
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Partial Offer, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **PCCW Limited**, you should at once hand this Composite Document and the accompanying Form of Approval and Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected, for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Approval and Acceptance, the contents of which form part of the terms and conditions of the Partial Offer.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Approval and Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Approval and Acceptance.

Any information in this Composite Document with respect to the Strategic Review is included pursuant to Rule 135 under the United States Securities Act of 1933, as amended, and is for information purposes only and does not constitute, and is not intended to be, an invitation or offer to acquire, purchase or subscribe for, or offer to sell or a solicitation of any offer to buy securities in Hong Kong, the United States or elsewhere. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Neither this Composite Document nor any content contained herein shall form the basis of any contract or commitment whatsoever. Any such offer or invitation will be made only by means of a prospectus that may be obtained from the relevant issuer and that will contain detailed information about the issuer and management, as well as financial statements, and only in jurisdictions in which such offer or invitation may legally and validly be made.



Trade Champion Limited
*(Incorporated in the Cayman Islands
with limited liability)*

PCCW Limited
電訊盈科有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 0008)

**COMPOSITE DOCUMENT RELATING TO
VOLUNTARY CASH PARTIAL OFFER BY STANDARD CHARTERED BANK
(HONG KONG) LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE
154,592,765 SHARES IN THE SHARE CAPITAL OF THE COMPANY FROM
QUALIFYING SHAREHOLDERS**

Financial adviser to the Offeror



Independent financial adviser to the Independent Board Committee



Capitalised terms used in this cover page have the same meaning as those defined in the section headed "Definitions" in this Composite Document.

A letter from SCB containing, among other things, the details of the terms and conditions of the Partial Offer is set out on pages 7 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 22 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Qualifying Shareholders in respect of the Partial Offer is set out on pages 23 to 24 of this Composite Document. A letter from Somerley, the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Partial Offer is set out on pages 25 to 53 of this Composite Document.

The procedures for approval, acceptance and settlement of the Partial Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Approval and Acceptance. Acceptances of the Partial Offer should be received by the Share Registrar by no later than Monday, October 5, 2020, being the First Closing Date, or such later time and/or date as the Offeror may decide and announce and the Executive may approve.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Approval and Acceptance to any jurisdiction outside of Hong Kong should read the sections headed "Important Notice" in this Composite Document and "Overseas Shareholders" in the letter from SCB before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Partial Offer to satisfy himself, herself or itself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Partial Offer.

September 2, 2020

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be jointly made by the Offeror and the Company as and when appropriate.

All references to time and dates contained in this Composite Document are to Hong Kong time and dates.

Despatch Date and Partial Offer open for acceptance Wednesday, September 2, 2020

First Closing Date (*Note 1*) Monday, October 5, 2020

Latest time and date for approval and acceptance of
the Partial Offer on the First Closing Date (*Note 1*) 4:00 p.m. on Monday,
October 5, 2020

Announcement of the results of the Partial Offer as at
the First Closing Date to be posted on the website of
the Stock Exchange (*Note 1*) no later than 7:00 p.m. on
Monday, October 5, 2020

Latest time and date for the acceptance of the Partial Offer
(assuming that the Partial Offer becomes or is declared
unconditional in all respects on the First Closing Date)
(i.e. the Final Closing Date) (*Note 2*) 4:00 p.m. on Monday,
October 19, 2020

Announcement of the results of the Partial Offer as at
the Final Closing Date to be posted on the website of
the Stock Exchange (*Note 3*) no later than 7:00 p.m. on
Monday, October 19, 2020

Latest date for posting of remittances for amounts due
in respect of valid acceptances received under the Partial Offer
at or before 4:00 p.m. on the Final Closing Date (assuming
that the Partial Offer becomes or is declared unconditional
in all respects on the First Closing Date) (*Note 4*) Thursday, October 29, 2020

Latest time and date by which the Partial Offer can become or
be declared unconditional as to acceptances (*Note 2*) 7:00 p.m. on Monday,
November 2, 2020

Designated agent starts to stand in the market to
provide matching services for sale and purchase
of odd lots holdings of Shares 9:00 a.m. on Tuesday,
October 20, 2020

EXPECTED TIMETABLE

Designated agent ceases to stand in the market to
provide matching services for sale and purchase of
odd lots holdings of Shares 4:00 p.m. on Tuesday,
December 1, 2020

Notes:

1. The latest time for receipt of acceptances under the Partial Offer will be 4:00 p.m. on the First Closing Date unless the Offeror revises or extends the Partial Offer in accordance with the Takeovers Code. The Offeror and the Company will issue a joint announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date, stating the results of the Partial Offer and whether the Partial Offer has been revised or extended, has expired or has become or is declared unconditional. Where the Partial Offer becomes or is declared unconditional, the Partial Offer will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code. As the Partial Offer will, in addition to compliance with the Takeovers Code, also be made in the United States pursuant to the applicable U.S. tender offer rules, the Partial Offer must remain open for at least 20 U.S. business days following the Despatch Date. Accordingly, if the Partial Offer is declared unconditional in all respects on or before Monday, September 21, 2020, then the Final Closing Date would be on (but no earlier than) the First Closing Date.
2. Where the Partial Offer becomes or is declared unconditional on the First Closing Date, the Partial Offer will remain open for acceptance for 14 days in accordance with the Takeovers Code, but cannot be further extended. In accordance with the Takeovers Code, except with the consent of the Executive, the Partial Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Document was posted. Accordingly, unless the Partial Offer has previously become unconditional as to acceptances, the Partial Offer will lapse after 7:00 p.m. on Monday, November 2, 2020, unless extended with the consent of the Executive.
3. The announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, among other things, the results of the Partial Offer and details of the way in which the pro rata entitlement for each Accepting Shareholder was determined.
4. Remittances in respect of the Offer Shares tendered for acceptance under the Partial Offer (after deducting seller's ad valorem stamp duty) will be posted to the relevant Accepting Shareholders by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the Final Closing Date.

IMPORTANT NOTICE

NOTICE TO U.S. HOLDERS OF COMPANY SHARES

The Partial Offer is being made for the securities of a company incorporated in Hong Kong with limited liability and is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this Composite Document may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Partial Offer will be made in the United States pursuant to the applicable U.S. tender offer rules and otherwise in accordance with the requirements of the SFO and the Takeovers Code. Accordingly, the Partial Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

The receipt of cash pursuant to the Partial Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Partial Offer.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror and the Company are located in a country outside the United States and some or all of their officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, SCB and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. Any purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at <http://www.sfc.hk>.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

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

“Accepting Shareholder(s)”	Qualifying Shareholder(s) accepting the Partial Offer
“acting in concert”	has the meaning given to it under the Takeovers Code
“Announcement”	the joint announcement dated August 6, 2020 issued by the Offeror and the Company
“associate(s)”	has the meaning given to it under the Takeovers Code
“Board”	the board of Directors
“Bondholders’ Consent”	the consent of the holders or beneficial owners of U.S.\$700,000,000 4.75 per cent. guaranteed notes due 2022 issued by PCPD Capital Limited and guaranteed by Pacific Century Premium Developments Limited to the change of control of Pacific Century Premium Developments Limited if the further distribution of PCPD Shares is included as part of the Dividend in Specie
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“China Unicom”	China United Network Communications Group Company Limited
“China Unicom BVI”	China Unicom Group Corporation (BVI) Limited
“Closing Date”	the First Closing Date of the Partial Offer or any subsequent closing date of the Partial Offer as may be extended or revised in accordance with the Takeovers Code
“Company”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are 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)
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to all Qualifying Shareholders in accordance with the Takeovers Code, as may be revised or supplemented as appropriate

DEFINITIONS

“concert parties”	with respect to a person, parties acting in concert or presumed to be acting in concert with that person for the purposes of the Takeovers Code
“Conditions”	the conditions to which the Partial Offer is subject, as set out under the section headed “Conditions of the Partial Offer” in the letter from SCB in this Composite Document
“Despatch Date”	the date of despatch of this Composite Document to the Shareholders as required by the Takeovers Code
“Director(s)”	director(s) of the Company for the time being
“Dividend in Specie”	has the meaning given to that term in the section headed “Offer Price” within the letter from SCB in this Composite Document
“Dividend in Specie Value”	has the meaning given to that term in the section headed “Offer Price” within the letter from SCB in this Composite Document
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Final Closing Date”	the date which is the 14th day after (i) the date on which the Partial Offer is declared unconditional as to acceptances or (ii) the First Closing Date, whichever is the later, provided that the Partial Offer will be open for acceptance for at least 20 U.S. business days following the Despatch Date
“First Closing Date”	the date stated in this Composite Document as the first closing day of the Partial Offer, being Monday, October 5, 2020, or such later date as may be extended by the Offeror in accordance with the Takeovers Code
“Form of Approval and Acceptance”	the form of approval and acceptance in respect of the Partial Offer accompanying this Composite Document
“Foundation”	Li Ka Shing (Global) Foundation
“Group”	the Company and its subsidiaries
“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 jointly issued with the HKT Trust are listed on the Stock Exchange (Stock Code: 6823). HKT is a subsidiary of the Company

DEFINITIONS

“HKT Group”	HKT and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	independent committee of the Board (comprising all of the Non-Executive Directors) formed for the purpose of making a recommendation to the Qualifying Shareholders as to whether the terms of the Partial Offer are fair and reasonable and as to approval and acceptance
“Interim Cash Dividend”	has the meaning given to that term in the section headed “Offer Price” within the letter from SCB in this Composite Document
“Interim Results Announcement”	the interim results announcement of the Company for the six months ended June 30, 2020 published on August 6, 2020
“Irrevocable Undertaking”	the irrevocable undertaking given by China Unicom BVI in respect of approval of the Partial Offer
“Last Trading Day”	August 6, 2020, being the last trading day for the Shares immediately before the publication of the Announcement
“Latest Practicable Date”	August 28, 2020, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Mobile”	includes the Group’s mobile telecommunications businesses in Hong Kong
“Offeror”	Trade Champion Limited, a company incorporated in the Cayman Islands with limited liability, whose ultimate beneficial owner is the Principal
“Offer Period”	has the meaning defined in the Takeovers Code
“Offer Price”	HK\$5.20 for each Offer Share payable by the Offeror to the Qualifying Shareholders accepting the Partial Offer

DEFINITIONS

“Offer Shares”	Shares subject to the Partial Offer, being 154,592,765 Shares, and “Offer Share” shall be construed accordingly
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) as shown on the Register is/are outside Hong Kong
“Partial Offer”	the conditional voluntary cash partial offer made by SCB on behalf of the Offeror to the Qualifying Shareholders to acquire 154,592,765 Shares on the terms and conditions set out in this Composite Document and the accompanying Form of Approval and Acceptance and in compliance with the Takeovers Code
“PCCW OTT”	PCCW International OTT (Cayman Islands) Holdings Limited, the operator of the Company’s pan-regional OTT (over-the-top) video entertainment and music platforms, including under the “Viu” and “Moov” brands in Hong Kong, Southeast Asia and the Middle East
“PCPD Shares”	ordinary shares of HK\$0.50 each in the issued share capital of Pacific Century Premium Developments Limited (Stock Code: 0432), and “PCPD Share” shall be construed accordingly
“PRC”	the People’s Republic of China which, for the purposes of this Composite Document, shall exclude Hong Kong, Macau and Taiwan
“Principal”	Li Tzar Kai, Richard
“Qualifying Shareholder”	each Shareholder other than the Offeror or any parties acting, or presumed to be acting, in concert with it, and “Qualifying Shareholders” shall be construed accordingly
“Record Date”	the record date for each of the Interim Cash Dividend and the Dividend in Specie, being September 8, 2020
“Register”	the register of members of the Company
“Relevant Period”	the period commencing on February 6, 2020 (i.e. the date falling six months prior to August 6, 2020, being the commencement date of the Offer Period), and up to the Latest Practicable Date (both dates inclusive)
“relevant securities”	has the meaning given to it under Note 4 to Rule 22 of the Takeovers Code
“rights over shares”	has the meaning given to it under the Takeovers Code

DEFINITIONS

“SCB”	Standard Chartered Bank (Hong Kong) Limited, a corporation licensed under the SFO to carry out type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities), type 6 regulated activity (advising on corporate finance) and type 9 regulated activity (asset management), being the financial adviser to the Offeror in relation to the Partial Offer
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share”	an ordinary share of no par value in the share capital of the Company, and “Shares” shall be construed accordingly
“Shareholder”	a holder of any Shares, and “Shareholders” shall be construed accordingly
“Share Purchase Agreement”	has the meaning given to it in the section headed “Material Change” within Appendix II
“Share Registrar”	Computershare Hong Kong Investor Services Limited, whose address is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Somerville” or “Independent Financial Adviser”	Somerville Capital Limited, a corporation licensed to carry out type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Partial Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Review”	the strategic review announced by the Company on August 6, 2020 involving the active evaluation by the Company of various strategic alternatives to support the continued growth of PCCW OTT, including but not limited to seeking to introduce additional third party financing into PCCW OTT through a potential separate listing of PCCW OTT and/or additional investment in PCCW OTT from strategic partners
“subsidiaries”	has the meaning given to it under the Listing Rules

DEFINITIONS

“substantial shareholder”	has the meaning given to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trustee”	Computershare Hong Kong Trustees Limited, the trustee of the Company’s share award schemes
“United States”, “U.S.” or “USA”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“U.S. Exchange Act”	the U.S. Securities Exchange Act of 1934, as amended
“%”	per cent

LETTER FROM SCB



September 2, 2020

To Qualifying Shareholders

Dear Sir or Madam,

VOLUNTARY CASH PARTIAL OFFER BY STANDARD CHARTERED BANK (HONG KONG) LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE 154,592,765 SHARES IN THE SHARE CAPITAL OF THE COMPANY FROM QUALIFYING SHAREHOLDERS

INTRODUCTION

On August 6, 2020, the Offeror and the Company jointly announced that SCB, on behalf of the Offeror, would make a conditional voluntary cash partial offer to acquire 154,592,765 Shares (representing approximately 2.00% of the Shares in issue, or approximately 2.82% of the Shares in issue held by the Qualifying Shareholders, as at the Latest Practicable Date) from the Qualifying Shareholders at the Offer Price of HK\$5.20 per Offer Share in cash.

As at the Latest Practicable Date, there were 7,729,638,249 Shares in issue, and the Company had no other shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest as at the Latest Practicable Date.

This letter forms part of this Composite Document and sets out certain background information of the Offeror, the reasons for making the Partial Offer and the intentions of the Offeror in relation to the Company. The terms of the Partial Offer are set out in this letter, Appendix I to this Composite Document and in the accompanying Form of Approval and Acceptance.

Your attention is drawn to the letter from the Board on pages 18 to 22, the letter from the Independent Board Committee on pages 23 to 24 and the letter from Somerley on pages 25 to 53 in this Composite Document.

LETTER FROM SCB

THE PARTIAL OFFER

Offer Price

The Partial Offer is being made by SCB on behalf of the Offeror at the following price:

For each Offer Share HK\$5.20 in cash

Reference is made to the Interim Results Announcement in which the Company announced the declaration of (i) an interim cash dividend to Shareholders of 9.18 HK cents in respect of each Share they hold as at the Record Date (the “**Interim Cash Dividend**”); and (ii) a special interim dividend in the form of a distribution in specie to Shareholders of 85 PCPD Shares for every 1,000 Shares they hold as at the Record Date, provided however that if the Bondholders’ Consent is obtained by September 1, 2020, the amount of the distribution in specie will be increased to 108 PCPD Shares for every 1,000 Shares they hold as at the Record Date (the “**Dividend in Specie**”). The Company announced on August 28, 2020 that the Bondholders’ Consent was obtained and, accordingly, the Dividend in Specie will be increased to 108 PCPD Shares for every 1,000 Shares held as at the Record Date. The implied value of the Dividend in Specie (based on the closing price of HK\$1.38 per PCPD Share as at the Last Trading Day) is 14.90 HK cents per Share (the “**Dividend in Specie Value**”).

