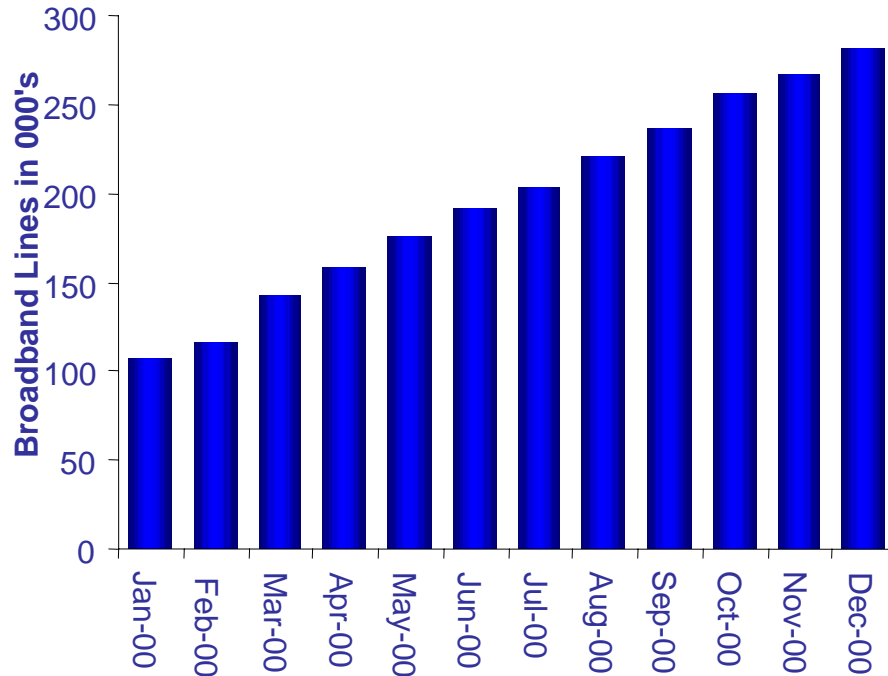
### Retail Int'l Private Leased Circuit (IPLC):

- **Pricing pressure partially offset by 63% increase in bandwidth to 1.4Gbps**



## LOCAL DATA LIFT OFF

### Wholesale Broadband Growth Trend



- Average 16,000 wholesale broadband lines sold per month in 2000
- Wholesale broadband lines<sup>1</sup> grew 196%
  - 82% market share
  - Driven by strong residential demand
- Banking and Finance segment accounted for 32% of data revenue

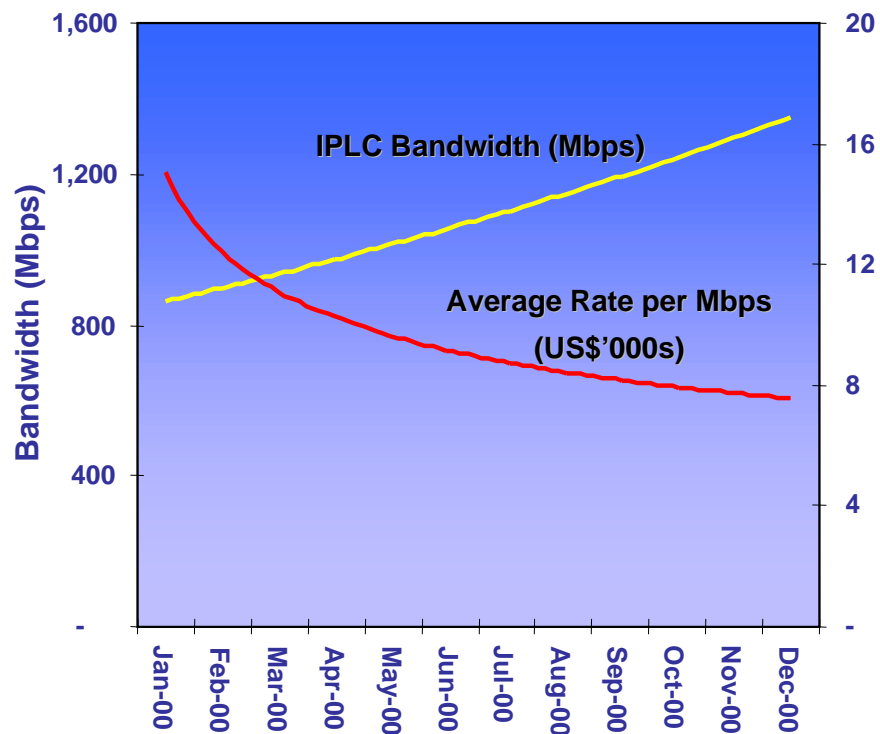
1. Broadband access includes wholesale broadband access lines for Broadband Internet (BBI) and iTV

2. Circuit/packet switched services, including: ISDN, T1/E1/T3, ATM, Fibreline(T3), DDS



## RETAIL INT'L PRIVATE LEASED CIRCUIT MARKET IN TRANSITION

### Trends in IPLC bandwidth and pricing



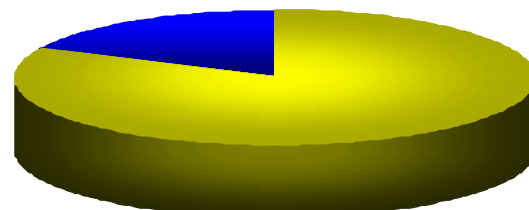
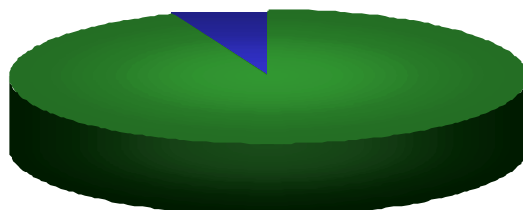
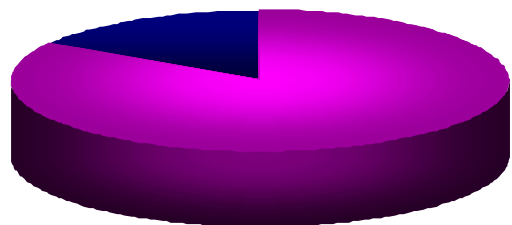
- **Strong demand for capacity**
  - Retail IPLC bandwidth grew 60% YoY
  - End-to-end IPLC solutions to increase market penetration
- **Facilities based competition after January 2000 lowered price**
  - Bandwidth prices dropped 54% YoY



