

## FACT SHEET

### Foreign press reports on the development of change in shareholding of PCCW Limited (Based on foreign press reporting from 20 June 2006 to 2 August 2006)

**Table — Foreign press reports on the development of change in shareholding of PCCW Limited**

Date and source	Development
20 June 2006 Financial Times	PCCW Limited (PCCW) is considering a proposal from an independent third party to sell its core telecommunication and media businesses, worth an estimated HK\$36.6 billion. PCCW refuses to identify the potential bidder but people familiar with the deal say it is the Macquarie Bank Limited (Macquarie).
21 June 2006 Wall Street Journal	Texas Pacific Group (TPG) and its Asian investment arm Newbridge Capital Inc. (Newbridge) are likely to submit rival bid for telecommunication and media assets of PCCW, challenging Macquarie's bid. One of PCCW's biggest shareholders is Chinese-government-owned China Netcom, which has said that it opposes any deal.
21 June 2006 Financial Times	<p>Macquarie's offer for PCCW's telecommunication and media operations could be worth up to US\$8 billion (HK\$62.03 billion)<sup>1</sup>. Analysts warn that the Australian company's offer could trigger a bidding war.</p> <p>Any bid for PCCW's key assets could also face opposition from China Netcom, the country's number-two fixed-line operator and PCCW's second-largest shareholder, which regards its investment in Hong Kong's dominant telecommunication company as strategic.</p> <p>"When we invested in PCCW last year, it was for strategic co-operation and synergies. It's not good for us if PCCW sells its telecoms assets," a Netcom executive said yesterday.</p> <p>Although the Australian company is not expected to take on PCCW's US\$2.5 billion (HK\$19.39 billion) of net debt, analysts say that Macquarie's valuations seem high given PCCW's market capitalization of US\$4.5 billion (HK\$34.89 billion) for the whole company.</p>

<sup>1</sup> The average exchange rate of US\$ to HK\$ for May 2006 was US\$1 = HK\$7.754.

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Date and source	Development
22 June 2006 The New York Times	China Netcom issued a statement on 20 June 2006 hinting at its concern. "The possible buyout might cause serious uncertainties for PCCW," China Netcom said. "We don't want to see PCCW, which is run by Hong Kong people, have any change in itself or its major assets."
26 June 2006 Financial Times	To win over China Netcom in the PCCW deal, Australia's Macquarie Group has proposed that the State Council-controlled company takes up to a 50% stake in the assets, with another 25% reserved for retail investors. A person familiar with the deal says that a rival bidder, TPG Newbridge, has made a similar offer to China Netcom.
28 June 2006 The Australian	<p>News Corporation is understood to have joined Macquarie's US\$7 billion (HK\$54.28 billion) bid for the Hong Kong telecommunication and media assets of Richard Li's PCCW.</p> <p>On 27 July 2006, sources in Hong Kong told The Australian that News Corporation had taken a "modest" stake in the Macquarie consortium, possibly of around 10% to 20%. A spokesman for News Limited, News Corporation's Australian division which publishes The Australian, refused to comment on the deal.</p> <p>Macquarie also refused to discuss the deal beyond its statement confirming its consortium had submitted an expression of interest in the assets to PCCW.</p>
4 July 2006 Financial Times	<p>Richard Li hopes to reach a resolution this month for the sale of the Hong Kong telecommunication company's core assets that has sparked a bidding war between Australia's Macquarie Group and TPG Newbridge, the US private equity firm.</p> <p>Li said yesterday that all PCCW's 16 directors, including three representatives from China Netcom, PCCW's second-largest shareholder which opposed the sale, had agreed to further discuss the deal.</p> <p>"The board meeting was held in a very good atmosphere today. We have not made a decision. We will probably continue our discussions in a few days," said Li in his first public appearance since the takeover battle emerged more than two weeks ago.</p>

