



## Media Release

# REACH ACQUIRES LEVEL 3's ASIAN ASSETS

**Transaction a major component of Reach's growth strategy**

**Acquisition enables Reach to enhance its network at low cost and reinforces its market position in North Asia**

**Hong Kong (19 December 2001)** – Reach, Asia's largest international carrier of combined voice, private line and IP data services, today announced the acceleration of its regional rollout and the reinforcement of its service capability in North Asia. This follows Reach's agreement to acquire the Asian assets of the U.S.-based broadband infrastructure company, Level 3 Communications, Inc.

The transaction, signed today in Hong Kong, will provide Reach with substantial Asian and trans-Pacific capacity at a fraction of the new build cost, while accelerating Reach's entry into the Japanese, Korean and Taiwanese markets.

Under the terms of the transaction, Reach will take over Level 3's Asian assets and operations including customers, in-country networks, data centres, US\$90 million of working capital and Level 3's ownership interests in the Tiger and Japan-US cable systems. In exchange, Reach will assume Level 3 Asia's capital and operating cost obligations effective from 30 November, primarily US\$170 million for the completion of the submarine cable systems. Reach is not taking on any of Level 3's debt and the transaction will be internally funded.

The Tiger network assets that will be transferred include three fibre pairs in the cable loop linking Japan, Korea, Taiwan and Hong Kong, which is in the process of being completed. The lit capacity of this system is 80 Gbit/s, which is upgradeable to a maximum of 1,350 Gbit/s. The transaction also includes approximately 40 Gbit/s of data capacity in the Japan-U.S. submarine cable system. (See attached map)

The terms of the deal include:

- **Reach will acquire Level 3's ownership interests in the Tiger and Japan-US cable systems**
- **Reach will acquire cable landing stations and links to city centres in Hong Kong, Japan and Taiwan at the outset, and by end of the second quarter 2002 in Korea**
- **Reach will acquire Internet data centres in Hong Kong and Tokyo**
- **Reach will acquire Level 3's interests in licensed joint venture partnerships in Korea and Taiwan as well as its telecommunications licences in Hong Kong and Japan**
- **Reach will take over US\$90 million of working capital, the majority of which is cash, in the companies to be transferred by Level 3**
- **Level 3 will transfer Asian customers and associated revenue to Reach**

Reach will acquire Level 3's Asian companies, principally Level 3 Labuan Holdings Ltd, which holds Level 3 Communications Taiwan Ltd, a joint venture in Taiwan; Level 3 Communications Ltd, in Hong Kong; Level 3 Communications KK, in Japan; and Taihan Level 3 Communications, a joint venture in Korea. Reach will also acquire Pacific Networks Limited.

Reach's Chief Executive Officer, Alistair Grieve, says "Reach is already Asia's largest carrier of international telecommunications traffic, with a very extensive and reliable network.

"At a single stroke, this transaction enables Reach to further improve the resilience of our network, enhance its capacity, lower our unit cost base and serve customers in the major markets in North Asia as a highly competitive Type 1 facilities-based carrier.

"We look forward to building a successful working relationship with each of our new joint venture partners, Taihan in Korea and Yulon in Taiwan, as well as with FLAG, who are jointly responsible for the construction, operation and maintenance of the cable system linking Japan, Korea, Taiwan and Hong Kong."

Reach expects to complete the transaction during the first quarter of 2002. The acquisition is subject to certain conditions, including regulatory consents. No additional corporate approvals are required to complete this transaction.

## **ABOUT REACH**

REACH is a 50-50 joint venture between Hong Kong-based PCCW and Australia's Telstra Corporation Ltd. It is Asia's largest international carrier of combined voice, private line and IP data services. It is also one of the world's top ten carriers of international voice traffic. REACH's products and services include an extensive portfolio of voice, data, IP and satellite connectivity. The company has interests in more than 50 submarine cable and satellite systems (including the largest satellite teleport in Asia), and landing rights in most major markets including North America, Japan, Singapore, Hong Kong, Australia and Europe. Reach is headquartered in Hong Kong, with a significant presence in Australia and substantial businesses across North America, Europe and Asia. For further information, please visit [www.reach.com](http://www.reach.com)

