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**PCCW Limited**  
電訊盈科有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0008)**

**HKT**<sup>®</sup>

**HKT Trust**

*(a trust constituted on 7 November 2011 under the laws of Hong Kong and managed by HKT Management Limited)*

and

**HKT Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6823)**

## **DISCLOSEABLE TRANSACTION**

### **SALE OF INTEREST IN A SUBSIDIARY**

On 26 June 2024, the Seller (an indirect wholly-owned subsidiary of HKT) and the Investor entered into the SPA, pursuant to which the Seller agreed to sell, and the Investor agreed to purchase, the Target Interests for a total consideration of US\$870 million, which will be settled in cash. Upon Completion, the Target will remain an indirect subsidiary of HKT, which is in turn an indirect subsidiary of PCCW.

The Seller, the Investor and the Target have entered into the SHA on the same date as the SPA, which is conditional upon the occurrence of Completion and shall come into effect from the Completion Date. Passive Netco (a wholly-owned subsidiary of the Target) and HKTL (an indirect wholly-owned subsidiary of HKT) will enter into the MSA at Completion.

### **BACKGROUND**

On 26 June 2024, the Seller, an indirect wholly-owned subsidiary of HKT, and the Investor entered into the SPA, pursuant to which the Seller agreed to sell, and the Investor agreed to purchase, the Target Interests for a total consideration of US\$870 million, which will be settled in cash subject to the satisfaction or waiver of certain conditions.

In addition, the Seller, the Investor and the Target have entered into the SHA on the same date as the SPA for the purpose of, among other things, governing the management and affairs of the Target Group. The SHA is conditional upon the occurrence of Completion and shall come into effect from the Completion Date.

## SUMMARY OF THE PRINCIPAL TERMS OF THE SPA

- Date : 26 June 2024.
- Parties : The Seller and the Investor.
- Subject matter : The SPA provides for the sale by the Seller and the purchase by the Investor of the Target Interests.

Upon Completion, the Target will remain an indirect subsidiary of HKT, which is in turn an indirect subsidiary of PCCW.

- Consideration : The total consideration is US\$870 million, which shall be payable in cash in full at Completion. The consideration was determined after arm's length negotiations between the Seller and the Investor with reference to, among other things, the business of the Target Group, the factors set out in the section headed "Reasons for and benefits of the Transaction" below, and the price to earnings multiple and price to net asset value multiple of the Transaction. These multiples are benchmarked against those of the HKT Trust and HKT (as there is no appropriate market comparable in Hong Kong which is engaged in a business similar to the Target Group). Based on the pro forma consolidated net profits of the Target Group of HK\$1,004 million for the financial year ended 31 December 2023 and the pro forma consolidated net asset value of the Target Group attributable to (i) PCCW and (ii) HKT Trust and HKT of HK\$3,755 million as at 31 December 2023 and the total consideration for the Transaction, the Price to Earnings Multiple and Price to NAV Multiple for the Transaction are 16.9x and 4.1x respectively, which are substantially higher than those of the HKT Trust and HKT, whose Price to Earnings Multiple and the Price to NAV Multiple are 13.3x and 1.9x respectively for the same period.

Conditions precedent : Completion is conditional upon the completion of a reorganisation of the Passive Network Business. Completion is also subject to the entering into of a shared services agreement for the continuing provision of certain internal functions and services by the HKT Group to the Target Group, and to certain customary conditions including obtaining relevant regulatory and governmental approvals and licences, the fundamental warranties being true and correct in all respects and no material breach of the Seller's interim covenants.

The Seller and the Investor have agreed to use their respective reasonable endeavours to satisfy, or procure the satisfaction of, the relevant Conditions as soon as reasonably practicable and in any event by 30 June 2025 (or such other date as agreed by the parties). The Seller or the Investor may extend the period for satisfaction of the Conditions by up to 30 business days or for such longer period if agreed by both parties.

HKTL has separately agreed to guarantee the Seller's financial liabilities under the SPA in relation to any breach by the Seller of its obligations in relation to the Conditions and Completion only.