The Offeror will not receive the Interim Cash Dividend or the Dividend in Specie in respect of the Offer Shares, and the Offer Price has been determined on that basis.

Conditions of the Partial Offer

The Partial Offer is subject to the fulfilment of the following Conditions on or prior to the First Closing Date (unless the First Closing Date is extended in accordance with the Takeovers Code):

- (i) acceptances being received in respect of 154,592,765 Offer Shares for the Partial Offer; and
- (ii) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the Register as at the First Closing Date holding over 50% of the Shares not held by the Offeror and parties acting, and presumed to be acting, in concert with it, signified by means of a separate tick box on the Form of Approval and Acceptance specifying the number of Shares in respect of which the Partial Offer is approved.

For Qualifying Shareholders who wish to approve and accept the Partial Offer, they are reminded to complete both Box A and Box B of the Form of Approval and Acceptance. Whether or not the Qualifying Shareholders accept the Partial Offer, they may approve the Partial Offer and specify the number of Shares in respect of which they approve the Partial Offer in the Form of Approval and Acceptance. Each Share which is subject to the Partial Offer shall be entitled to ONE vote only. Multiple votes in respect of the same Share will not be taken into account in counting the approval of the Partial Offer. Qualifying Shareholders may also specify the number of Shares in respect of which they tender for acceptance of the Partial Offer.

LETTER FROM SCB

In the event that the Conditions are not fulfilled, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Offer will not proceed and will immediately lapse.

Pursuant to Rule 15.1 of the Takeovers Code, the Partial Offer must initially be open for acceptance for at least 21 days following the Despatch Date.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter.

Accordingly, if the Partial Offer is declared unconditional in all respects on or before the 7th day after the Despatch Date, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Partial Offer is declared unconditional in all respects later than the 7th day after the Despatch Date, then the Final Closing Date would be at least 14 days after the date of such declaration.

Pursuant to Rule 28.4 of the Takeovers Code, if the Partial Offer has been approved for the purposes of Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the Register as at the First Closing Date holding over 50% of the Shares not held by the Offeror and parties acting, and presumed to be acting, in concert with it, and has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.

WARNING: Shareholders and potential investors of the Company should note that the Partial Offer is subject to the satisfaction of the Conditions. Accordingly, the Partial Offer may or may not become unconditional. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and, if they are in any doubt about their positions, they should consult their professional advisers.

VALUE OF THE PARTIAL OFFER

Comparison of value

The Offer Price of HK\$5.20 per Offer Share represents:

- (i) a premium of approximately 7.00% over the closing price of HK\$4.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 15.81% over the closing price of HK\$4.49 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 17.59% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 18.10% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

LETTER FROM SCB

- (v) a premium of approximately 17.85% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 207.69% to the unaudited consolidated net asset value attributable to Shareholders of approximately HK\$1.69 per Share as at June 30, 2020, calculated based on the unaudited consolidated net asset value attributable to Shareholders of HK\$13,071 million as at June 30, 2020 and 7,729,638,249 Shares in issue as at the Latest Practicable Date;
- (vii) a premium of approximately 158.71% to the audited consolidated net asset value attributable to Shareholders of approximately HK\$2.01 per Share as at December 31, 2019, calculated based on the audited consolidated net asset value attributable to Shareholders of HK\$15,538 million as at December 31, 2019 and 7,729,638,249 Shares in issue as at the Latest Practicable Date; and
- (viii) taking into consideration the Interim Cash Dividend and the Dividend in Specie, a premium of approximately 22.35% over the implied ex-dividend price of HK\$4.25 per Share (being the closing price of the Shares as at the Last Trading Day, adjusted for the Interim Cash Dividend and the Dividend in Specie Value). For the avoidance of doubt, the Interim Cash Dividend and the Dividend in Specie are made independently of the Partial Offer and each Qualifying Shareholder will be entitled to the Interim Cash Dividend and the Dividend in Specie in respect of each Share held as at the Record Date whether or not such Qualifying Shareholder accepts the Partial Offer in respect of some or all of its Offer Shares.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$4.97 on August 10, 2020 and HK\$3.92 on March 23, 2020, respectively.

Total consideration of the Partial Offer

On the assumption that the Partial Offer is accepted in full, the cash consideration payable by the Offeror for the relevant Offer Shares under the Partial Offer is approximately HK\$803,882,378.

THE IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, China Unicom beneficially owned, through its wholly owned subsidiary China Unicom BVI, 1,424,935,885 Shares, representing approximately 18.43% of the total number of Shares in issue. China Unicom BVI has irrevocably undertaken that it will approve the Partial Offer in respect of all of the 1,424,935,885 Shares that it owns, but has not undertaken either to accept or not accept the Partial Offer. The Irrevocable Undertaking will only cease to be binding on the date that is the earlier of (i) the close of the Partial Offer; (ii) the lapse of the Partial Offer; and (iii) November 30, 2020.

LETTER FROM SCB

BENEFITS TO THE QUALIFYING SHAREHOLDERS

Upon the Partial Offer becoming unconditional, each Qualifying Shareholder:

- (a) will receive a payment of HK\$5.20 in cash for every Share in respect of which that Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less the seller's ad valorem stamp duty arising therefrom) within 7 Business Days after the Final Closing Date; and
- (b) will have the opportunity of retaining an interest in the Company going forward.

Each Qualifying Shareholder will also be entitled to the Interim Cash Dividend and the Dividend in Specie in respect of each Share held as at the Record Date (whether or not such Qualifying Shareholder accepts the Partial Offer in respect of some or all of its Offer Shares).

OTHER TERMS OF THE PARTIAL OFFER

Acceptance of the Partial Offer

The number of Shares to be taken up by the Offeror pursuant to the Partial Offer is 154,592,765 Shares, which represent approximately 2.00% and 2.82% of the 7,729,638,249 Shares in issue and of the 5,477,736,723 Shares held by the Qualifying Shareholders, respectively, as at the Latest Practicable Date.

While the number of Shares to be taken up by the Offeror pursuant to the Partial Offer represents approximately 2.82% of the Shares held by the Qualifying Shareholders as at the Latest Practicable Date, Qualifying Shareholders may accept the Partial Offer in respect of **some (which may be more than such percentage) or all** of the Shares held by them. Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for 154,592,765 Shares, all Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 154,592,765 Shares, the total number of Shares to be taken up by the Offeror from each accepting Qualifying Shareholder will be determined by the total number of Offer Shares tendered for acceptance in accordance with the following formula:

$$\frac{A}{B} \times C$$

A = 154,592,765 Shares, being the total number of Shares for which the Partial Offer is made

B = the total number of Shares tendered by all Qualifying Shareholders under the Partial Offer

C = the number of Shares tendered by the relevant individual Qualifying Shareholder under the Partial Offer

LETTER FROM SCB

Partial nature of the Partial Offer and effect of fractions

It is possible that, if a Qualifying Shareholder tenders all his/her Shares for acceptance under the Partial Offer, not all of such securities will be taken up.

Fractions of Shares will not be taken up under the Partial Offer and, accordingly, the number of Shares that the Offeror will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

Odd lots

The Shares are currently traded in board lots of 1,000 Shares each. Such board lot size will not be changed as a result of the implementation of the Partial Offer. Qualifying Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Accordingly, Computershare Hong Kong Investor Services Limited whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (telephone number: 2862 8647, office hours: 9:00 a.m. to 4:30 p.m.) has been appointed as the designated agent to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks following the closing of the Partial Offer to enable such Qualifying Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 1,000 Shares each. Qualifying Shareholders should note that the matching of odd lots is not guaranteed. Qualifying Shareholders who would like to match odd lots are recommended to make an appointment in advance by dialling the telephone number of Computershare Hong Kong Investor Services Limited set out above. Qualifying Shareholders who are in any doubt about the matching arrangements described above are recommended to consult their own professional advisers.

Effect of accepting the Partial Offer

By validly accepting the Partial Offer, the Qualifying Shareholders will sell to the Offeror their tendered Shares which are finally taken up by the Offeror in accordance with the formula set out in the section headed "Acceptance of the Partial Offer" above.

Acceptance of the Partial Offer by any Qualifying Shareholder will constitute a warranty by such Qualifying Shareholder to the Offeror that the Shares sold by it to the Offeror under the Partial Offer are fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after, the Final Closing Date (other than the Interim Cash Dividend and the Dividend in Specie). No dividends or other distributions (other than the Interim Cash Dividend and the Dividend in Specie) are expected to be declared, made or paid prior to the Final Closing Date.

Acceptance of the Partial Offer shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Settlement of consideration

Settlement of the consideration payable by the Offeror in respect of acceptance of the Partial Offer will be made as soon as possible but in any event within seven Business Days of the Final Closing Date.

LETTER FROM SCB

CONFIRMATION OF FINANCIAL RESOURCES

The Offeror intends to finance the cash required for the Partial Offer from its internal cash resources. SCB, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the aggregate cash consideration payable under the Partial Offer.

SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PARTIAL OFFER

Assuming that there will be no change to the total number of Shares in issue between the Latest Practicable Date and the Final Closing Date, the shareholding structure of the Company, as at the Latest Practicable Date and after the closing of the Partial Offer, is set out below:

	As at the Latest Practicable Date		Immediately after the completion of the Partial Offer and assuming all Qualifying Shareholders validly elect to accept the Partial Offer and there are no other changes to the shareholdings held by all parties	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Offeror and concert parties				
The Offeror	0	0	154,592,765	2.00
The Principal (<i>Note 1</i>)	2,236,536,593	28.93	2,236,536,593	28.93
Fung Jenny Wai Ling (<i>Note 2</i>)	6,400	0.0001	6,400	0.0001
	<u>2,236,542,993</u>	<u>28.93</u>	<u>2,391,135,758</u>	<u>30.93</u>
Sub-total of Offeror and parties acting in concert with it				
	<u>2,236,542,993</u>	<u>28.93</u>	<u>2,391,135,758</u>	<u>30.93</u>
Directors (excluding the Principal) (<i>Note 3</i>)				
Hui Hon Hing, Susanna	7,242,175	0.09	7,242,175	0.09
Srinivas Bangalore Gangaiah	2,218,768	0.03	2,218,768	0.03
Lee Chi Hong, Robert	993,111	0.01	993,111	0.01
Tse Sze Wing, Edmund	367,479	0.005	367,479	0.005
	<u>10,821,533</u>	<u>0.14</u>	<u>10,821,533</u>	<u>0.14</u>
Sub-total of Directors (excluding the Principal)				
	<u>10,821,533</u>	<u>0.14</u>	<u>10,821,533</u>	<u>0.14</u>

LETTER FROM SCB

	As at the Latest Practicable Date		Immediately after the completion of the Partial Offer and assuming all Qualifying Shareholders validly elect to accept the Partial Offer and there are no other changes to the shareholdings held by all parties	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Other parties presumed to be acting in concert with the Offeror				
The Foundation (<i>Note 4</i>)	4,537,000	0.06	4,537,000	0.06
Sub-total of Offeror and parties acting, and presumed to be acting, in concert with it (<i>Note 1</i>)	2,251,901,526	29.13	2,395,672,758	30.99
Substantial shareholders				
China Unicom (<i>Note 5</i>)	1,424,935,885	18.43	1,384,634,443	17.91
BlackRock, Inc. (<i>Note 6</i>)	441,612,206	5.71	429,122,094	5.55
Trustee (<i>Note 7</i>)	11,808,749	0.15	11,808,749	0.15
Other Shareholders	3,599,379,883	46.57	3,508,400,205	45.39
Total	7,729,638,249	100.00	7,729,638,249	100.00

Notes:

1. The Principal's shareholding after the completion of the Partial Offer is expressed without taking into account the Shares to be acquired by the Offeror, in which the Principal will be interested as ultimate beneficial owner of the Offeror. After the completion of the Partial Offer, the Principal, together with parties acting, and presumed to be acting, in concert with him, will be interested in aggregate in 2,395,672,758 Shares (representing approximately 30.99% of the existing total number of Shares in issue). The Directors who are presumed to be acting in concert with the Principal by virtue of class (6) of the definition of "acting in concert" will no longer be presumed to be acting as such following the completion of the Partial Offer, and accordingly their shareholdings are not included in the shareholding of the Principal and parties acting, and presumed to be acting, in concert with him immediately upon completion of the Partial Offer.
2. Fung Jenny Wai Ling, the sole director of the Offeror, is presumed to be acting in concert with the Offeror under the Takeovers Code. Fung Jenny Wai Ling is taken for the purposes of the Takeovers Code to be interested in 6,400 Shares held by a close relative. Fung Jenny Wai Ling was deemed to be interested in the shareholdings of the related trusts of the Principal under Part XV of the SFO as she controlled the exercise of one-third or more of the voting power at general meetings of certain companies operating such related trusts.
3. The Directors are presumed to be acting in concert with the Principal by virtue of class (6) of the definition of "acting in concert" under the Takeovers Code. The number of Shares held by the relevant Directors excludes any interests which are subject to certain vesting conditions pursuant to an award scheme of the Company.

LETTER FROM SCB

4. By virtue of the terms of the constituent documents of the Foundation, the Foundation may be regarded as a company in which the close relatives of the Principal hold 30% or more of the voting rights of the Foundation and a presumed concert party of the Offeror falling within class (8) of the definition of “acting in concert” under the Takeovers Code.
5. China Unicom indirectly holds these interests through China Unicom BVI, a company wholly-owned by China Unicom. The number of Shares held by China Unicom is based on the number of Shares stated to be held by China Unicom BVI in the Irrevocable Undertaking.
6. The number of Shares held by BlackRock, Inc. is based on the disclosure of securities dealings published on the website of the Stock Exchange pursuant to Rule 22 of the Takeovers Code.
7. Under its mandate, the Trustee is a non-voting and non-participating Shareholder. As such, the Trustee will not participate in the Partial Offer in respect of the Shares that it holds.

REASONS FOR THE PARTIAL OFFER

A key rationale for the Partial Offer is to provide the Company with greater flexibility to manage its capital structure. In light of the Principal’s current holdings (see the section headed “Shareholding structure of the Company and effect of the Partial Offer” above), the Company is restricted from pursuing Share buy-backs opportunistically without potentially triggering a mandatory general offer by the Principal under the Takeovers Code. Assuming that the Partial Offer is completed, it would give the Company additional flexibility (within the limit of the creeper requirements under the Takeovers Code) to carry out Share buy-backs which may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net assets and/or its earnings per Share.

By way of illustration only, the maximum number of Shares that can be bought back by the Company without triggering a mandatory general offer by the Principal and his concert parties before and after the Partial Offer are 259,392,938 Shares (representing approximately 3.36% of the total number of Shares in issue) and 468,558,719 Shares (representing approximately 6.06% of the total number of Shares in issue), respectively (assuming no increase or reduction in the number of Shares held by the Principal and his concert parties).

The Company does not currently have a Share buy-back programme in place and does not have any immediate plans to introduce such a programme. Any buy-back of Shares will be implemented in accordance with the Listing Rules and only when the Directors believe that such buy-backs will benefit the Company and its Shareholders as a whole. There is no guarantee that the Company will buy back any of its Shares following the completion of the Partial Offer. The Company has not bought back any of its Shares (whether on the Stock Exchange or otherwise) during the Relevant Period.