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Date and source	Development
11 July 2006 The New York Times	<p>Richard Li plans to sell a 23% stake to Francis Leung, a prominent Hong Kong financier, for HK\$9.16 billion. Li will retain a 3% stake in PCCW.</p> <p>The agreement appears to scuttle plans by foreign companies to acquire PCCW's telecommunication assets. Those companies include Macquarie of Australia and TPG Newbridge, the Asian investment arm of the Texas Pacific Group. It will help defuse political concerns over a foreign takeover of assets that include Hong Kong's main fixed-line phone network, a mobile phone network and broadband Internet and television services.</p> <p>Leung appears to support China Netcom's position that there should be no sell-off of vital assets. Under the deal announced on 10 July 2006, Leung and a company he wholly owns, Fiorlatte, will pay HK\$6 a share for the 22.66% stake in PCCW owned by Pacific Century Regional Developments (PCRD), which is listed in Singapore. Li owns 75% of PCRD, and 25% is held by the public.</p>
11 July 2006 Financial Times	<p>China Netcom, which opposes any sale to foreign groups, is backing Francis Leung's purchase and the deal will also please Beijing, which has signalled that it wants PCCW not to be sold to foreign buyers.</p> <p>Richard Li said last night: "It may not be as good as a successful asset sale but the circumstances dictate that we cannot have an asset sale. So the best I can do is to entertain the local Hong Kong consortium, which meets the concerns of (China) Netcom and the company."</p> <p>Li, who owns 75% of PCRD, will pay minority shareholders in PCCW HK\$1.38 billion, or HK\$0.33 to HK\$0.38 per share, following the sale.</p> <p>"Of course an asset sale would have realized more shareholder value, but I can do only so much," said Li.</p>

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Date and source	Development
12 July 2006 Financial Times	<p>Jamie Allen of the Hong Kong-based Asian Corporate Governance Association says that the board of PCCW should issue a statement for the benefit of its minority shareholders. "PCCW should explain to investors why it has not necessarily taken the highest offer on the table," he says.</p> <p>Francis Leung has said that he is acting in his own capacity, through a wholly-owned company called Fiorlatte, which is registered in the British Virgin Islands (BVI). BVI companies are not required to carry the name or identity of any shareholders in any public documents.</p>
13 July 2006 Financial Times	<p>Among the questions being asked are why Francis Leung personally acquires the stake and what drives Richard Li to conclude the HK\$9.2 billion sale with such apparent haste. Eyes have popped over the revelation that Li's PCRD will provide Leung with so-called "vendor finance" and has agreed to loan to Leung 70% of the financing required to fund the deal.</p> <p>Leung promised on 12 July 2006 to name the financial backers of his takeover vehicle by the time he paid his first instalment.</p>
14 July 2006 Financial Times	<p>The Office of Telecommunications Authority on 7 July 2006 proposed a scrapping interconnection fee paid by mobile operations to fixed-line companies in a move that could lower PCCW's annual revenue by about HK\$400 million.</p> <p>Marvin Lo, analyst at BNP Paribas, says that the recommendation could lower PCCW's pre-tax profits by about HK\$400 million a year, or about 10% of last year's total. It could also reduce PCCW's net profit by HK\$250 million, or about 15% of 2005's figures.</p>

