

## STATEMENT

### Description of the Proposed Consolidation

1. The Applicants in this Proposed Consolidation are Pacific Internet Limited (*PacNet*), Pacific Internet Corporation Pte Ltd (*PacNet Corp*) and Connect Holdings Limited (*CHL*).
  - (a) *The Licensees*
    2. PacNet was incorporated in Singapore on 28 March 1995 as Sembawang Media Pte Ltd, and changed its name to Pacific Internet Pte Ltd on 17 March 1998. On 23 November 1998, it was converted to a public company and was listed on the NASDAQ National Market on 5 February 1999. PacNet is presently the holder of, *inter alia*, a Services-based Operator (Individual) Licence.
    3. PacNet Corp, a wholly-owned subsidiary of PacNet, is the holder of a Facilities-Based Operator Licence and a WBA Spectrum Right.
    4. Today, PacNet (including its subsidiary PacNet Corp) is one of the leading Internet Service Providers of data, voice and video Internet services with established presence in Singapore, Hong Kong, China, the Philippines, Australia, India, Thailand and Malaysia.
  - (b) *The Acquiring Parties*
    5. The Direct Acquiring Party in this proposed consolidation is CHL, which was incorporated in Bermuda on 22 June 2006 and is a wholly-owned subsidiary of Connect International Limited (*CIL*), an investment holding company incorporated in Bermuda on 20 June 2006. CIL is, in turn, owned by three groups of investment funds, namely:
      - (a) Ashmore Group Investment Funds (50.25%);
      - (b) Spinnaker Group Investment Funds (39.80%); and
      - (c) Clearwater Undersea Cable Investments, L.P (9.95%),(collectively *Investors*).
6. CHL wholly owns Asia Netcom Corporation Limited and all its group entities. The principal business of the Asia Netcom (*ANC*) group is the provision of telecommunications services, including dealing in telecommunications services and network capacity, submarine and/or terrestrial cable network

telecommunications capacity, managed network services and Internet Protocol-based services.

7. Through a separate investment vehicle C2C Group Limited, various funds of the Investors own 100% of C2C Pte Ltd and all its group entities. The C2C group owns and operates a sub-sea cable network and provides telecommunications facilities and services.
8. Pursuant to Section 10.8 of the Telecom Competition Code 2005 and the Tender Offer Guidelines, CHL announced on 12 January 2007 by way of a pre-conditional voluntary general offer, that it intends to make a general offer to acquire all the issued ordinary shares in the capital of PacNet, other than those already held by CHL and its related corporations. In particular, one of the pre-conditions to making the general offer is that IDA must approve CHL's proposal to acquire a direct ownership interest in PacNet since the offer, if made and if it becomes unconditional, would result in CHL holding an ownership interest in PacNet of more than 30%.
9. On 12 January 2007, CHL and Vantage Corporation Limited (*VCL*) entered into a sale and purchase agreement pursuant to which CHL acquired 2,250,000 PacNet shares. As of 26 January 2006, CHL owns 29.84% of the total issued and paid up share capital in PacNet. Concurrently, CHL also received on 12 January 2007 an irrevocable undertaking from VCL to tender the remaining 1,629,373 PacNet shares held by VCL and not already acquired by CHL, into the voluntary conditional general offer.

#### **Competitive Assessment and Public Interest**

10. In order to assist the Applicants in making this Statement, CRA International was engaged to provide a comprehensive analysis of the impact of the proposed Consolidation on competition in the Singapore telecommunications market and any attendant impact on public interest. A copy of the report has been tendered to IDA in support of this Statement.
11. Based on the conclusions derived by CRA International in the report, the Applicants firmly believe that the Consolidation is unlikely to substantially lessen competition in any telecommunication market in Singapore. On the contrary, the Consolidation is likely to result in potential pro-competitive effects as highlighted in the report.
12. Related to the above conclusions, the Applicants firmly believe that the Consolidation will not result in any adverse impact to the public interest. In fact, as demonstrated in the report, the Consolidation will benefit public interest because it is likely to give rise to vertical efficiencies, including in respect of transaction cost and common cost savings, leading to increased competition in the relevant markets and ultimately enhanced consumer welfare.

13. Please note that this Statement is given jointly by both parties without having sight of the other party's confidential information. Therefore neither party is able to give any opinion on, nor can it assume any responsibility concerning, the other party's confidential information. Instead, CRA International has been given access to the confidential information of both parties and accordingly, the parties are making this Statement having relied on the assessment made by CRA International in its report, a redacted version of which was provided to the parties (and enclosed hereto) and a full version was provided only to IDA.
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