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HKT Trust

(a trust constituted on November 7, 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)

INSIDE INFORMATION CONNECTED TRANSACTION PROPOSED ACQUISITION OF PCCW MEDIA LIMITED OPERATOR OF THE “NOW TV” BUSINESS

Reference is made to the announcement made by PCCW today in relation to, among others, the Proposed Acquisition.

On August 6, 2020 (after market close), HKT Interactive Media, an indirect wholly-owned subsidiary of HKT, entered into the Share Purchase Agreement with PCCW Interactive Media, an indirect wholly-owned subsidiary of PCCW, in relation to the sale by PCCW Interactive Media to HKT Interactive Media of the entire issued share capital of PCCW Media for a Consideration of US\$250 million (or HK\$1,950 million based on the Agreed Exchange Rate). The PCCW Media Group operates the “Now TV” business, which is a leading pay-television service provider in Hong Kong, offering a wide range of local and international content through linear TV channels, on-demand and apps.

Completion of the Proposed Acquisition is subject to the fulfilment or waiver of the conditions precedent specified in the Share Purchase Agreement and summarised below in the section headed “Conditions Precedent” in this announcement.

Listing Rules Implications

PCCW is the controlling shareholder of the Share Stapled Units. Accordingly, PCCW is a connected person of HKT and the HKT Trust under Chapter 14A of the Listing Rules. PCCW Interactive Media is an indirect wholly-owned subsidiary of PCCW and therefore also a connected person of HKT and the HKT Trust under Chapter 14A of the Listing Rules. As the Proposed Acquisition will be conducted on normal commercial terms and all of the applicable percentage ratios for HKT and the HKT Trust in respect of the Proposed Acquisition are less than 5%, the Proposed Acquisition is subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. The Proposed Acquisition is not a notifiable transaction for HKT and the HKT Trust under Chapter 14 of the Listing Rules as all the applicable percentage ratios for HKT and the HKT Trust in respect of the Proposed Acquisition are less than 5%.

Holders of the Share Stapled Units and potential investors should note that completion of the Proposed Acquisition is subject to a number of conditions precedent. There is no assurance that the Proposed Acquisition will take place or as to when it may take place. Holders of the Share Stapled Units and potential investors should therefore exercise caution when dealing in or investing in the Share Stapled Units.

INTRODUCTION

This announcement is issued pursuant to Part XIVA of the Securities and Futures Ordinance and Rule 13.09(2)(a) of the Listing Rules.

On August 6, 2020 (after market close), HKT Interactive Media, an indirect wholly-owned subsidiary of HKT, entered into the Share Purchase Agreement with PCCW Interactive Media, an indirect wholly-owned subsidiary of PCCW, in relation to the sale by PCCW Interactive Media to HKT Interactive Media of the entire issued share capital of PCCW Media for a Consideration of US\$250 million (or HK\$1,950 million based on the Agreed Exchange Rate). The PCCW Media Group operates the “Now TV” business, which is a leading pay-television service provider in Hong Kong, offering a wide range of local and international content through linear TV channels, on-demand and apps.

THE SHARE PURCHASE AGREEMENT

Date

August 6, 2020

Parties

- (1) HKT Interactive Media, as purchaser.
- (2) PCCW Interactive Media, as seller.

Proposed sale and purchase of the entire issued share capital of PCCW Media

The Share Purchase Agreement provides for the sale by PCCW Interactive Media and the purchase by HKT Interactive Media of the entire issued share capital of PCCW Media. The PCCW Media Group operates the “Now TV” business, which is a leading pay-television service provider in Hong Kong, offering a wide range of local and international content through linear TV channels, on-demand and apps.

Upon Completion, PCCW Media will become a wholly-owned subsidiary of HKT Interactive Media and an indirect wholly-owned subsidiary of HKT, and PCCW Interactive Media will cease to have any interest in the PCCW Media Group.

Consideration

The Consideration payable by HKT Interactive Media under the Share Purchase Agreement for the Proposed Acquisition is US\$250 million (or HK\$1,950 million based on the Agreed Exchange Rate), payable at Completion in cash.

The Consideration was determined by the Parties following arm's length negotiation, taking into consideration the historical and expected financial results of the PCCW Media Group as well as market valuations of companies operating in the same or similar industry.

