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PCCW Limited

電訊盈科有限公司

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

DISCLOSEABLE TRANSACTION

SALE OF DATA CENTER BUSINESS

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The Company is pleased to announce that, on July 26, 2021, the Seller and the Buyer entered into the SPA, pursuant to which the Seller agreed to sell, and the Buyer agreed to purchase, the Company's Data Center Business for the Purchase Price of US\$750 million (equivalent to approximately HK\$5,850 million), subject to adjustment as described below in this announcement.

Completion of the Transaction is conditional upon the satisfaction, or waiver by the Buyer, of the Conditions to Completion specified in the SPA and summarized below in this announcement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction is 5% or more but all of the applicable percentage ratios are less than 25%, the Transaction is a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Shareholders of the Company and potential investors should note that Completion of the Transaction is subject to the Conditions. Therefore, there is no assurance that the Transaction will be completed. Shareholders of the Company and potential investors should, accordingly, exercise caution when dealing in the shares of the Company.

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SUMMARY OF PRINCIPAL TERMS OF THE SPA

- Parties : The Seller and the Buyer.
- Subject matter : The SPA provides for the sale by the Seller and the purchase by the Buyer of the Company's Data Center Business by way of the sale and purchase of the entire issued share capital of DC HoldCo.
- Purchase Price : US\$750 million (equivalent to approximately HK\$5,850 million), subject to adjustment as follows:
- (a) plus an amount equal to the cash shown in the Completion Accounts;
 - (b) minus an amount equal to the indebtedness shown in the Completion Accounts; and
 - (c) plus or minus variations of the working capital of the DC Group at Completion, as shown in the Completion Accounts, from an agreed amount of target working capital.

Cash, indebtedness and working capital for this purpose are the respective amounts to be shown in the Completion Accounts, calculated in accordance with the detailed provisions of the SPA. The Purchase Price is based on the enterprise value of the Data Center Business, adjusted for cash, indebtedness and working capital, and was determined after arm's length negotiations between the parties to the SPA following a formal sale process.

- Payment terms : The Purchase Price is payable by the Buyer to the Seller in cash. An amount of US\$750 million (equivalent to approximately HK\$5,850 million) plus or minus estimated adjustments for cash, indebtedness and working capital is payable on Completion under the SPA. An amount equal to 4% of the Completion payment is subject to an escrow arrangement. The balance of the Completion payment is payable to the Seller on Completion. The terms of the escrow arrangement provide for the full or partial release of the escrow amount to the Seller if certain post-Completion reorganization steps are completed on or prior to the first anniversary of Completion, failing which the escrow amount would be released to the Buyer following such first anniversary. The definitive adjustments for cash, indebtedness and working capital will be determined when the Completion Accounts are finalized, which is expected to be within four months after Completion.

- Conditions : Completion of the Transaction is conditional upon the satisfaction or waiver by the Buyer of the following conditions ("**Conditions**"):
- (1) customary conditions precedent including the warranties being true and correct in all material respects and the Seller having performed and complied with its obligations under the SPA which are required to be performed or complied with by the Seller at or prior to Completion; and

- (2) completion of an agreed pre-sale reorganization of the business and assets comprising the Data Center Business in all material respects (except for those aspects of the reorganization which by their nature or in accordance with the agreed terms of the pre-sale reorganization are only to be completed simultaneously with Completion), and obtaining agreed material consents required for completion of the pre-sale reorganization.

The parties to the SPA have agreed to use their respective reasonable endeavors to procure that the Conditions are satisfied within six months after the date of the SPA, or such extended period as may be agreed by the Seller and the Buyer in writing. The Seller and the Buyer each has a right to extend the period for satisfaction of the Conditions by an additional three months, if the only conditions that have not been satisfied at the end of the initial six months period relate to completion of the pre-sale reorganization.