INTENTION OF THE OFFEROR

Reference is made to the announcements of the Company on August 6, 2020 in which the Company: (i) announced the proposed transfer of PCCW Media Limited to the HKT Group and the Strategic Review; and (ii) announced the declaration of the Dividend in Specie which will leave the Company with a reduced interest in Pacific Century Premium Developments Limited (Stock Code: 0432). The Offeror intends that the existing businesses, staffing and assets deployment of the Group in the ordinary course be continued (including as set out in the announcements of the Company on August 6, 2020) and considers that the Group should continue to review its strategy and focus to best suit the operating environment of the Group, and does not intend that major changes to the business of the Group be introduced. The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group.

The Offeror and the Board have not entered and do not intend to enter into any agreement, arrangements or understanding to (i) acquire and/or develop any new business; and (ii) save as set out in the announcements of the Company made on August 6, 2020, dispose of or downsize the existing businesses and/or material operating assets, of the Company.

LETTER FROM SCB

PUBLIC FLOAT

The Stock Exchange has stated that if, at the closing of the Partial Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the Shares.

As at the Latest Practicable Date, the Company has a public float of approximately 52.49% of the Shares in issue. Assuming full acceptances of the Partial Offer by all the public Qualifying Shareholders, the Company will have a public float of approximately 51.01% of the Shares in issue immediately following the closing of the Partial Offer (assuming there are no changes to the total number of Shares in issue after the Latest Practicable Date) and accordingly the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules. As required to be disclosed pursuant to Rule 14.81(1) of the Listing Rules, the Offeror intends that the Company remains listed on the Stock Exchange. The sole director of the Offeror undertakes to the Stock Exchange to take appropriate steps if required to ensure that sufficient public float exists in the Shares as a result of the Partial Offer.

HONG KONG STAMP DUTY

In Hong Kong, the seller's ad valorem stamp duty arising in connection with acceptance of the Partial Offer will be payable by the relevant Qualifying Shareholders in respect of their Offer Shares which are taken up by the Offeror under the Partial Offer at a rate of 0.1% of (i) the market value of such Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Partial Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Qualifying Shareholder on acceptance of the Partial Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Qualifying Shareholders accepting the Partial Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Partial Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Partial Offer. None of the Offeror, SCB, the Company and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Partial Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Partial Offer.

OVERSEAS SHAREHOLDERS

This Composite Document will not be filed or registered under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong. A copy of this Composite Document will be sent to each Shareholder with registered addresses in jurisdictions outside Hong Kong.

LETTER FROM SCB

Acceptance of the Partial Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror that the local laws and requirements have been complied with and that the Partial Offer can be accepted by such Shareholder lawfully under the laws of the relevant jurisdiction. Shareholders should consult their professional advisers if in doubt.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the Cayman Islands with limited liability and the sole director of the Offeror is Fung Jenny Wai Ling.

The entire issued share capital of the Offeror is indirectly held by the Principal. The Principal is an Executive Director and the Chairman of the Company.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

FURTHER TERMS OF ACCEPTANCE OF THE PARTIAL OFFER

Further terms of acceptance of the Partial Offer, including, among other things, procedures for acceptance and settlement and the acceptance period, are set out in Appendix I to this Composite Document and the accompanying Form of Approval and Acceptance.

ADDITIONAL INFORMATION

To ensure equality of treatment of all Qualifying Shareholders, registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of Shares by each beneficial owner separately. In order for the beneficial owners of Shares whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS) to approve and/or accept the Partial Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Partial Offer.

Your attention is drawn to the letter from the Board on pages 18 to 22, the letter from the Independent Board Committee on pages 23 to 24 and the letter from Somerley on pages 25 to 53 in this Composite Document.

In considering what action to take in connection with the Partial Offer, you should consider your own tax and financial positions and, if you are in doubt, you should consult your professional advisers.

Yours faithfully
For and on behalf of
Standard Chartered Bank (Hong Kong) Limited
Fred Leung
Managing Director

Lodewijk Meens
Managing Director

LETTER FROM THE BOARD



PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

Executive Directors:

Mr. LI Tzar Kai, Richard (*Chairman*)
Mr. Srinivas Bangalore GANGAIAH (aka BG Srinivas)
(Group Managing Director)
Ms. HUI Hon Hing, Susanna
(Group Chief Financial Officer)
Mr. LEE Chi Hong, Robert

Registered office:

41st Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

Non-Executive Directors:

Mr. TSE Sze Wing, Edmund, GBS
Mr. LI Fushen (*Deputy Chairman*)
Mr. MAI Yanzhou
Mr. ZHU Keping
Mr. WEI Zhe, David

Independent Non-Executive Directors:

Mr. Aman MEHTA
Ms. Frances Waikwun WONG
Mr. Bryce Wayne LEE
Mr. Lars Eric Nils RODERT
Mr. David Christopher CHANCE
Mr. David Lawrence HERZOG

September 2, 2020

To Qualifying Shareholders

Dear Sir or Madam,

**VOLUNTARY CASH PARTIAL OFFER BY STANDARD CHARTERED
BANK (HONG KONG) LIMITED ON BEHALF OF THE OFFEROR TO
ACQUIRE 154,592,765 SHARES IN THE SHARE CAPITAL OF THE
COMPANY FROM QUALIFYING SHAREHOLDERS**

INTRODUCTION

On August 6, 2020, the Offeror and the Company jointly announced that SCB, on behalf of the Offeror, would make a conditional voluntary cash partial offer to acquire 154,592,765 Offer Shares (representing approximately 2.00% of the Shares in issue, or approximately 2.82% of the

LETTER FROM THE BOARD

Shares in issue held by the Qualifying Shareholders as at the Latest Practicable Date) from the Qualifying Shareholders at the Offer Price of HK\$5.20 per Offer Share in cash.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to each of the Group, the Offeror, and the Partial Offer; (ii) the letter from SCB containing details of the Partial Offer; (iii) the letter from the Independent Board Committee containing its recommendation and advice to the Qualifying Shareholders in respect of the Partial Offer; and (iv) the letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee on whether the terms of the Partial Offer are fair and reasonable so far as the Qualifying Shareholders are concerned and as to approval and acceptance in respect of the Partial Offer.

Unless the context otherwise requires, terms defined in this Composite Document shall have the same meanings when used in this letter.

THE PARTIAL OFFER

Offer Price

SCB is, on behalf of the Offeror, making the Partial Offer at the following price:

For each Offer Share HK\$5.20 in cash

Conditions of the Partial Offer

The Partial Offer is subject to the fulfilment of the following Conditions on or prior to the First Closing Date (unless the First Closing Date is extended in accordance with the Takeovers Code):

- (i) acceptances being received in respect of 154,592,765 Offer Shares for the Partial Offer; and
- (ii) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the Register as at the First Closing Date holding over 50% of the Shares not held by the Offeror and parties acting, or presumed to be acting, in concert with it, signified by means of a separate tick box on the form of acceptance specifying the number of Shares in respect of which the Partial Offer is approved.

Further details of the Partial Offer are set out in the letter from SCB in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Approval and Acceptance.

As at the Latest Practicable Date, there are 7,729,638,249 Shares in issue. The Company has no other shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest as at the Latest Practicable Date.

LETTER FROM THE BOARD

BENEFITS TO THE QUALIFYING SHAREHOLDERS

Upon the Partial Offer becoming unconditional, each Qualifying Shareholder:

- (a) will receive a payment of HK\$5.20 in cash for every Share in respect of which that Qualifying Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less the seller's ad valorem stamp duty arising therefrom) within 7 Business Days after the Final Closing Date; and
- (b) will have the opportunity of retaining an interest in the Company going forward.

ENTITLEMENTS TO THE INTERIM CASH DIVIDEND AND THE DIVIDEND IN SPECIE

Reference is made to the Interim Results Announcement in which the Company announced the declaration of (i) the Interim Cash Dividend; and (ii) the Dividend in Specie.

The terms of the Partial Offer expressly provide that Qualifying Shareholders holding Shares as at the Record Date will remain entitled to receive the Interim Cash Dividend and the Dividend in Specie in respect of their Shares held as at such Record Date, whether or not such Shares are tendered for acceptance under the Partial Offer or ultimately taken up by the Offeror under the Partial Offer.

SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PARTIAL OFFER

The shareholding structure of the Company as at the Latest Practicable Date and after the closing of the Partial Offer (assuming that there are no changes to the total number of Shares in issue between the Latest Practicable Date and the Final Closing Date) is set out in the section headed "Shareholding structure of the Company and effect of the Partial Offer" in the letter from SCB in this Composite Document.

If the Partial Offer is approved and becomes unconditional, the Offeror and its concert parties will become interested in more than 30% of the voting rights of the Company without being required to make a mandatory general offer under Rule 26 of the Takeovers Code, and, thereafter, will be permitted (in accordance with the creeper requirements under the Takeovers Code) to increase their aggregate shareholdings in the Company by up to 2% in each subsequent 12-month period without being required to make a mandatory general offer under Rule 26 of the Takeovers Code.

INTENTION OF THE OFFEROR

Your attention is drawn to the letter from SCB in this Composite Document which sets out, among other things, the intentions of the Offeror regarding the business of the Company. The Board notes that the Offeror intends that the existing businesses, staffing and assets deployment of the Group in the ordinary course be continued (including as set out in the announcements of the Company on August 6, 2020) and considers that the Group should continue to review its strategy and focus to best suit the operating environment of the Group, and does not intend that major changes to the business of the Group be introduced. The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group.

The Board acknowledges the intentions of the Offeror in respect of the Group.

LETTER FROM THE BOARD

The Offeror and the Board have not entered and do not intend to enter into any agreement, arrangements or understanding to (i) acquire and/or develop any new business; and (ii) save as set out in the announcements of the Company made on August 6, 2020, dispose of or downsize the existing businesses and/or material operating assets, of the Company.

INFORMATION ON THE GROUP

The Group is principally engaged in 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, the Company also operates a domestic free television service in Hong Kong.

Reference is made to the announcements of the Company on August 6, 2020 in which the Company: (i) announced the proposed transfer of PCCW Media Limited to the HKT Group and the Strategic Review; and (ii) announced the declaration of the Dividend in Specie which will leave the Company with a reduced interest in Pacific Century Premium Developments Limited (Stock Code: 0432). The Company also announced, on August 28, 2020, that the Bondholders' Consent was obtained and, accordingly, the amount of the Dividend in Specie will be increased from 85 PCPD Shares per 1,000 Shares held as at the Record Date to 108 PCPD Shares for every 1,000 Shares held as at the Record Date.

As part of the Strategic Review, the Company has submitted a proposal to the Stock Exchange pursuant to Practice Note 15 to the Listing Rules in relation to a proposed spin-off which would involve a separate listing of PCCW OTT on a recognised stock exchange in the United States through a registered public offering. The terms of any spin-off, including offering size, price range and any assured entitlement to PCCW OTT securities for Shareholders, have not yet been finalised and further announcement(s) will be made by the Company as and when appropriate. The proposed spin-off, if it proceeds, is not expected to amount to a discloseable transaction for the Company, and PCCW OTT is expected to remain as a subsidiary of the Company after the spin-off.

Shareholders and potential investors of the Company should note that there is no assurance that a spin-off or any other strategic initiative pursuant to the Strategic Review will take place or as to when either of them may take place or the terms thereof.

PUBLIC FLOAT

The Stock Exchange has stated that if, at the closing of the Partial Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, is held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has a public float of approximately 52.49% of the Shares in issue. Assuming that the Partial Offer is completed, the Company will have a public float of approximately 51.01% of the Shares in issue immediately following completion of the Partial Offer (assuming that there are no changes to the total number of Shares in issue between the Latest Practicable Date and the Final Closing Date) and accordingly the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules.

RECOMMENDATION

The Principal, being the Chairman of the Board, an Executive Director and the sole ultimate beneficial owner of the Offeror, has not joined the rest of the Board in giving his views on the Partial Offer or the recommendation to the Qualifying Shareholders as set out in this letter.

An Independent Board Committee, which comprises all of the Non-Executive Directors, has been established by the Board to make a recommendation to the Qualifying Shareholders as to whether the terms of the Partial Offer are fair and reasonable and as to approval and acceptance taking into account the advice from Somerley, the Independent Financial Adviser to the Independent Board Committee.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee in respect of the Partial Offer and in particular as to whether the terms of the Partial Offer are fair and reasonable and as to approval and acceptance.

GENERAL

Your attention is drawn to the letter from SCB and to Appendix I to this Composite Document and the accompanying Form of Approval and Acceptance for the principal terms and the acceptance and settlement procedures in relation to the Partial Offer.

Your attention is also drawn to (1) the letter from the Independent Board Committee in this Composite Document which contains the Independent Board Committee's advice to Qualifying Shareholders in respect of approval and acceptance of the Partial Offer and (2) the letter from Somerley in this Composite Document which contains, among other things, Somerley's advice to the Independent Board Committee in respect of the Partial Offer and principal factors and reasons considered by it in arriving at such advice.

Your attention is further drawn to the general information as set out in Appendix III to this Composite Document.

Yours faithfully,
By Order of the Board
PCCW Limited
BG Srinivas
Group Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

September 2, 2020

To Qualifying Shareholders

Dear Sir or Madam,

**VOLUNTARY CASH PARTIAL OFFER BY STANDARD CHARTERED
BANK (HONG KONG) LIMITED ON BEHALF OF THE OFFEROR TO
ACQUIRE 154,592,765 SHARES IN THE SHARE CAPITAL OF THE
COMPANY FROM QUALIFYING SHAREHOLDERS**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Partial Offer, details of which are set out in the letter from SCB and the letter from the Board in this Composite Document in relation to the Partial Offer jointly issued by the Company and the Offeror dated September 2, 2020, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in this Composite Document unless the context requires otherwise.

Your attention is drawn to the letter from the Board, the letter from SCB, Appendix I to this Composite Document and the accompanying Form of Approval and Acceptance containing the detailed terms of the Partial Offer, and the letter of advice from Somerley in this Composite Document, which contains its advice and recommendation to us in respect of the Partial Offer, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of, Somerley as stated in the letter from Somerley in this Composite Document, we are of the opinion that the terms of the Partial Offer are fair and reasonable so far as the Qualifying Shareholders are concerned. We recommend that (i) the Qualifying Shareholders **approve** the Partial Offer; and (ii) the Qualifying Shareholders **accept** the Partial Offer.

Notwithstanding our recommendation, the Qualifying Shareholders, in particular those who may wish to realise their investment in the Shares, are reminded to monitor the market price and liquidity of the Shares closely during the period of the Partial Offer. If during the period of the Partial Offer, it transpires that the market price of the Shares exceeds the Offer Price and the sales proceeds (net of transaction costs) exceed the net proceeds receivable under the Partial Offer, the Qualifying Shareholders may, if they are able to do so, seek to sell their Shares in the market instead of accepting the Partial Offer. However, if market conditions do not allow for disposal of Shares over the Offer Price or if it is believed that the price of the Shares may not exceed the Offer Price in the medium term, those Qualifying Shareholders who wish to sell more than the 2.82% of

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

their holdings which may be taken up under the terms of the Partial Offer should consider tendering more than 2.82% of their total holdings in the Shares. On the other hand, for those Qualifying Shareholders who, after considering the information contained in this Composite Document, are attracted by the future prospects of the Group following the Partial Offer, they may consider retaining all or part of their Shares.