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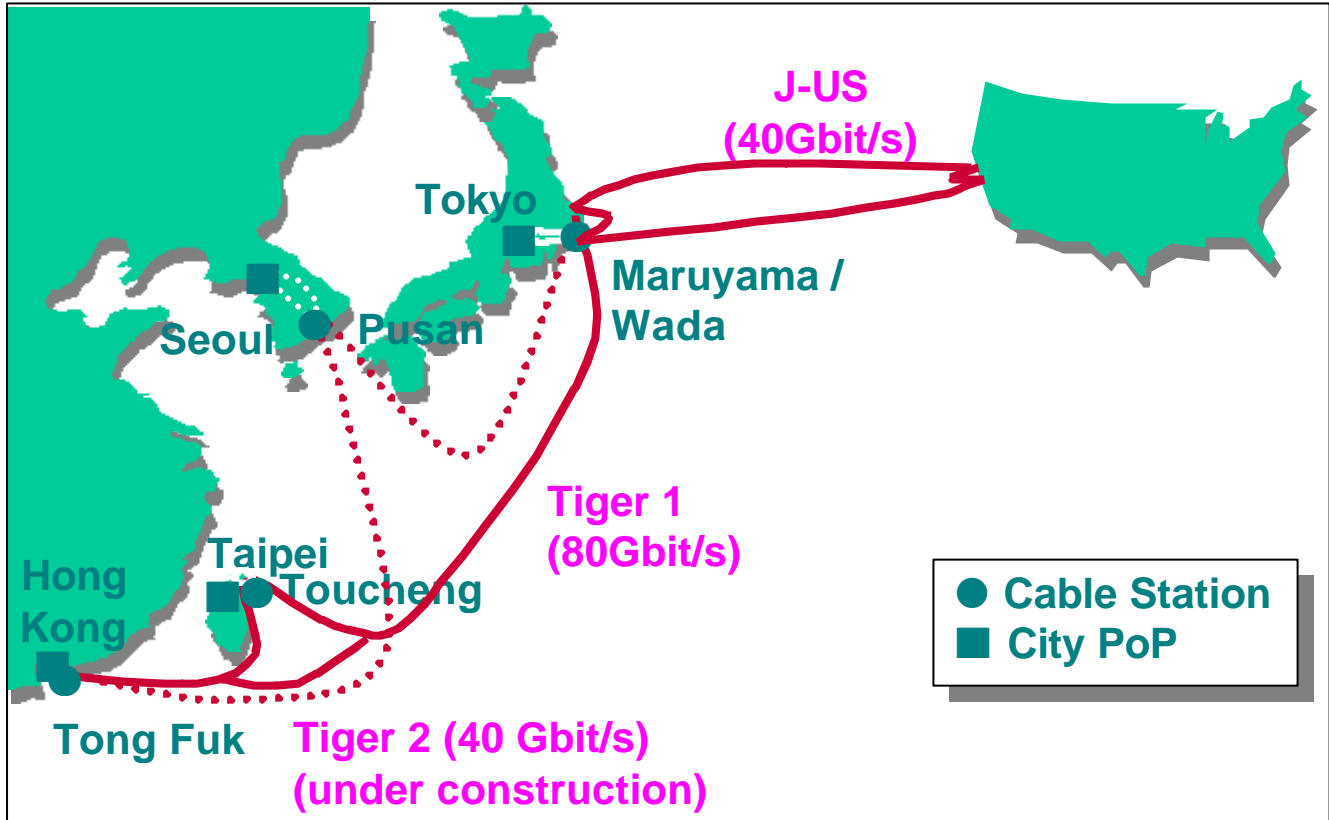
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## LEVEL 3 NETWORK ASSETS ACQUIRED BY REACH



### NETWORK ASSETS INCLUDE

- HK and Japan landing stations, gateways and backhaul (being built in Taiwan and Korea).
- Facilities-based licences in HK, Japan. Facilities-based licences in Korea and Taiwan subject to regulatory clearances.