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**Pacific Century Regional
Developments Limited**

*(incorporated in the Republic of Singapore
with limited liability)*

Company Registration No. 196300381N

Starvest Limited

*(incorporated in the Cayman Islands with
limited liability)*



**China Network Communications
Group Corporation**

(established in the People's Republic of China)

**China Netcom Corporation
(BVI) Limited**

*(incorporated in the British Virgin Islands
with limited liability)*



PCCW Limited

電訊盈科有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

JOINT ANNOUNCEMENT

**PROPOSED PRIVATISATION OF
PCCW**

BY

THE JOINT OFFERORS

BY WAY OF A SCHEME OF ARRANGEMENT

(UNDER SECTION 166 OF THE COMPANIES ORDINANCE)

AND

RESUMPTION OF TRADING IN SHARES OF PCCW

Financial Adviser to PCRD and Starvest Financial Adviser to CNC and Netcom BVI



**The Hongkong and Shanghai Banking
Corporation Limited**



**ABN AMRO Asia Corporate
Finance Limited**

1. INTRODUCTION

The Joint Offerors and PCCW jointly announce that, on 3 November 2008, the Joint Offerors requested the board of directors of PCCW to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of PCCW by way of a scheme of arrangement under Section 166 of the Companies Ordinance.

2. TERMS OF THE PROPOSAL

The Scheme will provide that the Scheme Shares be cancelled in exchange for the payment to each Scheme Shareholder of HK\$4.20 in cash for each Scheme Share.

As at the Last Trading Date, the Scheme Shareholders were interested in 3,549,717,586 PCCW Shares (representing approximately 52.42% of the issued share capital of PCCW as at the Last Trading Date), and the Joint Offerors and the Excluded Group were interested in 3,222,577,068 PCCW Shares (representing approximately 47.58% of the issued share capital of PCCW as at the Last Trading Date). The PCCW Shares owned by the Joint Offerors and the Excluded Group will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. Further, only Independent Shareholders may vote at the Court Meeting.

As at the Last Trading Date, Netcom BVI held 1,343,571,766 PCCW Shares (representing approximately 19.84% of the issued share capital of PCCW as at the Last Trading Date). Netcom BVI may transfer all or part of its PCCW Shares to CNC as approved by the applicable Relevant Authorities in the PRC at any time between the date of the Consortium Agreement and 15 days after the Effective Date.

If the Proposal becomes effective, the PCCW Shares underlying each ADS will be cancelled on the Effective Date and the ADS Holders will receive the US\$ equivalent of HK\$4.20 from the Depositary for each such underlying PCCW Share (less any fees and expenses of the Depositary in connection with the currency conversion and cancellation of the ADSs).

Pursuant to Rule 13 of the Takeovers Code, the Joint Offerors will make an appropriate cash offer to the Optionholders to cancel their Options. The Option Offer will be conditional upon the Proposal becoming effective. Normally, the amount of the cash offer to cancel an Option will be calculated by deducting the exercise price per PCCW Share payable on exercise of an Option from the Cancellation Price per Scheme Share payable under the Scheme (ie, the “see-through” price). As the exercise price of all the Options is above the Cancellation Price, the offer price under the Option Offer will be nominal, and the terms of the Option Offer will be set out in the Scheme Document.

The Proposal is conditional upon the fulfillment or waiver, as applicable, of the Conditions as described in the section headed “Conditions of the Proposal” below. All Conditions will have to be fulfilled or waived, as applicable, on or before 23 April 2009 (or such later date as the Joint Offerors and PCCW may agree and the High Court may allow), otherwise the Proposal will lapse.

3. YUE SHUN IRREVOCABLE UNDERTAKING

Yue Shun is a Scheme Shareholder and has given the Irrevocable Undertaking to Starvest and PCCW that it will not vote at the Court Meeting. The Irrevocable Undertaking was given in respect of Yue Shun’s 36,726,857 PCCW Shares (representing approximately 0.54% of the issued share capital of PCCW as at the Last Trading Date). Yue Shun has also undertaken to vote (if permitted to do so) in favour of any resolutions to be proposed at the EGM (or at any adjourned meeting) to reduce the issued share capital in PCCW (being the resolution referred to in Condition (b)). The Irrevocable Undertaking provides that, without the prior written consent of Starvest, Yue Shun will not acquire or dispose of any PCCW Shares. The Irrevocable Undertaking will remain valid until the Scheme lapses or becomes effective.

4. CONSORTIUM AGREEMENT

PCRD, Starvest, CNC and Netcom BVI have entered into the Consortium Agreement pursuant to which the parties have agreed that the New Shares will be issued in the ratio of 74.27:25.73 to Starvest and Netcom BVI (and/or CNC) respectively.

All decisions relating to the Proposal will be made jointly by the Joint Offerors. In particular, any increase to the Cancellation Price subsequent to the issue of this announcement must be agreed between the Joint Offerors.

PCRD, Starvest, CNC and Netcom BVI have agreed to procure that PCCW will, within 20 days after the Effective Date, declare a dividend in cash to the Post-Scheme Shareholders of an aggregate amount of between HK\$16,964 million and HK\$17,565 million, of which an amount of not more than HK\$4,289 million will be deferred by PCCW for such period as PCCW may determine (but in any event, not more than 12 months after the date on which the dividend is declared or, if earlier, the date on which the finance parties under the Starvest Facility Agreement are entitled, upon the occurrence of certain events, to exercise certain rights under the Starvest Facility Agreement) and PCCW will pay interest on such deferred sums at a rate of LIBOR plus 1.5% per annum.

Save for: (i) the security granted in connection with the Starvest Facility Agreement in respect of the PCCW Shares held by the Excluded Group; (ii) any security which may be granted in connection with the Netcom Facility in respect of the PCCW Shares held by Netcom BVI and/or CNC; and (iii) the transfer of PCCW Shares by Netcom BVI to CNC, each party to the Consortium Agreement has also agreed that it will not, prior to the Effective Date, dispose of or create any third party interest in all or any of its PCCW Shares (nor will it accept any other offer in respect of such PCCW Shares, nor will it acquire or subscribe for any PCCW Shares).

5. FINANCIAL RESOURCES

Starvest will pay 74.27% and Netcom BVI will pay 25.73% of the cash consideration payable under the Scheme and the Option Offer.

Assuming none of the Options are exercised before the Effective Date, the maximum amount of cash consideration required to effect the Proposal will be approximately HK\$14,909 million, of which approximately HK\$11,073 million will be paid by Starvest and approximately HK\$3,836 million will be paid by Netcom BVI. Assuming all the Options are exercised before the Effective Date, the maximum amount of cash consideration required to effect the Proposal will be approximately HK\$15,491 million, of which approximately HK\$11,505 million will be paid by Starvest and approximately HK\$3,986 million will be paid by Netcom BVI.

HSBC, as financial adviser to PCRD and Starvest, is satisfied that sufficient financial resources are available to Starvest for the payment of its 74.27% proportion of the cash consideration payable under the Scheme and the Option Offer. ABN AMRO, as financial adviser to CNC and Netcom BVI, is satisfied that sufficient financial resources are available to Netcom BVI for the payment of its 25.73% proportion of the cash consideration payable under the Scheme and the Option Offer.

6. WITHDRAWAL OF LISTING

Following the Effective Date, the listing of the PCCW Shares on the Stock Exchange will be withdrawn. The listing of the PCCW Shares on the Stock Exchange will not be withdrawn if the Proposal is not approved or lapses.

7. STATEMENT BY EXECUTIVE DIRECTORS OF PCCW

The executive directors of PCCW believe that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole.

The IBC comprising of the independent non-executive directors of PCCW has been formed to advise the Independent Shareholders on the Proposal. The recommendation of the IBC as to whether the Proposal is or is not fair and reasonable, and as to voting by the Independent Shareholders at the Court Meeting, will be set out in the Scheme Document.

The board of directors of PCCW, with the approval of the IBC, has also appointed N M Rothschild & Sons (Hong Kong) Limited as the IFA to advise the IBC on the Proposal.

8. SCHEME DOCUMENT

PCCW will send the Scheme Document (containing, amongst other things, further details of the Proposal, the expected timetable, the recommendations of the IBC in respect of the Proposal and a letter of advice from the IFA) to the Shareholders as soon as practicable.

