


Meeting Date:	Wed, 12 May 2010 11:45	Proxy Deadline:	Mon, 10 May 2010	Type:	EGM	Issue date:	Mon, 03 May 2010
Meeting Location:	Grand Ballroom 1, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hunghom, Kowloon, Hong Kong						
Current Indices:							
Sector:	Wireless telecommunication services						

PROPOSALS	ADVICE
<p>1 Special Resolution</p> <p>The board requests shareholder approval of the scheme of arrangement whereby Hutchison Telecommunications Holdings Limited, an indirect wholly-owned subsidiary of Hutchison Whampoa Limited, proposes to privatise the company under the Companies Law of the Cayman Islands. The offeror, Hutchison Telecommunications Holdings Limited, has expressed that the purpose of the takeover is to better integrate the company into the Hutchison Whampoa Group and exploit economies of scale. This resolution must be approved by the affirmative vote of not less than three-fourths of the votes. Both Hutchison Telecommunications Holdings Limited (i.e. the Offeror) and Hutchison Telecommunications Investment Holdings Limited, which is also an indirect wholly-owned subsidiary of Hutchison Whampoa Limited, will vote on this proposal. However, they do not hold sufficient share capital to guarantee that it will be approved.</p> <p>Pursuant to the proposed privatization, all shares including all shares underlying the company's American Depositary Shares (ADSs), which are not held by Hutchison Telecommunications Holdings Limited and Hutchison Telecommunications Investment Holdings Limited, both subsidiaries of Hutchison Whampoa Limited, would be cancelled in exchange for HK\$2.20 in cash. As each ADS represents 15 shares, holders of ADS would receive fifteen times the cancellation price of HK\$33.</p> <p>This represents a premium of 37% over the share price as of 31 December 2009, the last pre-announcement trading day, when the closing price of the shares was HK\$1.61 and the closing price of the ADSs was US\$3.01. It represents a premium of 3% over the share price at the time of the company's announcement. It represents a discount of 11.6% to the consolidated net asset value per share of HK\$2.49, but a premium of 13.4% over the consolidated net tangible asset value per share of HK\$1.94, both as of 31 December 2009.</p> <p>The company has presented shareholders with an opinion by the independent directors who are not interested in the transaction, an independent financial assessment of the deal by Somerley and a summary of a report prepared by Goldman Sachs on the transaction, which does not assess the fairness of the offer. However, Somerley has found the offer to be fair and reasonable and recommends shareholders approve. Somerley notes that the company has not paid dividends since its IPO in 2004 and strategic parts of the group have been spun off leaving businesses which, according to Somerley, have growth potential, but are not currently among the top three operators in their markets and generate negative cash flow. They comment that the offer has been made at a premium similar to the median of that of other privatization offers recently made, but not necessarily accepted, in Hong Kong. They feel that Hutchison Whampoa group is prepared to make a long term view on the development of the business, which may not be in the interest of other shareholders given the uncertainty of financial results. While Somerley has expressed that they consider the offer fair, they have separately expressed that shareholders should not rely on their financial projections for 2010 in considering the proposal.</p> <p>We note that the transaction constitutes a connected transaction for Hong Kong Whampoa Limited as payments to individuals and companies connected to Hong Kong Whampoa Limited will total approximately HK\$744 million. This includes individuals who are connected to both Hong Kong Whampoa and the company: the CF-Controlled Company, which is an associate of Mr. Fok Kin-ning, Canning Group Managing Director of HWL and also the Chairman of the company; Mrs. Chow Woo Mo Fong, Susan and Mr. Frank John Sixt were the Deputy Group Managing Director and the Group Finance Director of HWL respectively and each of them was also a non-executive director of the company; Mr. Lui Dennis Pok Man and Mr. Chan Ting Yu were both executive directors of the</p>	<p>Oppose</p>

company; Mr. John W. Stanton was a non-executive director of the company and Mr. Woo Chiu Man, Cliff was the alternate director to Mr Christopher John Foll, an executive director of HTIL.

The two independent directors who expressed an opinion on the deal are both considered independent by PIRC and one of which, Kevin Westley is a previous chairman of the Hong Kong Takeovers and Mergers Panel. In addition, we still consider a premium of 37% above the share value at the pre-announcement date to be an acceptable increase in share value, especially following the spin offs and as the company has not paid dividends since the IPO. The share price as of 29 April 2010 was HK\$2.17, over which HK2.20 does not represent a significant premium, however, the share price has climbed considerably since the offer was made.