Yours faithfully,
For and on behalf of the Independent Board Committee
PCCW Limited

Aman MEHTA
TSE Sze Wing, Edmund
LI Fushen
MAI Yanzhou
ZHU Keping
WEI Zhe, David
Frances Waikwun WONG
Bryce Wayne LEE
Lars Eric Nils RODERT
David Christopher CHANCE
David Lawrence HERZOG

LETTER FROM SOMERLEY

The following is the full text of a letter of advice from Somerley to the Independent Board Committee in relation to the Partial Offer, which has been prepared for the purpose of inclusion in this Composite Document.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

September 2, 2020

*To: The Independent Board Committee of
PCCW Limited*

Dear Sir or Madam,

**VOLUNTARY CASH PARTIAL OFFER
BY STANDARD CHARTERED BANK (HONG KONG) LIMITED
ON BEHALF OF THE OFFEROR TO ACQUIRE 154,592,765 SHARES
IN THE SHARE CAPITAL OF THE COMPANY FROM QUALIFYING
SHAREHOLDERS**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the conditional voluntary cash partial offer by SCB on behalf of the Offeror to acquire 154,592,765 Offer Shares (representing approximately 2.00% of the Shares in issue, or approximately 2.82% of the Shares in issue held by the Qualifying Shareholders as at the Latest Practicable Date) at the Offer Price of HK\$5.20 per Share. Details of the Partial Offer are contained in the Composite Document, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

In accordance with the Takeovers Code, the Independent Board Committee, which comprises all the Non-Executive Directors, namely Mr. Tse Sze Wing, Edmund, Mr. Li Fushen, Mr. Mai Yanzhou, Mr. Zhu Keping, Mr. Wei Zhe, David, Mr. Aman Mehta, Ms. Frances Waikwun Wong, Mr. Bryce Wayne Lee, Mr. Lars Eric Nils Rodert, Mr. David Christopher Chance and Mr. David Lawrence Herzog, has been established to advise the Qualifying Shareholders in connection with the Partial Offer. The Independent Board Committee has approved our appointment as the independent financial adviser to the Independent Board Committee in this regard.

We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Partial Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM SOMERLEY

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, amongst others, its annual report for the year ended December 31, 2019 (the “**2019 Annual Report**”), the Interim Results Announcement, the announcement of the Company dated August 6, 2020 in connection with the proposed transfer of the Now TV Business (as defined hereinafter) to the HKT Group and a review of strategic options in relation to the OTT Business (as defined hereinafter) and other information contained in the Composite Document. We have also reviewed the trading performance of the Shares on the Stock Exchange. Furthermore, we have discussed with the Directors the “Material Change” statement and the basis on which it is made, as set out in of Appendix II to the Composite Document. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true at the time they were made and as at the Latest Practicable Date, and that the Qualifying Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have not considered the tax and regulatory implications on Qualifying Shareholders of acceptance or non-acceptance of the Partial Offer, since these depend on their individual circumstances. In particular, Qualifying Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PARTIAL OFFER

SCB, on behalf of the Offeror, is making the Partial Offer in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$5.20 in cash

The Offer Shares are exclusive of the entitlements to the Interim Cash Dividend and the Dividend in Specie.

LETTER FROM SOMERLEY

Conditions

The Partial Offer is subject to the fulfilment of the following conditions on or prior to the First Closing Date (unless the First Closing Date is extended in accordance with the Takeovers Code):

- (i) acceptances being received in respect of 154,592,765 Offer Shares for the Partial Offer; and
- (ii) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the Register as at the First Closing Date holding over 50% of the Shares not held by the Offeror and parties acting, and presumed to be acting, in concert with it, signified by means of a separate tick box on the Form of Approval and Acceptance specifying the number of Shares in respect of which the Partial Offer is approved.

In the event that the conditions of the Partial Offer are not fulfilled, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Offer will not proceed and will immediately lapse.

Pursuant to Rule 15.1 of the Takeovers Code, the Partial Offer must initially be open for acceptance for at least 21 days following the Despatch Date.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter.

Accordingly, if the Partial Offer is declared unconditional in all respects on or before the 7th day after the Despatch Date, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Partial Offer is declared unconditional in all respects later than the 7th day after the Despatch Date, then the Final Closing Date would be at least 14 days after the date of such declaration.

Pursuant to Rule 28.4 of the Takeovers Code, if the Partial Offer has been approved for the purposes of Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the Register as at the First Closing Date holding over 50% of the Shares not held by the Offeror and parties acting, and presumed to be acting, in concert with it, and has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.

Further details of the terms of the Partial Offer and the procedures for acceptance of the Partial Offer are contained in the letter from SCB and Appendix I to the Composite Document and the Form of Approval and Acceptance. The Qualifying Shareholders are urged to read the relevant sections of the Composite Document in full.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Partial Offer, we have taken into account the following principal factors and reasons:

1. Background information of the Group and reasons for the Partial Offer

(i) *Background information of the Group*

The Group is principally engaged in 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, the Group also operates a domestic free television service in Hong Kong. Details of the Group's business are set out below.

HKT

HKT, a 51.94% owned subsidiary of the Company, is Hong Kong's leading operator in fixed line, broadband and mobile communication services. HKT is Hong Kong's largest broadband service provider with its fiber network covering around 88% of homes. Its Mobile services operate through the 1010, csl and SUN Mobile service brands. It also delivers end-to-end integrated enterprise solutions enabling companies to enhance operational efficiency and gain business insights. Its international operating division operates a Tier-1 global internet backbone network with 125 points of presence across 76 cities and encompasses over 60 cable systems worldwide. HKT also provides a range of value-added services including mobile payment, travel and insurance.

The share stapled units of the HKT Trust and HKT (stock code: 6823) are listed on the Stock Exchange.

Media Business

a. Now TV Business

The Group operates the leading pay-TV service in Hong Kong under the Now TV brand, offering a wide range of local and international content through linear TV channels, on-demand and via OTT apps. Now E is a subscription OTT service offering premium, exclusive dramas, movies and sports content to meet the needs of digital only viewers (altogether, "**Now TV Business**").

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b. OTT Business

The Group also provides a pan-regional OTT video service under the Viu brand, offering premium content in local and regional languages and subtitles in different genres from top content providers, and Viu Original productions and a music platform under the “Moov” brand (“**OTT Business**”).

c. Free TV Business

The Group’s domestic free TV service ViuTV offers original format factual entertainment content, dramas, news, children and sports programs on its Cantonese channel 99 and English language channel ViuTVsix channel 96 in Hong Kong (“**Free TV Business**”, together with Now TV Business and OTT Business, “**Media Business**”).

On August 6, 2020, the Company announced that it has undertaken a strategic evaluation of its media business in response to the rapidly-evolving industry and technology landscape, as well as changes in consumer behaviour and accelerated growth in demand for digital entertainment. Riding on the industry trends and tailwinds to enhance and maximize the prospects of its media business, its strategic initiative for the Media Business involves (1) the proposed transfer of the Now TV Business to HKT; and (2) a review of strategic options in relation to the OTT Business including but not limited to seeking to introduce additional third party financing into the OTT Business through a potential separate listing and/or introduction of strategic partners. These two steps ensure strategic alignment across the Group in terms of focus and resources. As advised by the management of the Group, the transfer of the Now TV Business is expected to be completed by the end of 2020.

Solutions Business

The Group offers IT services in Hong Kong, mainland China and Southeast Asia which helps customers achieve their business goals and transform digitally with a wide range of digital services and solutions, IT and business process outsourcing, cloud computing, system development and solutions integration, data centers hosting and managed services, e-commerce and IoT solutions (altogether, “**Solutions Business**”).

Pacific Century Premium Developments Limited (“PCPD”)

PCPD, a 70.88% owned subsidiary of the Company, is engaged in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments. The Group also holds certain non-redeemable bonus convertible notes issued by PCPD, which contain rights to dividends, with conversion rights to acquire a further 21.7% equity interest in PCPD. The Company consolidates the results of PCPD on its 92.6% economic interest taking into account the non-redeemable bonus convertible notes on an as-converted basis in accordance with Hong Kong Financial Reporting Standards.

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On August 6, 2020, the Company announced its interim results for 2020 and declared the Interim Cash Dividend as well as the Dividend in Specie of, if the Bondholders' Consent is not obtained on or before September 1, 2020, 657,019,246 PCPD Shares held by the Group to the qualifying shareholders in proportion to their then respective shareholdings in the Company on the basis of 85 PCPD Shares for every 1,000 Shares held by the qualifying shareholders or, if the Bondholders' Consent is obtained on or before September 1, 2020, 834,800,925 PCPD Shares on the basis of 108 PCPD Shares for every 1,000 Shares held by the qualifying shareholders. On August 28, 2020, the Company announced that the Bondholders' Consent for the Dividend in Specie was obtained.

Simultaneously with the Dividend in Specie, the Company will effect a conversion of all of the non-redeemable bonus convertible notes held by it. Upon conversion, a part of the conversion shares of PCPD will be used for the Dividend in Specie. It is expected that the Company's shareholding in PCPD will be reduced to approximately 40% after the Dividend in Specie.

The PCPD Shares (stock code: 432) are listed on the Stock Exchange.

(ii) Reasons for the Partial Offer

The Offeror is a limited company incorporated in the Cayman Islands and the sole director of the Offeror is Fung Jenny Wai Ling. The entire issued share capital of the Offeror is indirectly held by the Principal. The Principal is an Executive Director and the Chairman of the Company.

As stated in the letter from SCB, a key rationale for the Partial Offer is to provide the Company with greater flexibility to manage its capital structure. In light of the Principal's current shareholding, the Company is restricted from pursuing share buy-backs opportunistically without potentially triggering a mandatory general offer by the Principal under the Takeovers Code. Assuming that the Partial Offer is completed, it would not only give the Principal but also the Company additional flexibility (within the limit of the creeper requirements under the Takeovers Code) to purchase Shares in the market.

By way of illustration only, the maximum number of Shares that can be bought back by the Company without triggering a mandatory general offer by the Principal and its concert parties ("**Principal and its concert parties**") before and after the Partial Offer are 259,392,938 Shares (approximately 3.36% of the existing total number of Shares in issue) and 468,558,719 Shares (approximately 6.06% of the existing total number of Shares in issue), respectively (assuming no change in the number of Shares held by the Principal and its concert parties). In other words, following completion of the Partial Offer, (i) the Company can pursue Share buy-backs of up to approximately 6.06% of the existing total issued Shares assuming the Principal and its concert parties do not purchase any Shares or (ii) the Principal and its concert parties can buy up to 2% of the total issued Shares in the market assuming the Company does not buy-back any Shares, in each case, within every 12-month interval and without triggering a mandatory general offer by the Principal and its concert parties.

On April 1, 2020, the Company issued a circular (the "**Circular**") proposing, amongst others, a general mandate to buy-back Shares. It is stated in the Circular that the Directors do not intend to exercise the buy-back mandate ("**Buy-back Mandate**") to such an extent as

LETTER FROM SOMERLEY

would result in a Shareholder, or group of Shareholders acting in concert, becoming obliged to make a mandatory general offer under Rule 26 of the Takeovers Code and, accordingly, it is not anticipated that purchases of Shares under the Buy-back Mandate will give rise to any consequences under the Takeovers Code. On May 8, 2020, the resolution relating to the Buy-back Mandate has been approved by the Shareholders.

Not only the offeror but also the offeree is required to comply with the rules and regulations in Hong Kong. Given the Principal's existing shareholding in the Company, in order to ensure compliance with the terms on which the Buy-back Mandate was granted, the Company would not be able to pursue any share buy-backs without communicating or coordinating with the Principal in order to ensure that such buy-back will not result in a general offer obligation on the part of the Principal. The Principal might not agree to it given the funding involved for the general offer for the remaining interests of the Company is expected to be very substantial. We consider that there is a practical difficulty of the Company in acting in the interests of the Company and its shareholders in terms of the Share buy-backs while it is also obliged to comply with the rules and regulations.

The Offeror intends that the existing businesses, staffing and assets deployment of the Group in the ordinary course be continued (including as set out in the announcements of the Company on August 6, 2020) and considers that the Group should continue to review its strategy and focus to best suit the operating environment of the Group. The Offeror does not intend that major changes to the business of the Group be introduced.

Comments

After the transfer of the Now TV Business to HKT, the Group's principal activities will be the same but the Group will only have direct control over the OTT Business, the Free TV Business and the Solutions Business, with the remaining businesses held through its two Hong Kong listed vehicles, namely HKT and PCPD. The key rationale for the Partial Offer is to allow greater flexibility for the Company to manage its capital structure. The Principal and its concert parties are interested in approximately 28.99% of the Company and therefore the Company could only pursue on-market share buy-backs to the extent provided that the total shareholding of the Principal and its concert parties would increase by less than 1.01% without triggering a mandatory general offer by the Principal and its concert parties under the Takeovers Code. If the Partial Offer is completed, the Company will be able to conduct on-market share buy-backs of up to approximately 6.06% of the existing total issued Shares assuming the Principal and its concert parties do not purchase any Shares or, alternatively, the Principal and its concert parties will be able to buy up to 2% of the total issued Shares in the market (assuming the Company does not buy-back any Shares), in each case, within every 12-month interval and without triggering a mandatory general offer by the Principal and its concert parties. On this basis, the completion of the Partial Offer provides additional headroom for the Company or the Principal to buy Shares in the market in a continuous manner where any purchase of the Shares in a significant amount as compared to the relevant daily trading volume will generally serve as a support to the Company's value if the timing is right. Share buy-backs are considered as a legitimate and flexible means for returning a company's cash surplus to its shareholders.

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As regards to control, if the Partial Offer is fully taken up, the total shareholding of the Principal and its concert parties will exceed the 30% trigger point under the Takeovers Code without being obliged to make a general offer. However, they will be bound by the “2% creeper” requirement under the Takeovers Code and are obligated to make a mandatory general offer to the then Shareholders if their total shareholding in the Company increases (e.g. purchase Shares from the market or other third parties) by more than 2% within any 12-month period.

2. Analyses of the financial information of the Group

(i) *Financial performance of the Group*

Set out below are the summarized consolidated income statements of the Group for (i) the six months ended June 30, 2019 and 2020 as extracted from the Interim Results Announcement; and (ii) the years ended December 31, 2018 and 2019 as extracted from the Company’s 2019 Annual Report.

TABLE 1: SUMMARIZED CONSOLIDATED INCOME STATEMENTS OF THE GROUP

<i>(In HK\$ million, save for cash dividend per Share)</i>	Six months ended		Year-on-year %	Year ended		Year-on-year %
	June 30,			December 31,		
	2020	2019		2019	2018	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>		<i>(Audited)</i>	<i>(Audited)</i>	
Revenue	18,281	16,859	8%	37,521	38,850	(3)%
EBITDA (note)	5,416	5,287	2%	12,381	12,235	1%
Depreciation and amortization	(3,725)	(3,314)	12%	(7,222)	(6,991)	3%
Finance costs	(998)	(925)	8%	(1,958)	(1,899)	3%
Other gains/(losses), net	(61)	426	n.a.	498	643	(23)%
Profit for the period/year	254	1,099	(77)%	2,870	3,050	(6)%
Profit/(loss) attributable to Shareholders	(584)	163	n.a.	681	897	(24)%
Cash dividend per Share (HK cents)	9.18	9.18	0%	32.18	31.24	3%

Note: EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group’s share of results of associates and joint ventures.

a. *Revenue*

Set out below is a summary of the Group’s segmental revenue for (i) the six months ended June 30, 2019 and 2020; and (ii) the years ended December 31, 2018 and 2019.