9. SUSPENSION AND RESUMPTION OF TRADING

At the request of PCCW, trading of PCCW Shares on the Stock Exchange was suspended from 10:00 am on 14 October 2008, pending the issue of this announcement. An application has been made by PCCW to the Stock Exchange for the resumption of trading of PCCW Shares on the Stock Exchange with effect from 9:30 am on 5 November 2008.

10. GENERAL

The Proposal may or may not require consideration in relation to the mergers and acquisitions provisions of the Telecommunications Ordinance. PCCW-HKT Telephone Limited and/or HKT (after completion of the HKTGH Restructuring), being the carrier licensee(s), will discuss the matter with the TA as soon as practicable after the release of this announcement. **Accordingly, Shareholders, holders of other securities and/or potential investors are advised to exercise caution when dealing in the PCCW Shares or other securities of PCCW.**

Shareholders, holders of other securities and/or potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus may or may not become effective. Shareholders, holders of other securities and potential investors are advised to exercise caution when dealing in the PCCW Shares or other securities of PCCW.

INTRODUCTION

On 3 November 2008, the Joint Offerors requested the board of directors of PCCW to put forward the Proposal to the Scheme Shareholders regarding a proposed privatisation of PCCW by way of the Scheme involving the cancellation of all the Scheme Shares, as a result of which it is intended that Starvest and the Excluded Group will hold approximately 66.67% and Netcom BVI (and/or CNC) will hold approximately 33.33% of the issued share capital of PCCW. Having reviewed the Proposal, the board of directors of PCCW has resolved to put the Proposal forward to the Scheme Shareholders. Those directors of PCCW who have a conflict of interest (as a result of their being common directors of PCCW on the one hand and PCRD, Starvest or Netcom BVI on the other hand) and members of the IBC (the recommendation of which will be set out in the Scheme Document) abstained from voting in relation to that resolution.

TERMS OF THE PROPOSAL

PCCW Shares

As at the Last Trading Date, the Scheme Shareholders were interested in 3,549,717,586 PCCW Shares (representing approximately 52.42% of the issued share capital of PCCW as at the Last Trading Date), and the Joint Offerors and the Excluded Group were interested in 3,222,577,068 PCCW Shares (representing approximately 47.58% of the issued share capital of PCCW as at the Last Trading Date). The PCCW Shares owned by the Joint Offerors and the Excluded Group will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. Further, only Independent Shareholders may vote at the Court Meeting.

As at the Last Trading Date, Netcom BVI held 1,343,571,766 PCCW Shares (representing approximately 19.84% of the issued share capital of PCCW as at the Last Trading Date). Netcom BVI may transfer all or part of its PCCW Shares to CNC as approved by the applicable Relevant Authorities in the PRC at any time between the date of the Consortium Agreement and 15 days after the Effective Date.

Consideration

The Scheme will provide that the Scheme Shares be cancelled in exchange for the payment to each Scheme Shareholder of HK\$4.20 in cash for each Scheme Share.

ADSs

If the Proposal becomes effective, the PCCW Shares underlying each ADS will be cancelled on the Effective Date and ADS Holders will receive the US\$ equivalent of HK\$4.20 for each such underlying PCCW Share (less any fees and expenses of the Depositary in connection with the currency conversion and cancellation of the ADSs). As at the Last Trading Date, there were 2,456,414 ADSs in respect of 24,564,140 PCCW Shares. The Depositary (as the registered holder of the Scheme Shares underlying the ADSs) will receive an amount in Hong Kong dollars equal to the amount payable in respect of the Scheme Shares held by the Depositary. Upon receipt, the Depositary will convert such funds into United States dollars at the then prevailing market rate. Upon surrender of their ADSs in accordance with the terms of the Deposit Agreement, ADS Holders will receive their pro-rata portion of the cash consideration from the Depositary (less any fees and expenses of the Depositary in connection with the currency conversion and cancellation of the ADSs). ADS Holders may incur related taxes and governmental charges.

Options

Pursuant to Rule 13 of the Takeovers Code, the Joint Offerors will make an appropriate cash offer to the Optionholders to cancel their Options. The Option Offer will be conditional upon the Proposal becoming effective. Normally, the amount of the cash offer to cancel an Option will be calculated by deducting the exercise price per PCCW Share payable on exercise of an Option from the Cancellation Price per Scheme Share payable under the Scheme (ie, the “see-through” price). As the exercise price of all the Options is above the Cancellation Price, the offer price under the Option Offer will be nominal, and the terms of the Option Offer will be set out in the Scheme Document. As at the Last Trading Date, there were 138,579,410 Options outstanding.

Other than the Options and the ADSs, as at the Last Trading Date, there were no outstanding options, warrants, derivatives or convertible securities issued by PCCW.

Comparisons of value

The Cancellation Price represents:

- a premium of approximately 52.73% over the closing price of HK\$2.75 per PCCW Share as quoted on the Stock Exchange on the Last Trading Date;

- a premium of approximately 46.85% over the average closing price of about HK\$2.86 per PCCW Share based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- a premium of approximately 6.87% over the average closing price of about HK\$3.93 per PCCW Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- a discount of approximately 9.48% over the average closing price of about HK\$4.64 per PCCW Share based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
- a premium of approximately 1,726.09% to the audited consolidated net asset value attributable to Shareholders per PCCW Share of about HK\$0.23 as at 31 December 2007; and
- a premium of approximately 1,455.56% to the unaudited consolidated net asset value attributable to Shareholders per PCCW Share of about HK\$0.27 as at 30 June 2008.

Highest and lowest prices

During the six month period preceding the Last Trading Date, the highest closing price of the PCCW Shares as quoted on the Stock Exchange was HK\$5.16 each on 18 August 2008, and the lowest closing price of the PCCW Shares as quoted on the Stock Exchange was HK\$2.75 each on 13 October 2008.

Total consideration

As at the Last Trading Date, there were 6,772,294,654 PCCW Shares in issue and the Scheme Shareholders were interested in 3,549,717,586 PCCW Shares (representing approximately 52.42% of the issued share capital of PCCW as at the Last Trading Date).

At the Cancellation Price, the Proposal values the entire issued share capital of PCCW at approximately HK\$28,444 million. The amount payable for the underlying PCCW Shares represented by the outstanding ADSs as at the Last Trading Date is approximately HK\$103 million.

Starvest will pay 74.27% and Netcom BVI will pay 25.73% of the cash consideration payable under the Scheme and the Option Offer.

Assuming none of the Options are exercised before the Effective Date, the maximum amount of cash consideration required to effect the Proposal will be approximately HK\$14,909 million, of which approximately HK\$11,073 million will be paid by Starvest and approximately HK\$3,836 million will be paid by Netcom BVI. Assuming all the Options are exercised before the Effective Date, the maximum amount of cash consideration required to effect the Proposal will be approximately HK\$15,491 million, of which approximately HK\$11,505 million will be paid by Starvest and approximately HK\$3,986 million will be paid by Netcom BVI.

The cash consideration to cancel all the Options will be nominal as the exercise price of all the Options is above the Cancellation Price. The terms of the Option Offer will be set out in the Scheme Document.

Confirmation of financial resources

HSBC has been appointed as the financial adviser to PCR D and Starvest, and ABN AMRO has been appointed as the financial adviser to CNC and Netcom BVI, in connection with the Proposal.

HSBC, as financial adviser to PCR D and Starvest, is satisfied that sufficient financial resources are available to Starvest for the payment of its 74.27% proportion of the cash consideration payable under the Scheme and the Option Offer. ABN AMRO, as financial adviser to CNC and Netcom BVI, is satisfied that sufficient financial resources are available to Netcom BVI for the payment of its 25.73% proportion of the cash consideration payable under the Scheme and the Option Offer.

Starvest has entered into the Starvest Facility Agreement to fund the payment of its proportion of the cash consideration payable under the Scheme and the Option Offer. That loan facility will be used by Starvest for payment of the cash consideration payable to Scheme Shareholders and Optionholders pursuant to its obligations under the Scheme and the Option Offer respectively, and the costs and expenses incurred in connection therewith. It is intended that Starvest will use the dividends to be distributed by PCCW to Starvest and the Excluded Group to repay (or prepay before its maturity) the principal under that loan facility.

