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PCCW Limited
電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0008)

**PLACING OF SHARE STAPLED UNITS OF
THE HKT TRUST AND HKT LIMITED
DISCLOSEABLE TRANSACTION**

On February 13, 2017, the Vendor and the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to procure places to purchase, or failing which to purchase itself, 840,747,000 SSUs to be sold by the Vendor, at HK\$10.15 per SSU.

Completion of the Placing is subject to various conditions, set forth below under the heading "Conditions of the Placing".

The Vendor is a wholly-owned subsidiary of the Company. As at the date of this announcement, the Vendor holds 4,775,714,681 SSUs, representing approximately 63.07% of the total number of SSUs in issue. The Placing SSUs represent approximately 11.10% of the total number of SSUs in issue as at the date of this announcement. Immediately following completion of the Placing and the sale of the Placing SSUs by the Vendor, the Vendor will hold 3,934,967,681 SSUs, representing approximately 51.97% of the total number of SSUs in issue (assuming no change to the total number of SSUs in issue between the date of this announcement and the date of completion of the Placing).

The gross proceeds from the Placing will amount to approximately HK\$8,534 million. The Company intends to use the proceeds for general corporate purposes of the Group including further investments in the core businesses of Media and Solutions and other new strategic investments as well as the repayment of debt.

One or more of the applicable percentage ratios under the Listing Rules in respect of the Placing are 5% or more but all the applicable percentage ratios under the Listing Rules are less than 25%. Accordingly, the Placing is a discloseable transaction for the Company under the Listing Rules.

THE PLACING

On February 13, 2017, the Vendor and the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure placees to purchase, or failing which to purchase itself, 840,747,000 SSUs to be sold by the Vendor, at HK\$10.15 per SSU.

SUMMARY OF PRINCIPAL TERMS OF THE PLACING AGREEMENT

Parties

- (1) The Vendor, as seller of the Placing SSUs.
- (2) The Company, as guarantor.
- (3) The Placing Agent, as placing agent.

Placees

It is expected that the Placing SSUs will be placed to independent placees who, to the best knowledge and belief of the Directors, are not connected persons of the Company or the Directors or any of their respective associates, and are not acting in concert (within the meaning of the Hong Kong Code on Takeovers and Mergers) with the Vendor and/or persons acting in concert (within the meaning of the Hong Kong Code on Takeovers and Mergers) with the Vendor in respect of the HKT Trust and HKT.

Number of Placing SSUs

The Placing Agent has agreed to procure placees to purchase, or failing which to purchase itself, 840,747,000 SSUs, representing in aggregate approximately 11.10% of the total number of SSUs in issue as at the date of this announcement.

Placing price

HK\$10.15 per Placing SSU.

This price was agreed after arm's length negotiations between the Vendor and the Placing Agent with reference to recent market prices of the SSUs. This price represents (i) a discount of approximately 8.4% to the closing price of HK\$11.08 per SSU on the Last Trading Day; (ii) a discount of approximately 8.6% to the average closing price of HK\$11.10 per SSU as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 8.1% to the average closing price of HK\$11.048 per SSU as quoted on the Stock Exchange from January 26, 2017 to February 10, 2017, both dates inclusive, being the last ten trading days up to and including the Last Trading Day.

Conditions of the Placing

Completion of the Placing is conditional upon:

- (a) there not having come to the attention of the Placing Agent at any time prior to Completion (i) any material breach of, or any event rendering untrue, incorrect, misleading or breached in any material respect, any of the representations, warranties or undertakings of the Vendor and the Company under the Placing Agreement; or (ii) any material breach of, or

failure to perform, any of the other obligations of the Vendor which are required to be performed at or before Completion under the Placing Agreement;

