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PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

**INSIDE INFORMATION
CONNECTED TRANSACTION
IN RELATION TO THE DEEMED DISPOSAL OF INTEREST IN
PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED**

PCPD RIGHTS ISSUE AND DEEMED DISPOSAL FOR THE PCCW GROUP

Reference is made to the Prospectus of PCPD in relation to the Rights Issue, a copy of which is available from the Stock Exchange's website at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0225/2021022500539.pdf>. Unless otherwise defined, capitalized terms used in this announcement shall have the meanings given to them in the Prospectus.

As at the date of this announcement, Asian Motion (a wholly-owned subsidiary of PCCW) directly holds approximately 40.03% interest in PCPD.

As at 4:00 p.m. on the date of this announcement (being the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares), Asian Motion had not participated in the Rights Issue. The decision not to participate in the Rights Issue is aligned with the Company's strategy to focus its capital on its core businesses in telecommunications, media and technology, to optimize capital investment and to preserve cash for future investment in its core and other emerging business lines and opportunities. The Company has also noted that non-participation by the PCCW Group may (assuming that the Rights Issue is fully subscribed by all other Qualifying Shareholders) likely result in an increase in the trading liquidity of PCPD's shares. Accordingly, immediately after the completion of the Rights Issue, the PCCW Group's shareholding in PCPD will be reduced to approximately 33.05% (assuming that none of the other Qualifying Shareholders other than PCGH and PCRD (who have irrevocably undertaken to do so) take up their respective entitlements to the Rights Shares), and that such non-participation in the Rights Issue will result in the Deemed Disposal. Nevertheless, the PCCW Group will continue to be the single largest shareholder of PCPD.

LISTING RULES IMPLICATIONS

For the reasons explained below in this announcement under the heading “*Information in relation to the PCCW Group and PCPD*”, PCPD is a connected person of PCCW. The Deemed Disposal is, therefore, a connected transaction for PCCW under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for PCCW in respect of the Deemed Disposal exceed 0.1% but all of the applicable percentage ratios are less than 5%, the Deemed Disposal is subject to the announcement and reporting requirements, but is exempt from the independent shareholders’ approval requirement, under Chapter 14A of the Listing Rules.

RIGHTS ISSUE AND DEEMED DISPOSAL

Summary of principal terms of the Rights Issue

Reference is made to the Prospectus. Unless otherwise defined, capitalized terms used in this announcement shall have the meanings given to them in the Prospectus.

As set out in the Prospectus, PCPD proposes to raise up to approximately HK\$650.8 million (before deducting relevant expenses) by way of the Rights Issue, whereby a maximum of 793,627,989 Rights Shares shall be allotted and issued on the basis of one (1) Rights Share for every two (2) existing Shares in issue and held on the Record Date by the Qualifying Shareholders.

The Subscription Price of HK\$0.82 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the relevant Rights Shares.

The 793,627,989 Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent (i) 50% of the existing issued share capital of PCPD as at February 15, 2021 (being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information for inclusion in the Prospectus); and (ii) approximately 33% of the issued share capital of PCPD as enlarged by the allotment and issue of the Rights Shares, assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue.

Further information in relation to the Rights Issue, including the proposed application of the net proceeds of the Rights Issue by PCPD, is set out in the Prospectus.

The Deemed Disposal

As at the date of this announcement, Asian Motion (a wholly-owned subsidiary of PCCW) directly holds approximately 40.03% interest in PCPD.

As at 4:00 p.m. on the date of this announcement (being the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares), Asian Motion had not participated in the Rights Issue. The decision not to participate in the Rights Issue is aligned with the Company’s strategy to focus its capital on its core businesses in telecommunications, media and technology, to optimize capital investment and to preserve cash for future investment in its core and other emerging business lines and opportunities. The Company has also noted that non-participation by the PCCW Group may (assuming that the

Rights Issue is fully subscribed by all other Qualifying Shareholders) likely result in an increase in the trading liquidity of PCPD's shares. Accordingly, immediately after the completion of the Rights Issue, the PCCW Group's shareholding in PCPD will be reduced to approximately 33.05% (assuming that none of the other Qualifying Shareholders other than PCGH and PCRD (who have irrevocably undertaken to do so) take up their respective entitlements to the Rights Shares), and that such non-participation in the Rights Issue will result in the Deemed Disposal. Nevertheless, the PCCW Group will continue to be the single largest shareholder of PCPD.

Upon the completion of the Deemed Disposal, an estimated amount of approximately HK\$136 million (assuming a reduced shareholding of approximately 33.05% as mentioned above) will be debited to the reserves of the PCCW Group (based on the net carrying value as set out in the latest consolidated financial information published by PCPD as included in its announcement of annual results for the year ended December 31, 2020, as adjusted for the assumed proceeds to be received by PCPD from the Rights Issue and the consolidation adjustments) and will be reflected in the consolidated financial statements of the PCCW Group for the year ending December 31, 2021.