Netcom BVI will fund the payment of its proportion of the cash consideration under the Scheme and the Option Offer by using funds drawn down under the Netcom Facility and its internal cash resources. Netcom BVI has drawn down under the Netcom Facility and the funds drawn down, together with funds from Netcom BVI's internal cash resources, have been transferred and deposited in a Hong Kong dollar deposit account with The Royal Bank of Scotland plc, Hong Kong Branch (the "RBS Account"). The funds in the RBS Account will be used to fund the payment of Netcom BVI's proportion of the cash consideration payable under the Scheme and the Option Offer. ABN AMRO is a wholly-owned subsidiary of ABN AMRO Bank N.V. and ABN AMRO Bank N.V. is a subsidiary undertaking of The Royal Bank of Scotland Group plc.

CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on PCCW and all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders, present and voting either in person or by proxy at the Court Meeting, provided that:
 - (i) the Scheme is approved (by way of poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Independent Shareholders;
- (b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting, in person or by proxy, at the EGM, to approve and give effect to the reduction of the issued share capital of PCCW by cancelling and extinguishing the Scheme Shares and, immediately thereafter, applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full and issue to Starvest and Netcom BVI (and/or CNC) such number of New Shares as is equal to the number of Scheme Shares cancelled;
- (c) the High Court's sanction of the Scheme (with or without modifications) and the confirmation of the reduction of the issued share capital of PCCW involved in the Scheme by the High Court under Sections 166 and 60, respectively, of the Companies Ordinance;
- (d) compliance with the procedural requirements of Sections 166 and 61 of the Companies Ordinance in relation to the Scheme and the reduction of the issued share capital of PCCW respectively;
- (e) the shareholders of PCRDC approving, at an extraordinary general meeting of such shareholders convened for that purpose (or at any adjournment thereof), such resolutions as may be necessary to implement the Proposal;

- (f) the Singapore Exchange's approval of the Scheme (with or without modifications) having been obtained where necessary and such approval not having been withdrawn or revoked as at the Effective Date;
- (g) the approvals of the Proposal by the Relevant Authorities in the PRC having been obtained by CNC and/or Netcom BVI;
- (h) the drawdown by HKT of the total amount available under the Revolving Credit Facility having occurred and all amounts having been applied such that:
 - (i) all indebtedness under the Existing Facilities has been repaid and discharged in full;
 - (ii) an amount of not less than HK\$7,020 million has been lawfully transferred to PCCW; and
 - (iii) as a result of (ii), not less than HK\$12,675 million is standing to the credit of a designated account held by PCCW and is available for distribution to the Post-Scheme Shareholders;
- (i) no event having occurred and being continuing under the Revolving Credit Facility which:
 - (i) would result in any amounts owing under such agreement being or becoming repayable (or capable of being declared repayable) immediately or earlier than their stated maturity date or repayment date; or
 - (ii) has resulted in all amounts under such agreement being declared repayable immediately;
- (j) there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the PCCW Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which as a consequence of the Proposal or the Scheme would result in (in each case to an extent which is material in the context of the PCCW Group as a whole and in the context of the Proposal):
 - (i) any monies borrowed by or any other indebtedness (actual or contingent) of any member of the PCCW Group being or becoming repayable (or capable of being declared repayable) immediately or earlier than their or its stated maturity date or repayment date;

(ii) any such agreement, arrangement, licence, permit or instrument (or the rights, liabilities, obligations or interests of any member of the PCCW Group thereunder) being terminated or adversely modified (or any material obligation or liability arising or any material action being taken thereunder); or

(iii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the PCCW Group or any such security (whenever arising) becoming enforceable,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the PCCW Group is a party or by which any such member or all or any of its assets may be bound, entitled or subject, would result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (iii) of this paragraph (j) (in each case to an extent which is material in the context of the PCCW Group as a whole and in the context of the Proposal);

(k) except in so far as such event forms part of the Proposal, the Scheme or the HKTGH Restructuring or save as publicly disclosed prior to the date of this announcement, since 30 June 2008 no member of the PCCW Group having (in each case to an extent which is material in the context of the PCCW Group as a whole and in the context of the Proposal):

(i) save as between PCCW and wholly-owned subsidiaries of PCCW (“intra-PCCW Group transactions”) or pursuant to the Share Option Schemes or the Share Award Schemes, issued or authorised the issue of additional shares of any class or redeemed, purchased or reduced (or announced any intention to do so) or made any other change to any part of its share capital;

(ii) save for intra-PCCW Group transactions or pursuant to the Share Option Schemes or the Share Award Schemes, issued or agreed to issue (or authorised or agreed to authorise) securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;

(iii) other than lawfully to another member of the PCCW Group (or, in the case of PCCW or PCPD, its shareholders as a class), recommended, declared, paid or made (or proposed to recommend, declare, pay or make) any bonus, dividend or other distribution (whether payable in cash or otherwise);

- (iv) save for intra-PCCW Group transactions, implemented, effected or authorised (or announced its intention to implement, effect or authorise) any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares (or the equivalent thereof) in any undertaking or undertakings;
 - (v) save for intra-PCCW Group transactions and other than in the ordinary course of business, disposed of (or transferred, mortgaged or created any security interest over) any asset (or any right, title or interest in any asset) that is material in the context of the PCCW Group taken as a whole (or authorised, proposed or announced any intention to do so);
 - (vi) save for intra-PCCW Group transactions or pursuant to the Revolving Credit Facility, made or authorised any material increase to its levels of financial indebtedness (whether by way of loan, bond or other debt or credit facility or instrument);
 - (vii)(other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings started or threatened against it for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any material part of its assets or revenues (or any analogous proceedings in any jurisdiction or had any such person, or analogous person in any jurisdiction, appointed);
 - (viii)been unable or admitted in writing that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally (or ceased or threatened to cease carrying on all or a substantial part of its business) or waived, compromised or settled any claim otherwise than in the ordinary course of business;
 - (ix) purchased, redeemed or repaid (or announced any proposal to purchase, redeem or repay) any of its own shares or other securities (or reduced or, save with respect to the matters mentioned in sub-paragraph (i) of this paragraph (k), made any other change to any part of its share capital);
- (1) all Authorisations (if any) in connection with the Proposal from or with (as the case may be) the Relevant Authorities in the PRC, Hong Kong and/or any other relevant jurisdictions having been made and, if applicable, any waiting periods having expired or terminated (in each case where such Authorisation is material in the context of the PCCW Group as a whole and in the context of the Proposal);

- (m) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for (or is in addition to requirements expressly provided for) in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective (in each case where such Authorisation is material in the context of the PCCW Group as a whole and in the context of the Proposal);
- (n) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme void, unenforceable or illegal (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme);
- (o) all necessary consents (other than any that may be required from any member of the PCR Group) which may be required under any existing contractual obligations of PCCW and/or its subsidiaries being obtained and remaining in full force and effect without modification (in each case where the failure to obtain such consent is material in the context of the PCCW Group as a whole and in the context of the Proposal); and
- (p) since 30 June 2008:
 - (i) there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the PCCW Group (to an extent which is material in the context of the PCCW Group taken as a whole and in the context of the Proposal); and
 - (ii) there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the PCCW Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the PCCW Group taken as a whole and in the context of the Proposal.

The Joint Offerors reserve the right to waive all or any of the above Conditions, either in whole or in respect of any particular matter, except for Conditions (a) to (g). Such waiver must be made by both of the Joint Offerors. Starvest may not waive, amend, declare or treat as satisfied (except to the extent satisfied in accordance with its terms) any of the Conditions if such waiver would be prejudicial to the lenders under the Starvest Facility Agreement (unless the agent under such facility has given its consent or to the extent required by the Takeovers Code, the Executive or the High Court).

PCCW shall use its reasonable endeavours to ensure that Conditions (h), (j), (k) and (p) are fulfilled, and PCRD and CNC will not take any action to prevent Conditions (h), (j), (k) and (p) from being fulfilled. It is expected that Condition (h) will be satisfied contemporaneously with the completion of the HKTGH Restructuring, which is currently targeted to be completed by the end of November 2008.