Completion : Completion shall take place on the twelfth (12<sup>th</sup>) or thirteenth (13<sup>th</sup>) business day as specified in the SPA after the date on which the last Condition is satisfied or waived in accordance with the SPA, or such other date as the Seller and the Investor may agree (the "**Completion Date**").

## **SUMMARY OF THE PRINCIPAL TERMS OF THE SHA**

Date : 26 June 2024.

Parties : The Seller, the Investor and the Target.

Subject matter : The SHA sets out, among other things, the terms on which the management and affairs of the Target Group will be governed, covering matters customarily seen in shareholders' agreements.

Governance : The board of the Target will comprise of up to five directors, of which three shall be appointed by the Seller and (i) two shall be appointed by the Investor for so long as it maintains a 30% or greater interest in the Target, or (ii) one shall be appointed by the Investor for so long as it maintains an interest in the Target which is 20% or above and less than 30%. The board of Passive Netco will comprise of the same directors appointed on the board of the Target.

Put Option : The Investor may require the Seller to purchase, or procure the purchase of, all Shares held by the Investor and members of its group (the “**Put Option**”) upon the occurrence of any of the following trigger events:

- i. a material breach of the SHA by the Seller (or a member of the Seller’s group to whom Shares have been transferred);
- ii. an insolvency of the Seller (or a member of the Seller’s group to whom Shares have been transferred);
- iii. a termination of the MSA by Passive Netco for cause; or
- iv. a change of control of the Seller (or a member of the Seller’s group to whom Shares have been transferred).

Upon the exercise of the Put Option, all the Shares held by the Investor and members of its group shall be sold to the Seller at their market value.

Restriction on transfers : Subject to customary exceptions, no transfer of Shares may take place during the period commencing from the Completion Date and ending five years from the Completion Date.

Guarantee : HKTL has separately agreed to guarantee certain payment obligations of the Seller under the SHA.

Termination and default : The SHA shall terminate upon certain customary events, including the listing of the Shares on a securities market or if only one of the Seller or the Investor (together with members of its group) remain holding Shares. The Seller shall pay the Investor liquidated damages on certain specified default events at an agreed interest rate.

## SUMMARY OF THE PRINCIPAL TERMS OF THE MSA

The MSA will be entered into at Completion.

- Parties : Passive Netco (a wholly-owned subsidiary of the Target), as service provider and HKTL (an indirect wholly-owned subsidiary of HKT), as service recipient.
- Subject matter : The service provider shall provide or procure the provision of (i) various network access services to enable HKTL to provide copper and fibre-based connection services to end users, (ii) network access services in respect of dark fibre (unlit fibre services with the light source provided directly by the end customers rather than HKTL), (iii) all proactive and reactive operation and maintenance services on the assets of the Passive Network Business (to ensure, among other things, that Passive Netco is able to perform the network access services and meet its other obligations under the MSA), (iv) network rollout services required to extend HKT's passive copper and fibre access networks in Hong Kong in order to reach certain end user(s), (v) ancillary services (including certain third party fibre maintenance services) and (vi) connectivity services for platform operation and monitoring in order to facilitate the provision by HKTL of copper and fibre services to end users. HKT Group (other than Passive Netco) may obtain such services from third parties within the service area (as set out under the MSA) with Passive Netco's prior written approval. Passive Netco may provide such services within the service area to third parties with HKTL's prior written approval.
- Service fees : The service fees will comprise of (i) a monthly service fee per unit of network access services used (including in respect of any dark fibre project), adjusted annually in accordance with the MSA; and (ii) an annual nominal amount of fixed fee for third party fibre maintenance services. A minimum annual service fee of HK\$1,750 million (adjusted annually and inclusive of any revenue generated by Passive Netco granting third party rights to block wiring) applies.

