
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in PCCW Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

**DISCLOSEABLE TRANSACTION
RELATING TO
(1) CONDITIONAL SALE AND PURCHASE AGREEMENTS
RELATING TO 1,790,134,000 ORDINARY SHARES IN
SUNDAY COMMUNICATIONS LIMITED
AND
(2) MANDATORY UNCONDITIONAL CASH OFFER BY
CITIGROUP GLOBAL MARKETS ASIA LIMITED
FOR AND ON BEHALF OF THE OFFEROR FOR ALL THE ISSUED
SHARE CAPITAL IN SUNDAY COMMUNICATIONS LIMITED
OTHER THAN THOSE SHARES ALREADY OWNED OR
AGREED TO BE ACQUIRED BY THE OFFEROR
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
SUNDAY COMMUNICATIONS LIMITED**

A letter from the board of directors of PCCW Limited is set out on pages 5 to 16 of this circular.

8 July 2005

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Appendix — General Information	17

DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“acting in concert”	shall have the meaning set out in the Takeovers Code
“ADSs”	American depositary shares of SUNDAY, evidenced by American depositary receipts, each ADS representing 100 SUNDAY Shares
“Agreements”	the First Agreement and the Second Agreement
“associate(s)”	shall have the meaning set out in Rule 1.01 of the Listing Rules
“Citigroup”	Citigroup Global Markets Asia Limited (a subsidiary of Citibank Inc.), a company incorporated in Hong Kong with limited liability, which is a deemed licensed corporation under the SFO licenced to carry on Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 7 (providing automated trading services) of the regulated activities, being the financial adviser to the Company and the Offeror in respect of the Offer
“Company”	PCCW Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange
“Company Announcement”	the announcement of the Company dated 13 June 2005 relating to (1) conditional sale and purchase agreements relating to 1,790,134,000 SUNDAY Shares, (2) possible mandatory cash offer by Citigroup on behalf of the Offeror for all the issued share capital in SUNDAY other than the SUNDAY Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it and (3) discloseable transaction of the Company
“Company Group”	the Company and its subsidiaries
“Companies Law”	the Companies Law (2004 Revision) of the Cayman Islands
“Composite Offer Document”	the document to be jointly issued by or on behalf of the Offeror and SUNDAY to all SUNDAY Shareholders and SUNDAY Option Holders in accordance with the Takeovers Code containing, inter alia, the terms and conditions of the Offer, the advice of the independent financial adviser to the independent board committee of SUNDAY in respect of the Offer, and the advice of the independent board committee of SUNDAY to the Independent SUNDAY Shareholders and the SUNDAY Option Holders in relation to the Offer

DEFINITIONS

“connected person”	shall have the meaning set out in Rule 14A.11 of the Listing Rules
“DCL”	Distacom Communications Limited, a private company incorporated in Hong Kong with limited liability and the direct registered and beneficial owner of the entire issued share capital of Distacom HK
“disinterested SUNDAY Shares”	SUNDAY Shares other than those owned by the Offeror or persons acting in concert with it
“Distacom HK”	Distacom Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the seller of the First Sale Shares under the First Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“First Agreement”	the conditional sale and purchase agreement between Distacom HK, DCL and the Company in relation to the sale and purchase of the First Sale Shares dated 13 June 2005
“First Sale Shares”	an aggregate of 1,380,000,000 SUNDAY Shares, representing approximately 46.15 percent of the issued share capital of SUNDAY
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huawei Tech.”	Huawei Tech. Investment Co., Limited, a shareholder of SUNDAY
“Independent SUNDAY Shareholders”	the SUNDAY Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement of the Company and SUNDAY dated 22 June 2005 relating to (1) conditional sale and purchase agreements relating to 1,790,134,000 SUNDAY Shares (2) mandatory unconditional cash offer by Citigroup on behalf of the Offeror for all the issued share capital in SUNDAY other than those shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it (3) discloseable transaction of the Company (4) delay in despatch of the offer document and the discloseable transaction circular of the Company and (5) appointment of independent financial adviser to the independent board committee of SUNDAY

DEFINITIONS

“Latest Practicable Date”	28 June 2005, being the latest practicable date prior to the issue of this circular for the purposes of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the mandatory unconditional cash offer for all the issued SUNDAY Shares (including any SUNDAY Shares that may fall to be issued under any SUNDAY Share Option prior to the close of such offer) not already owned by or agreed to be acquired by the Offeror, at the Offer Price to be made by Citigroup on behalf of the Offeror in accordance with the Takeovers Code and the related cash offer to be made by Citigroup on behalf of the Offeror in accordance with the Takeovers Code for the Outstanding SUNDAY Share Options
“Offer Price”	HK\$0.65 per SUNDAY Share
“Offeror”	PCCW Mobile Holding No. 2 Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Outstanding SUNDAY Share Options”	27,515,831 SUNDAY Share Options granted pursuant to the SUNDAY Share Option Scheme and outstanding as at the Latest Practicable Date, conferring rights to subscribe for 27,515,831 SUNDAY Shares at prices ranging from HK\$1.01 to HK\$3.05
“public”	shall have the meaning set out in Rule 1.01 of the Listing Rules
“Sale Shares”	collectively, the First Sale Shares and the Second Sale Shares
“Second Agreement”	the conditional sale and purchase agreement between Townhill, USI and the Company in relation to the sale and purchase of the Second Sale Shares dated 13 June 2005
“Second Sale Shares”	an aggregate of 410,134,000 SUNDAY Shares, representing approximately 13.72 percent of the issued share capital of SUNDAY
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholders”	the shareholders of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUNDAY”	SUNDAY Communications Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange and on NASDAQ National Market in the United States of America
“SUNDAY Group”	SUNDAY and its subsidiaries
“SUNDAY Option Holders”	holders of the Outstanding SUNDAY Share Options
“SUNDAY Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of SUNDAY, trading in board lots of 1,000 on the Main Board of the Stock Exchange
“SUNDAY Share Options”	the share option(s) granted under the SUNDAY Share Option Scheme
“SUNDAY Share Option Scheme”	the share option scheme of SUNDAY approved and adopted on 1 March 2000
“SUNDAY Shareholders”	holders of SUNDAY Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers in force from time to time
“Townhill”	Townhill Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and the seller of the Second Sale Shares under the Second Agreement
“USI”	USI Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and the direct or indirect owner of the entire issued share capital of Townhill

LETTER FROM THE BOARD



PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

Executive Directors:

Li Tzar Kai, Richard (*Chairman*)

So Chak Kwong, Jack

(Deputy Chairman and Group Managing Director)

Yuen Tin Fan, Francis (*Deputy Chairman*)

Peter Anthony Allen

Alexander Anthony Arena

Chung Cho Yee, Mico

Lee Chi Hong, Robert

Dr Fan Xingcha

Registered Office:

39th Floor, PCCW Tower

TaiKoo Place, 979 King's Road

Quarry Bay

Hong Kong

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 Li Kwok Po, David, GBS, JP

Sir Roger Lobo, CBE, LLD, JP

Aman Mehta

The Hon Raymond George Hardenbergh Seitz

8 July 2005

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
RELATING TO
(1) CONDITIONAL SALE AND PURCHASE AGREEMENTS
RELATING TO 1,790,134,000 ORDINARY SHARES IN
SUNDAY COMMUNICATIONS LIMITED
AND**

LETTER FROM THE BOARD

(2) MANDATORY UNCONDITIONAL CASH OFFER BY CITIGROUP GLOBAL MARKETS ASIA LIMITED FOR AND ON BEHALF OF THE OFFEROR FOR ALL THE ISSUED SHARE CAPITAL IN SUNDAY COMMUNICATIONS LIMITED OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF SUNDAY COMMUNICATIONS LIMITED

INTRODUCTION

On 13 June 2005, under the Company Announcement, the Company announced that it had entered into the First Agreement with Distacom HK as vendor and DCL as guarantor for Distacom HK, and the Second Agreement with Townhill as vendor and USI as guarantor for Townhill, whereby the Company conditionally agreed to purchase (or procure the purchase by one of its wholly owned subsidiaries) and Distacom HK and Townhill respectively conditionally agreed to sell 1,380,000,000 and 410,134,000 SUNDAY Shares under the First Agreement and the Second Agreement, for the respective considerations of HK\$897,000,000 and HK\$266,587,100.