The Joint Offerors may not invoke Conditions (f), (g), (l) and (m) unless any of the Authorisations referred to in those Conditions are obtained subject to conditions imposed by the Relevant Authorities and any of those conditions cannot reasonably be satisfied by the Joint Offerors or is otherwise unduly burdensome or onerous to any of the Joint Offerors or any person acting in concert with any of the Joint Offerors.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before 23 April 2009 (or such other date as the Joint Offerors and PCCW may agree and the High Court may allow), otherwise the Proposal will lapse. If the Scheme is withdrawn, not approved or lapses, the listing of the PCCW Shares on the Stock Exchange will not be withdrawn.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before 16 March 2009. An update of the expected timetable will be provided by a further announcement when the Scheme Document is despatched.

Shareholders, holders of other securities and/or potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus may or may not become effective. Shareholders, holders of other securities and potential investors are advised to exercise caution when dealing in the PCCW Shares or other securities of PCCW.

CONFIRMATIONS TO PCR D

PCGH has confirmed to PCR D that it will, to the extent permitted by law and applicable rules and regulations of Singapore, procure that each of Borsington, Anglang and PCG Cayman will vote their PCR D Shares in favour of any resolutions as may be necessary to implement the Proposal (referred to in Condition (e)) to be proposed at an extraordinary general meeting of PCR D (or at any adjournment thereof). Borsington, Anglang and PCG Cayman do not hold any PCCW Shares or other securities of PCCW.

Hopestar has confirmed to PCR D that it will, to the extent permitted by law and applicable rules and regulations of Singapore, vote its PCR D Shares in favour of any resolutions as may be necessary to implement the Proposal (referred to in Condition (e)) to be proposed at an extraordinary general meeting of PCR D (or at any adjournment thereof). Hopestar does not hold any PCCW Shares or other securities of PCCW.

YUE SHUN IRREVOCABLE UNDERTAKING

Yue Shun is a Scheme Shareholder and has given the Irrevocable Undertaking to Starvest and PCCW that it will not vote at the Court Meeting. The Irrevocable Undertaking was given in respect of Yue Shun's 36,726,857 PCCW Shares (representing approximately 0.54% of the issued share capital of PCCW as at the Last Trading Date). Yue Shun has also undertaken to vote (if permitted to do so) in favour of any resolutions to be proposed at the EGM (or at any adjourned meeting) to reduce the issued share capital in PCCW (being the resolution referred to in Condition (b)). The Irrevocable Undertaking provides that, without the prior written consent of Starvest, Yue Shun will not acquire or dispose of any PCCW Shares. The Irrevocable Undertaking will remain valid until the Scheme lapses or becomes effective.

CONSORTIUM AGREEMENT

PCR D, Starvest, CNC and Netcom BVI have entered into the Consortium Agreement pursuant to which the parties have agreed that the New Shares will be issued in the ratio of 74.27:25.73 to Starvest and Netcom BVI (and/or CNC) respectively.

All decisions relating to the Proposal will be made jointly by the Joint Offerors. In particular, any increase to the Cancellation Price subsequent to the issue of this announcement must be agreed between the Joint Offerors.

PCR D, Starvest, CNC and Netcom BVI have agreed to procure that PCCW will, within 20 days after the Effective Date, declare a dividend in cash to the Post-Scheme Shareholders of an aggregate amount of between HK\$16,964 million and HK\$17,565

million, of which an amount of not more than HK\$4,289 million will be deferred by PCCW for such period as PCCW may determine (but in any event, not more than 12 months after the date on which the dividend is declared or, if earlier, the date on which the finance parties under the Starvest Facility Agreement are entitled, upon the occurrence of certain events, to exercise certain rights under the Starvest Facility Agreement) and PCCW will pay interest on such deferred sums at a rate of LIBOR plus 1.5% per annum.

Pursuant to the Consortium Agreement, if either of the Joint Offerors is required to assume any obligations of the other, it will (subject to the Takeovers Code and the requirements of the Executive) have the right to increase the ratio of the issue of New Shares in its favour as it considers appropriate to the extent of the amount paid in respect of assuming the obligations of the other party and the other party will indemnify it in full against any claims and liabilities incurred.

Save for: (i) the security granted in connection with the Starvest Facility Agreement in respect of the PCCW Shares held by the Excluded Group; (ii) any security which may be granted in connection with the Netcom Facility in respect of the PCCW Shares held by Netcom BVI and/or CNC; and (iii) the transfer of PCCW Shares by Netcom BVI to CNC, each party to the Consortium Agreement has also agreed that it will not, prior to the Effective Date, dispose of or create any third party interest in all or any of its PCCW Shares (nor will it accept any other offer in respect of such PCCW Shares, nor will it acquire or subscribe for any PCCW Shares).

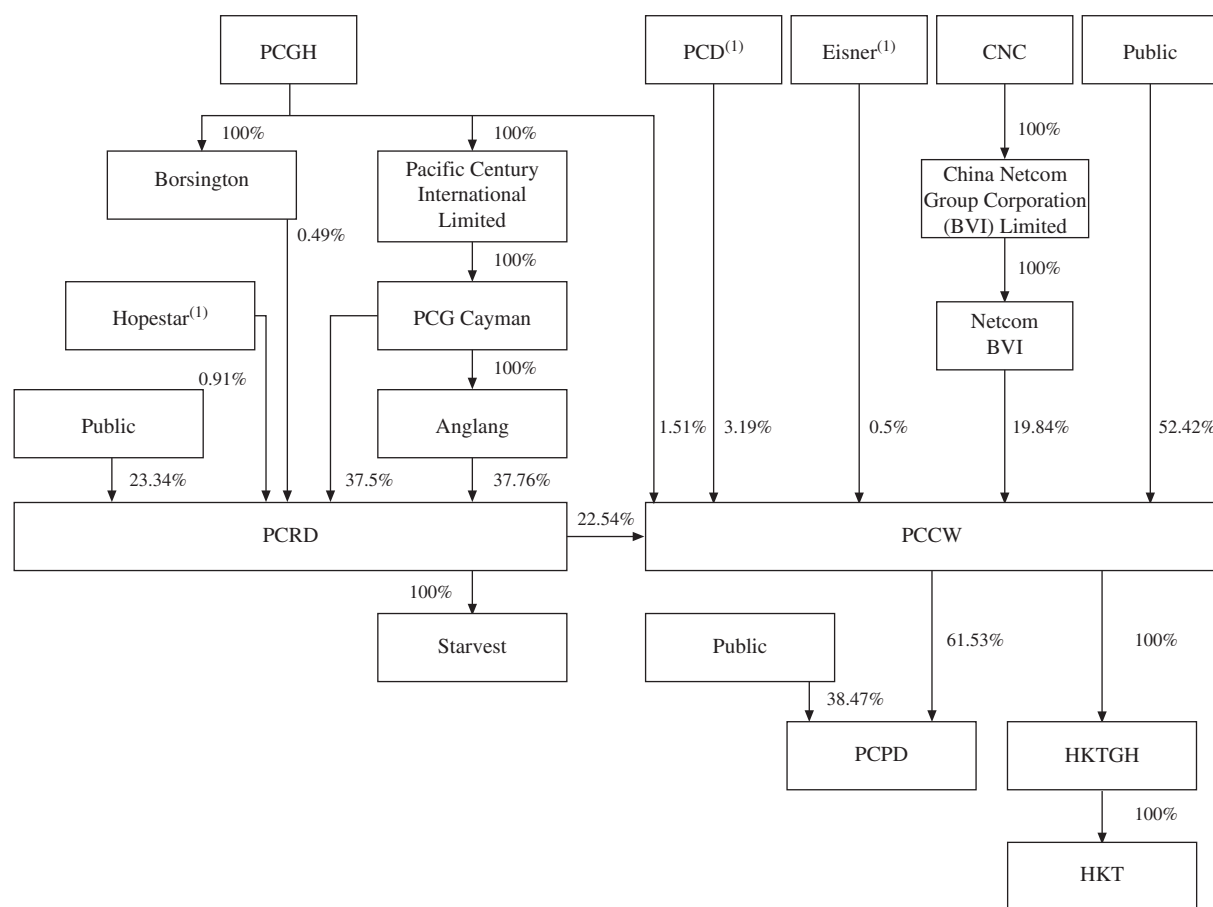
Each of PCGH, PCD and Eisner has given an undertaking to CNC and Netcom BVI in terms similar to that given by PCRD and Starvest under the Consortium Agreement.