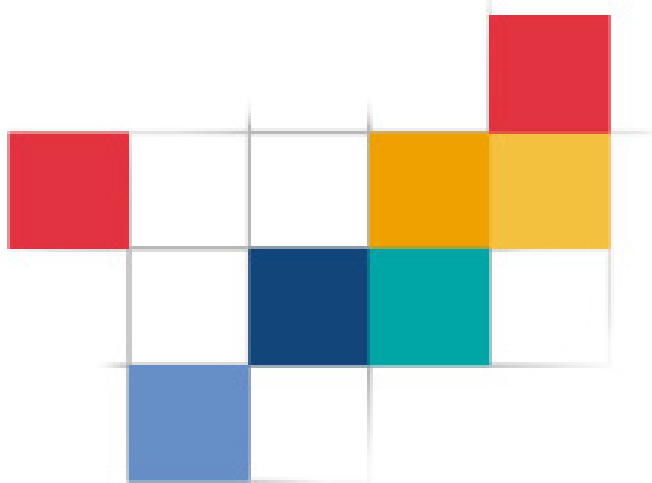
## GOING FORWARD TSS IS IN A POSITION OF STRENGTH

### PCCW Market Share as at Dec. 2000

Fiber Backbone Market Share 84%   Exchange Line Market Share 94%   Broadband Market Share 82%



*Maintain Leading Share of Access Lines and Backbone market*  
*Competitors have focused on Resale*



**PCCW**

***HONG KONG TELECOM INTERNATIONAL (HKTI)  
INJECTED INTO REACH JV***

***“POSITIONING AS A DATA CARRIER”***





## FROM VOICE TO DATA

### Proforma HKTl Profit & Loss Breakdown 12 months ended December 2000

(US\$ M)	1999	2000
<b>Revenue</b>		
Voice Revenue	871	567
Data Revenue	276	343
Other Revenue	32	31
<b>Total Revenue</b>	<b>1,180</b>	<b>941</b>
<b>EBITDA</b>	<b>N/A</b>	<b>357</b>
<b>Business Metrics</b>		
Gateway O/G Mins	1,667	1,732
Gateway I/C Mins	1,443	1,483
<b>Total Gateway Mins</b>	<b>3,110</b>	<b>3,215</b>
<b>IPLC B'width Mbps</b>	<b>1,749</b>	<b>4,237</b>
<b>Netplus B'width Mbps</b>	<b>298</b>	<b>922</b>

- **Stable EBITDA margins average 38%**
- **Gateway wholesale voice traffic volume grew 3%**
  - Competitive pricing pressure
  - Lower delivery costs - maintaining margins
- **Wholesale International data bandwidth growth**
  - IPLC: 142% YoY
  - IP Bandwidth: 209% YoY
- **Shifting mix in revenues**
  - Data contribution grew 13% YoY
  - Exit 2000 Data revenue at 39% of total
- **Increasing external contribution to wholesale revenues**
  - External revenue 55% in 2000 from 48% in 1999 (i.e. not TSS, CSL or other divisions)



## GOING FORWARD - REACH

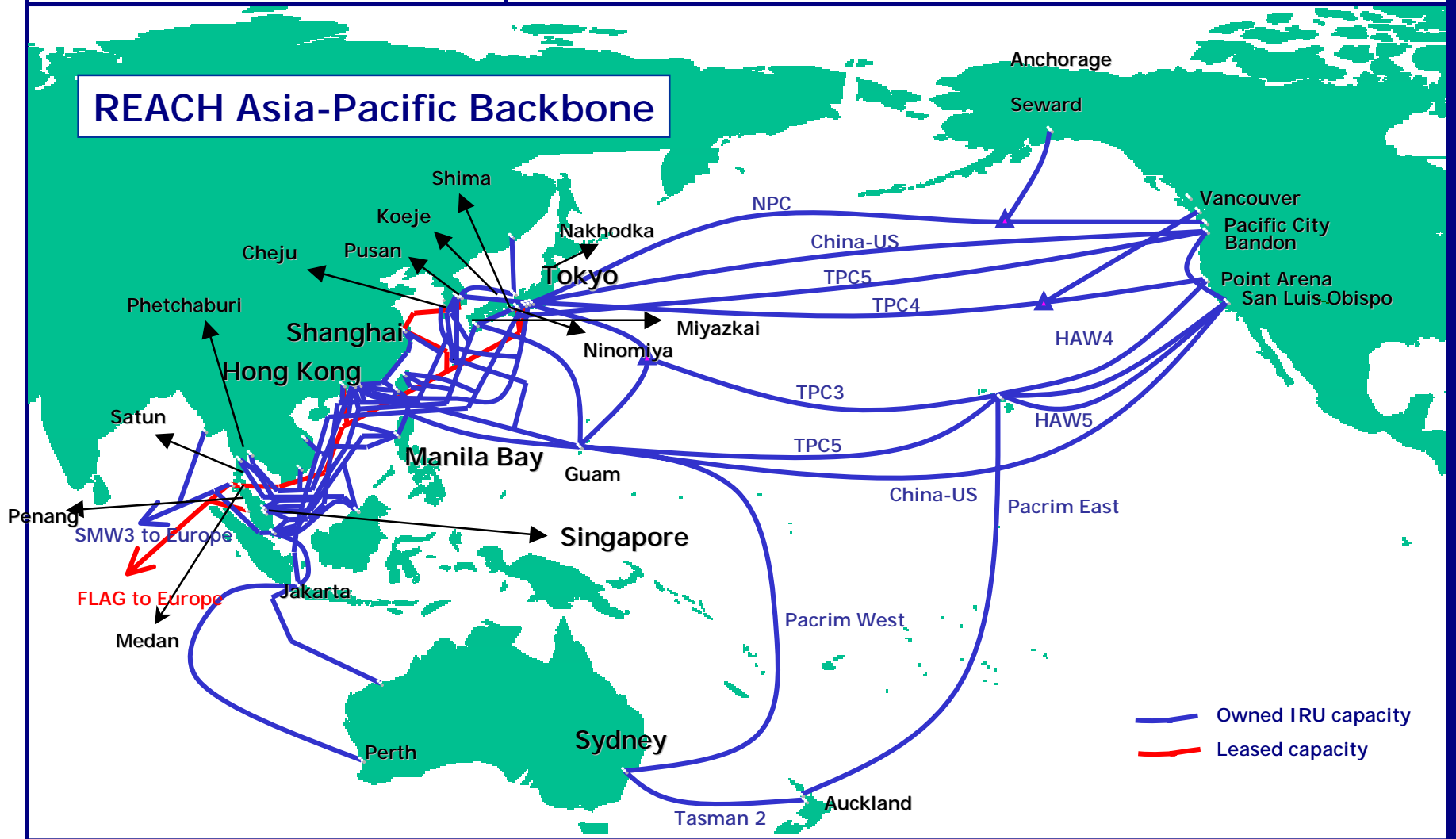
- REACH JV with Telstra formed on 7th February 2001
- Not a speculative infrastructure play - network already operating
- Combined assets to create the largest Asian voice and data network
- Leverage ubiquitous access into Australia and Hong Kong through parent relationship
- Continue to meet demand of data traffic growth
- Strive for highest value services to customer on international data connections and IP broadband connections