On 22 June 2005, under the Joint Announcement, the Company further announced that the First Agreement and the Second Agreement had each been duly completed on 22 June 2005. On completion of the Agreements, the Offeror acquired 1,380,000,000 SUNDAY Shares from Distacom HK under the First Agreement and 410,134,000 SUNDAY Shares from Townhill under the Second Agreement.

Other than the Agreements, the Company Group has not engaged in any dealings in any SUNDAY Shares in the six-month period immediately preceding the Latest Practicable Date. So far as the Company is aware and except as disclosed herein, the Company and persons acting in concert with it currently do not own any interest in SUNDAY other than the Sale Shares acquired under the Agreements. Following completion of the Agreements, the Offeror and the parties acting in concert with it are interested in an aggregate of 1,790,134,000 SUNDAY Shares, representing approximately 59.87 percent of the existing issued share capital of SUNDAY as at the Latest Practicable Date. In addition, a wholly owned subsidiary of Cheung Kong (Holdings) Limited and a private company controlled by Mr Li Ka Shing, each of which is presumed under the Takeovers Code to be acting in concert with the Company, hold respectively 19,854,000 SUNDAY Shares (representing approximately 0.66 percent of the existing issued share capital of SUNDAY) and 5,127,000 SUNDAY Shares (representing approximately 0.17 percent of the existing issued share capital of SUNDAY), which were acquired by them between April 2000 and February 2003. Under Rule 26.1 of the Takeovers Code, following completion of the Agreements, the Offeror is required to make a mandatory unconditional cash offer for all the SUNDAY Shares not already owned or agreed to be acquired by the Offeror and the unconditional cash offer in consideration of the cancellation of all Outstanding SUNDAY Share Options pursuant to Rule 13 of the Takeovers Code. Accordingly, as announced under

LETTER FROM THE BOARD

the Joint Announcement, Citigroup, for and on behalf of the Offeror, will make the Offer for all the issued SUNDAY Shares other than those already owned or agreed to be acquired by the Offeror, and will also offer to pay a cash amount to the SUNDAY Option Holders for each Outstanding SUNDAY Share Option held by them in consideration of their agreeing to cancel their Outstanding SUNDAY Share Options.

The entering into of the Agreements and the Offer constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. The purpose of this circular is to provide the Shareholders with details of the Agreements, the Offer and other information in compliance with the requirements of the Listing Rules.

THE FIRST AGREEMENT

Date:

13 June 2005

Parties:

Vendor: Distacom HK, the principal business of which was investment holding in SUNDAY

Purchaser: PCCW Mobile Holding No. 2 Limited, which is the Offeror and a wholly owned subsidiary of the Company

Guarantor for the vendor: DCL, the direct registered and beneficial owner of the entire issued share capital of Distacom HK

First Sale Shares:

The Company conditionally agreed to purchase (or procure the purchase by one of its wholly-owned subsidiaries) and Distacom HK conditionally agreed to sell an aggregate of 1,380,000,000 SUNDAY Shares, representing approximately 46.15 percent of the issued share capital of SUNDAY as at the Latest Practicable Date.

The First Agreement provides for the First Sale Shares to be acquired free from all liens, charges, encumbrances, equities and adverse interests and with all rights attached or accruing thereto.

Consideration:

The consideration for the First Sale Shares amounts to HK\$897,000,000 (equivalent to HK\$0.65 per SUNDAY Share) and was paid under the First Agreement by the Offeror in cash on completion of the First Agreement. The consideration was settled from the internal resources of the Company Group.

As a result of negotiations between the Company and Distacom HK, and taking into account the historic financial performance of SUNDAY and the market price of the SUNDAY Shares, the consideration was negotiated and determined on an arm's length basis between the Company and Distacom HK.

LETTER FROM THE BOARD

Condition:

Completion was subject to there being no breach of the representations and warranties set out in the First Agreement prior to completion of the First Agreement.

Completion:

As announced by the Company on 22 June 2005 under the Joint Announcement and referred to in more detail below, completion of the First Agreement took place on 22 June 2005 in accordance with the terms of the First Agreement.

THE SECOND AGREEMENT**Date:**

13 June 2005

Parties:

Vendor:	Townhill, the principal business of which was investment holding in SUNDAY
Purchaser:	PCCW Mobile Holding No. 2 Limited, which is the Offeror and a wholly owned subsidiary of the Company
Guarantor for the vendor:	USI, the direct or indirect owner of the entire issued share capital of Townhill

Second Sale Shares:

The Company conditionally agreed to purchase (or procure the purchase by one of its wholly owned subsidiaries) and Townhill conditionally agreed to sell an aggregate of 410,134,000 SUNDAY Shares, representing approximately 13.72 percent of the issued share capital of SUNDAY as at the Latest Practicable Date.

The Second Agreement provides for the Second Sale Shares to be acquired free from all liens, charges, encumbrances, equities and adverse interests and with all rights attached or accruing thereto.

Consideration:

The consideration for the Second Sale Shares amounts to HK\$266,587,100 (equivalent to HK\$0.65 per SUNDAY Share) and was paid under the Second Agreement by the Offeror in cash on completion of the Second Agreement. The consideration was settled from the internal resources of the Company Group.

As a result of negotiations between the Company and Townhill, and taking into account the historic financial performance of SUNDAY and the market price of the SUNDAY Shares, the consideration was negotiated and determined on an arm's length basis between the Company and Townhill and the price per SUNDAY Share was the same as that paid under the First Agreement.

LETTER FROM THE BOARD

Conditions:

Completion of the Second Agreement was subject to:

- (a) there being no breach of the representations and warranties set out in the Second Agreement prior to completion of the Second Agreement; and
- (b) the boards of directors of USI and Townhill having approved the entry into and performance of the Second Agreement.

Completion:

As announced by the Company on 22 June 2005 under the Joint Announcement and referred to in more detail below, completion of the Second Agreement took place on 22 June 2005 in accordance with the terms of the Second Agreement.

To the best knowledge, information and belief of the directors of the Company, Distacom HK, DCL, Townhill and USI, and each of their respective ultimate beneficial shareholders, are independent of, and not connected with, the directors, the chief executive and the substantial shareholders of the Company and its subsidiaries or an associate of any of them. In this connection, an associate of an independent non-executive director of the Company has held a small shareholding in USI, representing approximately 0.76 percent of the issued share capital of USI, since September 1993. USI is a public company and has its shares listed on the Stock Exchange.

COMPLETION OF THE AGREEMENTS ON 22 JUNE 2005 AND CHANGE OF COMPOSITION OF THE BOARDS OF DIRECTORS OF SUNDAY AND ITS SUBSIDIARIES

As announced by the Company on 22 June 2005 under the Joint Announcement, the First Agreement and the Second Agreement were each duly completed on 22 June 2005 in accordance with the terms of the respective Agreements. On completion of the Agreements, the Offeror acquired 1,380,000,000 SUNDAY Shares from Distacom HK under the First Agreement and 410,340,000 SUNDAY Shares from Townhill under the Second Agreement. Accordingly, following completion of the Agreements, the Offeror and the parties acting in concert with it are interested in an aggregate of 1,790,134,000 SUNDAY Shares, representing approximately 59.87 percent of the existing issued share capital of SUNDAY as at the Latest Practicable Date. In addition, a wholly owned subsidiary of Cheung Kong (Holdings) Limited and a private company controlled by Mr Li Ka Shing, each of which is presumed under the Takeovers Code to be acting in concert with the Company, hold respectively 19,854,000 SUNDAY Shares (representing approximately 0.66 percent of the existing issued share capital of SUNDAY) and 5,127,000 SUNDAY Shares (representing approximately 0.17 percent of the existing issued share capital of SUNDAY), which were acquired by them between April 2000 and February 2003.