Pursuant to the Consortium Agreement, the parties agree that, upon the Effective Date: (i) certain matters such as the issue of new PCCW Shares, the disposal of material assets and certain related party transactions will require the prior written consent of the Post-Scheme Shareholders holding in aggregate not less than 90% of the issued share capital of PCCW; (ii) Netcom BVI will have a right of first offer in respect of PCCW Shares held by PCRD and any member of the Excluded Group if any such party wishes to transfer any of its PCCW Shares (other than a transfer by any of them to its wholly-owned subsidiary or due to enforcement of the rights of the lenders under the Starvest Facility Agreement) and in respect of the shareholding in the material companies within the PCCW Group; (iii) PCRD will have a reciprocal right of first offer in respect of the PCCW Shares held by Netcom BVI and CNC, other than on the enforcement of the rights of the lenders under the Netcom Facility or in respect of the transfer of PCCW Shares by Netcom BVI and/or CNC to any

subsidiary of CNC (of which at least 75% of the issued voting share capital is beneficially owned by CNC); and (iv) the board of directors of PCCW will comprise of five directors to be appointed by PCRD and/or Starvest and three directors to be appointed by Netcom BVI or CNC.

SHAREHOLDING STRUCTURE OF PCCW AND PCRD

The chart below shows a simplified shareholding structure of PCCW and PCRD as at the Last Trading Date:



(1) Hopestar, PCD and Eisner are companies wholly-owned by Richard Li.

The table below sets out the shareholding structure of PCCW as at the Last Trading Date and immediately following implementation of the Proposal (assuming there are no other changes to the shareholding structure and no Options are exercised during that period):

Shareholders	As at the Last Trading Date		Immediately following implementation of the Proposal	
	Number of PCCW Shares	%	Number of PCCW Shares	%
<i>Post-Scheme Shareholders</i>				
Starvest ⁽¹⁾	0	0	2,636,375,251	38.93
PCRD	1,526,773,301	22.54	1,526,773,301	22.54
Netcom BVI ⁽¹⁾	1,343,571,766	19.84	2,256,914,101	33.33
PCGH	102,122,177	1.51	102,122,177	1.51
PCD ⁽²⁾	216,362,824	3.19	216,362,824	3.19
Eisner ⁽²⁾	<u>33,747,000</u>	<u>0.50</u>	<u>33,747,000</u>	<u>0.50</u>
Sub-total	3,222,577,068	47.58	6,772,294,654	100.00
<i>Scheme Shareholders and Starvest Concert Parties⁽³⁾</i>				
Yue Shun	36,726,857	0.542	0	0
Alexander Anthony Arena	760,200	0.011	0	0
Peter Anthony Allen	253,200	0.004	0	0
Francis Yuen Tin Fan	1,420,000	0.021	0	0
Tom Yee Lat Shing	2,520	0.000	0	0
HSBC ⁽⁴⁾	800	0.000	0	0
ABN AMRO ⁽⁴⁾	399,000	0.006	0	0
<i>Other Scheme Shareholders</i>	<u>3,510,155,009</u>	<u>51.831</u>	<u>0</u>	<u>0</u>
Sub-total	<u>3,549,717,586</u>	<u>52.42</u>	<u>0</u>	<u>0</u>
Total	<u>6,772,294,654</u>	<u>100.00</u>	<u>6,772,294,654</u>	<u>100.00</u>

(1) Pursuant to the Consortium Agreement, the New Shares will be issued in the ratio of 74.27:25.73 to Starvest and Netcom BVI (and/or CNC) respectively (which corresponds to 2,636,375,251 PCCW Shares to Starvest and 913,342,335 PCCW Shares to Netcom BVI (and/or CNC)). Netcom BVI may direct (in its absolute discretion) PCCW to issue such number of New Shares to which it is entitled to CNC.

(2) PCD and Eisner are companies wholly-owned by Richard Li. Richard Li is a director of both PCCW and PCRD. PCD and Eisner are parties acting in concert with Starvest and will not participate in the Scheme. The PCCW Shares held by PCD and Eisner will, therefore, not form part of the Scheme Shares.

- (3) Yue Shun holds 36,726,857 PCCW Shares (representing approximately 0.54% of the issued share capital of PCCW as at the Last Trading Date) and is a Scheme Shareholder. Yue Shun is a wholly-owned subsidiary of Hutchison Whampoa Limited and is presumed to be acting in concert with Starvest in accordance with class 8 of the definition of “acting in concert” in the Takeovers Code. On that basis, Yue Shun is not treated as an Independent Shareholder and Yue Shun has given the Irrevocable Undertaking that it will not vote at the Court Meeting.

The following directors of PCRD hold PCCW Shares and each of them is presumed to be acting in concert with Starvest in accordance with class 2 of the definition of “acting in concert” in the Takeovers Code: Mr. Alexander Anthony Arena holds 760,200 PCCW Shares (including 200 PCCW Shares in the form of 20 ADSs); Mr. Peter Anthony Allen holds 253,200 PCCW Shares; Mr. Francis Yuen Tin Fan holds 1,420,000 PCCW Shares; and Mr. Tom Yee Lat Shing holds 2,520 PCCW Shares. Mr. Alexander Anthony Arena also holds 15,800,000 Options and Mr. Peter Anthony Allen also holds 4,629,200 Options. Mr. Alexander Anthony Arena is also a director of PCCW and Mr. Peter Anthony Allen is also a director of Starvest and PCCW. Each of those directors is a Scheme Shareholder but is not treated as an Independent Shareholder and will not vote at the Court Meeting.

- (4) Each of HSBC and ABN AMRO is presumed to be acting in concert with Starvest and Netcom BVI respectively, in accordance with class 5 of the definition of “acting in concert” in the Takeovers Code. Details of holdings or borrowings of PCCW Shares or derivatives in respect of them by other parts of the HSBC group and the ABN AMRO group will be obtained as soon as possible after this announcement has been made in accordance with Note 1 to Rule 3.5 of the Takeovers Code.

Following the Effective Date and the withdrawal of listing of the PCCW Shares on the Stock Exchange, Starvest and the Excluded Group will collectively own approximately 66.67% of the issued share capital of PCCW and Netcom BVI (and/or CNC) will own approximately 33.33% of the issued share capital of PCCW.

As at the Last Trading Date, PCCW held approximately 61.53% of the issued share capital of PCPD. Such holding by PCCW in PCPD is not significant in terms of both companies’ respective assets and profits in accordance with Note 8 to Rule 26.1 of the Takeovers Code. The Executive has confirmed that the Proposal will not give rise to any general offer obligation in respect of the shares of PCPD under the chain principle referred to in Note 8 to Rule 26.1 of the Takeovers Code.

REASONS FOR AND BENEFITS OF THE PROPOSAL

For the Scheme Shareholders

Over the one month period prior to the Last Trading Date, the price of the PCCW Shares fell by approximately 42.3% and the market, as represented by the Hang Seng Index, fell by approximately 15.7%. During the period from the peak of the Hang Seng Index at 31,638 on 30 October 2007 to the Last Trading Date, the Hang Seng Index fell by approximately 48.4% and the price of the PCCW Shares fell by approximately 45.2%.