*Partnership to Increase Scale/Reach*



# REACH'S COMPETITIVE ADVANTAGE

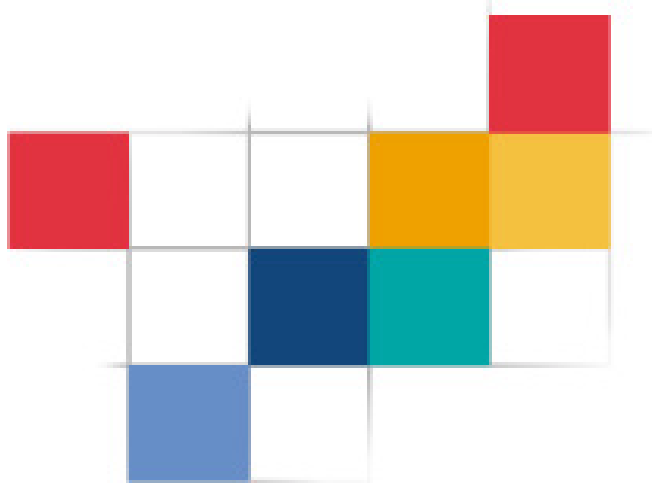
## REACH Asia-Pacific Backbone





## **STRONG COMPETITIVE POSITION**

- **Tremendous scale of traffic drawn from incumbent businesses in Hong Kong and Australia**
- **Reputation for quality of service**
- **Multi-point network provides diversity of routing for low cost and redundancy**
- **Backhaul for city-to-city connectivity leveraging well-established carrier relationships and own facilities where liberalization has allowed**
- **Low-cost ownership in cable systems**
  - REACH will be the largest owner of Indefeasible Right of Use (IRUs) in many systems but shares the cost of building and upgrading with other carriers on the “Club System”



**PCCW**



***“HONG KONG’S LEADER IN WIRELESS INNOVATION”***



## HONG KONG'S ONLY PROFITABLE OPERATOR

### Proforma Profit & Loss Breakdown

12 months ended December 2000

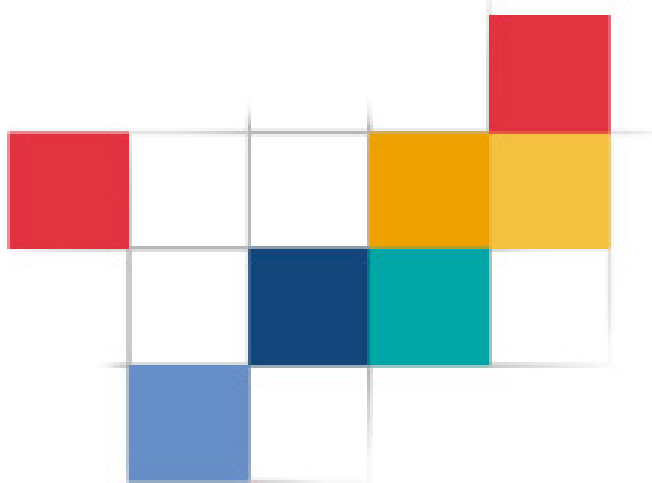
(US\$ M)	1999	2000
Total Revenue	629	663
EBITDA	N/A	152
<i>EBITDA Margin</i>		23%

### Key Performance Indicators

	1999	2000
ARPU US\$ (Contract)	56.4	58.2
Churn Rate (Contract)	3.5%	3.4%

- **ARPU well above other Hong Kong networks**
  - increased to US\$58
  - market average dropped about 10% to US\$33
- **Reduced churn from 3.5% to 3.4%.**
  - Current churn is around 3%
- **Currently over 1m subs**
- **Handset subsidies reduced**
  - down from HK\$1,400 to HK\$700
- **New Revenue initiatives:**
  - SMS, New Applications, GPRS, 3G





**PCCW**

***BUSINESS eSOLUTIONS***

***" e-ENABLING BUSINESS "***



## BUSINESS eSOLUTIONS PERFORMANCE HIGHLIGHTS

### Proforma Profit & Loss Breakdown

12 months ended December 2000

(US\$ M)	1999	2000
<b>Core Business</b>	<b>83</b>	<b>116</b>
eSolutions	73	88
Broadband Access	10	28
<b>Joint Ventures</b>	<b>40</b>	<b>38</b>
<b>Total Revenue</b>	<b>123</b>	<b>154</b>
<b>EBITDA</b>	<b>N/A</b>	<b>(13)</b>