Pursuant to resolutions passed by the board of directors of SUNDAY, Alexander Anthony Arena, Chan Wing Wa, Kwok Yuen Man, Marisa, Chow Ding Man, Chan Kee Sun, Tom and Hui Hon Hing, Susanna, each designated for appointment by the Company, have been appointed as additional directors of SUNDAY with effect from the date of despatch of the Composite Offer Document. In

LETTER FROM THE BOARD

addition, with effect from the same date, Alexander Anthony Arena, Kwok Yuen Man, Marisa and Hui Hon Hing, Susanna have been appointed as additional directors of other members of the SUNDAY Group pursuant to resolutions passed by the board of directors of the relevant subsidiaries of SUNDAY.

Pursuant to the Agreements, each of Richard John Siemens, William Bruce Hicks, Kuldeep Saran, Kenneth Michael Katz, Edward Wai Sun Cheng and Andrew Chun Keung Leung have tendered letters of resignation as directors of SUNDAY and, where relevant, other members of the SUNDAY Group. Such resignations will take effect from the first closing date of the Offer or such earlier date as the Executive may permit.

Mandarin Communications Limited (a wholly owned subsidiary of SUNDAY), SUNDAY and Huawei Tech. entered into a Facility Agreement on 13 May 2004 and the Amendment and Restatement Agreement on 15 November 2004 for the provision of an equipment supply facility, a general facility and a 3G performance bond facility. As of 31 May 2005, the SUNDAY Group had total outstanding borrowings of HK\$799,244,000, represented by HK\$374,244,000 of equipment supply facility and HK\$425,000,000 of general facility, and a performance bond of HK\$210,746,000 provided to The Office of the Telecommunications Authority through drawdown of the 3G performance bond facility.

Under the terms of the Facility Agreement (as amended by the Amendment and Restatement Agreement) with Huawei Tech., the cessation of any two or more of Richard John Siemens, William Bruce Hicks, Kuldeep Saran and Edward Wai Sun Cheng as directors involved in the management of SUNDAY other than by reason of death, disability, removal by shareholders or dismissal for cause may constitute an event of default unless a waiver to such term is granted by Huawei Tech.. As referred to above, each of these individuals will resign as directors of SUNDAY with effect from the first closing date of the Offer, which is expected to be on or around 29 July 2005. Failure to comply with this covenant may entitle Huawei Tech. to accelerate the maturity of the outstanding amounts under the Facility Agreement and, if not repaid, to exercise their security rights over substantially all of the SUNDAY Group's assets. SUNDAY and the Company are considering various alternatives available to them to prevent such event of default occurring, including the possibility of requesting a waiver from Huawei Tech..

The Company will comply with the disclosure obligations under Rule 13.19 of the Listing Rules, if applicable.

MANDATORY UNCONDITIONAL CASH OFFER OBLIGATION

Other than the Agreements, the Company Group has not engaged in any dealings in any SUNDAY Shares in the six-month period immediately preceding the Latest Practicable Date. So far as the Company is aware, the Company and persons acting in concert with it currently do not own any interest in SUNDAY other than the Sale Shares acquired under the Agreements and except that a wholly owned subsidiary of Cheung Kong (Holdings) Limited and a private company controlled by Mr Li Ka Shing, each of which is presumed under the Takeovers Code to be acting in concert with the Company, hold respectively 19,854,000 SUNDAY Shares (representing approximately 0.66 percent of the existing issued share capital of SUNDAY) and 5,127,000 SUNDAY Shares (representing approximately 0.17 percent of the existing issued share capital of SUNDAY), which were acquired by

LETTER FROM THE BOARD

them between April 2000 and February 2003. As a result of completion of the Agreements, the Offeror now holds an aggregate of 1,790,134,000 SUNDAY Shares, representing approximately 59.87 percent of the issued share capital of SUNDAY as at the Latest Practicable Date and accordingly is required to make a mandatory unconditional cash offer pursuant to Rule 26.1 of the Takeovers Code. Accordingly, as announced under the Joint Announcement, Citigroup, for and on behalf of the Offeror, will make the Offer to acquire all the issued SUNDAY Shares not already owned by or agreed to be acquired by the Offeror, and will also offer to pay a cash amount to the SUNDAY Option Holders for each Outstanding SUNDAY Share Option held by them in consideration for their agreeing to cancel their Outstanding SUNDAY Share Options, on the following basis:

For each SUNDAY Share HK\$0.65 in cash

For each Outstanding SUNDAY Share Option HK\$0.001 in cash

The Offer Price in respect of the SUNDAY Shares is the same as the price paid for each SUNDAY Share purchased under the First Agreement and the Second Agreement. The Offer Price in respect of the SUNDAY Shares represents:

- (a) the closing price of HK\$0.65 per SUNDAY Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 22.64 percent to the closing price of HK\$0.53 per SUNDAY Share as quoted on the Stock Exchange on 10 June 2005, being the last trading day prior to the suspension of trading of the SUNDAY Shares on 13 June 2005;
- (c) a premium of approximately 29.61 percent to the average closing price of HK\$0.5015 per SUNDAY Share for the last 10 trading days up to and including 10 June 2005;
- (d) a premium of approximately 35.84 percent to the average closing price of HK\$0.4785 per SUNDAY Share for the last 30 trading days up to and including 10 June 2005; and
- (e) a premium of approximately 176.24 percent to the audited consolidated net asset value of SUNDAY of approximately HK\$0.2353 per SUNDAY Share as stated in the annual report of SUNDAY as at 31 December 2004.

The consideration of HK\$0.001 for the cancellation of each Outstanding SUNDAY Share Option is nominal, since the exercise prices of the Outstanding SUNDAY Share Options, in a range from HK\$1.01 to HK\$3.05, exceed the Offer Price in respect of the SUNDAY Shares.

The highest and lowest closing prices of SUNDAY Shares as quoted on the Stock Exchange during the six-month period preceding the last trading date prior to the suspension of trading of the SUNDAY Shares on 13 June 2005 were HK\$0.58 per SUNDAY Share on 23 February 2005 and HK\$0.40 per SUNDAY Share on 12 January 2005, respectively.

As a result of completion of the Agreements on 22 June 2005, the Offer became an unconditional offer.

LETTER FROM THE BOARD

Total consideration

Based on information provided by SUNDAY for the preparation of the Composite Offer Document and public information so far available to the Company, as at the Latest Practicable Date, there were 2,990,000,000 SUNDAY Shares in issue (inclusive of 24,417,000 SUNDAY Shares represented by the ADSs). Based on such number of SUNDAY Shares in issue and the Offer Price of HK\$0.65 per SUNDAY Share, the entire issued share capital of SUNDAY is valued at HK\$1,943,500,000 under the Offer (assuming that no Outstanding SUNDAY Share Options as at the Latest Practicable Date would be exercised). Apart from the 27,515,831 Outstanding SUNDAY Share Options referred to above, there were no other options, warrants or conversion rights affecting the SUNDAY Shares outstanding as at the Latest Practicable Date. Assuming the Offer is accepted in full by the SUNDAY Shareholders and the SUNDAY Option Holders and none of the Outstanding SUNDAY Share Options as at the Latest Practicable Date will be exercised and accordingly no further SUNDAY Shares will be issued pursuant thereto, at the Offer Price of HK\$0.65 per SUNDAY Share and HK\$0.001 per Outstanding SUNDAY Share Option, the total amount payable by the Offeror under the Offer will be HK\$779,940,416.