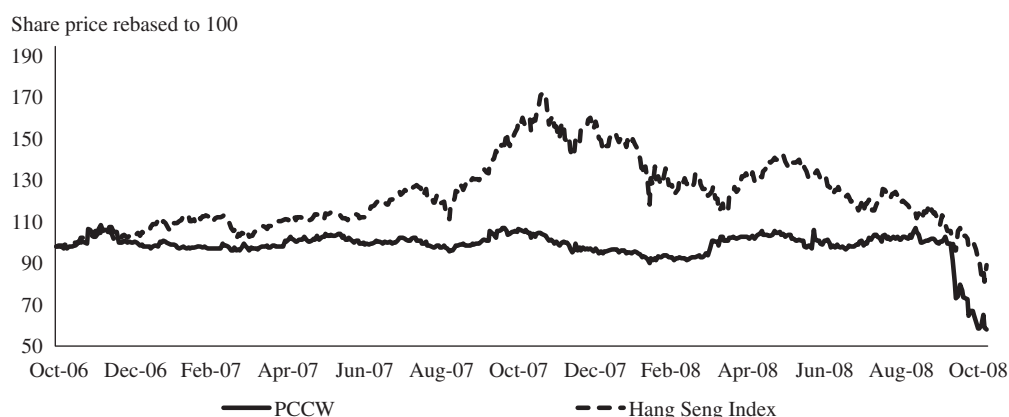
In relation to the announcements made by PCCW on 29 May 2008 and 27 June 2008 concerning a reorganisation of PCCW’s telecommunications services, media and IT solutions businesses (the “HKTGH Restructuring”) under a newly incorporated holding company, HKTGH, and the invitation of proposals from investors for the acquisition of up to a 45% interest in HKTGH from PCCW (the “HKTGH Sale”), PCCW announced on 12 October 2008 that, although PCCW received substantial interest in the HKTGH Sale and formal proposals from several bidders, the market downturn significantly impacted the offers received. As a result, the board of directors of PCCW, advised on the proposals by UBS AG, concluded that the offers were not sufficiently attractive. The independent non-executive directors of PCCW were advised by N M Rothschild & Sons (Hong Kong) Limited.

The Proposal accordingly provides Scheme Shareholders with an opportunity to realise their investment in PCCW for cash during sustained poor market conditions, and at a significant premium to the market price prevailing on the Last Trading Date.

In addition, the Proposal allows Scheme Shareholders the opportunity to redeploy capital invested in PCCW into other investment opportunities that they may consider more attractive in the current market environment.

During the two year period immediately before the Last Trading Date, the Hang Seng Index’s peak represented an increase of more than 75.9% from the beginning of the period, whilst the PCCW Shares reached a high of only HK\$5.23 on 17 November 2006 representing an increase of only 10.8% from the beginning of the period. The average daily trading volume of PCCW Shares during this period was approximately 18.5 million shares per day, representing only some 0.52% of the issued PCCW Shares excluding those held by the Joint Offerors and the Excluded Group. PCCW was removed from the Hang Seng Index on 10 June 2008.

Trading performance of PCCW Shares relative to the Hang Seng Index over the two year period immediately before the Last Trading Date



Source: Factset

For PCRD and its shareholders

Given the relatively low liquidity and persistently weak performance of the PCCW Shares, PCRD believes that access to the equity capital markets does not provide PCCW with an attractive fund raising avenue, and that the costs and management resources associated with the maintenance of PCCW's listing status are not warranted.

The directors of PCRD also note that, since the disposal of its interests in Pacific Century Insurance Holdings Limited in June 2007, PCRD's interest in PCCW has represented the great majority of its assets. However, during this period, PCRD's shares have consistently underperformed those of PCCW reflecting, in the view of PCRD's directors, a holding company discount, the reduction of which PCRD's directors consider will be facilitated through PCRD re-assuming its position as the controlling shareholder of PCCW and through the enhanced visibility on its investment that would come through consolidating PCCW's results with those of PCRD.

For CNC

CNC is of the view that, under the current market circumstances, the Proposal is in the interest of the Scheme Shareholders.

INTENTION OF PCRD AND CNC WITH REGARD TO PCCW

It is the intention of both PCRD and CNC for the PCCW Group to maintain its existing business upon the successful privatisation of PCCW. Save for the dividend proposed to be declared after the Effective Date as described in the section headed "Consortium Agreement" above, PCRD and CNC have no plan to introduce any material changes to the business and/or assets of the PCCW Group, to redeploy its fixed assets or to discontinue the employment of the employees of the PCCW Group as a result of the Proposal. On the other hand, PCRD and CNC will assess any opportunity that may arise from time to time involving the business and/or assets of the PCCW Group (including a possible listing of any of its telecommunications services, media and IT solutions businesses).

INFORMATION ON THE PCCW GROUP

PCCW is a leading telecommunications provider in Hong Kong. As the provider of Hong Kong's first quadruple-play experience, PCCW offers a range of innovative media content and services across four platforms: fixed-line, broadband internet, TV

and mobile. In addition, PCCW meets the sophisticated needs of the international business community, while supporting network operators with cutting-edge technical services and handling large-scale IT outsourcing projects for public and private sector organisations.

As mentioned in the section headed “Reasons for and benefits of the Proposal”, PCCW announced on 29 May 2008 and 27 June 2008 that it was conducting the HKTGH Restructuring. The HKTGH Restructuring is in progress and is currently targeted to be completed by the end of November 2008.

A summary of the audited consolidated financial results of the PCCW Group for each of the two years ended 31 December 2006 and 31 December 2007, and the unaudited consolidated financial results of the PCCW Group for the six months ended 30 June 2008, is set out below:

	(Audited)		(Unaudited)
	For the year ended	For the year ended	For the six
	31 December	31 December	months ended
	2006	2007	30 June
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Turnover	25,637	23,715	11,372
Profit before taxation	2,552	2,807	1,105
Profit after taxation	1,632	1,837	688
Profit attributable to equity holders of PCCW	1,252	1,503	656

The audited consolidated net assets attributable to Shareholders as at 31 December 2006 and 31 December 2007 were approximately HK\$430 million and HK\$1,552 million respectively, and the unaudited consolidated net assets attributable to Shareholders as at 30 June 2008 was approximately HK\$1,833 million. The unaudited consolidated net debt of PCCW (calculated as the principal amount of short term borrowings, plus long term borrowings, minus cash and cash equivalents and certain restricted cash) as at 30 June 2008 was approximately HK\$23,191 million.

INFORMATION ON STARVEST AND PCRD

Starvest

Starvest is a wholly-owned subsidiary of PCRD and was incorporated on 26 September 2008 under the laws of the Cayman Islands. Starvest is a special purpose vehicle set up for the purpose of implementing the Proposal.

PCRD

PCRD was incorporated on 25 October 1963 in the Republic of Singapore with limited liability. Its shares are listed on the Official List of the Singapore Exchange. PCRD is a subsidiary of PCGH and is based in Singapore. PCRD is an investment holding company with investments overseas. Through PCRD's shareholdings in PCCW, it has interests in telecommunications and information technology, offering local and international telecommunications, and information technology services.

INFORMATION ON NETCOM BVI AND CNC**Netcom BVI**

Netcom BVI is a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of CNC. Netcom BVI is a special purpose vehicle of CNC and is a substantial shareholder of PCCW. As at the Last Trading Date, Netcom BVI held 1,343,571,766 PCCW Shares (representing approximately 19.84% of the issued share capital of PCCW as at the Last Trading Date).

CNC

CNC is a leading telecommunications company in the PRC. CNC, via its subsidiaries, holds approximately 30% of the issued share capital in China Unicom. China Unicom is primarily engaged in the provision of wireless, fixed-line, broadband, data and related value-added services in the PRC.

US AND OTHER OVERSEAS SHAREHOLDERS

The making of the Proposal to persons not resident in Hong Kong may be subject to the laws and regulations of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax and regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, and the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

In the event that the receipt of the Scheme Document by overseas Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the respective directors of the Joint Offerors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Joint Offerors or the shareholders of the Joint Offerors), the Scheme Document will

not be despatched to such overseas Shareholders. For that purpose, the Joint Offerors will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8.6 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Shareholders.

If any such waiver is granted by the Executive, the Joint Offerors reserve the right to make arrangements in respect of Scheme Shareholders not resident in Hong Kong in relation to the terms of the Proposal. Such arrangements may include notifying any matter in connection with the Proposal to the Shareholders and ADS Holders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given, despite any failure by such Shareholders and ADS Holders to receive or see that notice.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of PCRD, CNC, Starvest, Netcom BVI, HSBC, ABN AMRO, PCCW, the IFA or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

ADS Holders cannot vote at the Court Meeting or the EGM directly, but may instruct the Depositary to vote pursuant to the terms of the Deposit Agreement. Persons holding ADSs indirectly must rely on the procedures of the bank, broker or financial institution in which such ADSs are held. The Scheme Document will contain instructions in relation to how to vote the ADSs.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled. PCCW Share certificates for the PCCW Shares held by the Scheme Shareholders will thereafter cease to have effect as documents of, or evidence of, title. PCCW will apply to the Stock Exchange for the withdrawal of the listing of the PCCW Shares on the Stock Exchange, subject to the Scheme becoming effective.