- (b) there not having come to the attention of the Placing Agent at any time prior to Completion:
 - (i) any suspension of dealings in the SSUs for any period; or (ii) any adverse determination, investigation, indictment or ruling of any applicable governmental or other regulatory body and whether against the Vendor, the HKT Trust, HKT, any material subsidiary of HKT (including delay in approval of the Placing Announcement or any other relevant announcement by any relevant stock exchange), which (in each case mentioned in (i) or (ii) above), in the reasonable opinion of the Placing Agent, would be likely to prejudice materially the success of the Placing;
- (c) there not having occurred:
 - (i) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism, acts of war and acts of God);
 - (ii) any material adverse change, or development (whether or not permanent) involving a prospective adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the HKT Trust Group taken as a whole, whether or not arising in the ordinary course of business;
 - (iii) any change or any development (whether or not permanent) involving a prospective change or any crisis in local, national or international monetary, financial, economic, legal, taxation or political conditions (including, without limitation, conditions in the stock market, in the foreign exchange market, inter-bank market, money market and conditions with respect to interest rates in Hong Kong or otherwise) or foreign exchange controls in Hong Kong and overseas or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions;
 - (iv) any local, national or international occurrence, outbreak or escalation of hostilities whether war had been declared or not, or insurrection or armed conflict (whether or not involving financial markets);

which, in the reasonable opinion of the Placing Agent, has prejudiced or is reasonably likely to prejudice materially the success of the Placing;

- (d) there not having developed, occurred or come into force the introduction of any new law or regulation or change in existing laws or regulations (or the judicial interpretation thereof) or any other similar event which in the reasonable opinion of the Placing Agent, following consultation with the Vendor, has or is reasonably likely to have a material adverse effect on the business or financial condition of the HKT Trust Group taken as a whole;
- (e) there not having been imposed any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to Completion;
- (f) the delivery to the Placing Agent at Completion of copies of the resolutions of the Vendor duly authorising the execution of the Placing Agreement; and

- (g) the delivery to the Placing Agent at Completion of a “no registration” opinion in relation to the United States from the legal advisers to the Vendor in the agreed form.

Completion of the Placing

Under the Placing Agreement, the Placing is agreed to be completed by 12:00 noon (Hong Kong time) on February 15, 2017 or such other time as the Vendor and the Placing Agent shall agree.

Rights of the Placing SSUs

The Placing SSUs will be sold by the Vendor free of liens, charges, encumbrances and any third party rights and together with all rights attaching thereto at the date of the Placing Agreement up to completion of the Placing.

Restrictions on disposals of SSUs by the Vendor

Pursuant to the Placing Agreement, the Vendor undertakes to the Placing Agent that (except for: (i) the Placing; and (ii) actions taken for the purpose of any share/SSU option or award schemes of the Company, HKT Trust or HKT), from the date of the Placing Agreement and on or prior to the date falling 90 days after the date of the Placing Agreement, the Vendor will not and will procure that none of its nominees, companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent):

- (a) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any SSUs or any interests therein or any securities convertible into or exercisable or exchangeable for any SSUs or interests therein, or substantially similar to any such SSUs or interests; or
- (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such SSUs, whether any such transaction described in (a) or (b) above is to be settled by delivery of SSUs or such other securities, in cash or otherwise; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above.

DISPOSAL OF INTEREST IN THE HKT TRUST AND HKT AS A RESULT OF THE PLACING

As at the date of this announcement, the Vendor holds 4,775,714,681 SSUs, representing approximately 63.07% of the total number of SSUs in issue.

The Placing SSUs represent approximately 11.10% of the total number of SSUs in issue as at the date of this announcement. Immediately following completion of the Placing and the sale of the Placing SSUs by the Vendor, the Vendor will hold 3,934,967,681 SSUs, representing approximately 51.97% of the total number of SSUs in issue (assuming no change to the total number of SSUs in issue between the date of this announcement and the date of completion of the Placing).

REASONS FOR THE PLACING AND EXPECTED BENEFITS

The Placing will provide funding to the Group to support its continued investments in the core businesses of Media and Solutions and other new strategic investments. The proceeds from the Placing will also be used to repay debt thereby strengthening the Group's financial position. Furthermore, the Placing will expand the free float and improve the liquidity of trading in SSUs. Following the Placing, PCCW Group will still retain a majority stake in and control over the HKT Trust Group and the financial statements of the HKT Trust Group will continue to be consolidated in the Group's consolidated financial statements. The Group will continue to receive its proportionate share of the distributions from the HKT Trust Group and the Company intends to maintain a stable dividend policy.

The Directors believe that the terms of the Placing are fair and reasonable and in the interests of the Company's shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Placing will amount to approximately HK\$8,534 million. The Company intends to use the proceeds for general corporate purposes of the Group including further investments in the core businesses of Media and Solutions and other new strategic investments as well as the repayment of debt.