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Date and source	Development
<p>19 July 2006 The Straits Times</p>	<p>PCRD made it clear on 18 July 2006 that its chairman and major shareholder, Richard Li, would be entitled to vote at a shareholders' meeting being held to seek approval for the sale of its PCCW stake to Francis Leung. This followed concerns raised by observers in Singapore as to whether Li should abstain from voting on the deal, given the close relationship Leung was believed to enjoy with his family.</p> <p>PCRD squashed concerns yesterday over the financing arrangement given to Francis Leung to make his PCCW purchase. "The board wishes to clarify that the company is not providing any financing to Mr Leung [...]. Pursuant to the terms of the agreement, the aggregate consideration for the sale shares will be paid [...] on a deferred payment basis", it said.</p>
<p>19 July 2006 Financial Times</p>	<p>The Securities Investors Association of Singapore (SIAS) has called for Richard Li to abstain from voting on a PCRD deal designed to hand control of PCCW to Francis Leung in the latest sign of unease surrounding the controversial transaction. David Gerald, the SIAS president, says that Li should abstain from the vote because of the close relations that Leung had with the Li's family.</p> <p>The criticism by SIAS underscores growing concerns that minority shareholders have been poorly treated in the deal and comes after the Singapore Exchange's saying that it would allow Li to vote on the sale at a forthcoming extraordinary shareholders' meeting.</p> <p>Some of the 8 900 minority shareholders have complained that PCRD should have extracted a higher price for its stake in PCCW.</p>
<p>21 July 2006 Financial Times</p>	<p>David Gerald says that if it could confirm grounds for legal action, it would call a meeting of PCRD minority shareholders next month to persuade them to file a lawsuit to delay the PCCW sale.</p> <p>SIAS believes that Richard Li's agreement to sell the stake in PCCW to Francis Leung may violate Singapore's takeover rules, which require a company to keep its assets intact until shareholders have had a chance to vote on any existing offers.</p>

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Date and source	Development
22 July 2006 The Straits Times, The Business Times Singapore	David Gerald has called for the independent directors of Singapore-listed PCRD to protect the interests of minority shareholders and to appoint an independent adviser to advise on the sale of the firm's 23% stake in PCCW. "All we are asking for is more disclosure and more transparency over the issue," he says. So far, PCRD's independent directors have not publicly commented on the firm's proposed sale of its PCCW stake.
24 July 2006 The Business Times	<p>In a statement issued by PCRD on 21 July 2006, the various entities belonging to Richard Li's Pacific Century Group (PCG shareholders), which control the majority stake in PCRD, will not be voting at a court meeting where PCRD's minority shareholders will decide on whether they want to sell their shares to TPG Newbridge. If the above scheme is approved by the minority shareholders at the court meeting expected to be held in the second half of August, the resolution to approve PCRD's proposed sale of the 23% stake in PCCW to Francis Leung will be withdrawn.</p> <p>The statement says that once PCRD is privatized and delisted from the Singapore Exchange following TPG Newbridge's acquisition, any decision to proceed with the sale of the PCCW stake will be taken by the shareholders of the company at that time. In other words, the PCCW stake sale will be a private matter to be decided between PCG shareholders and TPG Newbridge.</p> <p>PCRD says that it is taking steps to reconvene the meeting and will despatch to shareholders a document containing updated advice from CIMB-GK Goh Securities, the independent financial adviser to the company's independent directors.</p>

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Date and source	Development
26 July 2006 Financial Times	PCCW last night formally rejected two US\$7 billion-plus (HK\$54.28 billion-plus) offers from TPG Newbridge and Macquarie for its core assets. "The board has determined not to pursue either non-binding expression of interest any further," PCCW said after a board meeting.
27 July 2006 The Straits Times	During a meeting in Singapore on 26 July 2006 with David Gerald to discuss investor issues that had arisen from the controversial sale proposal, PCR D's chief financial officer, Peter Allen, indicated that the proposed sale of PCCW's assets to Francis Leung was not cast in stone. Allen, who is also a PCR D director, has not ruled out considering other offers. PCR D's directors would consider any buyer who could come up with a better deal and any alternative proposal would be put to shareholders for their approval.
28 July 2006 The Business Times	<p>PCR D said yesterday that it was not aware of any proposal to privatize and delist the company other than the scheme announced earlier this year for TPG Newbridge to buy 25% of PCR D. "At present, the board has not decided on any distributions to shareholders" in the event that shareholders approve the sale of the PCCW stake, although the company will "actively explore ways to maximize monetizable returns to shareholders". The company reiterated that it intended to apply part of the net proceeds from the sale towards repaying borrowings, debt redemption and working capital purposes, with the remainder for future investment or acquisition opportunities and distributions to shareholders.</p> <p>"A substantial portion of the proceeds from the sale will only be received by the company up to 18 months from the fulfilment of the conditions," PCR D said. It noted that the conditional agreement to sell the PCCW stake to Francis Leung was a legally binding agreement.</p>

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