

## Statement of Francis P.T. Leung

Reference is made to recent press reports in relation to certain statements allegedly made by me at the time Fiorlatte Limited ("Fiorlatte"), a company wholly-owned by me, entered into the agreement to acquire a 22.65% stake in PCCW from Pacific Century Regional Developments Limited ("PCRD").

Reference is also made to my press statement of 22 September 2006 ("22 Sept Statement") and my press announcement of 12 November 2006 ("12 Nov Announcement").

I would like to point out at the outset that it was Mr Richard Li Tzar-kai ("Mr R Li") who first asked me to consider acquiring PCRD's 22.65% stake in PCCW ("Transaction"). Mr R Li further suggested that I raise the financing for the Transaction through a private equity fund. In order to provide more time for me to raise the required financing, Mr R Li offered a staged payment structure whereby the consideration for the Transaction would be paid over 18 months. I accepted Mr R Li's proposal as I believed that it represented a good opportunity to invest in a company which is clearly a pillar in the telecommunications sector in Hong Kong. Although I had not received any commitment from any person to invest in such private equity fund at that time, I was confident that I could raise the required financing for the Transaction over a period of 18 months.

Contrary to certain allegations, I have never undertaken to not sell any PCCW shares to any particular person. This fact is supported by, and reflected in, the written agreement between Fiorlatte and PCRD in relation to the Transaction ("Agreement"), which expressly states that the Agreement constitutes the whole and only agreement between the parties in relation to the Transaction. In that Agreement, I confirmed that:

- as at the date of the Agreement, Fiorlatte was wholly-owned by me
- as at completion of the Transaction, I will hold at least 50% of the voting shares in Fiorlatte

Clearly, those confirmations were correct and remain correct, and I intend to retain 100% of Fiorlatte following the on-sales referred to below. The Agreement does not contain any restriction on the transfer or sale of PCCW shares to any person.

As stated previously, I financed the HK\$500 million escrow deposit for the Transaction from a facility provided to me by Mr Li Ka-Shing ("Mr. KS Li"). The facility had been made available to me some time before the Transaction and was for purposes entirely unconnected with the Transaction. While funding was initially intended to be sourced from elsewhere for the escrow deposit, given the urgent time-frame, the facility was drawn down as a temporary source of financing and was repaid within ten days of drawdown. In light of the above, and as I regarded this as a private matter, I believed it to be neither relevant nor necessary for such details to be made known to PCRD.

Following the publication by PCRD of its announcement on 18 July 2006, and as soon as practicable upon my realising that that announcement required clarification on my part (with respect to a subject matter which was then known only to me and not PCRD), I consulted my lawyers who then contacted the Singapore Stock Exchange. This led to the publication by PCRD of its clarification announcement on 20 September 2006 in relation to, among other things, the

bridging finance mentioned above, which announcement was also submitted to the Singapore Stock Exchange for review.

The Transaction is a transaction between an existing shareholder (PCRD) and a then potential shareholder (Fiorlatte) of a company (PCCW) whose securities are listed on the Hong Kong Stock Exchange. It is not a transaction by the listed company itself. Accordingly, the Transaction is not governed by the Listing Rules of the Hong Kong Stock Exchange. Nevertheless, and appropriately, PCCW itself has published copies of PCRD's announcements in newspapers in Hong Kong simultaneously with its release by PCRD in Singapore.

I reiterate that I have complied, and will continue to comply, in full with all applicable laws and regulations. In particular, I will maintain full transparency in my dealings in accordance with applicable laws and regulations. In this regard, as soon as agreements were reached to on-sell parts of the 22.65% stake in PCCW to Telefonica, the Hong Kong Foundation and the Canadian Foundation ("On-sales"), I issued the 12 Nov Announcement.

The background leading to the On-sales is as follows. While my original intention was to invite third parties to join me in Fiorlatte's investment in PCCW through a private equity fund, I experienced difficulties in putting a deal together on that basis. I then considered the possibility of on-selling part of the stake to strategic and other long term investors.

More than one month prior to the finalisation of the On-sales, I informed Mr R Li of these difficulties. Mindful of Mr R Li's sensitivities, I informed him that certain of the PCCW shares might be on-sold to charitable foundations founded by Mr KS Li, which might be willing to acquire the PCCW shares as a long-term investment. Mr R Li told me that he did not wish for this. I therefore offered Mr R Li three alternatives: (1) that Mr R Li could suggest alternative buyers for some of the PCCW shares (in place of the charitable foundations); or (2) that Mr R Li could make a substitute proposal; or (3) that I would agree to the termination of the Agreement between Fiorlatte and PCRD in relation to the Transaction provided that PCRD reimburses the costs and expenses incurred by Fiorlatte in connection with the Transaction. None of those proposals was, however, pursued by Mr R Li. Accordingly, Fiorlatte entered into the agreements relating to the On-sales to Telefonica, the Hong Kong Foundation and the Canadian Foundation, each of which independently agreed to acquire approximately 8%, 10% and 2% of PCCW respectively.

I firmly believe that the Transaction is in the best interests of PCRD shareholders as a whole. Indeed, it is gratifying to learn that, in PCRD's circular to its shareholders dated 14 November 2006, the independent directors of PCRD concur with the views of their independent financial advisor and recommend their shareholders to vote in favour of the ordinary resolution in connection with the Transaction to be proposed at the shareholders meeting to be held on 30 November 2006.

**Francis P.T. Leung**  
**21 November 2006**