Term : The MSA will remain in full force and effect for an initial term of fifteen years, and will then be automatically extended for successive periods of five years, unless HKT Group ceases to be licensed to provide telecommunications services in Hong Kong at the expiry of the then current term, in which case the MSA will expire at the end of such term unless the parties agree otherwise. From the expiry of the second extension term, either party to the MSA may terminate the MSA at the end of the then current term by giving no less than twelve months' notice prior to the end of the then current term.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Transaction allows HKT to unlock value in its extensive passive network business through the introduction of the Investor as a long term partner as well as to share the future capital expenditure associated with further expansion of the network infrastructure to support growth of the business. With new residential development areas in Hong Kong planned, the increasing digital transformation of enterprises and ever closer integration within the Greater Bay Area, Passive Netco, in partnership with HKT and the Investor, will seek to expand its passive infrastructure business to support new service offerings and reach new geographic areas. Furthermore, the Transaction will enable HKT to strengthen resources in enhancing and broadening its service offerings to consumers particularly in complementary digital lifestyle applications as well as providing innovative and advanced technology solutions to its enterprise customers.

The directors of PCCW consider the terms of the SPA, the MSA and the SHA to be fair and reasonable and in the interests of PCCW and its shareholders as a whole.

The directors of the Trustee-Manager and HKT consider the terms of the SPA, the MSA and the SHA to be fair and reasonable and in the interests of the HKT Trust and HKT and the holders of Share Stapled Units as a whole.

## **USE OF PROCEEDS AND FINANCIAL EFFECTS OF THE TRANSACTION**

The proceeds from the Transaction will be deployed for general corporate purposes including the repayment of debt. Upon Completion, (i) the financial results of the Target and Passive Netco will continue to be consolidated in the consolidated financial statements of the PCCW Group and the HKT Group; (ii) the Target and Passive Netco will each remain as an indirect subsidiary of PCCW and HKT; and (iii) the total consideration received from the Seller will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the consolidated income statement of the PCCW Group and the HKT Group.

## **INFORMATION ON PCCW**

PCCW is a global company headquartered in Hong Kong which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses.

The principal activity of PCCW is investment holding, and the principal activities of the PCCW Group are the provision of technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, healthtech services, media entertainment, and other new businesses such as loyalty platform and financial services in Hong Kong, the Asia Pacific region, and other parts of the world, and investments in, and development of, systems integration, network engineering, and information technology-related businesses. Through HK Television Entertainment Company Limited, PCCW also operates a domestic free television service in Hong Kong. The PCCW Group also has an interest in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments through its interest in Pacific Century Premium Developments Limited.

## **INFORMATION ON THE HKT TRUST AND HKT**

The HKT Trust, a trust constituted on 7 November 2011 under the laws of Hong Kong and managed by the Trustee-Manager, has been established as a fixed single investment trust, with its activities being limited to investing in HKT and anything necessary or desirable for or in connection with investing in HKT.

The principal activity of HKT is investment holding, and the principal activities of the HKT Group are the provision of technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, healthtech services, media entertainment and other new businesses such as The Club's loyalty platform and HKT Financial Services. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

## **INFORMATION ON THE INVESTOR**

The Investor is a company limited by shares and incorporated in the Cayman Islands, which is solely managed and controlled by CM Capital and indirectly invested by, among others, CMBC International Investment (HK). The principal business activity of the Investor is alternative investment business. CM Capital is primarily engaged in equity investment, investment in setting up industries, business management consulting, and investment consulting. CM Capital is ultimately owned as to 50% by China Merchants Group (which is directly administered by State-owned Assets Supervision and Administration Commission of the State Council) and as to 50% by GLP Capital Investment 5 (HK) Limited (which is indirectly managed and controlled by GLP Holdings Limited).

To the best knowledge, information and belief of the directors of PCCW and having made all reasonable enquiries, the Investor and its ultimate beneficial owners are third parties independent of PCCW and its connected persons.

To the best knowledge, information and belief of the directors of the Trustee-Manager and HKT and having made all reasonable enquiries, the Investor and its ultimate beneficial owners are third parties independent of HKT and its connected persons.

## INFORMATION ON THE TARGET

The Target is a company incorporated in the British Virgin Islands with limited liability. The principal activity of the Target is investment holding. Passive Netco is a wholly-owned subsidiary of the Target. Passive Netco does not have any business operations as at the date of this announcement. Passive Netco will engage in the Passive Network Business after Completion.