Citigroup, the financial adviser to the Company and the Offeror, is satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offer.

Effect of accepting the Offer

By accepting the Offer, the SUNDAY Shareholders will sell their SUNDAY Shares and all rights attaching to them as at 13 June 2005, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after that date. In respect of the Outstanding SUNDAY Share Options, by accepting the Offer, the SUNDAY Option Holders will agree to cancel their Outstanding SUNDAY Share Options for the consideration set out above.

Payment

Payment in cash in respect of the acceptances of the Offer will be made within 10 days of the date on which the relevant documents of title are received by the Offeror (in the case of SUNDAY Shares) or SUNDAY (in the case of Outstanding SUNDAY Share Options) to render each such acceptance complete and valid.

SHAREHOLDING STRUCTURE OF SUNDAY BEFORE AND AFTER COMPLETION OF THE AGREEMENTS

	Issued SUNDAY Shares immediately before completion of the Agreements (No. of shares)		Issued SUNDAY Shares immediately following completion of the Agreements (No. of shares)	
		%		%
Distacom HK	1,380,000,000	46.15	—	—
Townhill	410,134,000	13.72	—	—
Huawei Tech.	296,416,000 ⁽¹⁾	9.91	296,416,000 ⁽²⁾	9.91
The Offeror	—	—	1,790,134,000	59.87
Public	<u>903,450,000</u>	<u>30.22</u>	<u>903,450,000</u>	<u>30.22</u>
Total	<u>2,990,000,000</u>	<u>100</u>	<u>2,990,000,000⁽³⁾</u>	<u>100</u>

LETTER FROM THE BOARD

Notes:

- (1) Shareholding interest as at 14 June 2005, based on disclosure of interests by substantial shareholders made under the SFO and made available at the website of the Stock Exchange.
- (2) Assuming no acquisitions or disposals of SUNDAY Shares by Huawei Tech. since 14 June 2005.
- (3) Inclusive of 24,417,000 SUNDAY Shares represented by the ADSs and assuming no new issues or repurchases of SUNDAY Shares by SUNDAY from the Latest Practicable Date.

INFORMATION ON THE COMPANY AND THE OFFEROR

The principal activities of the Company Group are the provision of local 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 elsewhere in the People's Republic of China.

The Offeror, PCCW Mobile Holding No. 2 Limited, is a wholly owned subsidiary of the Company, established under the laws of the British Virgin Islands on 17 June 2005. The Offeror is a special purpose vehicle established for the acquisition of the Sale Shares under the Agreements and to make the Offer. Except for the Sale Shares acquired under the Agreements, and loan facilities of up to approximately HK\$1,964,000,000 made available to it by the Company Group to finance its obligations in connection with the purchase of the Sale Shares and the Offer, the Offeror has no other material assets or liabilities.

INFORMATION ON THE SUNDAY GROUP

The SUNDAY Group is a developer and provider of wireless communications and data services in Hong Kong, and a 3G licence holder. It began commercial operations with GSM 1800 wireless services in 1997 and is partnering with Huawei Technologies Co., Ltd. for its 3G services. Prior to completion of the Agreements, SUNDAY's major shareholders were Distacom HK, Townhill and Huawei Tech.. The SUNDAY Shares are listed on the Stock Exchange and on NASDAQ National Market in the United States of America.

INTENTION OF THE COMPANY REGARDING SUNDAY'S BUSINESS

The Company, the parent company of the Offeror, intends that SUNDAY Group will continue with its existing core business of development and provision of wireless communications and data services in Hong Kong. In addition, the Company will conduct a review of the financial position and operations of the SUNDAY Group in due course with a view to strengthening its operations and future development.

LETTER FROM THE BOARD

COMPULSORY ACQUISITION OR MAINTAINING THE LISTING STATUS OF SUNDAY

If the Offeror acquires the prescribed percentage of the SUNDAY Shares (being not less than 90 percent of the SUNDAY Shares affected by the Offer) as required by Section 88 of the Companies Law and is permitted to do so under Rule 2.11 of the Takeovers Code, the Offeror intends to consider availing itself of the powers of compulsory acquisition under Section 88 of the Companies Law.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatize SUNDAY by means of the Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Law, acceptances of the Offer and purchases (in each case of the disinterested SUNDAY Shares) made by the Offeror and persons acting in concert with it during the period of four months after posting of the Composite Offer Document total 90 percent of the disinterested SUNDAY Shares.

According to Rule 15.6 of the Takeovers Code, since the Offeror intends to consider availing itself of the powers of compulsory acquisition under the Companies Law to compulsorily acquire those SUNDAY Shares not acquired by the Offeror under the Offer, the Offer may not remain open for acceptance for more than four months from the posting of the Composite Offer Document, unless the Offeror has by that time become entitled to exercise the powers of compulsory acquisition available to it under the Companies Law, in which event the Offeror must do so without delay.

If the level of acceptances reaches the prescribed level (being not less than 90 percent of the SUNDAY Shares affected by the Offer) under Section 88 of the Companies Law and Rule 2.11 of the Takeovers Code permits a compulsory acquisition and the Offeror proceeds with the privatization of SUNDAY and withdrawal of listing of SUNDAY Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, as announced under the Joint Announcement, SUNDAY will apply for a suspension of dealings in the SUNDAY Shares from the close of the Offer up to the withdrawal of listing of SUNDAY Shares from the Stock Exchange.

In the event that the Offeror does not effect the compulsory acquisition of the remaining SUNDAY Shares, whether by reason of not having acquired the requisite percentage as required under the Companies Law or otherwise, the Offeror may either:

- (a) seek a withdrawal of listing of SUNDAY Shares from the Stock Exchange in accordance with the requirements of Rule 6.12 of the Listing Rules and Rule 2.2 of the Takeovers Code; or
- (b) take such steps as are necessary to ensure, or procure SUNDAY to take such steps as are necessary to ensure, that SUNDAY maintains an adequate public float so as to comply with the applicable requirements of the Listing Rules.

The requirements of Rule 6.12 of the Listing Rules referred to in paragraph (a) above include the approval of the withdrawal of the listing by the SUNDAY Shareholders other than any controlling shareholder, director or chief executive of SUNDAY or their respective associates, by way of a resolution passed by a majority of at least 75 percent of the votes cast at the relevant shareholders'

LETTER FROM THE BOARD

meeting, and not voted against by more than 10 percent of the votes attaching to the shares permitted to vote at such meeting. Rule 2.2 of the Takeovers Code provides that neither the Offeror nor any persons acting in concert with the Offeror may vote at the meeting of SUNDAY Shareholders convened in accordance with the Listing Rules. Rule 2.2 of the Takeovers Code further requires that the resolution to approve the delisting must be subject to approval by at least 75 percent of the votes attaching to the disinterested SUNDAY Shares that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested SUNDAY Shares, the number of votes cast against the resolution is not more than 10 percent of the voting rights attaching to all disinterested SUNDAY Shares and the Offeror is entitled to exercise, and exercises, its rights of compulsory acquisition. As at the Latest Practicable Date, the Offeror has not decided whether to maintain the listing of SUNDAY on the Stock Exchange or to privatize SUNDAY.

OTHER TAKEOVERS CODE IMPLICATIONS

Pursuant to the Takeovers Code, as announced under the Joint Announcement, SUNDAY has appointed ING Bank N.V. as an independent financial adviser to advise the independent board committee of SUNDAY, which has been established to advise the Independent SUNDAY Shareholders in respect of the Offer.