Completion : Completion of the Transaction is expected to take place on a date which is not less than twelve (12) Business Days following the date on which the last Condition is satisfied and/or waived by the Buyer and which is the last day of a calendar month (or if such day is not a Business Day, on the immediately following Business Day), or such other date as may be agreed in writing between the Seller and the Buyer (the “**Completion Date**”).

Non-Competition and Non-Solicitation : The SPA includes a three year non-compete covenant in respect of the Data Center Business, or any business that is competitive with the Data Center Business, in favour of the Buyer, which applies to the Seller and members of the Group. The SPA also includes mutual covenants of the Seller and the Buyer prohibiting solicitation of employees.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The sale by the Group of its Data Center Business to the Buyer continues the Company’s strategy of unlocking shareholder value in the Group.

Specifically, the Transaction is expected to benefit the Company through:

- (1) **Streamlining operations to focus on technology, IP development and services.** Carrier neutral colocation services is a distinct business from our HKT, Media and Solutions businesses. The proposed divestiture of the Data Center Business will allow the Company to better focus and strengthen its core service and product offerings and create more value for its customers and shareholders.
- (2) **Crystalize value of the Data Center Business.** Previously operating as part of the Company without separately disclosed financials, operational and growth plan details, the value of the Data Center Business was not fully recognized by investors. Through this

Transaction with an independent third party, the Company is able to crystalize value of the Data Center Business and unlock further shareholder value.

- (3) **Preserve capital allocation flexibility for the Company.** The future growth and expansion of the Data Center Business will require significant capital expenditure. Through the Transaction, the Company will have the flexibility to allocate its capital and resources more efficiently to drive growth.

USE OF PROCEEDS AND FINANCIAL EFFECTS OF THE TRANSACTION

The proceeds from the Transaction will be deployed to create shareholder value through various uses, including but not limited to strategic investments in growth areas such as financial services, buyback of the Company's shares, repayment of debt and other general corporate purposes.

Based on the estimated net asset value of the DC Group on Completion, as well as the direct attributable costs to be incurred for the Transaction and fulfilment of related obligations, it is currently anticipated that the Group will recognize a gain of not less than US\$180.0 million (equivalent to approximately HK\$1,404.0 million) from the Transaction.

The Directors consider that the terms of the Transaction are normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Following Completion, the DC Group companies will cease to be subsidiaries of the Company.

INFORMATION IN RELATION TO THE COMPANY AND THE SELLER

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 Group 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.

The Seller is an indirect wholly-owned subsidiary of the Company and is an investment holding company, directly and indirectly holding the DC Group companies.

INFORMATION IN RELATION TO THE BUYER

DigitalBridge Group, Inc. (NYSE: DBRG) ("DigitalBridge") is a leading global digital infrastructure REIT. The principal activities of DigitalBridge relate to investing in, building, and operating businesses across the digital infrastructure sector including cell towers, data centers, fiber, small cells, and edge infrastructure. The DigitalBridge team manages a US\$32

billion portfolio of digital infrastructure assets on behalf of its limited partners and shareholders. DigitalBridge, is headquartered in Boca Raton, Florida, with key offices in Los Angeles, New York, London and Singapore.

The Buyer is an investment holding company controlled by funds managed by affiliates of DigitalBridge.

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

INFORMATION ON THE DC GROUP

As at the date of the SPA, Powerbase HK and DC Malaysia are indirect wholly-owned subsidiaries of the Company, engaged in the provision of data center services for customers in Hong Kong and Malaysia.

DC HoldCo will be newly incorporated, as an indirect wholly-owned subsidiary of the Company, to serve as the holding company of the DC Group. Following completion of the pre-sale reorganization described above in this announcement, DC HoldCo will hold the entire issued share capital of Powerbase HK and DC Malaysia.