According to the unaudited pro forma management accounts of the Target Group prepared as if the Transaction was completed on 1 January 2021, and in accordance with Hong Kong Financial Reporting Standards, (i) the pro forma consolidated net profits of the Target Group for the financial year ended 31 December 2023 were approximately HK\$1,202 million before taxation, and HK\$1,004 million after taxation; (ii) the pro forma consolidated net profits of the Target Group for the financial year ended 31 December 2022 were approximately HK\$1,158 million before taxation, and HK\$967 million after taxation, and (iii) the pro forma consolidated net asset value of the Target Group attributable to (i) PCCW and (ii) HKT Trust and HKT was HK\$3,755 million as of 31 December 2023.

## LISTING RULES IMPLICATIONS

In respect of each of (i) PCCW and (ii) HKT Trust and HKT, as the highest percentage ratio in respect of the Transaction is more than 5% but all of the applicable percentage ratios are less than 25%, and as HKT is a subsidiary of PCCW, the Transaction constitutes a discloseable transaction for each of (i) PCCW and (ii) HKT Trust and HKT under Chapter 14 of the Listing Rules.

Rule 14.74(1) of the Listing Rules applies to the Put Option and accordingly, on the grant of the Put Option, the transaction will be classified as if the Put Option had been exercised. As the highest percentage ratio in respect of the Put Option is more than 5% but all of the applicable percentage ratios are less than 25%, the grant of the Put Option constitutes a discloseable transaction for each of (i) PCCW and (ii) HKT Trust and HKT under Chapter 14 of the Listing Rules.

**Shareholders of PCCW, holders of Share Stapled Units and potential investors should note that Completion is subject to the relevant Conditions. Therefore, there is no assurance that the Transaction will be completed. Shareholders of PCCW, holders of Share Stapled Units and potential investors should, accordingly, exercise caution when dealing in the shares of PCCW and the Share Stapled Units.**



## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“China Merchants Group”	China Merchants Group Limited (招商局集團有限公司), a state-owned enterprise established in the PRC with limited liability
“CM Capital”	China Merchants Capital Holdings Co., Ltd. * (招商局資本控股有限公司), a company established in the PRC with limited liability
“CMBC International Investment (HK)”	CMBC International Investment (HK) Limited, a company incorporated in Hong Kong with limited liability
“Completion”	means the completion of the sale and purchase of the Target Interests in accordance with the provisions of the SPA
“Completion Date”	has the meaning given to it in the paragraph “Summary of the principal terms of the SPA – Completion” in this announcement
“Conditions”	means the conditions to which Completion is subject, as described in the paragraph “Summary of the principal terms of the SPA – Conditions precedent” in this announcement
“GLP Holdings Limited”	GLP Holdings Limited, a company incorporated in the Cayman Islands
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“HKT”	means HKT Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and registered as a non-Hong Kong company in Hong Kong, and having its Share Stapled Units jointly issued with the HKT Trust listed on the Main Board of the Stock Exchange (stock code: 6823)
“HKT Group”	means HKT and its subsidiaries
“HKT Trust”	means a trust constituted on 7 November 2011 under the laws of Hong Kong and managed by the Trustee-Manager and having its Share Stapled Units jointly issued with HKT listed on the Main Board of the Stock Exchange (stock code: 6823)

“HKTL”	means Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of HKT
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“Investor”	means Magic Investment Bidco Limited, a company limited by shares incorporated in the Cayman Islands
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“MSA”	means the master services agreement to be entered into on Completion between the Passive Netco and HKTL, relating to the provision of various network access services, network access services in respect of dark fibre, operational and maintenance services, network rollout services and ancillary services, the principal terms of which are summarised in the section headed “Summary of the principal terms of the MSA” in this announcement
“Passive Netco”	means Fiber Link Global Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target
“Passive Network Business”	means the business of supplying copper and fibre connection access services in Hong Kong and the Greater Bay Area and operating, maintaining and extending the passive components of copper and fibre access networks and providing related services
“PCCW”	means PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (ticker: PCCWY)
“PCCW Group”	means PCCW and its subsidiaries
“percentage ratios”	has the meaning given to it in the Listing Rules

