

**CABLE AND WIRELESS HKT LTD :
WHAT A GIGGLE !
WHAT A COCK-UP !**

One of the biggest jokes in the corporate history of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) must be contained in the May 5 official announcement, emanating from the offices of Cable and Wireless HKT Ltd (Code: 8 - \$HK17.45).

This announcement stated, inter alia, that the Cable and Wireless HKT *'Board wishes to make it clear that it has not made a formal decision on its recommendation in relation to the proposed offer for the Company by Pacific Century CyberWorks Limited ("PCCW") (Code: 1186 - \$HK14) and that its position is as set forth in its announcement dated 4 May 2000 ...'*

The May 4 announcement stated that the Board of Directors of Cable and Wireless HKT, on March 28, had determined that it was *'satisfied with the progress of discussions with PCCW on the proposed Offer and that it had agreed to PCCW's request to put the Offer to shareholders by way of a scheme of arrangement proposed by the Company.'*

The announcement, then, went on to state that it had had a meeting on May 4 and, at that meeting, a progress report had been tabled in respect of *'integrating the businesses of the Company with PCCW and possible future strategic directions for the combined group if the proposed scheme of arrangement is approved by the Company's shareholders and sanctioned by the Court ...*

'The Board has therefore directed the Company's management to proceed as soon as practicable to finalise the required documentation ... the Board will be in a position to post a detailed circular to shareholders containing the views of the Independent Committee and the Board, based on the latest information available before the date of posting, on or about 20 May 2000.'

Shareholders of Cable and Wireless HKT will have until June 26, 2000 to make a final determination with regard to the PCCW Offer.

All that sounds reasonable and fair, but the problem is, and this is the reason that this is such a giggle, that the Chief Executive of Cable and Wireless HKT, Mr Linus Cheung, has been hobnobbing around with the boss of Pacific Century CyberWorks, Mr Richard Li Tzar Kai, the Number Two Son of one of the world's richest men, Mr Li (the cash) Ka Shing.

The back-slapping of Mr Linus Cheung, in order, no doubt, to show to Mr Richard Li of his approval of the Offer of PCCW, appears to be contrary to what one would expect of a chief executive of a major publicly listed company, one that was about to be swallowed up by another publicly listed company -- even before shareholders of the target acquisition company had been lobbied for their views on the matter.

Or are the minority shareholders of Cable and Wireless HKT not to be considered sufficiently important to be consulted on such matters?

Further, it would seem totally inappropriate for a person of Mr Linus Cheung's status to be indicating his bias for the PCCW Offer -- even if it were the best thing ever to be offered in the history of corporate governance.

There is, of course, also the problem that one is not quite certain as to the motives behind Mr Linus Cheung's outward display of affection for his (potential) new boss, if, indeed, there is a motive or motives.

Is he, perhaps, so enamoured with the PCCW Offer that he cannot restrain himself?

Or, is he watching his back, trying to guarantee that he stays in his position as Chief Executive Officer of Cable and Wireless HKT after the takeover?

Whatever may have been his thinking, when he determined to show, outwardly, of his approval of the PCCW Offer, his actions must have coloured some, if not many, of the opinions of the minority shareholders of Cable and Wireless HKT.

In order that there be no suspicion, or hint of suspicion, of collusion on the part of any senior official of Cable and Wireless HKT and/or any member of the senior management of PCCW, it would appear to be in the best interests of Mr Linus Cheung, as well as any and all other members of the Board of Directors of Cable and Wireless HKT, to distance themselves from PCCW's Board of Directors with the exception, of course, to those meetings which were deemed necessary and in keeping with their sworn duties as fiduciaries of Cable and Wireless HKT.

But the waters have already been muddied in this \$HK129-billion Offer of PCCW for the entire Issued and Fully Paid-Up Share Capital of Cable and Wireless HKT.

The Disappearing Profits

It was only last week that Cable and Wireless HKT announced that its Net Profits for the Financial Year, ended December 31, 1999, had fallen from the 1998 figure of \$HK11.51 billion to the 1999 Net of about \$HK1.14 billion.

The Bottom Line included a \$HK7.09-billion Extraordinary Loss.

These Financial Results, therefore, must represent the length and breadth of the business acumen of Mr Linus Cheung and some, if not all, of his Board of Directors.

At one time, Cable and Wireless HKT was the Number One telecommunications company in the 416 square miles that constitute the HKSAR.

But the inability of Management to move swiftly in order to counter repeated attacks on its position resulted in its business, being eroded by the more fleet-of-foot HKSAR companies, which were ready and quite able to grab a slice of the HKSAR telecommunications' *'pie'*.

At one time, not too long ago, Cable and Wireless HKT held the monopoly in the HKSAR for fixed-line telecommunications and long-distant telephone calls.

It sat on its hands ... and, now, it is suffering for its ineptitude.

It is well known that there are others, waiting in the wings, to have a go at taking over Cable and Wireless HKT should Mr Richard Li's Offer, on behalf of PCCW, fail.

If that should come about, where would Mr Linus Cheung be then?

Would he support, for instance, a takeover bid, instigated by News Corporation of Australia, with the same gusto as he appears to be demonstrating in his support for the takeover Offer of PCCW?

While Mr Linus Cheung has made it very plain that he, personally, endorses the proposals of PCCW, the other members of the Board of Directors of Cable and Wireless HKT have stated that the Board has yet to make a determination on the matter.

The Board of Directors of Cable and Wireless HKT has stated, definitely: *'The Board wishes to make it clear that it has not made a formal decision on its recommendation in relation to the proposed offer for the Company by Pacific Century CyberWorks Limited ...'*

What a cock-up!

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