- EBITDA breakeven in Dec. 2000
- 2000 Gross Revenue up 25% to US\$154M
- Revenue mix changing from internal to external (51%)
- Key external System Integration contracts:
  - Hong Kong Stock Exchange,
  - Airport Authority of Hong Kong
- Over half of 2001 targeted revenue under contract

*Notes: The above financials include consolidated revenue and EBITDA of TelecomDirectories and SecureNet Asia.*





**PCCW**

**Powerb@se**

***INTERNET DATA CENTERS***

***“CARRIER CLASS SERVICES”***



## INTERNET DATA CENTER LAUNCHED JUNE 2000

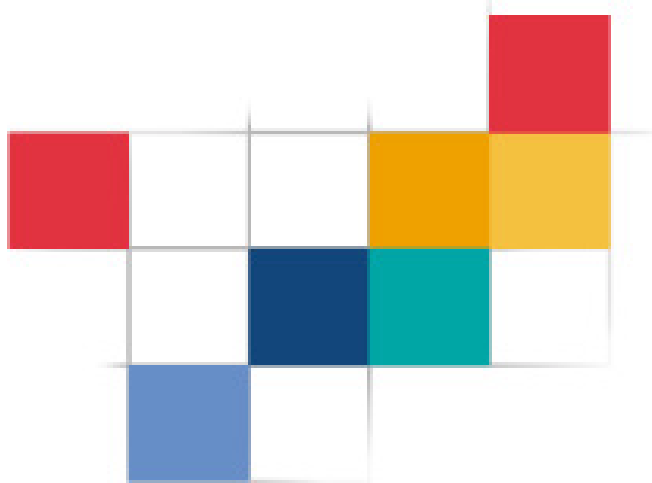
### Proforma Profit & Loss Breakdown\*

12 months ended December 2000

(US\$ M)	1999	2000
Facilities Management	7	9
IDC		6
<b>Total Revenue</b>	<b>7</b>	<b>16</b>
<b>EBITDA</b>		<b>(4)</b>
<b>Racks Rented</b>		<b>306</b>

- **Strong platform of Facilities Management Services**  
- 27% growth
- **New Internet Data Center capabilities showing ramping growth**  
- 4Q00 +124%
- **Established a total customer base of 217**  
- Cornerstone clients requiring mission critical solutions
- **Launched exclusive portfolio of managed solutions**

\* Notes: Proforma P&L does not include iLink



***PCCW***

***B2C***

***SUBSCRIPTION-BASED BUNDLED SERVICES***

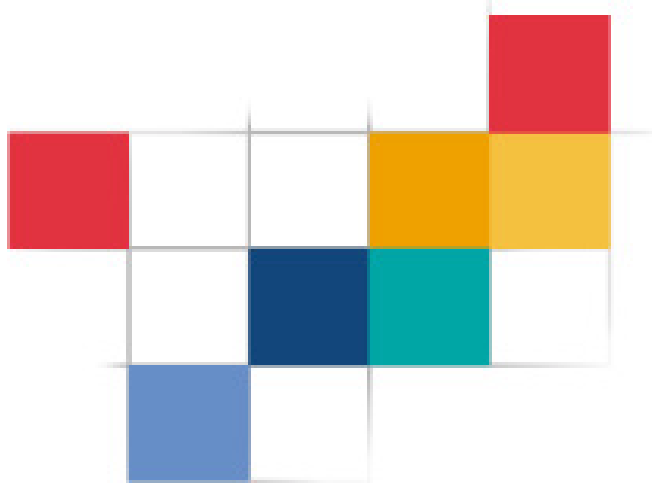


## Leverage Existing B2C Assets for Future Expansion

### Proforma Profit & Loss Breakdown 12 months ended December 2000

(US\$ M)	1999	2000
Total Revenue	107	143
EBITDA	N/A	(261)
Hong Kong Access Subscribers ('000)	486	626
Broadband	32	194
Narrowband	454	432
iTV Subscribers	86	67
Mass Portal Registered Users ('000)	504	824
Hong Kong	146	336
Canada	2	4
Malaysia	0	16
Taiwan	356	468
India Access Subscribers ('000)	N/A	30

- **Strong uptake of broadband has contributed to growth in Mass access revenues**
  - added 162,000 subscribers
  - achieving over 80% market share
- **Narrowband access subscriber numbers decreased slightly to 432,000**
  - ARPU's decreased as heavy users migrated to the broadband service
- **iTV ARPU continued to increase with an 8% YoY growth to HK\$300 though subscriber numbers declined over the period by 22%**
- **Strong increase in portal registered user number with an 63% YoY growth**



**PCCW**

***INFRASTRUCTURE AND  
OTHER INVESTMENTS***

***“STORE OF VALUE”***



## INFRASTRUCTURE

### CyberPort (Hong Kong)

- Commercial space with related residential and other facilities
- Construction Commenced August 2000
- Site Area: approx. 260,000 m<sup>2</sup>
- Total Gross Floor Area (GFA):
  - Cyberport Portion 1,735,000 sq.ft.
  - Residential Portion 4,040,900 sq.ft.