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TABLE 2: SEGMENTAL REVENUE OF THE GROUP

<i>(In HK\$ million)</i>	Six months ended		Year-on- year %	Year ended		Year-on- year %
	June 30,			December 31,		
	2020 <i>(Unaudited)</i>	2019 <i>(Unaudited)</i>		2019 <i>(Audited)</i>	2018 <i>(Audited)</i>	
• HKT	14,606	15,109	(3)%	33,103	35,187	(6)%
– HKT (excluding Mobile product sales)	13,636	13,768	(1)%	29,703	29,430	1%
– Mobile product sales	970	1,341	(28)%	3,400	5,757	(41)%
• Now TV Business	1,270	1,358	(6)%	2,685	2,855	(6)%
• OTT Business	502	441	14%	1,071	909	18%
• Free TV Business	130	127	2%	259	204	27%
• Solutions Business	1,907	1,717	11%	4,218	4,093	3%
Core revenue (note)	16,679	16,652	0%	36,506	38,550	(5)%
• PCPD	1,602	207	674%	1,015	300	238%
Consolidated revenue	18,281	16,859	8%	37,521	38,850	(3)%

Note: Core revenue refers to consolidated revenue excluding PCPD and having adjusted for inter-segment revenue.

For the six months ended June 30, 2019 and 2020

The Group recorded revenue of HK\$16.9 billion and HK\$18.3 billion for the six months ended June 30, 2019 and 2020, respectively, representing a year-on-year increase of 8%, mainly contributed by significant year-on-year increase of 674% in PCPD's revenue as a result of the completion and handover of the branded residences in Hokkaido, Japan as well as the growth in gross rental income in Indonesia. The core revenues of the Group which excluded the revenue from PCPD for the six months ended June 30, 2019 and 2020 were almost the same.

For the years ended December 31, 2018 and 2019

The Group recorded revenue of HK\$38.9 billion and HK\$37.5 billion for the years ended December 31, 2018 and 2019, respectively, representing a year-on-year decrease of only 3%, principally due to the 41% decline in Mobile product sales as a result of a longer handset replacement cycle especially in view of the impending arrival of 5G handsets and poor consumer sentiment but partially offset by the increase in PCPD's revenue after the commencement of the handover of the branded residences in Japan. The core revenue of the Group decreased by 5% after excluding the contribution from PCPD.

b. Depreciation and amortization

For the six months ended June 30, 2019 and 2020

The Group recorded depreciation and amortization of HK\$3.3 billion and HK\$3.7 billion, respectively for the six months ended 2019 and 2020, representing a year-on-year increase of 12%, which was mainly due to (i) higher depreciation from HKT, the Solutions Business' new data centre and PCPD's hotel assets in Japan upon its commencement of operations in January 2020; and (ii) higher amortization as a result of the increased investments in content for the Free TV Business and the OTT Business.

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For the years ended December 31, 2018 and 2019

The Group's depreciation and amortization increased by 3% from HK\$7.0 billion in 2018 to HK\$7.2 billion in 2019. The increase in 2019 compared to 2018 was due to the increase in amortization of intangible assets because of increased investments in programs and content for the Free TV Business and the OTT Business.

c. Finance costs

For the six months ended June 30, 2019 and 2020

The Group's finance costs increased by 8% from HK\$925 million to HK\$998 million as a result of an increase in borrowings mainly for investment in the expanding Media Business.

For the years ended December 31, 2018 and 2019

The Group's finance costs increased by 3% from HK\$1.9 billion in 2018 to HK\$2.0 billion in 2019, mainly due to the overall increase in HIBOR and increase in borrowings to fund PCPD's projects and regional expansion of the Media Business and the Solutions Business.

d. Profit/(loss) attributable to Shareholders

For the six months ended June 30, 2019 and 2020

The Group reported a net loss attributable to Shareholders of HK\$584 million for the six months ended June 30, 2020 as opposed to a net profit of HK\$163 million for the corresponding period of 2019. The significant decline was largely due to (i) higher depreciation from increased capital investments and higher amortization from increased content investments; (ii) higher financing costs to support the growth of the Free TV Business and the OTT Business; (iii) the recognition of expenses associated with the Park Hyatt Niseko, Hanazono upon its hotel opening; and (iv) the reduction of one-off other gains recognized.

For the years ended December 31, 2018 and 2019

The profit attributable to Shareholders were HK\$897 million and HK\$681 million, respectively, representing a year-on-year decrease of 24%, largely due to (i) the increase in amortization arising from the increased investments in programs and content for the Free TV Business and the OTT Business; and (ii) the decrease in other gains.

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e. EBITDA

(In HK\$ million)

	Six months ended		Year-on-year %	Year ended		Year-on-year %
	June 30,			December 31,		
	2020 (Unaudited)	2019 (Unaudited)		2019 (Audited)	2018 (Audited)	
• HKT	5,546	5,733	(3)%	12,817	12,558	2%
• Now TV Business	198	204	(3)%	454	471	(4)%
• OTT Business	(81)	(235)	66%	(314)	(336)	7%
• Free TV Business	(95)	(143)	34%	(273)	(350)	22%
• Solutions Business	225	293	(23)%	1,014	1,080	(6)%
• Other Businesses	(248)	(233)	(6)%	(509)	(593)	14%
Core EBITDA (note)	5,396	5,307	2%	12,339	12,400	0%
• PCPD	20	(20)	n.a.	42	(165)	n.a.
Consolidated EBITDA	5,416	5,287	2%	12,381	12,235	1%

Note: Core EBITDA refers to the consolidated EBITDA excluding PCPD and having adjusted for inter-segment EBITDA.

For the six months ended June 30, 2019 and 2020

The consolidated EBITDA of the Group for the six months ended June 30, 2019 and 2020 were HK\$5.3 billion and HK\$5.4 billion, respectively, representing a year-on-year increase of 2%. The mild increase in the first half of 2020 as compared to that of 2019 was due to (i) narrowed EBITDA loss of the OTT Business and the Free TV Business as a result of the enlarged revenue base and more disciplined spending; (ii) the improved EBITDA of PCPD as a result of the completion and handover of branded residences and positive growth in rental income as well as (iii) effective cost-saving measures. After excluding PCPD, the core EBITDA increased by 2% in the first half of 2020 as compared to that of 2019.

For the years ended December 31, 2018 and 2019

Both the core EBITDA and consolidated EBITDA for the years ended December 31, 2018 and 2019 were about the same as major segments did not see any material change in their respective EBITDA in 2018 and 2019.

f. Dividend

The Company paid the interim and final cash dividends for 2018-2019 and declared the interim cash dividends for the first half of 2020. For the six months ended June 30, 2019 and 2020, the total cash dividend was approximately HK\$709 million and HK\$710 million, respectively. The Company also declared the Dividend in Specie of PCPD Shares. For the years ended December 31, 2018 and 2019, the total cash dividend was approximately HK\$2.4 billion and HK\$2.5 billion, respectively.

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Comments

The Group holds interests in telecommunications, media, IT solutions, property development and investment and other businesses, among which HKT contributed nearly 90% of the Group's revenue in 2019 and nearly 80% in the first half of 2020. Despite a weak global economic environment, challenging local market conditions and the outbreak of the COVID-19 pandemic, the core business segments of the Group overall delivered a resilient financial performance as evidenced by relatively stable core revenue in 2018, 2019 and the first half of 2020. As advised by the management of the Group, the Mobile product sales have been heavily affected by the lengthening of the handset replacement cycle of consumers and poor consumer sentiment but it only carries nominal margin to HKT. HKT's revenue (excluding Mobile product sales), as the largest contributor to the Group's revenue, has managed to achieve 1% year-on-year growth in 2019 and 1% year-on-year decline in the first half of 2020 even when facing intense competition and a continuous worsening economic environment. HKT's EBITDA decreased in the first half of 2020 due to downward pressure exerted on HKT revenue by the sluggish economy and significantly reduced demand for mobile roaming services due to the global travel restrictions arising from the COVID-19 pandemic. The Group reported a net loss attributable to Shareholders of HK\$584 million in the first half of 2020, which was dragged down by an increase in depreciation and amortization and a decrease in other gains. However, both its core EBITDA and consolidated EBITDA achieved a 2% growth, year-on-year.

Looking forward, the COVID-19 pandemic seems to be far from being over with several resurgences in Hong Kong and other Asian countries and regions which has adversely affected consumer sentiment and has changed consumption behaviors. Although certain of the Group's businesses such as roaming services might continue to be adversely affected, the Group might benefit in various ways given the change of consumption behaviors. The attempt to gradually resume normal international sports leagues and tournaments, continual production of quality programs and, as discussed in section 3 below, the increasing use of home broadband services and home entertainment needs are expected to improve operational performance of certain businesses of the Group. HKT will actively drive 5G adoption by consumers and enterprises, while developing new revenue streams in digital and smart lifestyle services to complement its core telecommunications business.

(ii) Financial position of the Group

Set out below are the summarized consolidated statements of financial position of the Group as at (i) June 30, 2020 as extracted from the Interim Results Announcement; and (ii) December 31, 2018 and 2019 as extracted from the Company's 2019 Annual Report.

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TABLE 3: SUMMARIZED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

<i>(in HK\$ million, save for NAV per Share)</i>	As at June 30, 2020 <i>(Unaudited)</i>	% compared to December 31, 2019	As at December 31, 2019 <i>(Audited)</i>	2018 <i>(Audited)</i>	Year-on- year %
Total assets	97,553	(1)%	98,895	94,227	5%
Property, plant and equipment	28,418	2%	27,805	23,900	16%
Goodwill	18,331	0%	18,344	18,192	1%
Intangible Assets	13,895	4%	13,331	10,996	21%
Financial assets at fair value through other comprehensive income (“FVOCI”)	124	0%	124	1,102	(89)%
Cash and cash equivalents	4,889	(8)%	5,336	6,757	(21)%
Total liabilities	(82,715)	2%	(80,923)	(74,618)	8%
Short-term borrowings	(3,071)	101%	(1,528)	(608)	151%
Long-term borrowings	(53,448)	0%	(53,505)	(49,307)	9%
Equity attributable to equity holders of the Company (“NAV”)	<u>13,071</u>	(16)%	<u>15,538</u>	<u>17,095</u>	(9)%
Number of Shares in issue	7,729,638,249	n.a.	7,719,638,249	7,719,638,249	n.a.
NAV per Share (HK\$)	<u>1.69</u>	(16)%	<u>2.01</u>	<u>2.21</u>	(9)%

a. Property, plant and equipment

About 80% of the Group’s property, plant and equipment is attributable to HKT. They include (a) land and buildings, (b) exchange equipment, (c) transmission plant, (d) other plant and equipment, and (e) projects under construction. As at December 31, 2018 and 2019 and June 30, 2020, the property, plant and equipment was HK\$23.9 billion, HK\$27.8 billion and HK\$28.4 billion, respectively, representing increases of 16% and 2%. The increase for 2019 was mainly due to the increases in property, plant and equipment of HKT and PCPD.

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b. Goodwill

The goodwill of the Group was quite stable in 2018-2019 and the first half of 2020, being HK\$18.2 billion, HK\$18.3 billion and HK\$18.3 billion as at December 31, 2018 and 2019 and June 30, 2020, respectively. The goodwill was incurred as a result of series of acquisitions. The majority of the goodwill relates to HKT with its goodwill accounting for about 90% of the Group's total.

c. Intangible assets

Over 70% of the Group's intangible assets is attributable to HKT. The Group's intangible assets as at December 31, 2018 and 2019 and June 30, 2020 were HK\$11.0 billion, HK\$13.3 billion and HK\$13.9 billion, respectively, representing increases of 21% and 4%. The increase for 2019 was largely due to the investment in digital businesses and operation platforms of the Group, as well as development of digital products and initiatives in respect of new business verticals. Intangible assets also include various spectrum licences held by HKT.

d. Financial assets at FVOCI

As at December 31, 2018 and 2019, the financial assets at FVOCI of the Group were HK\$1,102 million and HK\$124 million, respectively, representing a decrease of 89%. As at June 30, 2020, the financial assets at FVOCI of the Group was about the same as that as at December 31, 2019. The financial assets at FVOCI comprise unlisted equity investments as at December 31, 2019 and June 30, 2020. The decrease as at December 31, 2019 was largely due to the disposal of an equity investment listed on Euronext Amsterdam.

e. Cash and cash equivalents

The Group had cash and cash equivalent of HK\$6.8 billion, HK\$5.3 billion and HK\$4.9 billion as at December 31, 2018 and 2019 and June 30, 2020, respectively, representing decreases of 21% and 8%. The decrease as at December 31, 2019 was mainly due to the purchase of property, plant and equipment and additions of intangible assets.

f. Short-term borrowings

The short-term borrowings of the Group as at December 31, 2018 and 2019 and June 30, 2020 were HK\$608 million, HK\$1,528 million and HK\$3,071 million, respectively, representing increases of 151% and 101%. Around 27% of the short-term borrowings are secured as of June 30, 2020. The increase in short-term borrowings as at December 31, 2019 and June 30, 2020 were mainly due to re-classification from long-term bank borrowings for HKT and PCPD.

g. Long-term borrowings

The Group has long-term borrowings of HK\$49.3 billion and HK\$53.5 billion as at December 31, 2018 and 2019, respectively, representing an increase of 9%. The Group's long-term borrowings as at June 30, 2020 was about the same as that as at December 31, 2019. The majority of the Group's long-term borrowings are unsecured and repayable after

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two years or more. The increase as at December 31, 2019 was mainly due to the issue of US\$500 million 3.25% guaranteed notes on September 30, 2019 by HKT. The proceeds were used for general corporate purposes including the repayment of existing indebtedness.

h. NAV

The NAV of the Group was HK\$17.1 billion, HK\$15.5 billion and HK\$13.1 billion as at December 31, 2018 and 2019 and June 30, 2020, respectively, representing decreases of 9% and 16%. The decrease as at December 31, 2019 was largely due to the total dividend payout of HK\$2.4 billion which exceeded the profit attributable to Shareholders of HK\$681 million for 2019 which reflects the Group's pass through of the distribution that it received from its shareholding in HKT. The decrease as at June 30, 2020 was largely due to the 2019 final dividend payout of HK\$1.8 billion in addition to the net loss attributable to Shareholders of HK\$584 million for the first half of 2020 for the same reason described above. The NAV per Share as at December 31, 2018 and 2019 and June 30, 2020 was HK\$2.21, HK\$2.01 and HK\$1.69, respectively.

Comments

The value of intangible assets and goodwill of the Group is substantial, accounting for 33% of the total assets. The majority of the goodwill and intangible assets relates to HKT, the largest contributor to the Group's revenue and profit. Therefore, we are of the view that the intangible assets and goodwill of the Group should be taken into account when considering the asset value of the Group.

The NAV of the Group was HK\$13.1 billion or HK\$1.69 per Share as at June 30, 2020. The Offer Price represents a premium of 207.7% over the Group's NAV per Share as at June 30, 2020.

The Company is considered as a dividend paying stock. It has been paying steady dividends based on the distribution it receives from its shareholding in HKT. As discussed in section 1 above, the Company has proposed to transfer the entire interest of the Now TV Business to its 51.94% owned subsidiary HKT at a cash consideration of US\$250 million (or HK\$1,950 million). After completion of such transfer, the Now TV Business will remain as an indirect subsidiary of the Company as the Company is the controlling shareholder of HKT and the financial results of the Now TV Business will continue to be consolidated in the financial statements of the Company. As the transfer will not result in a loss of control by the Company over the Now TV Business, the transfer will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the income statement. The proceeds of the transfer will be used by the Group for general corporate and working capital purposes, including repayment of debt at the Company level. It is expected that the transfer of the Now TV Business to HKT might promote synergies in the form of enriched product offerings, enhanced cross-selling and improved operating efficiencies of the two entities.