INFORMATION IN RELATION TO THE HKT TRUST GROUP

The HKT Trust, a trust constituted on November 7, 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 activities of the HKT Trust Group are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

For the financial year ended December 31, 2016, the audited consolidated net profit before taxation and net profit after taxation of the HKT Trust Group were approximately HK\$5,698 million and approximately HK\$4,927 million, respectively.

For the financial year ended December 31, 2015, the audited consolidated net profit before taxation and net profit after taxation of the HKT Trust Group were approximately HK\$4,586 million and approximately HK\$3,986 million, respectively.

The consolidated net asset value of the HKT Trust Group as shown in the consolidated audited financial statements of the HKT Trust Group as at December 31, 2016 was approximately HK\$39,159 million.

Based on the financial position of the HKT Trust Group as at December 31, 2016, the estimated gross proceeds of approximately HK\$8,534 million and other direct outgoings, it is currently anticipated that the Group will recognise a credit of approximately HK\$7.6 billion directly to reserves in the consolidated statement of changes in equity upon completion of the Placing.

INFORMATION IN RELATION TO THE COMPANY

The principal activities of the Company, together with its subsidiaries, are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, and other telecommunications businesses such as customer premises equipment sales; the provision of interactive pay-TV services, Internet portal digital media entertainment platform in Hong Kong and other parts of the world; investments in, and development of, systems integration, network engineering, and technology-related businesses; and development and management of premium-grade property and infrastructure projects as well as premium-grade property investments. Through HK Television Entertainment Company Limited, the Group also operates a domestic free television service in Hong Kong.

GENERAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent, the placees of the Placing SSUs and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

One or more of the applicable percentage ratios under the Listing Rules in respect of the Placing are 5% or more but all the applicable percentage ratios under the Listing Rules are less than 25%. Accordingly, the Placing is a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

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

“Company”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on 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).
“Completion”	completion of the Placing Agreement.
“Directors”	the directors of the Company.
“Group” or “PCCW Group”	the Company and its subsidiaries.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“HKT”	HKT Limited, an exempted company incorporated in the Cayman Islands with limited liability, which has its SSUs jointly issued with the HKT Trust listed on the Stock Exchange (Stock Code: 6823).
“HKT Trust”	the HKT Trust, a trust constituted under the laws of Hong Kong pursuant to the Trust Deed, which has its SSUs jointly issued with HKT listed on the Stock Exchange (Stock Code: 6823).

“HKT Trust Group”	the HKT Trust, HKT and HKT’s subsidiaries.
“Last Trading Day”	February 10, 2017, being the last Stock Exchange trading day of the SSUs prior to the publication of this announcement.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Ordinary Shares”	ordinary shares of HK\$0.0005 each in HKT.
“Placing”	the placing by or on behalf of the Placing Agent of the Placing SSUs on the terms of the Placing Agreement.
“Placing Agent”	Goldman Sachs (Asia) L.L.C..
“Placing Agreement”	the placing agreement relating to the Placing entered into on February 13, 2017, between the Vendor, the Company and the Placing Agent.
“Placing SSUs”	840,747,000 SSUs to be sold by the Vendor pursuant to the Placing.
“Preference Shares”	preference shares of HK\$0.0005 each in HKT.
“SSUs”	<p>share stapled units issued by the HKT Trust and HKT, comprising a combination of the following securities or interests in securities which, subject to the provisions of the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> (a) a Unit in the HKT Trust; (b) the beneficial interest in a specifically identified Ordinary Share linked to the Unit and held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the HKT Trust; and (c) a specifically identified Preference Share stapled to the Unit; <p>and “SSU” shall be construed accordingly.</p>
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Trust Deed”	the trust deed dated November 7, 2011 constituting the HKT Trust, between the Trustee-Manager and HKT, as amended and/or supplemented.
“Trustee-Manager”	HKT Management Limited, a company incorporated in Hong Kong with limited liability, in its capacity as trustee-manager of the HKT Trust.

“Unit”	an undivided interest in the HKT Trust, which confers the rights set out in the Trust Deed.
“Vendor”	CAS Holding No. 1 Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

By order of the Board of
PCCW Limited
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, February 13, 2017

As at the date of this announcement, the Directors of the Company are as follows:

Executive Directors

Li Tzar Kai, Richard (Chairman); Srinivas Bangalore Gangaiah (aka BG Srinivas) (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; Zhang Junan 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; Bryce Wayne Lee; Lars Eric Nils Rodert and David Christopher Chance