The Composite Offer Document setting out, inter alia, the terms and conditions of the Offer together with the form of acceptance and transfer of the SUNDAY Shares and the form of acceptance and cancellation for the Outstanding SUNDAY Share Options and incorporating the letter of advice from the independent board committee of SUNDAY in respect of the Offer and the letter of advice from ING Bank N.V. as independent financial adviser to the independent board committee of SUNDAY in respect of the Offer, have been or will be sent to the SUNDAY Shareholders and the SUNDAY Option Holders on or around the same date as this circular on the basis that the Executive has agreed to extend the date of despatch of the Composite Offer Document to 8 July 2005 which is the same date as the extended deadline for the despatch of this circular granted by the Stock Exchange pursuant to the extension application made by the Company to the Stock Exchange as announced under the Joint Announcement.

REASONS FOR ENTERING INTO THE AGREEMENTS

The principal activities of the Company Group are the provision of local and international telecommunications services, internet and interactive multimedia services.

The Company believes that the entering into of the Agreements is an important strategic step in the Company's future development and will allow the Company Group to enter the wireless communications, data services and 3G market in Hong Kong. It would also allow the Company Group to expand its product and service offerings into the mobile market, and cross sell such products and services so as to improve its ability to serve customer needs. This would diversify the Company Group's existing business and enhance growth prospects. It would also enable the Company to progress its planning towards fixed-mobile convergence services in the future; and cements its ability to be China Netcom Group's preferred mobile partner in the People's Republic of China.

LETTER FROM THE BOARD

The Company Group anticipates that substantial operating synergies can be achieved in various areas including without limitation the costs of operating shops, back office administration, call centres and corporate overhead. It also anticipates that the customer base of SUNDAY would be complementary to the customer base of the Company Group.

This development would require substantial effort as the Company Group moves forward as an integrated telecommunication provider offering both fixed and mobile services and to add value to shareholders through this transaction.

As, following completion of the Agreements, the Company has acquired a greater than fifty percent interest in the issued share capital of SUNDAY, the operations and results of SUNDAY will be consolidated in the accounts of the Company in future.

The directors of the Company believe that the terms of each of the Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF ENTERING INTO THE AGREEMENTS

The published audited consolidated net asset value of SUNDAY as at 31 December 2004 amounted to HK\$703,448,000. The published audited consolidated profit after tax and extraordinary items of SUNDAY for financial years ended 31 December 2003 and 31 December 2004 were approximately HK\$27,172,000 and HK\$5,544,000, respectively. On the basis that the Sale Shares represent approximately 59.87 percent of the issued share capital of SUNDAY as at the Latest Practicable Date, the net asset value attributable to the Sale Shares as at 31 December 2004 amounted to approximately HK\$421,154,000, and the profit after tax and extraordinary items attributable to the Sale Shares for the financial years ended 31 December 2003 and 31 December 2004 amounted to approximately HK\$16,268,000 and HK\$3,319,000, respectively.

Following completion of the First Agreement, the Second Agreement and the mandatory unconditional cash offer, the Company owns more than 50 percent of the equity interest in SUNDAY. Hence, the results, assets and liabilities of SUNDAY will be consolidated into the financial statements of the Company. The Company considers that following the acquisition, the Company Group's earning base has been enlarged while its assets and liabilities have increased.

Your attention is drawn to the general information contained in the Appendix hereto.

Yours faithfully,
By Order of the Board
PCCW Limited
Alexander Anthony Arena
Director

(1) RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

(2) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:

(A) Long Positions in Shares

Name of Director/ chief executive	Number of ordinary shares				Number of underlying shares held under equity derivatives	Total	Percent of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	—	—	38,456,600 <i>(Note 1(a))</i>	1,746,122,668 <i>(Note 1(b))</i>	3,490,018 <i>(Note 1(c))</i>	1,788,069,286	26.62%
So Chak Kwong, Jack	2,161,000	—	—	—	19,822,000 <i>(Note 3)</i>	21,983,000	0.33%
Yuen Tin Fan, Francis	—	—	—	—	20,068,000 <i>(Note 2)</i>	20,068,000	0.30%
Peter Anthony Allen	253,200	—	—	—	4,629,200 <i>(Note 2)</i>	4,882,400	0.07%
Alexander Anthony Arena	760,000	—	—	—	15,800,200 <i>(Note 4)</i>	16,560,200	0.25%
Chung Cho Yee, Mico	1,176,260	18,455 <i>(Note 5)</i>	—	—	14,390,400 <i>(Note 2)</i>	15,585,115	0.23%
Lee Chi Hong, Robert	992,600 <i>(Note 6(a))</i>	511 <i>(Note 6(b))</i>	—	—	6,000,000 <i>(Note 2)</i>	6,993,111	0.10%
Sir David Ford	—	—	—	—	4,000,000 <i>(Note 2)</i>	4,000,000	0.06%

Name of Director/ chief executive	Number of ordinary shares				Number of underlying shares held under equity derivatives	Total	Percent of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Prof Chang Hsin-kang	64,000	—	—	—	—	64,000	0.001%
Dr The Hon Li Kwok Po, David	600,000	—	—	—	—	600,000	0.01%

Notes:

1. (a) Of these shares, Pacific Century Diversified Limited (“PCD”), a wholly-owned subsidiary of Chiltonlink Limited, held 4,709,600 shares and Eisner Investments Limited held 33,747,000 shares. Li Tzar Kai, Richard owns 100 percent of Chiltonlink Limited and Eisner Investments Limited.
- (b) These interests represented:
 - (i) a deemed interest in 36,726,857 shares held by Yue Shun Limited, a subsidiary of Hutchison Whampoa Limited (“HWL”). Cheung Kong (Holdings) Limited (“Cheung Kong”) through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a beneficiary of certain discretionary trusts which held interests in Cheung Kong and HWL. Li Tzar Kai, Richard was also interested in one-third of the issued share capital of two companies, which owned all the shares in the trustee companies which acted as trustees of such discretionary trusts. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares held by Yue Shun Limited;
 - (ii) a deemed interest in 20,354,286 shares held by Pacific Century Group Holdings Limited (“PCGH”). Li Tzar Kai, Richard was the founder of certain trusts which held 100 percent interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 20,354,286 shares held by PCGH;
 - (iii) a deemed interest in 1,526,094,301 shares held by Pacific Century Regional Developments Limited (“PCRD”), a company in which PCGH had, through certain wholly-owned subsidiaries including Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate 75.33 percent interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100 percent interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,526,094,301 shares held by PCRD; and
 - (iv) a deemed interest in 162,947,224 shares held by a collective investment scheme in which PCD (a corporation 100 percent controlled by Li Tzar Kai, Richard - see above) was a holder.
- (c) This number represents interests under listed equity derivatives arising through corporations controlled by PCGH in which Li Tzar Kai, Richard was deemed interested as the founder of certain trusts which held 100 percent of PCGH and comprises:
 - (i) an interest in 679,000 underlying shares held by PCRD in the form of 67,900 American depositary receipts (“ADRs”), each representing 10 shares; and

- (ii) an interest in respect of 2,811,018 underlying shares arising as a result of the holding of an aggregate of US\$14,000,000 of convertible bonds issued by a wholly-owned subsidiary of the Company which were held by PCGH and a wholly-owned subsidiary of Pacific Century Insurance Holdings Limited (“PCIHL”) (a company in which PCR D had a 46.73 percent interest) and were convertible into 2,811,018 shares.
- 2. These interests represented the interests in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, the details of which are set out in paragraph (D) below.
- 3. These interests represented So Chak Kwong, Jack’s beneficial interest in: (i) 4,322,000 underlying shares which will be transferred to him in two equal annual installments commencing from the second anniversary of his employment with the Company pursuant to an agreement made with PCD which constituted unlisted physically settled equity derivatives; and (ii) 15,500,000 underlying shares in respect of share options granted by the Company to So Chak Kwong, Jack as beneficial owner, the details of which are set out in paragraph (D) below.
- 4. These interests represented Alexander Anthony Arena’s beneficial interest in: (i) 200 underlying shares held in the form of 20 ADRs which constituted listed equity derivatives; and (ii) 15,800,000 underlying shares in respect of share options granted by the Company to Alexander Anthony Arena as beneficial owner, the details of which are set out in paragraph (D) below.
- 5. These shares were held by the spouse of Chung Cho Yee, Mico.
- 6. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.
(b) These shares were held by the spouse of Lee Chi Hong, Robert.

