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PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

**CONNECTED TRANSACTION
SUBSCRIPTION OF INTEREST
IN LIMITED PARTNERSHIP**

On 13 August 2012, a wholly-owned subsidiary of the Company entered into the Subscription Agreement and the Limited Partnership Agreement with the General Partner, to invest up to a maximum amount of US\$25 million (approximately HK\$195 million) in the Fund as a Limited Partner.

The Fund has been established in the Cayman Islands as an exempted limited partnership with the principal objective of generating capital returns primarily through equity and equity-related investments in the form of public or private debt, equity or hybrid securities. The Fund will be managed by the General Partner which has appointed the Management Company as the fund manager of the Fund.

Mr Wei is one of the founders of the Fund. Mr Wei is also a Limited Partner, a director and a majority shareholder of each of the General Partner and the Management Company. Accordingly, the Fund, the General Partner and the Management Company are associates of Mr Wei under the Listing Rules and, therefore, connected persons of the Company under the Listing Rules. As such, the Investment constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules.

The percentage ratios (as defined in the Listing Rules) applicable to the Investment exceed 0.1% but do not exceed 5% and, therefore, pursuant to Rule 14A.32 of the Listing Rules, the Investment is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Investment will be included in the Company's next published annual report and accounts.

INTRODUCTION

On 13 August 2012, WCL (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement and the Limited Partnership Agreement with the General Partner to invest up to a maximum amount of US\$25 million (approximately HK\$195 million) in the Fund as a Limited Partner.

SUBSCRIPTION AGREEMENT

Date

13 August 2012

Parties

(1) WCL, as the subscriber; and

(2) The General Partner

Mr Wei, a non-executive director of the Company, is one of the founders of the Fund.

Subscription

WCL subscribes for and agrees to purchase a limited partnership interest in the Fund.

Consideration

An aggregate capital commitment of up to US\$25 million (approximately HK\$195 million), which will be funded by the Group's internal resources.

INFORMATION ON THE FUND

The Fund has been established in the Cayman Islands as an exempted limited partnership with the principal objective of generating capital returns primarily through equity and equity-related investments in the form of public or private debt, equity or hybrid securities. The Fund will be managed by the General Partner which is a company incorporated in the Cayman Islands. The General Partner has appointed the Management Company, which is incorporated in the Cayman Islands, as the fund manager of the Fund. Mr Wei is one of the founders of the Fund. Mr Wei is also a Limited Partner, a director and a majority shareholder of each of the General Partner and the Management Company.

The principal terms of the Limited Partnership Agreement are as follows:

Fund size

The total aggregate capital commitments to the Fund by Limited Partners shall not exceed US\$300 million (approximately HK\$2,340 million), subject to the acceptance of a lesser amount of capital commitments at the General Partner's discretion. The General Partner commits 2.5% of the total commitments in case the total commitments are US\$200 million (approximately HK\$1,560 million) or less, or 2% of the total commitments in case the total commitments are more than US\$200 million (approximately HK\$1,560 million).

Term of the Fund

The term of the Fund commenced on 17 June 2011 and will end on 31 December 2019 and may be extended for up to two successive one-year periods by the General Partner with the prior consent of the advisory committee of the Fund. The Fund may be dissolved prior to the scheduled expiration of its term in accordance with the Limited

Partnership Agreement, including at any time at the election of at least 75% in interest of the Limited Partners. Upon expiration of such term or any early dissolution of the Fund, the Fund will be wound up and distributions in dissolution will be made to the Limited Partners and the General Partner in accordance with the terms of the Limited Partnership Agreement.

The Limited Partners are not generally permitted to sell, assign, pledge or otherwise transfer its interest in the Fund without the prior written consent of the General Partner.

Limited Partners

Mr Wei is one of the Limited Partners. To the best knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, save for Mr Wei, the other Limited Partners are not connected persons of the Company.

Management fee

The Management Company is the fund manager of the Fund. A management fee will be payable semi-annually by the Fund to the Management Company. The amount of annual management fee equals a sum representing 2.5% of the total capital commitments of the Limited Partners.