Based on the pro forma financial statements of the Data Center Business, assuming completion of the pre-sale reorganization described above in this announcement, which have been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Related Services 4400, “Engagements to Perform Agreed-Upon-Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants:

- (a) The consolidated net profits of the DC Group in respect of its financial year ended December 31, 2020 were approximately US\$3.0 million (equivalent to approximately HK\$23.7 million) before taxation and approximately US\$2.6 million (equivalent to approximately HK\$20.1 million) after taxation.
- (b) The consolidated net profits of the DC Group in respect of its financial year ended December 31, 2019 were approximately US\$3.1 million (equivalent to approximately HK\$24.4 million) before taxation and approximately US\$0.02 million (equivalent to approximately HK\$0.1 million) after taxation.

Based on the pro forma financial statements of the Data Center Business, assuming completion of the pre-sale reorganization described above in this announcement before Completion, the consolidated net asset value of the DC Group is approximately US\$258.3 million (equivalent to approximately HK\$2,014.7 million).

LISTING RULES IMPLICATIONS

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Shareholders of the Company and potential investors should note that Completion of the Transaction is subject to the Conditions. Therefore, there is no assurance that the

Transaction will be completed. Shareholders of the Company and potential investors should, accordingly, exercise caution when dealing in the shares of the Company.

J.P. Morgan Securities (Asia Pacific) Limited acted as exclusive financial advisor to the Company in this Transaction.

DEFINITIONS

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

“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong, New York and Singapore are open for business to the general public
“Buyer”	PowerDC Holdco Pte. Ltd., a company incorporated in Singapore with limited liability
“Company” or “PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability and having its shares 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)
“Completion”	completion of the sale and purchase of the Data Center Business in accordance with the provisions of the SPA
“Completion Accounts”	the consolidated statements of financial position and financial performance of the DC Group as at the Completion Date as prepared in accordance with the agreed principles under the SPA
“Completion Date”	has the meaning given to it in the paragraph headed “ <i>Summary of principal terms of the SPA – Completion</i> ” in this announcement
“Conditions”	has the meaning given to it in the paragraph headed “ <i>Summary of principal terms of the SPA – Conditions</i> ” in this announcement
“connected person”	has the meaning given to it in the Listing Rules
“Data Center Business”	means the business comprising the provision of carrier-neutral colocation services carried on at the date of the SPA by Powerbase HK and DC Malaysia
“DC Group”	DC HoldCo, Powerbase HK and DC Malaysia collectively
“DC HoldCo”	a company to be newly incorporated as an indirect wholly-owned subsidiary of the Company, to serve as the holding

	company of the DC Group upon completion of the pre-sale reorganization described above in this announcement
“DC Malaysia”	PCCW Solutions Data Centers Malaysia Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability
“DigitalBridge”	has the meaning given in the section headed <i>“Information in relation to the Buyer”</i> in this announcement
“Directors”	the directors of the Company
“Group”	PCCW and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning given to it in the Listing Rules
“Powerbase HK”	PCCW Powerbase Data Center Services (HK) Limited, a company incorporated in Hong Kong with limited liability
“Purchase Price”	has the meaning given to it in the paragraph headed <i>“Summary of principal terms of the SPA – Purchase Price”</i> in this announcement
“Seller”	a wholly-owned subsidiary of PCCW incorporated in the British Virgin Islands with limited liability
“SPA”	the share purchase agreement dated July 26, 2021 between the Seller and the Buyer, relating to the sale by the Seller and the purchase by the Buyer of the Data Center Business, the principal terms of which are summarized in the section headed <i>“Summary of principal terms of the SPA”</i> in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the sale and purchase of the Data Center Business in accordance with the provisions of the SPA
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = HK\$7.80. Percentages and figures expressed in millions have been rounded.

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

Hong Kong, July 26, 2021

As at the date of this announcement, the Directors 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

Tse Sze Wing, Edmund, GBS; Li Fushen (Deputy Chairman); Mai Yanzhou; Zhu Keping and Wei Zhe, David

Independent Non-Executive Directors

Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert; David Christopher Chance and David Lawrence Herzog