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3. Overview of the Hong Kong telecommunications industry

The majority of the Group's profitability and assets have been contributed by telecommunications businesses through HKT. HKT is the leading integrated provider of fixed line, mobile and broadband telecommunications services in Hong Kong. Set out below are the operating statistics for (i) wireline services; (ii) broadband services; and (iii) mobile telecommunications services in Hong Kong:

TABLE 4: OPERATING STATISTICS FOR WIRELINE SERVICES IN HONG KONG

	2014	2015	2016	2017	2018	2019
Population ('000)	7,253	7,310	7,377	7,413	7,486	7,521
Domestic households ('000)	2,432	2,471	2,499	2,535	2,572	2,614
Total wireline services ⁽¹⁾ (number of lines) ('000)	4,455	4,345	4,340	4,286	4,236	4,191
Residential fixed line penetration rate	102.08%	95.34%	94.53%	91.71%	88.90%	86.64%

Source: Office of the Communications Authority ("OFCA"), Hong Kong Census and Statistics Department

Note:

1. Figures are based on last month of each year

The Hong Kong population had been increasing over the past six years at a compound annual growth rate ("CAGR") of 0.67%. The number of domestic households had also been increasing at a faster pace with a CAGR of 1.45% over the same period. However, in light of the increasing popularity of using mobile and broadband services, the number of wireline services had been decreasing at a negative CAGR of 1.22% and the residential fixed line penetration rate decreased from 102.08% in 2014 to 86.64% in 2019.

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**TABLE 5: OPERATING STATISTICS FOR BROADBAND SERVICES
IN HONG KONG**

	2014	2015	2016	2017	2018	2019
Estimated no. of registered broadband internet access lines/customer accounts (‘000)						
Residential ⁽¹⁾	2,030	2,081	2,334	2,358	2,398	2,480
Business ⁽¹⁾	238	255	278	288	301	308
Total	2,268	2,336	2,612	2,646	2,699	2,788
Broadband internet traffic volume (Terabytes)	2,946,653	3,510,437	4,824,088	5,988,964	6,792,188	7,849,486
Household broadband penetration rate	83.46%	84.20%	93.38%	93.03%	93.24%	94.86%

Source: OFCA

Note:

1. Figures are based on last month of each year

While the total number of registered broadband internet access lines/customer accounts grew at a mild CAGR of 4.21% over the past six years, the broadband service has seen gradual year-on-year double-digit increases in traffic volume over 2014-2019 with a CAGR of 21.65%. The household broadband penetration rate had also been increasing gradually from 83.46% in 2014 to 94.86% in 2019.

**TABLE 6: OPERATING STATISTICS FOR MOBILE TELECOMMUNICATIONS
SERVICES IN HONG KONG**

	2014	2015	2016	2017	2018	2019
Mobile subscribers (‘000)						
Prepaid (active) ⁽¹⁾	6,997	6,430	6,434	7,038	7,724	8,993
Postpaid ⁽¹⁾	7,851	7,972	8,161	8,605	9,209	9,481
Total	14,848	14,402	14,595	15,643	16,933	18,474
3G subscriptions ⁽¹⁾	8,715,364	8,258,625	8,206,088	4,271,301	4,441,400	4,634,886
4G/5G subscriptions ⁽¹⁾	3,944,588	5,887,834	7,377,714	13,295,358	16,474,680	19,066,798
Mobile subscriber penetration rate	237%	234%	229%	238%	248%	276%
Mobile data usage ⁽¹⁾ (Terabytes)	15,860	20,012	23,389	36,615	51,497	69,899

Source: OFCA

Note:

1. Figures are based on last month of each year

The number of mobile subscribers demonstrated a stable increase over 2014-2019 at a CAGR of 4.47%. The 4G/5G subscription had been increasing over 2014-2019 at a CAGR of 37.04% as opposed to 3G subscription’s negative CAGR of 11.86% over the same period. It

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appears a substantial switch from 3G subscription to 4G subscription occurred in 2017. Mobile subscriber penetration rate increased from 237% in 2014 to 276% in 2019. Mobile data usage had increased from 15,860 Terabytes in 2014 to 69,899 Terabytes in 2019, representing a CAGR of 34.54%.

Comments

Broadband services and mobile telecommunications services, with the adoption of emerging technologies from time to time, have been the growth engines of the telecommunications industry over the past few years. Broadband internet traffic volume and mobile data usage registered a CAGR of 21.65% and 34.54%, respectively, in 2014-2019. On the other hand, the traditional wireline telecommunications have been on the downward trend.

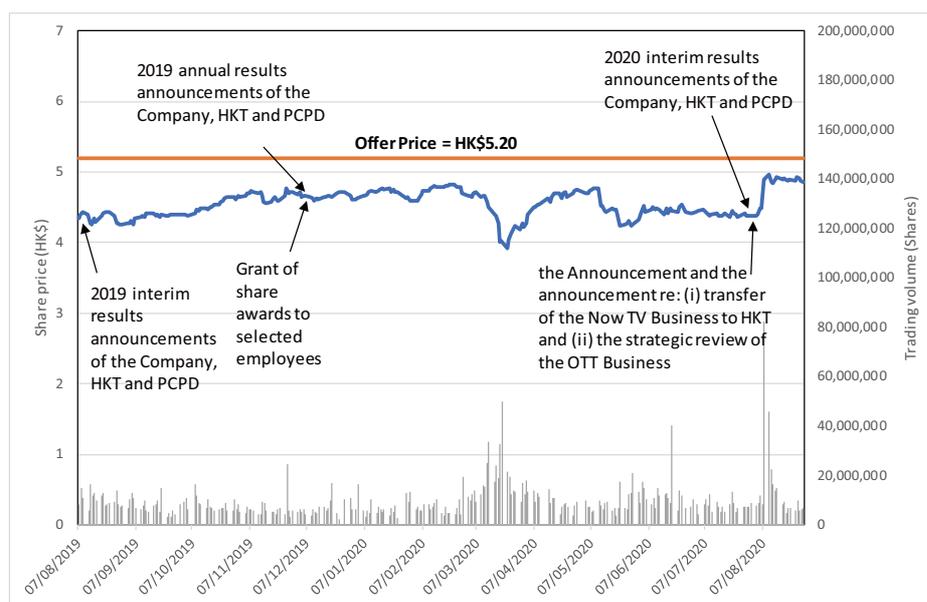
The official statistics after the outbreak of COVID-19 pandemic are not yet available. We have reviewed the recent financial reporting or announcements of HKT and its peers and noted that the COVID-19 pandemic has affected the Hong Kong telecommunications industry. Travel restrictions globally have affected inbound and outbound roaming resulting in a significant drop in revenue in such segment. Social distancing measures have also led to a reduction in consumer handset and business equipment purchases. These hard hit segments are cushioned, to a certain extent, by the increase in the use of home broadband services to accommodate work and entertainment needs arising from the stay home advice. Since uncertainties around the evolution of COVID-19 pandemic are likely to continue, the near-term business environment is expected to be challenging.

4. Analysis of price performance and trading liquidity

(a) Price performance of the Shares

Set out below is the movement of the closing prices of the Shares during the period from August 7, 2019 (being one year before the date of the Announcement) to the Latest Practicable Date (the “Review Period”):

FIGURE 1: COMPARISON OF SHARE PRICE PERFORMANCE WITH THE OFFER PRICE



Source: Bloomberg and website of the Stock Exchange

FIGURE 2: COMPARISON OF SHARE PRICE PERFORMANCE WITH HANG SENG INDEX (“HSI”)



Source: Bloomberg

The Shares have traded below the Offer Price all the time and between HK\$4.00 and HK\$5.00 most of the time during the Review Period. It recorded the highest closing price of HK\$4.97 on August 10, 2020 and the lowest closing price of HK\$3.92 on March 23, 2020.

As shown in the above Figure 2, it is observed that the Share price moved largely in line with the HSI during the Review Period. A drop in Share price is seen at the end of March 2020 which is in line with the HSI movement. We have discussed this with the management of the Group and they are unaware of the reason for such decrease. The Company usually releases their results announcements after the release of the same by HKT and PCPD.

On August 6, 2020, the Company announced its interim results for 2020 and also declared the Interim Cash Dividend and Dividend in Specie as well as the transfer of the Now TV Business to the HKT Group. On the next day before the trading session began, the Company and the Offeror jointly released the announcement of the Partial Offer. The Share price increased by 9.1% to HK\$4.90 on that day.

Following the Announcement, we consider the Share price has been largely influenced by the Offer Price of HK\$5.20 per Share. The Shares closed at HK\$4.86 as at the Latest Practicable Date. The Offer Price of HK\$5.20 per Share represents a premium of approximately 7.00% over the closing Share price on the Latest Practicable Date.

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(b) Trading Liquidity

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company since August 7, 2019:

TABLE 7: TRADING LIQUIDITY OF THE SHARES

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 2)
2019			
August	186,642,431	2.42%	4.60%
September	158,111,949	2.05%	3.90%
October	174,157,602	2.26%	4.29%
November	140,554,422	1.82%	3.46%
December	136,468,650	1.77%	3.36%
2020			
January	144,624,727	1.87%	3.56%
February	144,466,618	1.87%	3.56%
March	409,553,393	5.30%	10.09%
April	193,887,478	2.51%	4.78%
May	177,393,457	2.29%	4.37%
June	258,224,378	3.34%	6.36%
July	171,504,853	2.22%	4.23%
August (up to the Latest Practicable Date)	303,068,261	3.92%	7.47%

Source: Bloomberg

Notes:

- (1) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of issued Shares at the end of each month or at the Latest Practicable Date, as applicable.
- (2) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public as at the Latest Practicable Date.

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Based on the above table, the liquidity of the Shares during the Review Period has been, in our view, generally thin. Volume increased in March 2020 when the Share price trended downwards and reached its lowest at HK\$3.92 in the last 12 months. The relatively higher trading volume following publication of the Announcement is in our view principally related to Shareholders' positive expectation regarding the Partial Offer and the Dividend in Specie, and may not continue after it closes or it goes ex-dividend. If the Partial Offer becomes unconditional, there will be less Shares in the market and trading may therefore become slightly less liquid.

(c) *Offer Price comparison*

TABLE 8: OFFER PRICE AND SHARE PRICE COMPARISON

		Offer Price of HK\$5.20		
		Closing/ average closing price	Premium over the Share price	Premium over the implied ex-dividend price
(i)	Last Trading Day	HK\$4.49	15.81%	22.38%
(ii)	Last 5 trading days prior to and including the Last Trading Day	HK\$4.42	17.59%	24.37%
(iii)	Last 10 trading days prior to and including the Last Trading Day	HK\$4.40	18.10%	24.94%
(iv)	Last 30 trading days prior to and including the Last Trading Day	HK\$4.41	17.85%	24.66%
(v)	Last 180 trading days prior to and including the Last Trading Day	HK\$4.55	14.29%	20.67%
(vi)	One year prior to and including the Last Trading Day	HK\$4.52	14.98%	21.45%
(vii)	Latest Practicable Date	HK\$4.86	7.00%	12.57%
		NAV per Share	Premium over the NAV per Share	
(viii)	as at June 30, 2020 as set out in the Interim Results Announcement and based on 7,729,638,249 Shares in issue as at the Latest Practicable Date	HK\$1.69	207.7%	

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The Offer Price represents a premium of 14% – 18% over the closing Share price on the Last Trading Day and during 5-day, 10-day and 30-day period. On the date prior to the Announcement, the Company also issued its interim results for 2020 and declared the Interim Cash Dividend and the Dividend in Specie. Therefore, the implied ex-dividend prices of the Shares have been worked out for comparison purpose. The premiums represented by the Offer Price over the implied ex-dividend prices of the Shares are slightly higher ranging from 22% – 25%.

Details of the share price comparison of the partial cash offer precedents are set out in the section headed “5. Comparable analysis — (b) partial cash offer precedents” below.

Comments

The Shares have traded below the Offer Price at all times and between HK\$4.00 and HK\$5.00 for most of the time during the Review Period. In addition, the Share closing price has been lower than the Offer Price since the beginning of 2017.

The Share price had been moving largely in line with the HSI before the Announcement. The Share price moved about 9% higher to HK\$4.90 following the issue of the Announcement and closed at HK\$4.86 as at the Latest Practicable Date.

Qualifying Shareholders, especially those with significant stakes, should note that if they wish to realize their investments in the Company they might not be able to dispose of the Shares in the market without exerting a downward pressure on the market price of the Shares. Given that the high level of trading volume may not be sustained, the Partial Offer, if it becomes unconditional, provides an opportunity for the Qualifying Shareholders to dispose of some of their holdings at a price higher than the Share price in the last 12 months. Because this is a partial offer for 2% of the total issued Shares, Accepting Shareholders may retain most of their shareholdings.

5. Comparable analysis

(a) Comparable Companies

Given HKT, which is engaged in fixed and mobile telecommunications business principally in Hong Kong, accounted for about 90% of the Group’s revenue for the year ended December 31, 2019, we have, based on Bloomberg equity screening tools, on a best effort basis, identified, the consumer-focused telecommunications services companies listed in Hong Kong with market capitalisation greater than HK\$10 billion (the “**Comparable Companies**”). The Comparable Companies, based on the above selection criteria are exhaustive and are thus considered to be fair and representative samples. We have compared the enterprise value/EBITDA multiples (“**EV/EBITDA**”), and the price-earnings ratio (“**PER**”), dividend yield and debt ratio (i.e. gross debt to EBITDA) of

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the Company and the Comparable Companies, a summary of which is set out in the table below:

TABLE 9: COMPARABLE COMPANIES

Company	Based on share prices as at the date of the Announcement				
	Market capitalization <i>(HK\$ billion)</i>	EV/ EBITDA ^{(1) (3)} <i>(times)</i>	PER ⁽³⁾ <i>(times)</i>	Dividend yield ⁽³⁾ <i>(%)</i>	Gross debt ⁽⁴⁾ to EBITDA ^{(1) (3)} <i>(times)</i>
China Mobile Limited (Stock code: 941)	1,106.7	2.01	10.38	6.01	n.a.
China Telecom Corporation Limited (Stock code: 728)	187.0 ⁽²⁾	1.68	9.11	5.41	0.42
China Unicom (Hong Kong) Limited (Stock code: 762)	134.6	1.21	11.88	3.73	0.21
HKT Trust and HKT (Stock code: 6823)	87.9	9.89	16.84	6.07	3.21
HKBN Ltd. (Stock code: 1310)	20.1	14.56	93.54	4.58	5.11
	Minimum	1.21	9.11	3.73	0.21
	Maximum	14.56	93.54	6.07	5.11
	Average	5.87	28.35	5.16	1.79
The Company	34.7	7.07 7.52⁽⁵⁾	50.96 59.02⁽⁵⁾	7.17	4.56 3.96⁽⁶⁾

Source: Bloomberg, the website of the Stock Exchange and the latest published financial statements/information of the respective company

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Notes:

- (1) EBITDA is calculated based on earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the group's share of results of associates and joint ventures, the basis which is the same as that used by the Company in its financial reports or announcements.
- (2) It is calculated based on its total number of Shares in issue which includes 13,877,410,000 H-Shares and 67,054,958,321 domestic shares.
- (3) EBITDA, dividend and net profit (excluding net profit attributable to non-controlling interests) as per the latest published annual financial statements of the respective company available as at the Latest Practicable Date.
- (4) Gross debt (i.e. short-term and long-term interest bearing borrowings) as per the latest published financial statements/information of the respective company available as at the Latest Practicable Date.
- (5) The EV/EBITDA and PER of the Company are calculated based on the Offer Price of HK\$5.20.
- (6) It is calculated based on the core EBITDA and gross debt of the Group (excluding those attributable to PCPD which is engaged in property business).