Conditions precedent

Completion of the Proposed Acquisition is subject to the fulfilment or waiver of the following conditions precedent:

- (1) completion of the Restructuring;
- (2) service agreements in relation to certain technical, support and marketing services having been entered into between the relevant members of the HKT Group and the PCCW Interactive Media Group;
- (3) all necessary consents, approvals and/or waivers having been obtained and maintained in full force and effect (i) under applicable laws, rules and regulations and/or licences held by or necessary for the business of the PCCW Media Group; and (ii) under any contract to which any member of the PCCW Media Group is a party and which is material to the business, financial position or operations of the PCCW Media Group;
- (4) PCCW having provided an irrevocable consent under the Non-Compete Agreement to allow the HKT Group to conduct the business of providing pay television services; and
- (5) PCCW Interactive Media having complied fully with its obligations in relation to the conduct of the business of the PCCW Media Group in the ordinary and usual course before Completion.

If any of the above conditions precedent are not fulfilled or waived on or before the date falling four months after the date of the Share Purchase Agreement or such later date as the Parties may agree, the Share Purchase Agreement shall be capable of termination by either Party forthwith on written notice to the other.

FURTHER INFORMATION ON THE PCCW MEDIA GROUP

The unaudited pro-forma consolidated earnings before interest income, finance costs, income tax, depreciation and amortization and net other gains/losses ("EBITDA") of the PCCW Media Group for each of the financial years ended December 31, 2018 and December 31, 2019 were HK\$527 million and HK\$513 million respectively.

The unaudited pro-forma consolidated profit before taxation and net profit after taxation of the PCCW Media Group were HK\$98 million and HK\$75 million respectively for the financial year ended December 31, 2018 and HK\$62 million and HK\$41 million respectively for the financial year ended December 31, 2019.

The unaudited pro-forma consolidated net asset value of the PCCW Media Group, adjusted for intra-group balances, was approximately HK\$2,145 million as at December 31, 2019.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Directors consider that the Proposed Acquisition will increase synergies and bring about the following benefits:

- (1) Creation of Hong Kong's sole genuine quadruple play services provider – with the acquisition of the “Now TV” business operated by PCCW Media, which is a leading pay-television service provider in Hong Kong, HKT will be able to position itself after Completion as the sole genuine quadruple-play services provider in Hong Kong, capable of providing a seamless user experience across fixed line, broadband, mobile and pay-television services;
- (2) Enriched product offering – “Now TV” will be able to work more closely with the broadband and mobile businesses of HKT and deliver an enriched total offering of connectivity and content to better serve the needs and interests of customers;
- (3) Enhanced cross-selling of services – within the HKT Group as enlarged as a result of the Proposed Acquisition, the cross selling of services between broadband, mobile and pay-television by common channels will be enhanced, which is expected to lead to higher conversion rates as well as higher customer satisfaction and strengthened customer retention; and
- (4) Improved operating efficiencies – the integration of the network, sales teams as well as certain corporate functions as a result of the Proposed Acquisition is expected to generate business synergies and yield improved operating efficiencies, thereby resulting in enhanced customer experience and business productivity.

Based on the above, the Directors (including the independent non-executive Directors) believe that the terms of the Proposed Acquisition are fair and reasonable, on normal commercial terms, and in the interests of HKT and the HKT Trust and the holders of the Share Stapled Units as a whole.

INFORMATION ON THE PARTIES

HKT Interactive Media is an indirect wholly-owned subsidiary of HKT.

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 HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers. HKT and its subsidiaries operate primarily in Hong Kong, and also serve customers in mainland China and other parts of the world.

PCCW Interactive Media is an indirect wholly-owned subsidiary of PCCW.

The principal activities of PCCW and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers; the provision of interactive pay-TV services, over-the-top (OTT) digital media entertainment services in Hong Kong, the Asia Pacific Region and other parts of the world; investments in, and development of, systems integration, network engineering, and information 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, PCCW also operates a domestic free television service in Hong Kong.

LISTING RULES IMPLICATIONS

PCCW is the controlling shareholder of the Share Stapled Units. Accordingly, PCCW is a connected person of HKT and the HKT Trust under Chapter 14A of the Listing Rules. PCCW Interactive Media is an indirect wholly-owned subsidiary of PCCW and therefore also a connected person of HKT and the HKT Trust under Chapter 14A of the Listing Rules. As the Proposed Acquisition will be conducted on normal commercial terms and all of the applicable percentage ratios for HKT and the HKT Trust in respect of the Proposed Acquisition are less than 5%, the Proposed Acquisition is subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Proposed Acquisition is not a notifiable transaction for HKT and the HKT Trust under Chapter 14 of the Listing Rules as all the applicable percentage ratios for HKT and the HKT Trust in respect of the Proposed Acquisition are less than 5%.