(B) *Short Positions in the Shares and Underlying Shares of the Company*

Under the SFO, Li Tzar Kai, Richard was deemed as at the Latest Practicable Date to have short positions held pursuant to equity derivatives in respect of an aggregate of 390,720,763 underlying shares, representing 5.82 percent of the total issued share capital of the Company, details of which are as follows:

- (a) a short position in respect of 386,398,763 underlying shares (such shares being beneficially held by PCR D) which arose under certain unlisted physically settled equity derivatives issued by PCR D pursuant to which the derivative holders have the right to call for the delivery of 386,398,763 shares. Li Tzar Kai, Richard’s deemed short position arose as the founder of certain trusts which held 100 percent of PCGH of which PCR D is a controlled corporation under the SFO; and
- (b) through PCD (a corporation 100 percent controlled by Li Tzar Kai, Richard - see above) a short position in respect of 4,322,000 underlying shares which arose under an agreement entered into with So Chak Kwong, Jack, such interest constituted, for the purposes of the SFO, a short position of a corporation controlled by Li Tzar Kai, Richard under an unlisted physically settled equity derivative pursuant to which such shares will be transferred to So Chak Kwong, Jack in two equal annual instalments commencing from the second anniversary of his employment with the Company.

(C) *Long Positions in the Shares of Associated Corporations*(a) **PCCW Capital Limited**

PCGH and a subsidiary of PCIHL held, respectively, US\$4,000,000 and US\$10,000,000 of convertible bonds issued by PCCW Capital Limited, an associated corporation of the Company. Accordingly, Li Tzar Kai, Richard was deemed to have an aggregate interest in US\$14,000,000 of convertible bonds issued by PCCW Capital Limited by virtue of being the founder of certain trusts which held 100 percent of PCGH.

(b) **Pacific Century Premium Developments Limited (“PCPD”)**

Name of Director/ chief executive	Number of ordinary shares				Number of underlying shares held under equity derivatives	Percent of issued share capital	
	Personal interests	Family interests	Corporate interests	Other interests		Total	
So Chak Kwong, Jack	—	—	—	—	5,000,000	5,000,000	0.21%
Chung Cho Yee, Mico	—	—	—	—	5,000,000	5,000,000	0.21%

The above interests represented the interests in underlying shares in respect of share options granted by PCPD to these Directors as beneficial owners pursuant to its share option scheme, the details of which as at the Latest Practicable Date were as follows:

Name of Director/ chief executive	Date of grant (Note 1)	Exercisable period (Note 1)	Exercise price HK\$	Number of options outstanding
So Chak Kwong, Jack	12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000
Chung Cho Yee, Mico	12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000

Notes:

- All dates are shown month/day/year.
- These options fully vested on the date of grant.

(D) *Directors' Rights to Acquire Shares of the Company*

As at the Latest Practicable Date, the Directors' interests in share options of the Company which remain outstanding are summarised below:

Name of Director/ chief executive	Date of grant <i>(Note)</i>	Vesting period <i>(Note)</i>	Exercisable period <i>(Note)</i>	Exercise price <i>HK\$</i>	Number of options outstanding
So Chak Kwong, Jack	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	12,000,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,500,000
Yuen Tin Fan, Francis	08.28.1999	08.17.2000 to 08.17.2004	08.17.2003 to 08.17.2009	11.7800	2,134,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.1200	3,200,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	3,200,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	8,534,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,000,000
	08.28.1999	08.17.2000 to 08.17.2002	08.17.2000 to 08.17.2009	11.7800	272,000
Peter Anthony Allen	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.1200	178,600
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	178,600
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	2,000,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	2,000,000
	08.28.1999	08.17.2000 to 08.17.2004	08.17.2000 to 08.17.2009	11.7800	3,200,000
Alexander Anthony Arena	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.1200	1,600,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	1,600,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	6,400,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,000,000

APPENDIX**GENERAL INFORMATION**

Name of Director/ chief executive	Date of grant (Note)	Vesting period (Note)	Exercisable period (Note)	Exercise price HK\$	Number of options outstanding
Chung Cho Yee, Mico	08.28.1999	08.17.2000 to 08.17.2004	08.17.2001 to 08.17.2009	11.7800	3,575,200
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.1200	1,060,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	1,060,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	5,695,200
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,000,000
Lee Chi Hong, Robert	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	5,000,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	1,000,000
Sir David Ford	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	2,000,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	2,000,000

Note: All dates are shown month/day/year.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered into the register required to be kept under section 352 of the SFO.

(3) INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS REQUIRED TO BE DISCLOSED UNDER THE SFO

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were required to be entered into the register required to be kept under Section 336 of the SFO or who is, directly or indirectly, interested in 10 percent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Company Group.

(A) *Interests and Short Positions of Substantial Shareholders*

Name of shareholder	<i>Note</i>	Number of shares/ underlying shares held	Percent of issued share capital
<i>Interests</i>			
PCRD	1	1,528,781,171	22.76%
PCGH	2	1,549,938,605	23.07%
Star Ocean Ultimate Limited	3	1,549,938,605	23.07%
The Ocean Trust	3	1,549,938,605	23.07%
The Starlite Trust	3	1,549,938,605	23.07%
OS Holdings Limited	3	1,549,938,605	23.07%
Ocean Star Management Limited	3	1,549,938,605	23.07%
The Ocean Unit Trust	3	1,549,938,605	23.07%
The Starlite Unit Trust	3	1,549,938,605	23.07%
China Network Communications Group Corporation (“China Netcom”)	4	1,343,571,766	20.00%
<i>Short Positions</i>			
PCRD	5	386,398,763	5.75%
PCGH	5	386,398,763	5.75%
Star Ocean Ultimate Limited	5	386,398,763	5.75%
The Ocean Trust	5	386,398,763	5.75%
The Starlite Trust	5	386,398,763	5.75%
OS Holdings Limited	5	386,398,763	5.75%
Ocean Star Management Limited	5	386,398,763	5.75%
The Ocean Unit Trust	5	386,398,763	5.75%
The Starlite Unit Trust	5	386,398,763	5.75%

Notes:

1. These interests represented (i) PCR D's beneficial interests in 1,526,094,301 shares and 679,000 underlying shares held in the form of 67,900 ADRs which constituted listed equity derivatives; and (ii) PCR D's interests through its 46.73 percent owned subsidiary, PCIHL, in 2,007,870 underlying shares in respect of US\$10,000,000 convertible bonds which constituted listed physically settled equity derivatives convertible into shares of the Company. The Directors, Li Tzar Kai, Richard, Yuen Tin Fan, Francis, Peter Anthony Allen and Alexander Anthony Arena are directors of PCR D.
2. These interests represented (i) PCGH's beneficial interests in 20,354,286 shares and 803,148 underlying shares in respect of US\$4,000,000 convertible bonds held by it which constituted listed physically settled equity derivatives convertible into shares of the Company; and (ii) PCGH's interests through its controlled corporations (being its wholly-owned subsidiaries, Borsington Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited, which together controlled 75.33 percent of PCR D) in shares and underlying shares of the Company held by PCR D (as described in Note 1 above). The Directors, Li Tzar Kai, Richard, Peter Anthony Allen and Alexander Anthony Arena are directors of PCGH.
3. On 18 April 2004, Li Tzar Kai, Richard transferred the entire issued share capital of PCGH to Ocean Star Management Limited as trustee of The Ocean Unit Trust and The Starlite Unit Trust. The entire issued share capital of Ocean Star Management Limited was held by OS Holdings Limited. The Ocean Trust and The Starlite Trust held all units of The Ocean Unit Trust and The Starlite Unit Trust respectively. Star Ocean Ultimate Limited was the discretionary trustee of The Ocean Trust and The Starlite Trust.
4. China Netcom indirectly holds these interests through its indirect wholly-owned subsidiary China Netcom Corporation (BVI) Limited. Zhang Chunjiang (a Director) is the President of China Netcom Group and Dr Tian Suning (a Director) is the Vice President of China Netcom.
5. PCGH, Star Ocean Ultimate Limited, The Ocean Trust, The Starlite Trust, OS Holdings Limited, Ocean Star Management Limited, The Ocean Unit Trust and The Starlite Unit Trust were deemed to have short positions in the same underlying shares held by PCR D, under the SFO pursuant to the arrangements as described in the paragraph (2)(B)(a) under the sub-section headed "Short Positions in the Shares and Underlying Shares of the Company".

(B) *Interests and Short Positions of Other Persons Required to be Disclosed under the SFO*

As at the Latest Practicable Date, the following persons (not being directors, the chief executive or substantial shareholders of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder		Number of shares/ underlying shares held	Percent of issued share capital
<i>Interests</i>			
Ocean Star Investment Management Limited	<i>Note</i>	1,549,938,605	23.07%
<i>Short Positions</i>			
Ocean Star Investment Management Limited	<i>Note</i>	386,398,763	5.75%

Note: Ocean Star Investment Management Limited was deemed interested and to have short positions under the SFO in the shares and underlying shares of the Company by virtue of it being the investment manager of The Ocean Unit Trust and The Starlite Unit Trust which together held 100 percent of PCGH (see above).

(C) *Interests in Other Members of the Company Group*

Name of non-wholly owned subsidiaries of the Company	Name of registered substantial shareholder(s)	Number of shares held by substantial shareholder(s)	Holding percent
Unihub China Information Technology Company Limited	China Huaxin Post and Telecommunications Economy Development Centre	N/A	50%
Pacific CyberTrans (Holdings) Co. Ltd.	Huajian Digital Technology Co. Ltd.	4,900 ordinary shares	49%
PCCWERA Limited	Era Communications Company Limited	2,812,500 ordinary shares	45%
ChinaBiG Limited	China United Telecommunications Corp (HK) Limited	5,961,538 ordinary shares	16.60%
CSL United Personalcom Limited	Tin Sing Telecom Limited	33,000 ordinary shares	33%

APPENDIX**GENERAL INFORMATION**

Name of non-wholly owned subsidiaries of the Company	Name of registered substantial shareholder(s)	Number of shares held by substantial shareholder(s)	Holding percent
JRM (BVI) Company Limited	El Grande Holdings Limited	240 ordinary shares	20%
	China Management Service Limited	120 ordinary shares 999,880 preferred shares	10% 12%
Powerbase Engines Holdings Company Limited	Sybond Venture Limited	2,500 ordinary shares	29.41%
PCCW (Macau), Limitada	Mappa-Macau Projects & Promotions Agency Limited	1 ordinary share (issued at MOP\$500,000)	25%
Unihub Global Network Technology (China) Limited	I-strength Developments Limited	2,357 ordinary shares	23.57%
Hoover Express Limited	Luen Yum Development Company Limited	2,000 ordinary shares	20%
Stable King Development Company Limited	Luen Yum Development Company Limited	20 ordinary shares	20%
Ocean Fine Pte Limited	Ocean Fine Industrial Development Limited	15 ordinary shares	15%
Unicom Yellow Pages Information Co., Ltd.	聯通興業科貿有限公司	N/A	20%
Beijing Continental Gas Co., Ltd.	北京市北液發燃氣經營公司	N/A	10%
	北京市液化石油氣設備工程公司	N/A	10%
	Max Matrix Development Limited	N/A	10%
Top Power Holdings Limited	Realux Limited	27 ordinary shares	27%
Companion-First Top Limited	Danta Enterprises (International) Corporation	250,000 ordinary shares	25%

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or the chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register required to be kept under section 336 of the SFO, or who is, directly or indirectly, interested in 10 percent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Company Group.

(4) SERVICE CONTRACTS

Save as otherwise disclosed below, none of the Directors of the Company had (or proposed to have), as at the Latest Practicable Date, any service contracts with any member of the Company Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

So Chak Kwong, Jack entered into a service contract with the Company for a period of three years commencing on 25 July 2003. So Chak Kwong, Jack's service contract provides for a compensation payment from the Company for early termination by the Company during the term of the contract.

(5) DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The following are interests of the Directors of the Company in businesses apart from the Company Group's business, which compete or are likely to compete, either directly or indirectly, with the Company Group's business:

Name of Director	Names of companies	Nature of business	Nature of interests
Li Tzar Kai, Richard	Cheung Kong and its subsidiaries ("Cheung Kong Group")	Property development and investment, hotel and serviced suite operation, property and project management and investment in securities	Deemed interests in Cheung Kong (<i>Note 1</i>)
	HWL and its subsidiaries ("Hutchison Group")	Ports and related services, telecommunications, property and hotels, retail and manufacturing and energy and infrastructure	Certain personal and deemed interests in HWL (<i>Note 2</i>)
Yuen Tin Fan, Francis	Kee Shing (Holdings) Limited ("KSH") and its subsidiaries	Sale of chemicals and metals, property and security investment	Non-executive director and deemed interests of 22.84 percent of KSH through a controlled corporation and as founder of a trust
Chung Cho Yee, Mico (<i>Note 3</i>)	Capital Strategic Investment Limited ("CSI") and its subsidiaries	Property investment, strategic investment and securities investment	Non-executive director and beneficial owner of 36.54 percent of CSI
Zhang Chunjiang	China Netcom and its subsidiaries including China Netcom Group Corporation (Hong Kong) Limited ("CNC (HK)")	Note 4	President of China Netcom Group and Chairman and Executive Director of CNC (HK)

Name of Director	Names of companies	Nature of business	Nature of interests
Tian Suning	China Netcom and its subsidiaries including CNC (HK)	Note 4	Vice President of China Netcom and Vice Chairman, Executive Director and Chief Executive Officer of CNC (HK)
	AsiaInfo Holdings Inc.	Provider of high-quality software and solutions in the PRC	Chief Executive Officer and Director
	Trend Mico Incorporated	Provision of network antivirus and Internet content security software and services	Director
	TCL Corporation	Manufacturer of multimedia electronics, home electronics appliances, telecommunication equipments, information components and electronics components	Independent Director
Fan Xingcha	Certain subsidiaries of China Netcom and CNC (HK)	Note 4	Director

Notes:

1. Certain business of the Cheung Kong Group may compete with certain aspects of the business of the Company Group. Li Tzar Kai, Richard is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of Cheung Kong. Li Tzar Kai, Richard holds one-third of the issued share capital of two companies, which own all the shares in the trustee companies which act as trustees of such discretionary trusts and unit trusts. These trustee companies perform their functions as trustees independently without any reference to Li Tzar Kai, Richard. Notwithstanding the above, his being a discretionary beneficiary and that the trustee companies act independently of him, the Company considers that Li Tzar Kai, Richard is not able to exert control or influence over the Cheung Kong Group.

