

Situation

- Telecom Finland held an investment in P-Plus, a Hong Kong based GSM 1800 service provider. It had also acted as a network development advisor and lender during the development phase
- P-Plus was facing an extremely competitive environment with 11 competing networks in the market. The company was gaining new subscribers but not at the same rate as some competitors

Approach

- A full valuation was undertaken, together with a review of financial and strategic alternatives. Despite positive developments in network build and other areas, competition in the Hong Kong market was intense and Telecom Finland and other shareholders decided to exit from their investment
- ARC Associates contacted major competitors within Hong Kong and key relevant investors
 - A deal structure, which involved a telecoms operator contacted by ARC, STAR Telecom, and one of the P-Plus shareholders, was initiated
- Telecom Finland sold, in the first instance, to STAR Telecom which also purchased other minority shareholdings
 - STAR then sold 100% of the shares of P-Plus to SmarTone

The Transaction

- Telecom Finland's shareholding in P-Plus was sold for a total consideration amounting to HK\$180 million. In a related transaction Telecom Finland invested in 40 million STAR Telecom shares for a 4.7% shareholding
- For Telecom Finland the transaction converted an illiquid shareholding in a private company in a highly competitive market into cash and a shareholding in a listed company with mobile telecoms licenses in mainland China, an Internet (ISP) business in Hong Kong and other digital media assets



Transaction Value: \$17m