LISTING RULES IMPLICATIONS

Mr Wei is one of the founders of the Fund. Mr Wei is also a Limited Partner, a director and a majority shareholder of each of the General Partner and the Management Company. Accordingly, the Fund, the General Partner and the Management Company are associates of Mr Wei under the Listing Rules and, therefore, connected persons of the Company under the Listing Rules. As such, the Investment constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules.

The percentage ratios (as defined in the Listing Rules) applicable to the Investment exceed 0.1% but do not exceed 5% and, therefore, pursuant to Rule 14A.32 of the Listing Rules, the Investment is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Investment will be included in the Company's next published annual report and accounts.

REASONS FOR AND BENEFITS OF THE INVESTMENT

The Board believes the Investment represents a good investment opportunity and the Company anticipates a reasonable return in the medium term from the Investment as a result of the performance of the Fund based on the credentials of the Management Company.

The Board (including the independent non-executive directors of the Company, but excluding Mr Wei who has abstained from voting) considers that the terms of the Investment are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Save for Mr Wei, none of the directors of the Company has any material interest in the Investment and none of them was required to abstain from voting on the board

resolution in respect of approving the Investment.

INFORMATION ON THE GROUP

The principal activities of the Group are the provision of local, mobile and international telecommunication services, Internet access services, interactive multimedia and pay-TV services, the sale and rental of telecommunications equipment, and the provision of computer, engineering and other technical services primarily in Hong Kong, the PRC and elsewhere in the Asia Pacific region; investments in, and development of, systems integration, network engineering and technology-related businesses; and investments in, and development of, infrastructure and properties in Hong Kong, the PRC and elsewhere in the Asia Pacific region.

INFORMATION ON THE GENERAL PARTNER

Mr Wei is a director and a majority shareholder of the General Partner. The business of the General Partner is to act as the general partner of the Fund.

DEFINITIONS

In this announcement, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Fund”	Vision Knight Capital (China) Fund I, L.P., an exempted limited partnership established under the laws of the Cayman Islands
“General Partner”	Vision Knight Capital General Partners Ltd., a company incorporated under the laws of the Cayman Islands with limited liability and appointed as the general partner of the Fund in accordance with the Limited Partnership Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Investment”	the investment by WCL of a limited partnership interest in the Fund in accordance with the terms of the Subscription Agreement and the Limited Partnership Agreement
“Limited Partners”	the limited partners of the Fund, including WCL and Mr Wei
“Limited Partnership Agreement”	the amended and restated limited partnership agreement dated 13 August 2012 entered into between, among others, the General Partner and the Limited Partners to govern their relationship and provide for (among others) the manner of operation and management of the Fund
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Company”	Vision Knight Capital Management Company Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, and appointed as the fund manager of the Fund
“Mr Wei”	Mr Wei Zhe, David, a non-executive director of the Company
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the Subscription Agreement dated 13 August 2012 entered into between WCL and the General Partner
“US\$”	United States dollars, the lawful currency of the United States of America
“WCL”	Web Commerce Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“%”	per cent

For illustration only, an exchange rate of US\$1.00:HK\$7.80 has been assumed.

By Order of the Board
PCCW Limited
Philana WY Poon
Group Company Secretary

Hong Kong, 13 August 2012

The directors of the Company as at the date of this announcement are as follows:

Executive Directors

Li Tzar Kai, Richard (Chairman); Chan Ching Cheong, George (Group Managing Director); Hui Hon Hing, Susanna (Group Chief Financial Officer) and Lee Chi Hong, Robert

Non-Executive Directors

Sir David Ford, KBE, LVO; Tse Sze Wing, Edmund, GBS; Lu Yimin (Deputy Chairman); Li Fushen; Li Gang and Wei Zhe, David

Independent Non-Executive Directors

Dr The Hon Sir David Li Kwok Po, GBM, GBS, OBE, JP; Aman Mehta; Frances Waikwun Wong and Bryce Wayne Lee