### Hongkong Telecom Tower (Hong Kong)

- 42 floor prime office building
- 30% occupied by PCCW, 70% leased to third party tenants



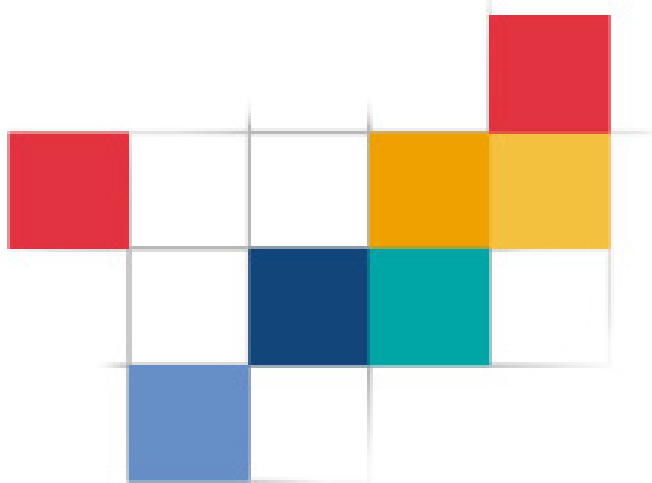
### Pacific Century Place (Beijing)

- mixed commercial and residential building
- GFA: 2,150,000 sq.ft. Pacific Century Place (Beijing)



## OTHER INVESTMENTS

- 14.7% indirect interest in MobileOne
- 74% stake in PCCW Japan
- 47.7% of iLink
- Venture investments with carrying value of US\$309 M
- Property portfolio with a value in excess of US\$500 M
- Cyperport project



***PCCW***

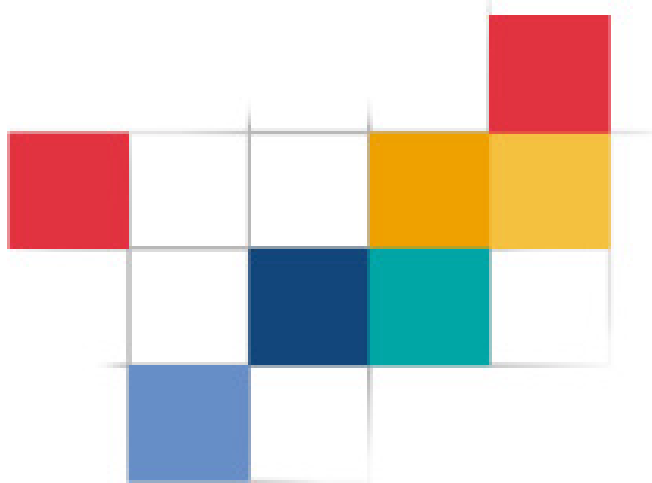
**KEY MESSAGES FOR 2001**





## KEY MESSAGES FOR 2001

- **Stable and comfortable financial position**
- **Core telecommunications business**
  - Drive for improved efficiency
  - Aim to deliver enhanced value to our consumer and corporate customers
- **Continue to meet strong demand for data and applications**
- **Continue to invest prudently**
- **Offer Total Solutions to customers**

