

Issues relating to change in shareholding in PCCW Limited

List of further questions

1. PCCW Limited (PCCW) announced on 10 July 2006 that Pacific Century Regional Developments Limited (PCRD), one of its substantial shareholders, has entered into a conditional sale and purchase agreement to sell 22.66% of its shareholding of PCCW to Fiorlatte Limited. According to a further announcement issued by PCCW on 25 July 2006, its Board of Directors has decided to terminate the discussion on the sale of assets with Macquarie Bank Limited (Macquarie) and TPG/Newbridge. Have the interests of minority shareholders of PCCW been adequately catered for in the aforesaid decisions?
2. As stated in the aforesaid announcement of 10 July 2006, the proposed special payment to be made by Pacific Century Diversified Limited (PCD) to holders of public shares of PCCW is conditional, inter alia, on the formal agreement by China Network Communications Group Corporation (China Netcom) that the shares held by it will not qualify for the special payment. Is the proposed arrangement of excluding a certain shareholder (in this case China Netcom) from receiving a special payment upon a sale and purchase of shares consistent with fair practice in the financial market?
3. On regulatory matters, it is understood that the current Telecommunications Ordinance (Cap. 106) provides for an *ex post* regulatory regime under which the parties concerned are not obliged to seek the Telecommunications Authority (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. Has TA received any such application for consent or has its advice been sought on an informal basis? Has any consultation been done with the Securities and Futures Commission?