The Independent Shareholders will be notified of the exact dates of the Court Meeting and the EGM to approve and give effect to the Scheme, and the dates on which the Scheme and the withdrawal of the listing of the PCCW Shares on the Stock Exchange will become effective.

The Scheme will lapse if it does not become effective on or before 23 April 2009 (or such later date as the Joint Offerors and PCCW may agree and the High Court may allow), and the Independent Shareholders will be notified by way of announcement accordingly. A detailed timetable for the Proposal will be included in the Scheme Document to be despatched to the Shareholders.

The listing of the PCCW Shares on the Stock Exchange will not be withdrawn if the Proposal is not approved or lapses.

INDEPENDENT BOARD COMMITTEE

The executive directors of PCCW believe that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole.

The IBC comprising of Professor Chang Hsin-kang, Dr. The Hon. Sir David Li Kwok Po, GBM, GBS, OBE, JP, Sir Roger Lobo, CBE, LL.D., JP, Mr. Aman Mehta and The Hon. Raymond George Hardenbergh Seitz (being the independent non-executive directors of PCCW) has been formed to advise the Independent Shareholders on the Proposal. The recommendation of the IBC as to whether the Proposal is or is not fair and reasonable, and as to voting by the Independent Shareholders at the Court Meeting, will be set out in the Scheme Document.

The board of directors of PCCW, with the approval of the IBC, has appointed N M Rothschild & Sons (Hong Kong) Limited as the IFA to advise the IBC on the Proposal.

SCHEME DOCUMENT

The Scheme Document (containing further details of the Proposal and the Scheme, the expected timetable, an explanatory statement as required under the High Court's rules, information regarding PCCW, PCRD, CNC, Starvest and Netcom BVI, the recommendation of the IBC in respect of the Proposal, a letter of advice from the IFA, a notice of the Court Meeting and a notice of the EGM as well as the particulars required by the Takeovers Code) will be despatched to the Shareholders as soon as practicable.

FURTHER AGREEMENTS OR ARRANGEMENTS

Save as disclosed in this announcement, there are no other arrangements (whether by way of option, indemnity or otherwise) in relation to the PCCW Shares and/or the PCRD Shares and which might be material to the Proposal and the Scheme.

Each of the Joint Offerors confirms that, save as disclosed in this announcement, there are no agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a Condition. Please note that there is no pre-condition to the Proposal.

Each of the Joint Offerors and each member of the Excluded Group and each member of the Starvest Concert Parties confirms that it has not borrowed or lent any PCCW Shares or any other securities of PCCW as at the Last Trading Date, save for any PCCW Shares or any other securities of PCCW (as applicable) borrowed which have been either on-lent or sold.

GENERAL

The Proposal may or may not require consideration in relation to the mergers and acquisitions provisions of the Telecommunications Ordinance. PCCW-HKT Telephone Limited and/or HKT (after completion of the HKTGH Restructuring), being the carrier licensee(s), will discuss the matter with the TA as soon as practicable after the release of this announcement. **Accordingly, Shareholders, holders of other securities and/or potential investors are advised to exercise caution when dealing in the PCCW Shares or other securities of PCCW.**

Associates of PCCW or the Joint Offerors are reminded to disclose their dealings in any relevant securities of PCCW.

Stockbrokers, banks and others who deal in any relevant securities of PCCW on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to Associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw to their attention the relevant rules under the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant securities of PCCW undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, Associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive under the Takeovers Code in its dealings enquiries. Therefore, those who deal in any relevant securities of PCCW should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

SUSPENSION AND RESUMPTION OF TRADING

At the request of PCCW, trading of PCCW Shares on the Stock Exchange was suspended from 10:00 am on 14 October 2008, pending the issue of this announcement. An application has been made by PCCW to the Stock Exchange for the resumption of trading of PCCW Shares on the Stock Exchange with effect from 9:30 am on 5 November 2008.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“1994 Share Option Scheme”	the share option scheme of PCCW adopted on 20 September 1994, the termination of which was approved by the Shareholders at PCCW’s annual general meeting held on 19 May 2004
“2004 Share Option Scheme”	the share option scheme of PCCW which was adopted at PCCW’s annual general meeting held on 19 May 2004
“ABN AMRO”	ABN AMRO Asia Corporate Finance Limited, a licensed institution under the SFO, licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, which is the financial adviser to CNC and Netcom BVI in connection with the Proposal and which is a wholly-owned subsidiary of ABN AMRO Bank N.V. (which in turn is a subsidiary undertaking of The Royal Bank of Scotland Group plc)
“acting in concert”	has the meaning set out in the Takeovers Code
“ADS Holders”	holders of ADSs
“ADSs”	American depositary shares of PCCW, each representing 10 PCCW Shares and evidenced by American depositary receipts
“Anglang”	Anglang Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of PCGH
“Associates”	has the meaning set out in the Takeovers Code

“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals, and all appropriate waiting periods (including extensions thereof), in connection with the Proposal
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Borsington”	Borsington Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of PCGH
“Cancellation Price”	a price of HK\$4.20 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Proposal
“China Unicom”	China Unicom (Hong Kong) Limited, a company incorporated in Hong Kong and the shares of which are listed on the Stock Exchange and the New York Stock Exchange
“CNC”	China Network Communications Group Corporation, a PRC State-owned enterprise established in the PRC
“CNG”	China Netcom Group Corporation (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of CNC and the immediate holding company of Netcom BVI
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Condition(s)”	the condition(s) of the Proposal, as set out in the section headed “Conditions of the Proposal” above
“Consortium Agreement”	the consortium agreement dated 3 November 2008 between PCR, CNC, Starvest and Netcom BVI in connection with the Proposal and PCCW

“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court at which the Scheme will be voted upon
“Court Orders”	the orders of the High Court confirming the sanction of the Scheme as required by Section 166 of the Companies Ordinance and confirming the reduction of capital of PCCW as required by section 60 of the Companies Ordinance
“Deposit Agreement”	the amended and restated deposit agreement dated 7 August 2000, by and among PCCW, the Depositary and each owner and holder from time to time of ADSs issued thereunder (as amended by an amendment agreement dated 4 June 2007)
“Depositary”	Citibank, N.A., in its capacity as depositary for the ADSs pursuant to the Deposit Agreement
“Effective Date”	the later of: (i) the date on which the Court Orders have been filed with the Companies Registry (as required by Section 166 and Section 61 of the Companies Ordinance); and (ii) the date on which the Companies Registry issues the relevant certificate of registration pursuant to Section 61 of the Companies Ordinance
“EGM”	the extraordinary general meeting of PCCW to be convened to be held immediately following the Court Meeting to consider the capital reduction in connection with the Scheme
“Eisner”	Eisner Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Richard Li and a person acting in concert with Starvest
“Excluded Group”	PCRD, PCGH, PCD and Eisner, which are parties acting in concert with Starvest
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

“Existing Facilities”	the loan agreement between, among others, PCCW as borrower and Bayerische Landesbank, Hong Kong Branch as agent dated 18 July 2006 in the amount of HK\$6,450 million and the loan agreement between, among others, PCCW-HKT Telephone Limited (an indirect wholly-owned subsidiary of PCCW) as borrower and Bayerische Landesbank, Hong Kong Branch as agent dated 3 October 2006 in the amount of HK\$10,150 million
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKT”	Hong Kong Telecommunications (HKT) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW and HKTGH
“HKTGH”	HKT Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of PCCW
“HKTGH Restructuring”	has the meaning given to it in the section headed “Reasons for and benefits of the Proposal” above
“HKTGH Sale”	has the meaning given to it in the section headed “Reasons for and benefits of the Proposal” above
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hopestar”	Hopestar Holdings Limited, a company incorporated in the British Virgin Islands and which is wholly-owned by Richard Li
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) and a licensed bank under the Banking Ordinance, which is the financial adviser to PCRDC and Starvest in connection with the Proposal