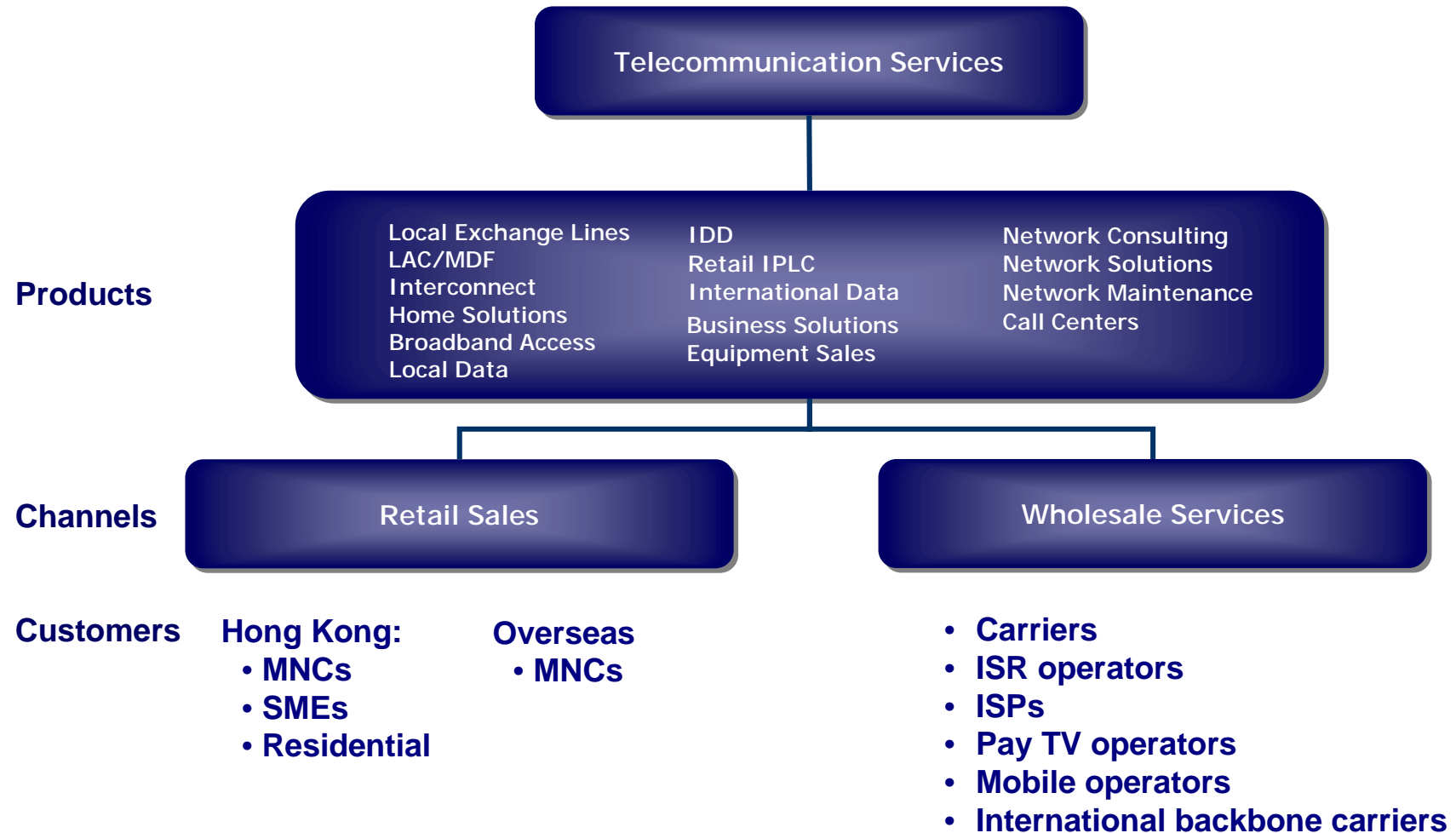


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**APPENDIX**

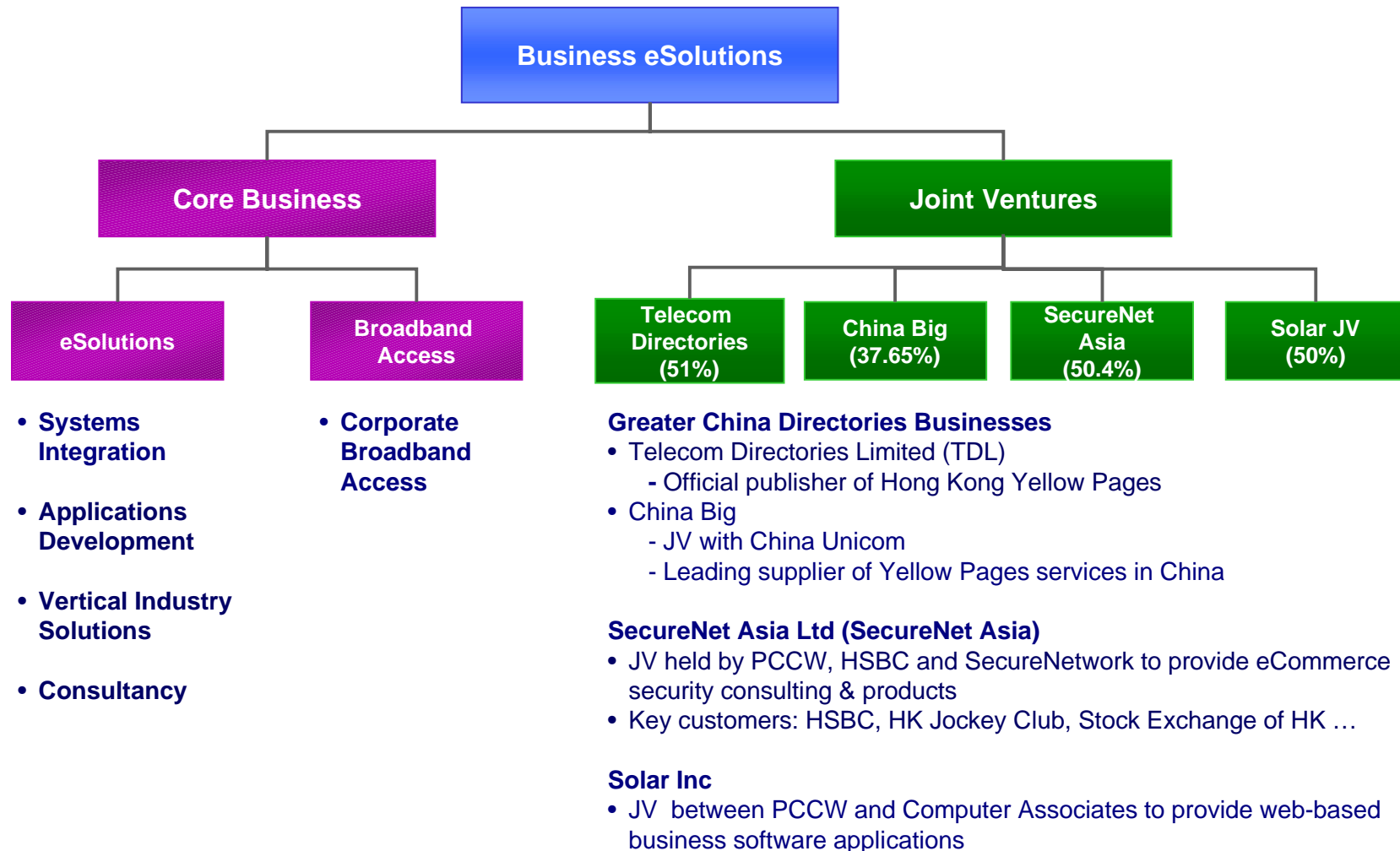


# TELECOM SERVICES BUSINESS STRUCTURE



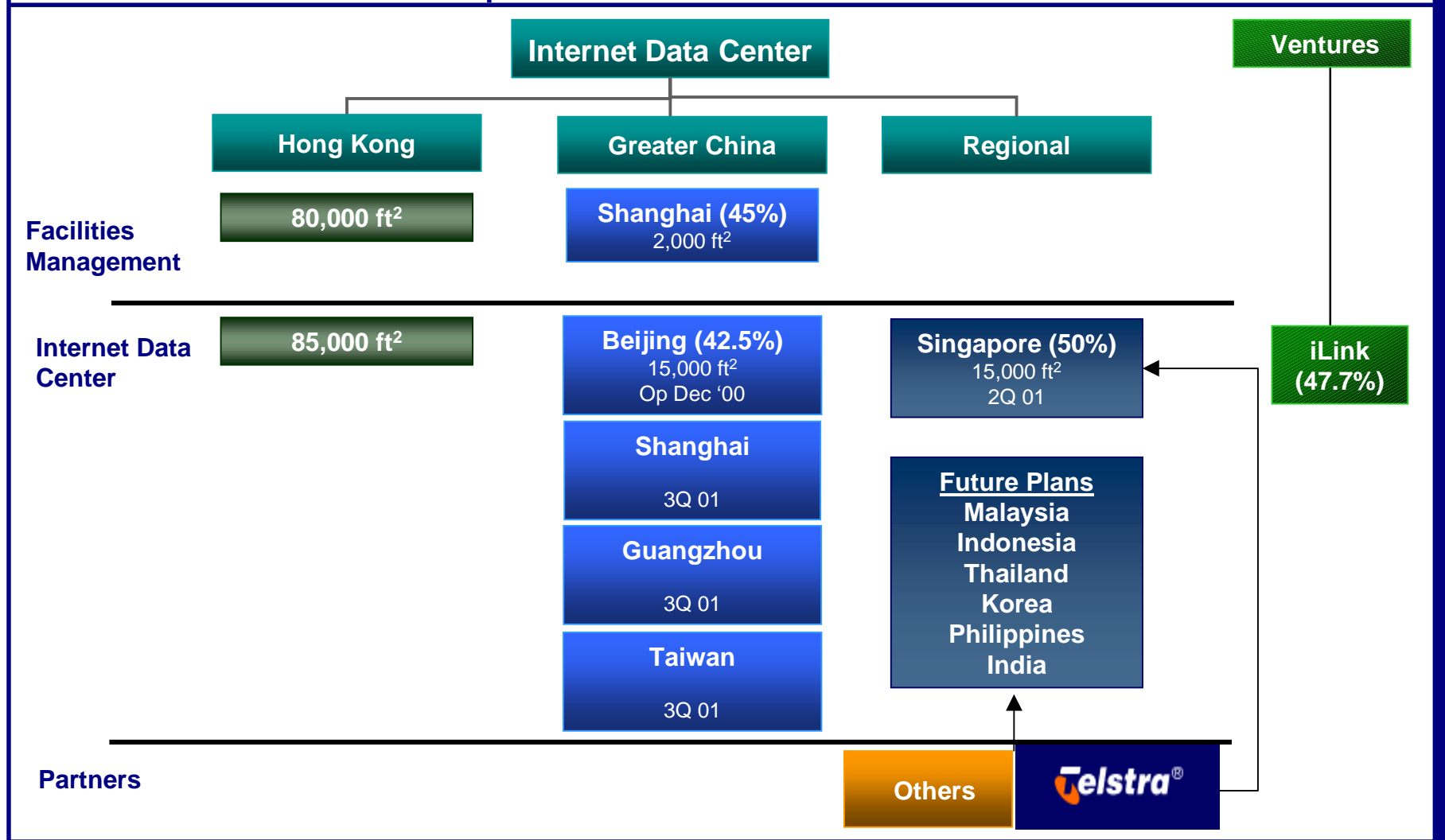


# BUSINESS eSOLUTIONS BUSINESS STRUCTURE



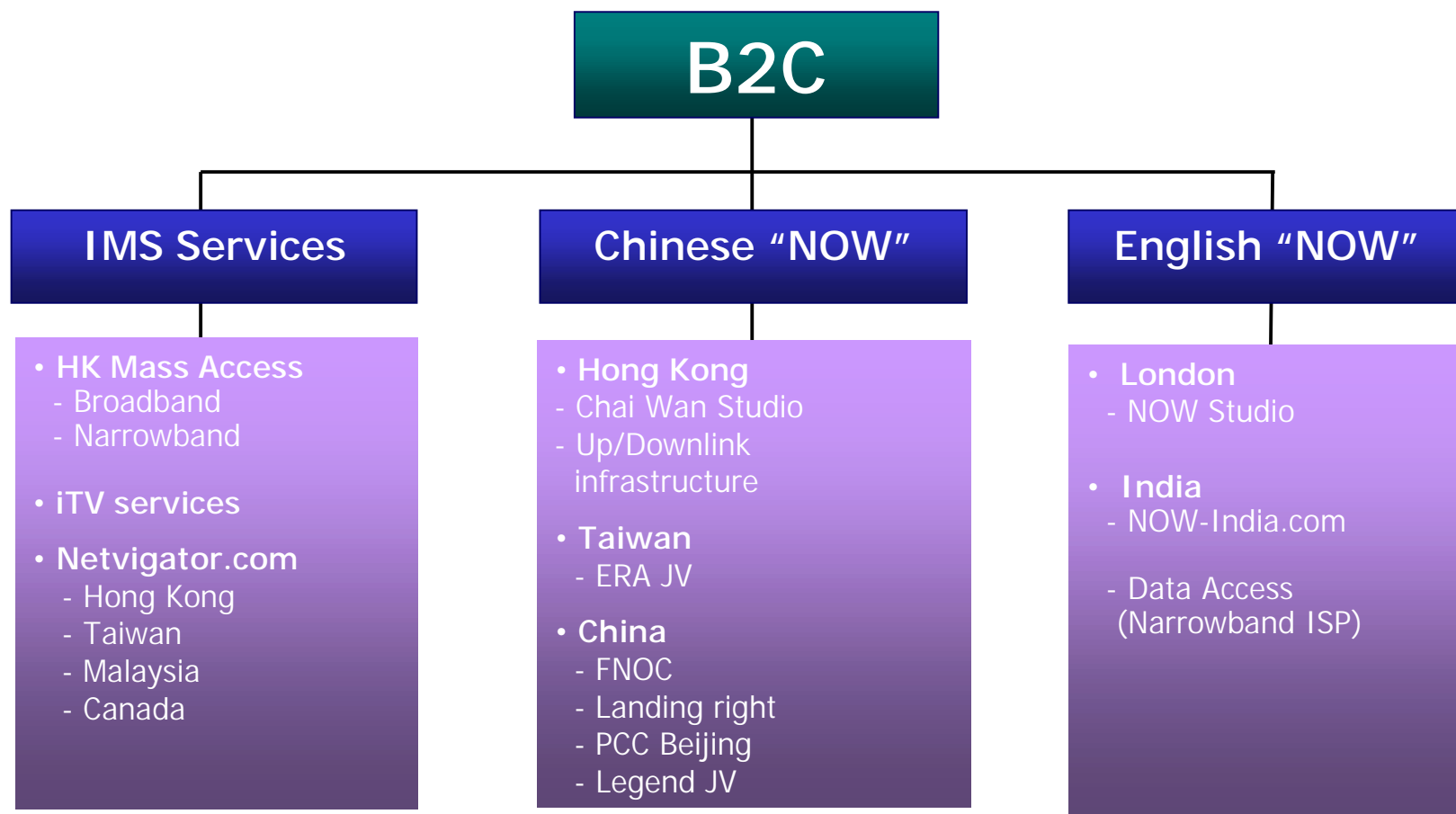


# INTERNET DATA CENTER - BUILD-LEASE-PARTNER-





## B2C BUSINESS STRUCTURE





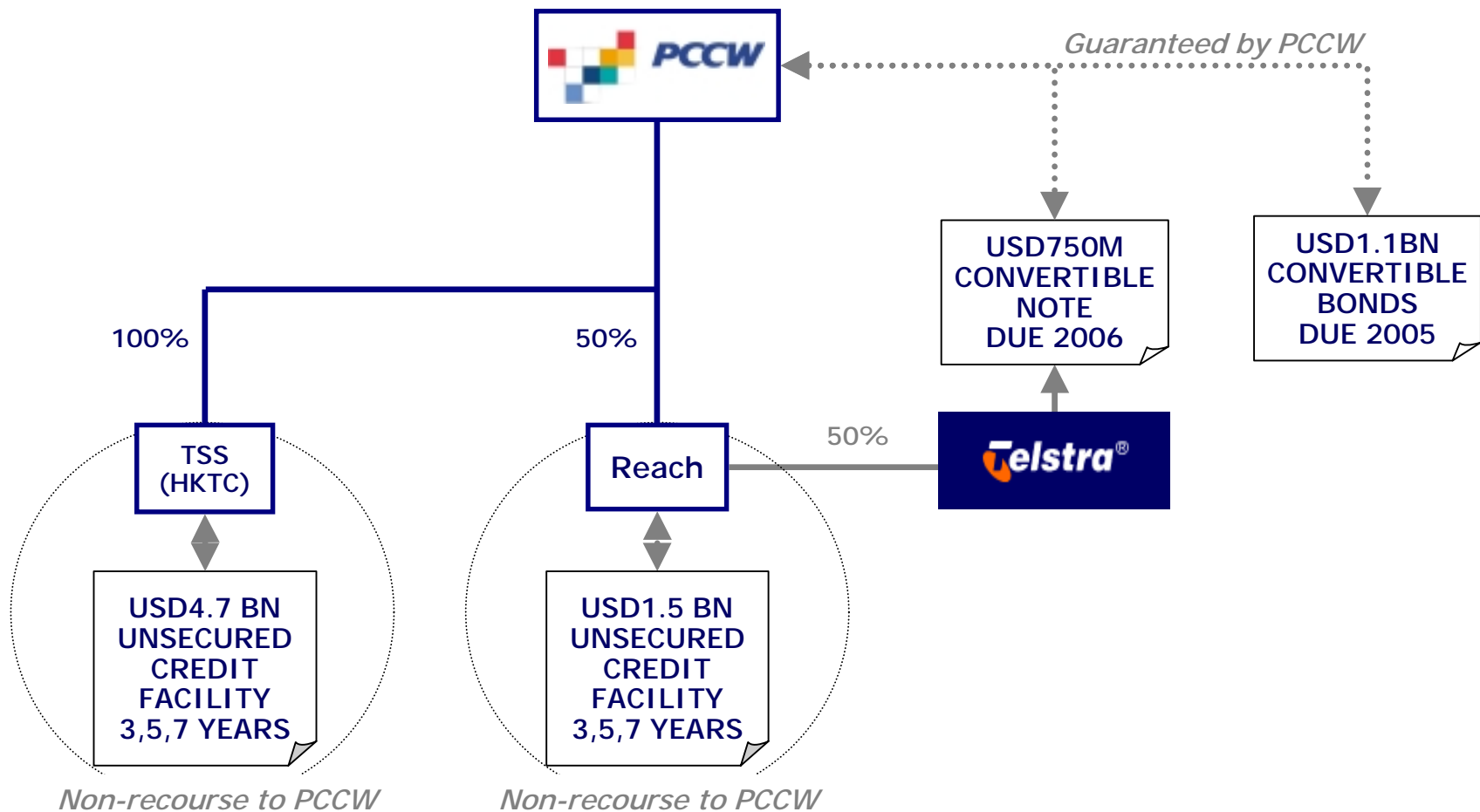
## REFINANCING STEPS

Date	Repayment of Bridge Loan	US\$'M
<u>2000</u>		
Aug	Bridge Loan	12,000
Sept	Cash Repayment	(3,000)
Dec	Rights issue (money used in loan repayment) <sup>1</sup>	(245)