PIRC does not attempt to duplicate the financial analysis found elsewhere and we are primarily concerned that the proposed privatization might not have been subject to sufficient independent review as there is insufficient independent representation on the board and seven of the non-executive directors are linked to the offerer. Mr. Fok Kin-ning, Canning is the Chairman and a non-executive director of the company and the Group Managing Director of Hutchison Whampoa Limited. Mrs. Chow Woo Mo Fong, Susan and Mr. Frank John Sixt are both non-executive directors of the company and they are also both directors of Hutchison Whampoa Limited and Hutchison Telecommunications Holdings Limited. In addition, Mr. John W. Stanton, Mr. Fok, Mrs. Chow and Mr. Sixt are all holders of shares in Hutchison Whampoa Limited. In addition, the directors who hold shares or options in the company will also benefit from selling their shares to the offerer.

Although we consider this a good premium, we are concerned it may not be a fair price given the lack of independent scrutiny on the board and level of interconnectedness between the company and Hutchison Whampoa Limited, which is the ultimate controlling shareholder of both the company and the offerer, Hutchison Telecommunications Holdings Limited. Given these concerns, we recommend shareholders vote to oppose.

2 Ordinary Resolution

Oppose

Proposal that following the cancellation of shares pursuant to the scheme of arrangement as discussed in the previous proposal, the share capital will be restored to its previous amount by issuing to Hutchison Telecommunications Holdings Limited, credited as fully paid at par, the same number of shares as the number of Scheme Shares cancelled and extinguished. As we have recommend shareholders not to support the scheme arrangement, we recommend shareholders oppose.

* = *Special Resolution*

1.1 BOARD OF DIRECTORS

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. *A = audit committee, R = remuneration committee, N = nomination committee, C = CSR or Ethics Committee, * = committee chairman.*

Fok Kin-ning Canning		Chairman (Non Executive)	
Age:	58	Date Appointed:	2004
Shares:	1202380	Options:	
Severance Entitlement		Committees:	R*
Other Positions:	Hutchison Whampoa Ltd. [Group MD], Hutchison Harbour Ring Ltd. [Ch], Hutchison Telecommunications (Australia) Ltd. [Ch], Hongkong Electric Holdings Ltd. [Ch], Husky Energy Inc. [Co-Ch], Cheung Kong Infrastructure Holdings Ltd. [D Ch], Cheung Kong (Holdings) Ltd. [NED], Hutchison Int. Ltd. [Exec], Ommaney Holdings Ltd. [Exec], ex-Partner Communications Company Ltd. [Ch]		
Comment:	Not independent by the company, not independent by PIRC as Mr. Canning serves as an executive director (Managing Director) at Hutchison Whampoa Ltd. the controlling shareholder that owns 60.4% of the company's issued share capital. In addition, Mr. Canning serves as the Chairman of some of the company's subsidiaries. We also have concerns over his aggregate time commitments.		

Lui Dennis Pok Man		Chief Executive	
Age:	59	Date Appointed:	2004
Shares:	9100000	Options:	
Severance Entitlement		Committees:	
Other Positions:	Hutchison Telecommunications Hong Kong Holdings Limited [Dep Ch], ex-Partner Communications Co. Ltd. [Dir], ex-HTI (1993) Holdings Ltd. [Group MD]		
Comment:			

Christopher John Foll		Chief Financial Officer	
Age:	53	Date Appointed:	2008
Shares:	0	Options:	5000000
Severance Entitlement		Committees:	
Other Positions:	ex-Adelaide Brighton Group [CEO], ex-QNI Ltd. [Chief Financial Officer and MD]		
Comment:	Executive director. We note that Mr. Cliff serves as his alternate director.		

Chan Ting Yu		Executive Director	
Age:	59	Date Appointed:	2004
Shares:	3433333	Options:	
Severance Entitlement		Committees:	
Other Positions:	ex-Partner Communications Company Ltd. [Dir], ex-HTI (1993) Holdings Ltd. [Dep MD]		
Comment:	We note that Mr. Yu previously served as an executive director at the company from 2004 to 2005, being re-appointed in January 2008. In addition, we note that he serves as the alternate director to Mr. Lui Dennis Pok Man, CEO.		

