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PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0008)

ANNOUNCEMENT

The Company refers to its announcement dated 19 June 2006 that it had received a non binding expression of interest from an independent third party, in relation to a possible acquisition of substantially all the telecommunications and media assets of the Company. The identity of the independent third party referred to in that announcement is Macquarie.

The Company also wishes to announce that it received a second non binding expression of interest on 20 June 2006, from TPG Newbridge, also in relation to a possible acquisition of substantially all the telecommunications and media related assets of the Company.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 21 June 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares in the Company with effect from 9:30 a.m. on 22 June 2006.

PCCW Limited (the “Company”) refers to its announcement dated 19 June 2006 that it had received a non binding expression of interest on 16 June 2006 from an independent third party, in relation to a possible acquisition of substantially all the telecommunications and media related assets of the Company. The independent third party referred to in that announcement is Macquarie Bank Limited (“Macquarie”).

The Company also wishes to announce that it received a second non binding expression of interest on 20 June 2006, from TPG Newbridge, also in relation to a possible acquisition of substantially all the telecommunications and media related assets of the Company.

Both expressions of interest are indicative and preliminary in nature and the form which any possible transaction might take, and the means and structure by which it might be implemented, remain to be discussed and determined. The reports of estimated consideration of HK\$40 billion and HK\$50 billion which appeared in the Hong Kong press recently are inaccurate and speculative in nature. It is not appropriate at this time to disclose the proposed consideration in the absence of the detailed terms of any transaction, which have yet to be formulated.

The Company will evaluate the merits of both possible acquisitions and believes it is in the best interests of the Company and its shareholders as a whole to continue discussions with the potential acquirors in relation to both possible acquisitions. The Company's financial advisor, Lehman Brothers Asia Limited, will review the merits of both proposals and advise the Company accordingly.

In each case, the possible transaction which has been proposed is an acquisition of the Company's telecommunications and media assets, together with a transfer of the employees and staff of the businesses to be acquired, and would not involve the acquisition of shares in the Company.

At this stage, there is no certainty that the discussions with either Macquarie or TPG Newbridge will or will not result in a transaction by or involving the Company and/or any of its subsidiaries. Further announcements will be made by the Company in relation to the progress of the discussions, as and when appropriate.

In the meantime, shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

As referred to above, each expression of interest is indicative and preliminary in nature and the structure of any possible transaction remains to be discussed and determined. As disclosed on page 12 of the Company's shareholders circular dated 14 February 2005:

- (a) The Company would need to obtain the consent of China Network Communications Group Corporation ("China Netcom") under the Subscription Agreement dated 19 January 2005 described in that shareholders' circular, if the Company were to seek to dispose of more than 10% of the voting interest of the Company and its subsidiaries (the "Group") in PCCW-HKT Telephone Limited or more than 25% of the Group's voting interest in PCCW VOD Limited (which has subsequently been renamed PCCW Media Limited), such consent not to be unreasonably withheld or delayed.
- (b) Where the Group is considering any disposal of other assets and such disposal will require a circular to be issued to the Company's shareholders under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the directors of the Company nominated by China Netcom must be consulted in advance.

The Company and its subsidiaries are principally engaged in the provision of local, mobile and international telecommunications services, internet and interactive multimedia services, the sale and rental of telecommunications equipment, and the provision of computer, engineering and other technical services, mainly in Hong Kong; investment in, and development of, systems integration and technology-related businesses; and investment in, and development of, infrastructure and properties in Hong Kong and in the People's Republic of China. The principal business of PCCW-HKT Telephone Limited is the provision of telecommunications services. The principal business of PCCW Media Limited is the provision of pay television programme services and interactive multimedia services.

At the request of the Company, trading in the shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 21 June 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:30 a.m. on 22 June 2006.

By Order of the Board
PCCW Limited
Hubert Chak
Company Secretary

Hong Kong, 21 June 2006

The directors of the Company as at the date of this announcement are as follows:

Executive Directors:

Li Tzar Kai, Richard (Chairman); So Chak Kwong, Jack (Deputy Chairman and Group Managing Director); Peter Anthony Allen; Alexander Anthony Arena; Chung Cho Yee, Mico; Lee Chi Hong, Robert; Dr Fan Xingcha

Non-Executive Directors:

Sir David Ford, KBE, LVO; Zhang Chunjiang; Dr Tian Suning (Deputy Chairman)

Independent Non-Executive Directors:

Prof Chang Hsin-kang; Dr Fung Kwok King, Victor; Dr The Hon Sir Li Kwok Po, David, GBS, OBE, JP; Sir Roger Lobo, CBE, LLD, JP; Aman Mehta; The Hon Raymond George Hardenbergh Seitz

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable inquiries that, to the best of their knowledge, the opinions expressed in this announcement 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 made any statement in this announcement misleading.

Please also refer to the published version of this announcement in The Standard.