Dec	Convertible bond (held at PCCW)	(1,100)
Dec	<b>Outstanding balance at Dec 31/00</b>	<b>7,655</b>
<u>2001</u>		
Feb	Sale of 60% stake of Mobile	(1,680)
Feb	Cash from Reach	(1,125)
Feb	Telstra convertible bond (held at PCCW)	(750)
Feb	Bridge loan outstanding balance	4,100
Feb	Excess for working capital	600
Feb	<b>Syn. loan refinancing (held at HKTC)</b>	<b>4,700</b>

1. A portion of the Rights Issue Proceeds



# PCCW GROUP DEBT STRUCTURE







## **GOODWILL TREATMENT**

**Goodwill of US\$ 22 billion written off against reserves**

- **Accounting Entry**
- **No “Cash Flow” impact**
- **Does not break any covenants**
- **Negative equity always envisaged**



# FINANCIAL OUTLOOK MANAGEMENT DISCUSSION

(Does not include CSL and Reach)

## PACIFIC CENTURY CYBERWORKS Summary by BU

USD 'M

2000  
Proforma Actual

2001

	<u>Gross Turnover</u>	<u>EBITDA</u>	<u>Gross Turnover Range</u>	<u>EBITDA Range</u>
<b>Adjusted Group Total:</b>				
Telecom Services	2,593	1,200		
B2B	154	(13)		
Data Centre	16	(4)		
B2C (IMS + PCC)	143	(261)		
Infrastructure & Real Estate	93	22		
Corporate Functions	-	(115)		
Others & Eliminations	(347)	(40)		
<b>Group Total</b>	<b>2,652</b>	<b>790</b>		

### CAPEX

- Major capex behind PCCW, not in front to achieve growth
- Scaleable - Revenue driven