Kwan Kai Cheong		Non-Executive Director	
Age:	60	Date Appointed:	2004
Shares:	n/d	Options:	
Severance Entitlement		Committees:	A, R
Other Positions:	Hutchison Harbour Ring Ltd. [NED], Henderson Sunlight Asset Management Ltd. [NED], SPG Land (Holdings) Ltd. [NED], Win Hanverky Holdings Ltd. [NED], Soundwill Holdings Ltd. [NED], JF Household Furnishings Ltd. [NED], China Properties Group Ltd. [NED], Morrison & Co. Ltd. [Pres], Great World Company Holdings Ltd [Dir], ex-Merrill Lynch & Co. [Pres for the Asia Pacific Region], ex-Pacific Concord Holding Ltd. [Joint MD], ex-China Medical and Bio Science Ltd. [NED]		
Comment:	Independent by the company, independent by PIRC. However, we have concerns over his aggregate time commitments.		

John W. Stanton		Non-Executive Director	
Age:	54	Date Appointed:	2004
Shares:	105000	Options:	
Severance Entitlement		Committees:	A
Other Positions:	Trilogy Partners [MD], Columbia Sportswear [Board Member], Whitman College [Trust], Clearwater Corporation [Dir], ex-Western Wireless Corp. [Ch and CEO], ex-Pacific Northwest Cellular [Ch and CEO], ex-General Cellular Corp. [Ch and CEO], ex-VoiceStream Wireless [Ch and CEO], ex-Cellular Telecommunications Industry Association [Ch]		
Comment:	Independent by the company, independent by PIRC.		

Kevin Westley		Non-Executive Director	
Age:	61	Date Appointed:	2004
Shares:	n/d	Options:	
Severance Entitlement		Committees:	A*, R
Other Positions:	HSBC Ltd. [Advisor to the Chairman and former Ch and CEO of HSBC Investment Bank Asia Ltd.], Interpharma Investments Ltd. [Ch], Ocean Park Corp. [D Ch], Committee on Real Estate Investment Trusts [Mem], Takeovers and Mergers Panel of Hong Kong [Ch], Share Registrars Disciplinary Committee [Mem]		
Comment:	Independent by the company, independent by PIRC.		

Frank John Sixt		Non-Executive Director	
Age:	58	Date Appointed:	2004
Shares:	250000	Options:	
Severance Entitlement		Committees:	
Other Positions:	Hutchison Whampoa Ltd. [Group Finance Dir], TOM Group Ltd. [Ch], Cheung Kong Infrastructure Holdings Ltd. [Exec], Hongkong Electric Holdings Ltd. [Exec], Cheung Kong (Holdings) Ltd. [NED], Hutchison Telecommunications (Australia) Ltd. [Dir], Husky Energy Inc. [Dir], Li Ka-Shing Unity Trustee Co. Ltd. [Dir], Li Ka-Shing Unity Trust [Trustee], Li Ka-Shing Unity Trustee Corp. Ltd. [Trustee], Li Ka-Shing Unity Discretionary Trust [Trustee], Li Ka-Shing Unity Trustcorp Ltd. [Trustee], Hutchison Int. Ltd. [Trustee], Ommaney Holdings Ltd. [Trustee], Hutchison Telecommunications Investment Holdings Ltd. [Trustee], ex-Partner Communications Company Ltd. [Dir]		
Comment:	Not independent by the company, not independent by PIRC as Mr. Sixt serves as an executive director (Group Finance Director) at Hutchison Whampoa Ltd. the controlling shareholder. In addition, we have concerns over his aggregate time commitments.		

Chow Woo Mo Fong Susan		Non-Executive Director	
Age:	55	Date	2004
		Committees:	

Appointed:**Shares:** 250000**Options:****LTIP:****Severance
Entitlement****Other
Positions:**

Hutchison Whampoa Ltd. [Dep Group MD], Cheung Kong Infrastructure Holdings Ltd. [Exec], Hutchison Harbour Ring Ltd. [Exec], Hongkong Electric Holdings Ltd. [Exec], Hutchison Telecommunications (Australia) Ltd. [Exec], TOM Group Ltd. [NED], Hutchison International Ltd. [Dir], Ommaney Holdings Ltd. [Dir], Hutchison Telecommunications Investment Holdings Ltd. [Dir], ex-Partner Communications Company Ltd. [Exec]

Comment:

Not independent by the company, not independent by PIRC as Ms Woo Mo Fong serves as an executive director (Deputy Group Managing Director) at Hutchison Whampoa Ltd. the controlling shareholder.

We note that she serves as alternate director to Mr. Canning, Chairman of the board and to Mr. Sixt, non-executive director.

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Pensions & Investment Research Consultants Limited
6th Floor
9 Prescott Street
London E1 8AZ

Tel: 020 7247 2323
Fax: 020 7247 2457
Email: info@pirc.co.uk
<http://www.pirc.co.uk>

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