

Acquisition of Cable & Wireless HKT by Pacific Century CyberWorks

Statement of the Telecommunications Authority

17 August 2000

In this Statement, the Telecommunications Authority (TA) sets out his position in relation to the acquisition of the shares in Cable & Wireless HKT Limited (CWHKT) by Pacific Century CyberWorks Limited (PCCW) (the Transaction).

2. The TA has a duty to be satisfied that the Transaction would not adversely affect competition in the telecommunications market.

3. The TA has considered, among other relevant factors of the case, the position of CWHKT as a dominant player in certain telecommunications markets and PCCW's telecommunications interests in Hong Kong prior to the Transaction. The TA has formed the view that

- (a) the Transaction would not strengthen the position of CWHKT in any market in which it is already dominant; and
- (b) the merging of CWHKT and PCCW would not have any significant effect on competition in the telecommunications market.

In addition, any concerns that the TA may have in relation to CWHKT, as an infrastructure provider, showing preferential treatment to PCCW or its affiliated companies could be dealt with adequately through the existing legal framework.

4. The remaining concern the TA had was whether the relationship between Mr. Richard Li and the Hutchison Whampoa Group (HWG) might have an effect on competition in the market. The concern stemmed from the position of Mr. Li as deputy Chairman and director in Hutchison Whampoa Limited, his own financial interest in it and the familial relationship that he has with shareholders and directors in HWG. These factors had to be looked at in conjunction with the fact that Mr. Li has

substantial interest in PCCW and could be in a position to influence decisions of PCCW and CWHKT after the Transaction.

5. Mr. Li and PCCW have offered to the TA a number of steps to meet his competition concerns. The steps offered to be taken are:

- (a) Mr. Li will resign from the positions he holds as a deputy Chairman and director in Hutchison Whampoa Limited;
- (b) Mr. Li confirmed that after the resignation as a deputy Chairman and director he has no further official capacity or connection with HWG;
- (c) any beneficial interest that Mr. Li may have in HWG is held in a trust over which he has no control and will not be in a position to influence the trustee in any way; and
- (d) Mr Li has disclosed to the TA his shareholding interest in Hutchison Whampoa Limited, being such that it does not give him control over the company.

6. Having considered these steps offered and a number of factors concerning Mr. Li's relationship with HWG, the TA is of the view that, for the purposes of the Transaction so far as the telecommunications related markets are concerned, Mr. Li and thus PCCW/CWHKT should be treated as independent from HWG. The factors that the TA took into account included the previously independent business career of Mr. Li and the fact that other members of Mr. Li's family are not involved in the management, operation or finances of the PCCW business.

7. The TA accepts that the steps taken by Mr. Li have addressed his immediate regulatory concerns on the Transaction. However, he will continue to monitor the market and in particular the behaviour of PCCW, CWHKT and HWG to ensure that all licensees comply with the provisions in the Telecommunications Ordinance and conditions in their licences safeguarding fair competition. In ensuring that effective competition is preserved, the TA takes the view that the steps offered combined with

the recently enacted amendments to the Telecommunications Ordinance give him the necessary tools to deal speedily and effectively with any competition issues that may arise in the future.

Office of the Telecommunications Authority

17 August 2000