

Panel on Information Technology and Broadcasting

Issues relating to change in shareholding in PCCW Limited

List of questions

The Administration, the Telecommunications Authority (TA) and Broadcasting Authority are invited to comment on the proposed sale of 22.66% of the issued share capital of PCCW held by Pacific Century Regional Development, a Singapore-listed company, for about HK\$9 billion to Fiorlatte Limited, a company wholly owned by Mr Francis LEUNG; the developments and circumstances leading to the sale as well as the public concern expressed about the sale, in particular from the following perspectives:

- (a) What are the legislative requirements and regulatory framework for monitoring shareholding changes in telecommunications/broadcasting companies in Hong Kong to ensure fair market competition and protection of consumers' interests?
- (b) What are the service licences currently held by PCCW? Whether the change in shareholding in PCCW resulting from the proposed sale has the effect of substantially lessening competition in the telecommunications market under section 7P of the Telecommunications Ordinance (TO) (Cap. 106)?
- (c) It is understood that TO provides for an *ex post* regulatory regime under which the parties concerned are not obliged to seek TA's prior consent before proceeding with a proposed merger or acquisition. However, the parties concerned may seek TA's prior consent on a voluntary basis. What advice/information, if any, has been provided by TA to the parties concerned?
- (d) Whether the Administration and the regulators see any inadequacies, as reflected in the proposed sale of shares in PCCW in question, in the existing legislative and regulatory framework, and a need for reviewing the existing monitoring mechanism to improve its effectiveness? Whether and how specific follow-up actions would be taken and what are the factors to be taken into consideration in deciding on the follow-up action, if any, to be taken.
- (e) According to the Administration, there is no statutory restriction on the acquisition of shares of local telecommunications companies by foreign companies. In the present case, the proposed sale of 22.66% shareholding in PCCW to Fiorlatte Limited has evolved from the

initial plan for divestment of PCCW's core telecommunications and media related assets to potential foreign buyers (Australian investment bank Macquarie Group and US firm TPG-Newbridge). However, the proposed acquisition of assets has subsequently been discontinued. Concerns have been raised that the discontinuation of the proposed acquisition was allegedly due to political pressure. What are the Administration's comments on such concerns?

- (f) Apart from the proposed sale of PCCW's shareholding in question, whether the proposed acquisition of a local Chinese newspaper by Mr Richard LI, who is still a major shareholder of PCCW, would breach the restriction on cross-media ownership under the Broadcasting Ordinance (Cap. 562)?