Based on the aforementioned criteria, we have identified a total of 5 Comparable Companies. As shown above, the EV/EBITDA of the Comparable Companies ranged from 1.21 times to 14.56 times with an average of 5.87 times. The PERs ranged from 9.11 times to 93.54 times with an average of 28.35 times. The Company's EV/EBITDA of 7.52 times as represented by the Offer Price falls within the range of the Comparable Companies but is higher than the average of the Comparable Companies. The Company's PER of 59.02 times as represented by the Offer Price is higher than most of the Comparable Companies. From the table above, we noted that the dividend yield of 7.17% is higher than the average of the Comparable Companies. We believe that the high dividend pay-out offered by the Company attracts investors who are in favour of high dividend yields and in turn provides support to the Share price. This might explain why the Company's PER is exceptionally high. In addition, as telecommunications companies would normally incur huge investment in its equipment and networks and rely on significant financing either by way of debt or capital raisings and therefore EV/EBITDA, in our view, is a better valuation benchmark to assess the valuation of the Company.

In addition, we noted that the Company has a gross debt to EBITDA ratio of 4.56 times and a core gross debt to EBITDA ratio (i.e. excluding PCPD) of 3.96 times as shown in the above table, which are both higher than 4 out of 5 Comparable Companies. The Company has relatively higher leverage levels than most of the Comparable Companies. However, this is supported by the strong market share position that it has in Hong Kong across all of its service offerings, which is reflected in its relatively higher EV/EBITDA multiple.

Comments

5 Comparable Companies have been identified which are considered to engage in similar business segment as the Company despite their businesses, operations, size, and prospects being not exactly the same as those of the Company. Due to the fact that telecommunications industry is capital intensive in nature and would require substantial funding, as is the case for the Company, EV/EBITDA, which is the most commonly used

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valuation multiples in the sector, is considered an appropriate valuation tool. It is noted that the Company's EV/EBITDA as implied by the Offer Price is within the range of the Comparable Companies and is higher than 3 out of 5 Comparable Companies. The Company's gross debt to EBITDA ratio and core gross debt to EBITDA ratio are both higher than 4 out of 5 Comparable Companies.

(b) Partial Cash Offer Precedents

We have also compared the Partial Offer with other partial cash offer precedents in Hong Kong identified from the website of the Stock Exchange. On a best effort basis, we have identified all the successful partial cash offer proposals where (i) the shareholding held by the offeror increased to over 30% but did not exceed 50% upon completion, which is similar to the Partial Offer; and (ii) valid acceptances were received over the maximum partial offer percentage in the past 15 years involving Hong Kong listed companies (the "Precedents"). As there have been only 11 partial cash offer precedents in the past 15 years, of which only 3 had resulted in the shareholding of the offeror after completion being over 30% but not more than 50%, we therefore consider it appropriate to examine the Precedents in the past 15 years. In the partial offer documents of the Precedents, we noted that the liquidity of the shares of all the companies involved are considered to be thin, which is similar to the Company as set out in Table 7 above. These Precedents involved companies in different industries and with different underlying reasons for their respective partial offers.

TABLE 10: PARTIAL CASH OFFER PRECEDENTS

Announcement date	Company name	Sector	Premium over the average share price prior to partial offer proposal				Premium over/discount to the consolidated NAV per share ⁽¹⁾	Shareholding of the offeror in the company	
			Last trading day	5 trading days	10 trading days	30 trading days		Before the offer	After the offer if it is successful
November 12, 2007	Gold Peak Industries (Holdings) Limited (Stock code: 40)	Manufacture and distribution of batteries	17.9%	16.0%	16.0%	14.1%	(49.6)%	32.0%	48.0%

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Announcement date	Company name	Sector	Premium over the average share price prior to partial offer proposal				Premium over/ discount to the consolidated NAV per share ⁽¹⁾	Shareholding of the offeror in the company	
			Last trading day	5 trading days	10 trading days	30 trading days	Before the offer	After the offer if it is successful	
January 28, 2011	SOCAM Development Limited (which was known as Shui On Construction and Materials Limited) (Stock code: 983)	Property development, asset management, cement production and construction business	24.4%	25.8%	27.2%	31.5%	(36.2)%	37.6%	48.6%
January 18, 2019	Midland Holdings Limited (Stock code: 1200)	Provision of property agency services	28.2%	29.5%	27.1%	27.5%	(8.5)%	27.1%	35.1%
		Minimum	17.9%	16.0%	16.0%	14.1%	(49.6)%		
		Maximum	28.2%	29.5%	27.2%	31.5%	(8.5)%		
		Average	23.5%	23.8%	23.4%	24.4%	(31.4)%		
	The Company		15.8% 22.4%⁽²⁾	17.6% 24.4%⁽²⁾	18.1% 24.9%⁽²⁾	17.9% 24.7%⁽²⁾	207.7%	28.99%	30.99%

Notes:

- (1) The premium/discount of the offer price over/to the NAV per share are quoted from their respective partial offer document and rounded to one decimal place.
- (2) They are calculated based on the implied ex-dividend price of the Share on the Last Trading Day and various periods having taken into consideration the Interim Cash Dividend and the Dividend in Specie on the basis of 108 PCPD Shares for every 1,000 Shares.

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The premiums of the Precedents represented by the offer price over their respective share closing price on the last trading day, 5-, 10- and 30-trading day average share price (up to and including the last trading day) ranged from 17.9% – 28.2%, 16.0% – 29.5%, 16.0% – 27.2% and 14.1% – 31.5% with averages of 23.5%, 23.8%, 23.4% and 24.4%, respectively. Although the premium represented by the Offer Price over the closing Share price on the Last Trading Day of 15.8% is less than those of the Precedents, the premiums represented by the Offer Price over the 5-, 10- and 30-trading day average Share price (up to and including the Last Trading Day) are 17.6%, 18.1% and 17.9%, respectively, all within the ranges of the respective premiums of the Precedents. Taking into consideration the Interim Cash Dividend and the Dividend in Specie, the premiums represented by the Offer Price over the implied ex-dividend Share price on the Last Trading Day and during various periods are close to the average of the Precedents.

As opposed to the discounts of the Precedents represented by the offer price to their respective NAV per share which ranged from 8.5% – 49.6%, the Offer Price represents a premium over the NAV per Share of 207.7%.

Comments

The premium over the prevailing share prices as represented by the offer price is a factor common to all the precedents and in our opinion is generally the key consideration for shareholders in such proposals. We have identified three Precedents where the shareholding of the offerors increased to over 30% but below 50% following the close of a partial offer. We noted that the share prices of all three Precedents slightly underperformed the HSI in 3-6 months before the partial offer announcement. However, as shown in Figure 2, the Share price has been largely in line with the HSI. Given the Company announced the proposed Interim Cash Dividend and Dividend in Specie prior to the release of the Announcement and Shares will be acquired under the Partial Offer “ex” these distributions, the implied ex-dividend price of the Shares is the valid basis for comparison. Taking into consideration the Interim Cash Dividend and the Dividend in Specie, the premium represented by the Offer Price over the implied ex-dividend Share price on the Last Trading Day and over the 5-, 10- and 30-trading day are close to the average of the Precedents. As opposed to the discounts of the Precedents represented by the offer price to their respective NAV per share, the Offer Price represents a premium of 207.7% over the Group’s NAV per Share as at June 30, 2020.

DISCUSSION

The Group is principally engaged in the provision of telecommunications and related services, media, IT solutions and property business, as mentioned above. Upon completion of the transfer of the Now TV Business to HKT, apart from the OTT Business, the Free TV Business and the Solutions Business, nearly all the core businesses are carried on through HKT and PCPD, both listed on the Stock Exchange.

The Company reported a net loss attributable to Shareholders in the first half of 2020 for the first time since 2003. The net loss attributable to Shareholders of HK\$584 million in the first half of 2020 was caused by the increase in depreciation and amortization and decrease in other gains. However, both its core EBITDA and consolidated EBITDA achieved 2% growth, year-on-year. The Company declared an interim cash dividend of 9.18 HK cents per Share, the same as the previous year. It has been paying steady dividends in line with the distributions it receives from its

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shareholding in HKT. The Company also declared the Dividend in Specie in respect of PCPD Shares. Before the release of the Announcement, the Company announced the proposed transfer of the entire interest of the Now TV Business to its 51.94% owned subsidiary, HKT, at a cash consideration of US\$250 million (or HK\$1,950 million). The proceeds will be used for general corporate and working capital purposes including repayment of debt at the Company level.

A key rationale for the Partial Offer is to allow greater flexibility for the Company to manage its capital structure. With the Principal and its concert parties holding approximately 28.99% in the Company, the Company could only pursue on-market share buy-backs to the extent that the Principal and its concert parties' total shareholding would increase by less than 1.01% without potentially triggering the mandatory general offer obligation on the part of the Principal and its concert parties. Completion of the Partial Offer will enable the Company to conduct a program of share buy-backs provided that the total shareholding of the Principal and its concert parties would not increase by more than 2% in the preceding 12-month period. This means that the Company could buy-back up to approximately 6.06% of the existing total issued Shares assuming the Principal and its concert parties buy no additional Shares. Share buy-backs are considered as a legitimate and flexible means for returning a company's cash surplus to its shareholders. As regards control, if the Partial Offer is fully taken up, the total shareholding of the Principal and its concert parties will exceed the 30% trigger point under the Takeovers Code. However, they will still be bound by the "2% creeper" requirement under the Takeovers Code whereby they are obliged to make a mandatory general offer to the Shareholders if their total shareholding in the Company increases by more than 2% within any 12 month period.

The Offer Price is higher than the Share closing price since the beginning of 2017. It represents a premium of 22% – 25% over the implied ex-dividend Share price during different intervals of the 30-day period. The Share price had been moving in line with the HSI before the issue of the Announcement. After the Announcement, the Share price diverged somewhat from the HSI trend and has hovered at HK\$4.80 – HK\$4.90 which might be supported by the Offer Price of HK\$5.20 as well as the Dividend in Specie.

We have compared the premium of 16% – 18% or 22% – 25% represented by the Offer Price with the Precedents. The companies involved are engaged in differing industries and have different financial characteristics but we consider some useful comparisons can be made on the structure of the Partial Offer and the premium involved. In three Precedents, the offerors held controlling stakes (over 30% but below 50%) after the offer. The premiums (except for that on the Last Trading Day) of the Partial Offer are all within the range of the Precedents with the premiums over the implied ex-dividend Share price being close to the average of the Precedents.

EV/EBITDA, which is the most commonly used valuation multiple in the sector, is an appropriate valuation tool for telecommunications companies. The Company's EV/EBITDA as represented by the Offer Price is within the range of the Comparable Companies and is higher than 3 out of 5 Comparable Companies. The Company's gross debt to EBITDA ratio and core gross debt to EBITDA ratio are both higher than 4 out of 5 Comparable Companies.

The commitment of the Offeror to the Partial Offer is HK\$803.9 million, which is considered significant and such sum will be directly paid by the Offeror to the Qualifying Shareholders if the conditions of the Partial Offer are fulfilled. The premium as represented by the Offer Price as compared to the prevailing market price (ex-dividends) amounted to HK\$177 million to HK\$201 million. Trading in the Shares is summarized in Table 7 above and has not, in our opinion, been very active. Recent increases in trading volume may be due in large part to the

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announcement of the Partial Offer and the Dividend in Specie. Accordingly, having also considered the Share closing price being lower than the Offer Price since the beginning of 2017, the Partial Offer represents an opportunity for Shareholders to realize a proportion of their Shares, representing about one month's trading volume preceding the Announcement.

The Partial Offer is conditional on approval by over 50% of the Qualifying Shareholders and acceptance of the Partial Offer in respect of at least 2% of the Shares in issue. Shareholders should also bear in mind that, because the Partial Offer is only made for 2% of the total issued Shares, they will not be able to sell all their Shares (except in the circumstance where total acceptances amount to 2% of the Shares in issue).

The Offeror must make a further announcement if the Partial Offer does become unconditional, in which case it must be kept open for a further 14 days (but cannot be kept open to a day beyond the 14th day after the First Closing Date in a partial bid in accordance with Rule 28.4 of the Takeovers Code).

OPINION AND RECOMMENDATION

The Partial Offer is conditional on, amongst others, over 50% of Qualifying Shareholders giving their consent (whether or not they intend to accept the Partial Offer) by ticking the appropriate box on the Form of Approval and Acceptance. The main purpose of the Partial Offer is to allow greater flexibility for the Company to conduct share buy-backs by utilizing the excess cash flow as appropriate. If the Partial Offer is completed, the Company will be able to conduct on-market share buy-backs of up to approximately 6.06% of the existing total issued Shares assuming the Principal and its concert parties do not purchase any Shares or, alternatively, the Principal and its concert parties will be able to buy up to 2% of the total issued Shares in the market (assuming the Company does not buy-back any Shares), in each case, within every 12-month interval and without triggering a mandatory general offer by the Principal and its concert parties. On this basis, the completion of the Partial Offer provides additional headroom for the Company or the Principal to buy Shares in the market in a continuous manner where any purchase of the Shares in a significant amount as compared to the relevant daily trading volume will generally serve as a support to the Company's value if the timing is right. Share buy-backs are considered as a legitimate and flexible means for returning a company's cash surplus to its shareholders. The premium of the Offer Price over the prevailing market prices are largely in line with the Precedents. On these main bases, we consider the terms of the Partial Offer are fair and reasonable so far as the Qualifying Shareholders are concerned and recommend them to approve and accept the Partial Offer.

For holders of one or only a few board lot(s), the potential odd lot resulting from acceptance may be significant. Odd lots are less marketable than, and typically trade at a discount to, whole lots. A designated broker has been appointed for matching sales and purchases of odd lot holdings of Shares in the market, details of which are set out in the letter from SCB.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person registered with the SFC and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

PROCEDURES FOR APPROVAL, ACCEPTANCE AND SETTLEMENT

1. General Procedure for Approval and Acceptance

- 1.1 While the number of Shares to be taken up by the Offeror pursuant to the Partial Offer represents approximately 2.82% of the Shares held by the Qualifying Shareholders as at the Latest Practicable Date, Qualifying Shareholders may accept the Partial Offer in respect of **some (which may be more than such percentage) or all** of the Shares held by them. Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for 154,592,765 Shares, all Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 154,592,765 Shares, the total number of Shares to be taken up by the Offeror from each accepting Qualifying Shareholder will be determined by the total number of Offer Shares tendered for acceptance in accordance with the following formula:

$$\frac{A}{B} \times C$$

A = 154,592,765 Shares, being the total number of Shares for which the Partial Offer is made

B = the total number of Shares tendered by all Qualifying Shareholders under the Partial Offer

C = the number of Shares tendered by the relevant individual Qualifying Shareholder under the Partial Offer

As a result, it is possible that if a Qualifying Shareholder tenders all his/her/its Shares for acceptance under the Partial Offer, not all of such Shares will be taken up. Fractions of Shares will not be taken up under the Partial Offer and, accordingly, the number of Shares that the Offeror will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

- 1.2 Whether or not the Qualifying Shareholders accept the Partial Offer, they may approve the Partial Offer and specify the number of Shares in respect of which they approve the Partial Offer in the accompanying Form of Approval and Acceptance. Each Share, fully paid up, shall be entitled to ONE vote only. Multiple votes in respect of the same Share will not be taken into account in counting the approval of the Partial Offer. Only ONE Form of Approval and Acceptance will be accepted from each Qualifying Shareholder by the Offeror and only ONE vote for each Share may be cast. If a Shareholder has put a tick “✓” to indicate his/her/its approval of the Partial Offer on the Form of Approval and Acceptance but no number of Shares in respect of such approval is specified or any other information in Box A of the Form of Approval and Acceptance is missing, incomplete or erroneous, the approval of the Partial Offer by such Shareholder will not be considered as valid until the number of Shares in respect of such approval is specified and/or such missing, incomplete or erroneous information has been completed and rectified in such Form of Approval and Acceptance. Qualifying Shareholders may vote in respect of the total number of

Shares held by him/her/it even though he/she/it does not intend to accept the Partial Offer and/or the number of Shares voted may be more than the number of Shares tendered for acceptance. Irrespective of the above, Qualifying Shareholders may specify the number of Shares in respect of which they tender for acceptance of the Partial Offer. If no number of Shares in respect of such acceptance is specified or any other information in Box B of the Form of Approval and Acceptance is missing, incomplete or erroneous, the acceptance of the Partial Offer by such Shareholder will not be considered as valid until the number of Shares in respect of such acceptance is specified and/or such missing, incomplete or erroneous information has been completed and rectified in such Form of Approval and Acceptance.