“IBC”	the independent board committee of PCCW formed to advise the Independent Shareholders on the Proposal
“IFA”	N M Rothschild & Sons (Hong Kong) Limited, which has been appointed as the independent financial adviser to advise the IBC on the Proposal
“Independent Shareholders”	Shareholders other than the Excluded Group, the Starvest Concert Parties, the Joint Offerors and any other persons acting in concert with any of the Joint Offerors
“Irrevocable Undertaking”	the irrevocable undertaking given by Yue Shun to PCCW and Starvest dated 30 October 2008
“Joint Offerors”	Starvest and Netcom BVI
“Last Trading Date”	13 October 2008, being the last full trading day prior to the suspension of trading of PCCW Shares pending the issue of this announcement
“LIBOR”	the British Bankers’ Association Interest Settlement Rate for the relevant currency and period displayed on the appropriate page of the Reuters screen or any such replacement page at the relevant time
“Netcom BVI”	China Netcom Corporation (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CNC
“Netcom Facility”	the facility letter dated 28 October 2008 from Bank of China (Hong Kong) Limited (as lender) to Netcom BVI (as borrower) and CNG (as guarantor) and accepted by Netcom BVI and CNG on 3 November 2008
“Netcom Group”	CNC and its subsidiaries
“New Shares”	the new PCCW Shares to be issued to Starvest and Netcom BVI (and/or CNC) pursuant to the Scheme and being the same number as the number of Scheme Shares to be cancelled pursuant to the Scheme
“Option Offer”	the cash offer to the Optionholders to cancel their Options

“Optionholders”	holders of Options
“Options”	options granted under the Share Option Schemes which remain unexercised
“PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange and the ADSs traded on the Pink Sheets (OTC market) in the US
“PCCW Group”	PCCW and its subsidiaries
“PCCW Shares”	shares of HK\$0.25 each in the share capital of PCCW
“PCD”	Pacific Century Diversified Limited, a company incorporated in the Cayman Islands with limited liability which is wholly-owned by Richard Li and a person acting in concert with Starvest
“PCG Cayman”	Pacific Century Group (Cayman Islands) Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of PCGH
“PCGH”	Pacific Century Group Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a person acting in concert with Starvest
“PCPD”	Pacific Century Premium Developments Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“PCRD”	Pacific Century Regional Developments Limited (Company Registration No. 196300381N), a public company incorporated in the Republic of Singapore with limited liability, the shares of which are listed on the Official List of the Singapore Exchange and a person acting in concert with Starvest
“PCRD Group”	PCRD and its subsidiaries
“PCRD Shares”	ordinary shares in the share capital of PCRD

“Post-Scheme Shareholders”	Starvest, Netcom BVI (and/or CNC) and the Excluded Group
“PRC”	the People’s Republic of China
“Proposal”	the joint proposal for the privatisation of PCCW by the Joint Offerors by way of the Scheme
“Purchase Scheme”	the purchase scheme for PCCW adopted on 15 November 2002 by participating subsidiaries of PCCW
“RBS Account”	has the meaning given to it in the section headed “Confirmation of financial resources” above
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions (including the SFC, the Stock Exchange and the Singapore Exchange)
“Revolving Credit Facility”	the term and revolving credit facility agreement dated 29 September 2008 between HKT as borrower, HKTGH as guarantor, HSBC as agent and various financial institutions referred to therein as lenders (as amended)
“Richard Li”	Mr. Li Tzar Kai, Richard, a director of both PCCW and PCRD
“Scheme”	a scheme of arrangement under Section 166 of the Companies Ordinance between PCCW and the Scheme Shareholders involving the cancellation of all the Scheme Shares
“Scheme Document”	the scheme document to be issued by PCCW to the Shareholders in relation to the Scheme
“Scheme Shareholders”	Shareholders other than the Excluded Group and the Joint Offerors (and, if any PCCW Shares are transferred from Netcom BVI to CNC before the Effective Date, CNC)
“Scheme Shares”	PCCW Shares held by the Scheme Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share Award Schemes”	the Purchase Scheme and the Subscription Scheme
“Share Option Schemes”	the 1994 Share Option Scheme and the 2004 Share Option Scheme
“Shareholders”	holders of PCCW Shares
“Singapore Exchange”	Singapore Exchange Securities Trading Limited
“Starvest”	Starvest Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of PCR D
“Starvest Concert Parties”	Yue Shun (which is a person presumed to be acting in concert with Starvest in accordance with class 8 of the definition of “acting in concert” in the Takeovers Code) and Mr. Alexander Anthony Arena, Mr. Peter Anthony Allen, Mr. Francis Yuen Tin Fan and Mr. Tom Yee Lat Shing (who are persons presumed to be acting in concert with Starvest in accordance with class 2 of the definition of “acting in concert” in the Takeovers Code)
“Starvest Facility Agreement”	the term facility agreement between, among others, PCR D, Starvest and HSBC dated 3 November 2008
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Scheme”	the subscription scheme for PCCW adopted on 15 November 2002 by participating subsidiaries of PCCW
“TA”	the Telecommunications Authority
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Telecommunications Ordinance”	the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong)
“United States” or “US”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States

“Yue Shun” Yue Shun Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of Hutchison Whampoa Limited and a person presumed to be acting in concert with Starvest

This announcement contains translations of US\$ into HK\$, for illustration only, at the rate of US\$1.00 to HK\$7.80. The translations should not be taken as a representation that US\$ could actually be converted into HK\$ at that rate or at all.

By order of the board of Pacific Century Regional Developments Limited Lim Beng Jin <i>Company Secretary</i>	By order of the board of Starvest Limited Peter Anthony Allen <i>Director</i>	The authorised representative of China Network Communications Group Corporation Zuo Xunsheng	By order of the board of China Netcom Corporation (BVI) Limited Lu Yimin <i>Director</i>	By order of the board of PCCW Limited Philana WY Poon <i>Group General Counsel and Company Secretary</i>
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Hong Kong, 4 November 2008

As at the date of this announcement, the directors of PCRD are as follows:

Executive Directors:

Mr. Li Tzar Kai, Richard (Chairman), Mr. Yuen Tin Fan, Francis (Deputy Chairman),
Mr. Peter Anthony Allen (Group Managing Director) and Mr. Alexander Anthony Arena

Independent Non-Executive Directors:

Mr. Seow Li-Ming, Gordon, Mr. Yee Lat Shing, Tom and Mr. Chng Hee Kok

As at the date of this announcement, the directors of Starvest are as follows:

Mr. Peter Anthony Allen and Ms. Winnie King Yan Siu Morrison

As at the date of this announcement, the authorised representative of CNC is:

Mr. Zuo Xunsheng

As at the date of this announcement, the directors of Netcom BVI are as follows:

Mr. Lu Yimin, Mr. Zuo Xunsheng and Mr. Li Fushen

As at the date of this announcement, the directors of PCCW are as follows:

Executive Directors:

Mr. Li Tzar Kai, Richard (Chairman), Mr. Alexander Anthony Arena (Group Managing Director),
Mr. Peter Anthony Allen, Mr. Chung Cho Yee, Mico and Mr. Lee Chi Hong, Robert

Non-Executive Directors:

Sir David Ford, KBE, LVO, Mr. Lu Yimin, Mr. Zuo Xunsheng (Deputy Chairman) and Mr. Li Fushen

Independent Non-Executive Directors:

Professor Chang Hsin-kang, Dr. The Hon. Sir David Li Kwok Po, GBM, GBS, OBE, JP,
Sir Roger Lobo, CBE, LLD, JP, Mr. Aman Mehta and The Hon. Raymond George Hardenbergh Seitz

The directors of PCRD jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the PCCW Group and the Netcom Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the PCCW Group and the Netcom Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of Starvest jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the PCCW Group and the Netcom Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the PCCW Group and the Netcom Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The authorised representative of CNC accepts full responsibility for the accuracy of the information contained in this announcement (other than that relating to the PCCW Group and the PCRD Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement (other than opinions expressed by the PCCW Group and the PCRD Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of Netcom BVI jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the PCCW Group and the PCRD Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the PCCW Group and the PCRD Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of PCCW jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the PCCW Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement by PCCW have been arrived at after due and careful consideration and there are no other facts relating to the PCCW Group not contained in this announcement, the omission of which would make any statement in this announcement misleading.