Set out below are the loss before and after taxation of the PCPD Group for the years ended December 31, 2019 and 2020 as prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended December 31, 2019 (HK\$ million) (Audited)	For the year ended December 31, 2020 (HK\$ million) (Audited)
Loss before taxation	230	699
Loss after taxation	295	749

The audited total asset value and net asset value of the PCPD Group as at December 31, 2020 based on the latest consolidated financial information published by PCPD as included in its announcement of annual results for the year ended December 31, 2020 were HK\$12,993 million and HK\$3,347 million, respectively.

REASONS FOR AND BENEFITS OF THE DEEMED DISPOSAL

As stated in the Prospectus, the Rights Issue provides a good opportunity for PCPD to strengthen its capital base and enhance its financial position without incurring debt financing costs and increasing its gearing ratio, and without diluting the interests of existing shareholders by placing shares, thereby enabling them to participate in the future development of PCPD. In light of this, and taking into account the terms of the Rights Issue and the PCCW Group's rationale not to participate in the Rights Issue, as explained under the heading "*The Deemed Disposal*" above, the directors of PCCW (including its independent non-executive directors) consider that the Transaction taken as a whole is fair and reasonable, on normal commercial terms or better and in the interests of PCCW and its shareholders as a whole.

As Mr. Li, the Chairman and an Executive Director of PCCW who has interests in shares of PCCW as disclosed under the SFO, is also an Executive Director of PCPD and has interests in shares of PCPD as disclosed under the SFO, Mr. Li is considered to have a material interest in the Deemed Disposal and abstained from voting on the resolutions of the Board approving the Deemed Disposal.

None of the other directors of PCCW have any material interest in the Deemed Disposal except by virtue of being a director of PCPD and/or having interests in PCPD shares as disclosed under the SFO, and no other directors of PCCW were required to abstain from voting on the resolutions of the Board approving the Deemed Disposal.

INFORMATION IN RELATION TO THE PCCW GROUP AND PCPD

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 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 PCPD Group is principally engaged in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

Mr. Li is the Chairman and an Executive Director of PCCW and has interests in shares of PCCW as disclosed under the SFO. Mr. Li is also an Executive Director of PCPD and is, as at the date of this announcement, interested (via his respective holding entities) in approximately 15.22% of the total number of shares of PCPD in issue. As at the date of this announcement, Mr. Li is also deemed to be interested in the nil-paid Rights Shares as set out in the Prospectus.

Accordingly, PCPD is regarded as a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules and thereby a connected person of the Company. The Deemed Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

For the reasons explained under the heading “*Information in relation to the PCCW Group and PCPD*”, PCPD is a connected person of PCCW. The Deemed Disposal is, therefore, a connected transaction for PCCW under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for PCCW in respect of the Deemed Disposal exceed 0.1% but all of the applicable percentage ratios are less than 5%, the Deemed Disposal is subject to the announcement and reporting requirements, but is exempt from the independent shareholders’ approval requirement, under Chapter 14A of the Listing Rules.

GENERAL

It is considered that the information in this announcement may constitute inside information. This announcement is accordingly being made pursuant to Rule 13.09(2) of the Listing Rules and Part XIVA of the SFO.

DEFINITIONS

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

“Asian Motion”	Asian Motion Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of PCCW
“Board”	the board of directors of the Company
“connected person”	has the meaning given to it in the Listing Rules
“Deemed Disposal”	the reduction of the PCCW Group’s shareholding in PCPD from approximately 40.03% as at the date of this announcement to approximately 33.05% (on the assumption that none of the other Qualifying Shareholders other than PCGH and PCRD (who have irrevocably undertaken to do so) take up their respective entitlements to the Rights Shares) immediately after the completion of the Rights Issue as a result of Asian Motion’s decision not to participate in the Rights Issue
“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
“Mr. Li”	Mr. Li Tzar Kai, Richard
“PCCW” or “Company”	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)
“PCCW Group”	PCCW and its subsidiaries
“PCGH”	Pacific Century Group Holdings Limited
“PCPD”	Pacific Century Premium Developments Limited, a company incorporated in Bermuda with limited liability and having its shares listed on the main board of the Stock Exchange (stock code: 0432)
“PCPD Group”	PCPD and its subsidiaries
“PCRD”	Pacific Century Regional Developments Limited
“percentage ratios”	has the meaning given to it in the Listing Rules

“Prospectus”	the prospectus of PCPD dated February 26, 2021 in relation to the Rights Issue, a copy of which is available from the Stock Exchange’s website at https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0225/2021022500539.pdf
“Qualifying Shareholders”	has the meaning given to it in the Prospectus
“Rights Issue”	has the meaning given to it in the Prospectus
“Rights Shares”	has the meaning given to it in the Prospectus
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the Rights Issue and the Deemed Disposal

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

Hong Kong, March 17, 2021

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

Executive Directors

Li Tzar Kai, Richard (Chairman); Srinivas Bangalore Gangaiiah (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 Kebing 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