GENERAL

Certain Directors are also directors of PCCW in addition to having interests in the shares of PCCW, as disclosed in their publicly available filings made under Part XV of the Securities and Futures Ordinance. Apart from those interests, no Directors have a material interest in the Proposed Acquisition and no Directors were required to abstain from voting on the board resolutions of HKT and the Trustee-Manager to approve the Proposed Acquisition. Notwithstanding the foregoing, Mr. Li Tzar Kai, Richard, being an executive director of HKT, has voluntarily abstained from voting on the board resolutions of HKT and the Trustee-Manager to approve the Proposed Acquisition.

Holders of the Share Stapled Units and potential investors should note that completion of the Proposed Acquisition is subject to a number of conditions precedent. There is no assurance that the Proposed Acquisition will take place or as to when it may take place. Holders of the Share Stapled Units and potential investors should therefore exercise caution when dealing in or investing in the Share Stapled Units.

DEFINITIONS

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

“Agreed Exchange Rate”	the exchange rate agreed between the Parties in the Share Purchase Agreement of US\$1 = HK\$7.8
“Completion”	completion of the Proposed Acquisition pursuant to the terms and conditions of the Share Purchase Agreement
“Consideration”	the total consideration payable by HKT Interactive Media under the Share Purchase Agreement described under the heading “Consideration” in this announcement
“Directors”	the directors of HKT and the Trustee-Manager
“HKT”	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, the Share Stapled Units of which are jointly issued with the HKT Trust and listed on the Hong Kong Stock Exchange (Stock Code: 6823)
“HKT Group”	HKT and its subsidiaries
“HKT Interactive Media”	HKT Interactive Media Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of HKT
“HKT Trust”	a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by the Trustee-Manager, the Share Stapled Units of which are jointly issued with HKT and listed on the Hong Kong Stock Exchange (Stock Code: 6823)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-Compete Agreement”	the non-compete agreement dated November 8, 2011 entered into between HKT and PCCW in respect of the business of providing pay and free television services, under which HKT agreed not to undertake any pay television services without PCCW’s consent

“Parties”	PCCW Interactive Media and HKT Interactive Media, being the parties to the Share Purchase Agreement, and a “Party” shall be construed accordingly
“PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Hong Kong 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), which is indirectly holding approximately 51.94% of the total number of Share Stapled Units in issue as at the date of this announcement
“PCCW Group”	PCCW and its subsidiaries, including the HKT Group
“PCCW Interactive Media”	PCCW Interactive Media Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW
“PCCW Interactive Media Group”	PCCW Interactive Media and its subsidiaries, any holding company of PCCW Interactive Media and all other subsidiaries of any such holding company from time to time (except members of the PCCW Media Group and the HKT Group)
“PCCW Media”	PCCW Media Limited, a company incorporated in Hong Kong with limited liability and currently an indirect wholly-owned subsidiary of PCCW
“PCCW Media Group”	PCCW Media and its subsidiaries and joint venture following the Restructuring
“Proposed Acquisition”	the proposed acquisition by HKT Interactive Media of the entire issued share capital of PCCW Media from PCCW Interactive Media pursuant to the Share Purchase Agreement
“Restructuring”	among other things, certain transfers of shares and assets between certain members of the PCCW Group to be completed prior to Completion so as to facilitate the Proposed Acquisition
“Share Purchase Agreement”	the share purchase agreement in relation to the Proposed Acquisition entered into between PCCW Interactive Media as seller and HKT Interactive Media as purchaser on August 6, 2020
“Share Stapled Units”	the share stapled units of HKT and the HKT Trust
“Trustee-Manager”	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\$”

United States dollars, the lawful currency of the United States of America

By order of the boards of
HKT Management Limited
and
HKT Limited
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, August 6, 2020

As at the date of this 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; Li Fushen; Zhu Kebin and Srinivas Bangalore Gangaiah (aka BG Srinivas)

Independent Non-Executive Directors:

Professor Chang Hsin Kang, FREng, GBS, JP; Sunil Varma; Aman Mehta and Frances Waikwun Wong