“Price to Earnings Multiple”	means the price to earnings multiple calculated in the following manner: (i) in respect of the Target Interests, the total consideration for the Transaction divided by 40% of the pro forma consolidated net profits of the Target Group for the year ended 31 December 2023; and (ii) in respect of HKT Trust and HKT, the market capitalisation of the SSUs as at 25 June 2024 divided by the consolidated net profits of the HKT Group for the year ended 31 December 2023
“Price to NAV Multiple”	means the price to net asset value multiple calculated in the following manner: (i) in respect of the Target Interests, the total consideration for the Transaction divided by 40% of the pro forma consolidated net asset value (after adjusting for the Receivable) of the Target Group attributable to (a) PCCW and (b) HKT Trust and HKT as at 31 December 2023; and (ii) in respect of HKT Trust and HKT, the market capitalisation of the SSUs as at 25 June 2024 divided by the consolidated net assets of the HKT Group as at 31 December 2023
“Put Option”	has the meaning given to it in the paragraph “Summary of the principal terms of the SHA – Put Option” in this announcement
“Receivable”	means a receivable in the amount of HK\$344 million, being 40% of a receivable of HK\$859 million owing from Passive Netco to the Seller
“Sale Shares”	means such number of Shares comprising 40% of the entire issued share capital of the Target as at Completion
“Seller”	means Apex Link Communications Holdings Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of HKT
“SHA”	means the shareholders’ agreement dated 26 June 2024 between the Seller, the Investor and the Target setting out the terms on which the management and affairs of the Target Group will be governed, the principal terms of which are summarised in the section headed “Summary of the principal terms of the SHA” in this announcement
“Shares”	means ordinary shares in the capital of the Target
“Share Stapled Units” or “SSUs”	means the share stapled units jointly issued by the HKT Trust and HKT

“SPA”	means the share purchase agreement dated 26 June 2024 between the Seller and the Investor, relating to the sale of the Target Interests by the Seller to the Investor, the principal terms of which are summarised in the section headed “Summary of the principal terms of the SPA” in this announcement
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Target”	means Regional Link Telecom Services Holdings Limited, a company incorporated in the British Virgin Islands, and an indirect wholly-owned subsidiary of HKT as at the date of this announcement
“Target Group”	means the Target and its subsidiaries
“Target Interests”	means the Sale Shares and the Receivable
“Transaction”	means the sale and purchase of the Target Interests pursuant to the SPA
“Trustee-Manager”	means HKT Management Limited (a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW), in its capacity as the trustee-manager of the HKT Trust
“US\$”	means United States dollars, the lawful currency of the United States of America
“%”	means per cent.

\* *For identification purpose only*

*In this announcement, percentages and figures expressed in millions have been rounded.*

By order of the board of  
**PCCW Limited**  
**Cheung Hok Chee, Vanessa**  
*Group General Counsel and*  
*Company Secretary*

By order of the boards of  
**HKT Management Limited**  
and  
**HKT Limited**  
**Cheung Hok Chee, Vanessa**  
*Group General Counsel and*  
*Company Secretary*

Hong Kong, 26 June 2024

As at the date of this joint announcement, the directors of PCCW are as follows:

***Executive Directors:***

Li Tzar Kai, Richard (Chairman) and Hui Hon Hing, Susanna (Acting Group Managing Director and Group Chief Financial Officer)

***Non-Executive Directors:***

Tse Sze Wing, Edmund, GBS; Tang Yongbo (Deputy Chairman); Meng Shusen; Wang Fang and Wei Zhe, David

***Independent Non-Executive Directors:***

Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert; David Christopher Chance and Sharhan Mohamed Muhseen Mohamed

As at the date of this joint announcement, the directors of the Trustee-Manager and HKT are as follows:

***Executive Directors:***

Li Tzar Kai, Richard (Executive Chairman) and Hui Hon Hing, Susanna (Group Managing Director)

***Non-Executive Directors:***

Peter Anthony Allen; Chung Cho Yee, Mico; Tang Yongbo and Wang Fang

***Independent Non-Executive Directors:***

Chang Hsin Kang; Sunil Varma; Aman Mehta; Frances Waikwun Wong and Charlene Dawes