2. Li Tzar Kai, Richard was a director of HWL and certain of its subsidiaries until 16 August 2000, the day before the acquisition of Cable & Wireless HKT Limited (now known as PCCW-HKT Limited) became effective. Certain businesses of the Hutchison Group compete with certain aspects of the business of the Company Group. Li Tzar Kai, Richard has a personal interest in 110,000 shares in HWL, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of HWL. Li Tzar Kai, Richard holds one-third of the issued share capitals of two companies, which own all the shares in the trustee companies which act as trustees of such discretionary trusts and unit trusts. These trustee companies perform their functions as trustees independently without any reference to Li Tzar Kai, Richard. Notwithstanding the above, and in view of his small personal shareholding, his being a discretionary beneficiary and that the trustee companies act independently of him, the Company considers that Li Tzar Kai, Richard is not able to exert control or influence over the Hutchison Group.
3. Chung Cho Yee, Mico holds direct personal interest in a private company, which engages in property investment or development in Repulse Bay, Hong Kong.
4. China Netcom is a state-owned enterprise established under the laws of the PRC. It is principally engaged in the provision of telecommunications services in the PRC and is the holder of more than 70 percent of CNC (HK), whose shares are listed and traded on the Stock Exchange. CNC (HK) provides fixed-line telecommunications services including fixed-line telephone services, broadband and other Internet-related services, business and data communications services, and international telecommunications services in the PRC and Asia-Pacific region.

In addition, Li Tzar Kai, Richard, Yuen Tin Fan, Francis, Peter Anthony Allen, Alexander Anthony Arena and Lee Chi Hong, Robert are directors of certain private companies (the “Private Companies”), which are engaged in property development and investment in Hong Kong (in particular, a development called Gough Hill) and/or Japan (investments in certain residential properties and a commercial building).

Further, Li Tzar Kai, Richard, Yuen Tin Fan, Francis, Peter Anthony Allen and Alexander Anthony Arena are directors of PCR D. PCR D acts as an investment holding company of, among others, interests in the Company and certain property development interests in Singapore and India. In addition, Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCR D and PCGH due to the interests as disclosed in the above paragraph (2)(A) under the section headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares of the Company and its Associated Corporations” in this appendix.

The business interests of the Private Companies and PCR D in Hong Kong are not significant when compared to the business of the Company Group and it is unlikely that such businesses will compete with the property business of the Company Group. The businesses of the Private Companies and PCR D in Japan, Singapore and India, are unlikely to compete with the existing investment and development property portfolio of the Company Group.

Notwithstanding the interests of the Directors in the companies listed above which compete, or may compete, with the business of the Company Group, the Company Group has been operating independently of, and at arms length from, the businesses of those companies.

In addition to the companies mentioned above, the Company Group holds minority equity interests in a number of Internet-related companies in which the Company Group is entitled to appoint, and has appointed, one or more directors to the board of these companies to represent the interests of the Company Group. Some or all of these companies may compete directly or indirectly, with certain aspects of the Company Group’s business.

Other than as disclosed above, none of the Directors is interested in any business apart from the Company Group's business, which competes or is likely to compete, either directly or indirectly, with the Company Group's business as at the Latest Practicable Date.

(6) LITIGATION

Save as disclosed below, as at the Latest Practicable Date, there is no litigation or claim of material importance pending or threatened against any member of the Company Group.

Reach Networks Hong Kong Limited ("Reach Networks") has instituted legal proceedings against Wharf T&T Limited ("Wharf") to recover international delivery fees mistakenly paid or payable to Wharf during the period from 1996 to 1998. The amount claimed is around HK\$157 million plus interest. Wharf has filed a counterclaim against Reach Networks for HK\$78.5 million. Reach Networks' action may be successful or unsuccessful and no assurance can be given that any recovery will be possible. Pursuant to the agreements for the transfer of the Company's Internet protocol backbone operations to Reach Ltd., as part of the Company's joint venture with Telstra Corporation Limited, the Company or its nominee retains the right to any proceeds if these proceedings are successful, and the Company or its nominee will be responsible for the conduct of these proceedings and all liabilities, costs and expenses incurred in connection with these proceedings.

On 23 April 2002, a writ of summons was issued against PCCW-HKT Limited ("PCCW-HKT"), by New Century Infocomm Tech Co., Ltd. for PCCW-HKT's failure to purchase 6,522,000 shares of Taiwan Telecommunication Network Services Co., Ltd. ("TTN"), an indirect subsidiary of the Company, pursuant to an option agreement entered into on 24 July 2000. The total claim against PCCW-HKT amounted to approximately HK\$101 million (NT\$418 million), being the purchase price of shares in TTN, contractual interest for the period from 1 January 2001 to 2 January 2002 at 6.725 percent per annum and interest on the due amount pursuant to Sections 48 and 49 of the High Court Ordinance (Chapter 4 of the Laws of Hong Kong). However, this figure should be reduced by the current market value of the shares in TTN which would be transferred to PCCW-HKT in the event that the claimants are successful in their claim. A defence was filed by PCCW-HKT on 29 May 2002 and proceedings are ongoing.

Pacific Convergence Corporation, Ltd. ("PCCL"), an indirect wholly owned subsidiary of the Company, has filed a winding up petition before the Delhi High Court in relation to Data Access (India) Limited ("Data Access") on the basis that PCCL had lent Data Access a total amount of US\$10 million under two loan agreements dated 24 May 2000 and 24 July 2000. In the winding up petition, PCCL claimed that according to the terms and conditions of the two loan agreements, the entire amounts lent to Data Access along with interest thereon was and is repayable within three years from the dates of drawing such amounts. PCCL further claimed that Data Access has admitted in its statutory filings that the amounts are overdue for repayment and Data Access has repeatedly defaulted in its repayment obligations. On 26 October 2004, at the first hearing on the winding up petition, the Delhi High Court passed ex-parte ad-interim directions restraining Data Access from alienating its assets and receivables except in the normal course of its business. The Delhi High Court also appointed the Official Liquidator attached to the Court as the Provisional Liquidator to supervise the enforcement of this order. The court has not yet rendered its decision in relation to this petition.

On 7 December 2004, PCCW-HKT Telephone Limited (“HKTC”) commenced legal proceedings in Hong Kong against Wharf T&T Limited (“Wharf”) seeking, amongst other things, a declaration that Wharf was not entitled to a repayment of sums totalling approximately HK\$61.5 million owed in respect of an agreement for narrowband type II interconnection charges (the “LAL Agreement”). HKTC also seeks damages in respect of amounts which have been, and continue to be, withheld by Wharf each month under the LAL Agreement. Proceedings are at a relatively early stage and are not expected to be completed within 2005.

(7) MISCELLANEOUS

- (A) The registered office of the Company is situated at 39th Floor, PCCW Tower, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong.
- (B) The company secretary of the Company is Hubert Chak, MBA, BSc (ME).
- (C) The qualified accountant of the Company is Peter Anthony Allen. He is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Singapore.
- (D) In the event of inconsistency, the English version of this circular shall prevail over the Chinese text.

Electronic Communications

This circular in both English and Chinese is now available in printed form and on the Company's website at www.pccw.com.

Shareholders who have chosen to receive this circular by electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to this circular will promptly upon written request to the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, be sent this circular in printed form free of charge.

Shareholders may change their means of receipt of the Company's corporate communications at any time, free of charge, by notice in writing to the Company's Share Registrars at:

To PCCW Limited

c/o Share Registrars

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

fax: +852 2529 6087/+852 2865 0990

email: hkinfo00008@computershare.com.hk