- 1.3 If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of the Shares is/are in the name of the Qualifying Shareholder(s), and he/she/it wishes to accept the Partial Offer whether in full or in respect of part of his/her/its holding of Shares, he/she/it should complete and return the accompanying Form of Approval and Acceptance in accordance with the instructions printed in this Composite Document and the instructions printed on the Form of Approval and Acceptance. The instructions in this Composite Document should be read together with the instructions on the Form of Approval and Acceptance (which instructions form part of the terms of the Partial Offer).
- 1.4 In order to be valid, the completed Form of Approval and Acceptance should be forwarded, together with the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for the exact number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Partial Offer, by post or by hand to the Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in an envelope marked "PCCW Limited – Partial Offer" as soon as possible after receipt of the Form of Approval and Acceptance but in any event by no later than 4:00 p.m. (Hong Kong time) on Monday, October 5, 2020, being the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. In accordance with Rule 15.1 of the Takeovers Code, the Partial Offer must initially be open for acceptance for at least 21 days following the Despatch Date. Pursuant to Rule 15.3 of the Takeovers Code, when the Partial Offer becomes or is declared unconditional in all respects, the Partial Offer will remain open for acceptance for not less than 14 days thereafter. Pursuant to Rule 28.4 of the Takeovers Code, if the Partial Offer has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.
- 1.5 Unless the Partial Offer is extended or revised in accordance with the Takeovers Code, no Form of Approval and Acceptance received after the Final Closing Date will be accepted.

- 1.6 If the Form of Approval and Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) to the satisfaction of the Offeror must be delivered to the Share Registrar with the completed Form of Approval and Acceptance.
- 1.7 No acknowledgement of receipt of any Form of Approval and Acceptance, Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) will be given.
- 1.8 In relation to any acceptance(s) of the Partial Offer in respect of Shares held in CCASS, the Offeror reserves the right to make such alterations, additions or modifications to the terms of the Partial Offer as may be necessary or desirable to give effect to any purported acceptance of the Partial Offer, whether to comply with the facilities or requirements of CCASS or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Takeovers Code or are otherwise made with the Executive's consent.

2. Nominee Holdings

- 2.1 If the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of a Qualifying Shareholder's share(s) is/are in the name of a nominee company or some name other than his/her/its own, and such Qualifying Shareholder wishes to approve and/or accept the Partial Offer (either in full or in respect of part of his/her/its holding(s) of Shares), he/she/it must either:
 - (i) lodge the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) with the nominee company, or other nominee, with instructions authorising it to approve and/or accept the Partial Offer on his/her/its behalf and requesting it to deliver the Form of Approval and Acceptance duly completed together with the relevant Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) to the Share Registrar, within such deadline (which may be earlier than the deadline specified under the Partial Offer) as may be stipulated by the nominee; or
 - (ii) arrange for the Shares to be registered in his/her/its name by the Company through the Share Registrar and send the Form of Approval and Acceptance duly completed and signed together with the relevant Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) to the Share Registrar by no later than 4:00 p.m. on Monday, October 5, 2020, being the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce; or

- (iii) where his/her/its Shares are deposited in CCASS via his/her/its licensed securities dealer/broker/custodian bank, instruct his/her/its licensed securities dealer/broker/custodian bank to authorise HKSCC Nominees Limited to approve and/or accept the Partial Offer on his/her/its behalf on or before the deadline set by HKSCC Nominees Limited or any other date as shall be determined by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Qualifying Shareholder should check with his/her/its licensed securities dealer/broker/custodian bank for the timing on processing his/her/its instruction, and submit such instruction to his/her/its licensed securities dealer/broker/custodian bank as required by them; or
 - (iv) if the Shares have been lodged with his/her/its Investor Participant Account with CCASS, authorise his/her/its instruction via the CCASS Phone System or CCASS Internet System no later than one Business Day before the deadline set by HKSCC Nominees Limited or any other date as shall be determined by HKSCC Nominees Limited.
- 2.2 Qualifying Shareholders with such a nominee holding of Shares should ensure that they take the above applicable course of action promptly to allow their nominee(s) sufficient time to complete the acceptance procedure on his/her/its behalf before the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce.
- 2.3 Qualifying Shareholders should note that the Offeror will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the Register. As such, the arrangements in relation to the acceptances of tenders exceeding the assured entitlement will not be applicable to the beneficial owners who hold Shares through a nominee company individually.

3. Recent Transfers

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in his/her/its name and has not yet received the Share certificate(s) and wishes to approve and/or accept the Partial Offer, he/she/it should nevertheless complete and sign the Form of Approval and Acceptance and deliver it to the Share Registrar together with the transfer receipt(s) duly signed by him/her/it. Such action will be deemed to be an irrevocable authority to the Offeror, SCB and/or any of their respective agent(s) or such other person(s) as any of them may direct for the purpose of collecting from the Company or the Share Registrar by or on his/her/its behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Partial Offer, as if it was/they were delivered to the Share Registrar with the Form of Approval and Acceptance.

4. Lost or Unavailable Share Certificates

- 4.1 If the Share certificate(s), transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost and a Qualifying Shareholder wishes to approve and/or accept the Partial Offer, the Form of Approval and Acceptance should nevertheless be completed, signed and delivered, together with a letter stating that he/she/it has lost one or more of his/her/its Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available, to the Share Registrar so as to reach the Share Registrar no later than 4:00 p.m. on Monday, October 5, 2020, being the First Closing Date. If the Qualifying Shareholder finds such document(s) or if it/they become available, the relevant Share

certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) should be forwarded to the Share Registrar as soon as possible thereafter and in any event no later than 4:00 p.m. on Monday, October 5, 2020, being the First Closing Date.

- 4.2 If a Qualifying Shareholder has lost his/her/its Share certificate(s), transfer receipt(s) and/or any other document(s) of title, he/she/it should write to the Share Registrar and request a letter of indemnity in respect of the lost Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the Form of Approval and Acceptance and any Share certificate(s), transfer receipt(s) and/or any other document(s) of title which are available, to the Share Registrar either by post or by hand, so as to arrive not later than 4:00 p.m. on the First Closing Date. In such cases, the Qualifying Shareholder will be informed of the fees and/or expenses payable to the Share Registrar for which he/she/it will be responsible. Qualifying Shareholders may also contact the Share Registrar (through the enquiry hotline at 2862 8647) to enquire about the applicable fees or any of the arrangements relating to lost or unavailable share certificates, or any of the other arrangements relating to approval and acceptance of the Partial Offer.

5. Additional Forms of Approval and Acceptance

If a Qualifying Shareholder has lost the accompanying Form of Approval and Acceptance or such original has become unusable, and requires a replacement of such form, he/she/it should write to the Share Registrar or visit the Share Registrar at its office and request an additional Form of Approval and Acceptance for completion by such Qualifying Shareholder. Alternatively, he/she/it could download it from the website of the Stock Exchange at www.hkexnews.hk or the website of the Company at www.pccw.com/ir.

6. Settlement

- 6.1 Provided that the Partial Offer becomes unconditional in all respects and a duly completed Form of Approval and Acceptance, accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) are received by the Share Registrar by no later than 4:00 p.m. on the Final Closing Date (or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce) and are in order in all respects and in accordance with the Takeovers Code, the Share Registrar will send to the relevant Accepting Shareholder by ordinary post, at his/her/its own risks, a remittance for the amount due to him/her/it under the Partial Offer and (if applicable) any Share certificate(s) and/or any transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for Shares not taken up or, if applicable, Share certificate(s) in respect of the balance of such Shares (taking into account of any scaling down of his/her/its acceptance, stamp duty and the fees payable to the Share Registrar in respect of lost or unavailable Share certificates) in accordance with the authority and provisions contained in the Form of Approval and Acceptance as soon as possible but in any event within 7 Business Days following

the Final Closing Date. Settlement of the consideration to which any Accepting Shareholder is entitled under the Partial Offer will be implemented in full in accordance with the terms of the Partial Offer (save with respect to payment of seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim, or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

- 6.2 If the Partial Offer does not become unconditional in all respects, the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) as soon as possible but in any event within 10 days of the lapse of the Partial Offer. Where such Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected by or on behalf of that Accepting Shareholder in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).
- 6.3 If the Shares tendered by an Accepting Shareholder have not been taken up by the Offeror in full, the Share certificate(s) or transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) in respect of the balance of such Shares or a replaced certificate therefore will be returned or sent to him/her/it by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days following the Final Closing Date.

7. New Shareholders

Any new Shareholder may collect a copy of this Composite Document, together with a blank Form of Approval and Acceptance from the Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong during the period from the date of this Composite Document to the Final Closing Date (both days inclusive), between 9:00 a.m. and 4:30 p.m. (Hong Kong time) from Monday to Friday (other than public holidays). Such Shareholder may also contact the Share Registrar (through the enquiry hotline at 2862 8647) and request a copy of this Composite Document and a blank Form of Approval and Acceptance (as appropriate) to be sent to his/her/its registered address as recorded in the Register.

EFFECT OF ACCEPTANCE OF THE PARTIAL OFFER BY QUALIFYING SHAREHOLDERS

By validly accepting the Partial Offer, the Qualifying Shareholders will sell their tendered Shares which are finally taken up by the Offeror in accordance with the above formula under the section headed "Procedures for Approval, Acceptance and Settlement – 1. General Procedure for Approval and Acceptance" in this Appendix to the Offeror, free from all encumbrances and together with all rights and benefits at any time accruing thereto including all rights to any dividends or other distributions declared, made or paid on or after the Final Closing Date (other than the Interim Cash Dividend and the Dividend in Specie). No dividends or other distributions (other than the Interim Cash Dividend and the Dividend in Specie) are expected to be declared, made or paid prior to the Final Closing Date.

Each Qualifying Shareholder by whom, or on whose behalf, a Form of Approval and Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror and SCB (so as to bind him/her/it, his/her/its personal representatives, heirs, successors and assigns) to the effect:

1. Irrevocable Acceptances

That the Form of Approval and Acceptance which has been duly completed and received by the Share Registrar will constitute irrevocable acceptance of the Partial Offer, except in compliance with Rule 17 of the Takeovers Code or in the circumstances that the Executive requires that such Accepting Shareholder is granted a right to withdraw in accordance with Rule 19.2 of the Takeovers Code. Rule 19.2 of the Takeovers Code relates to failure to announce the results of the Partial Offer as set out in the section headed “Announcements” in this Appendix and provides that the Executive may require that Accepting Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements of Rule 19 of the Takeovers Code can be met. Rule 17 of the Takeovers Code relates to the right of the Accepting Shareholder to withdraw his/her/its acceptance of the Partial Offer after 21 days from the First Closing Date, if the Partial Offer has not by then become unconditional as to acceptances. The Offeror will make an announcement in the event such situation arises to advise on the right of withdrawal.

If the Partial Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of such number of Shares lodged with the Form of Approval and Acceptance to the relevant Accepting Shareholder(s) by ordinary post.

2. Execution

That the due execution of the Form of Approval and Acceptance, subject to Rule 19.2 of the Takeovers Code, shall constitute approval by the relevant Qualifying Shareholder of the Partial Offer in respect of the number of Shares inserted in Box A and an acceptance by the relevant Qualifying Shareholder of the Partial Offer in respect of the number of the Shares inserted in Box B of the Form of Approval and Acceptance and subject to the terms and conditions set out or referred to in this Composite Document and the Form of Approval and Acceptance and that, once lodged, such acceptance shall be irrevocable, unless withdrawn in accordance with the Takeovers Code.

3. Representations and Warranties

- (a) That he/she/it has full power and authority to tender, sell, assign and transfer all the Shares (together with all rights accruing or attaching thereto) specified in such Form of Approval and Acceptance under the Partial Offer and that the Shares are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the Final Closing Date (other than the Interim Cash Dividend and the Dividend in Specie); and

- (b) That if he/she is a resident, national or citizen of or it is an entity incorporated in a jurisdiction outside Hong Kong, he/she/it has fully observed any applicable legal or other requirements and that the Partial Offer may be accepted by him/her/it lawfully under the laws of the relevant jurisdiction.

4. Appointment and Authority

That the due execution of the Form of Approval and Acceptance constitutes:

- (a) the irrevocable appointment of the Offeror, SCB, any director or officer of the Offeror or SCB, or such other person as any of them may direct, as such Qualifying Shareholder's agent ("**Agent**"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Form of Approval and Acceptance and/or any other document at the Agent's discretion on behalf of the person accepting the Partial Offer and to do any other acts or things (such as, among others, due execution of instruments of transfer to effect transfers of Shares accepted by the Offeror pursuant to the Partial Offer to the Offeror and to tender the relevant Share certificate(s) for cancellation) as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Offeror to acquire some or all of the Shares (as the Offeror may determine in accordance with the formula as set out in the paragraph headed "Other terms of the Partial Offer" in the letter from SCB in respect of which such person has accepted the Partial Offer).

5. Undertakings

That by executing the Form of Approval and Acceptance, he/she/it:

- (a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Offeror or any Agent in the proper exercise of his/her/its powers and/or authorities under the terms of the Partial Offer (such as, among others, acts or things effecting the transfer of Offer Shares accepted by the Offeror pursuant to the Partial Offer);
- (b) undertakes to deliver to the Share Registrar the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of the Shares for which the Partial Offer is accepted, or an indemnity or indemnities acceptable to the Offeror in lieu thereof, or to procure the delivery of such document(s) to the Share Registrar as soon as possible thereafter and, in any event, no later than 4:00 p.m. on Monday, October 5, 2020, being the First Closing Date (or such other date as the Offeror may, subject to the Takeovers Code, decide and announce);
- (c) accepts that the provisions of the Form of Approval and Acceptance and the other terms and conditions in this Composite Document are deemed to be incorporated into the terms and conditions of the Partial Offer;

- (d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her/its acceptance of the Partial Offer as the Offeror may consider to be necessary, expedient or desirable in accordance with the Takeovers Code, including, without limitation, to acquire any Shares in respect of which he/she/it has accepted the Partial Offer free from all liens, charges, options, claims, equities, adverse interests, third parties rights or encumbrances whatsoever and together with all rights accruing or attaching thereto on or after the Final Closing Date (other than any rights in respect of the Interim Cash Dividend and the Dividend in Specie) and/or to perfect any of the authorities expressed to be given hereunder;
- (e) authorises the Offeror or the Agent to procure the despatch by post of the consideration to which he/she/it is entitled at his/her/its risk to the address of the registered Shareholder or the first-named of joint registered Shareholders on the Register or, if different, to the name and address of the person as specified on the Form of Approval and Acceptance; and
- (f) submits to the non-exclusive jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Partial Offer or the Form of Approval and Acceptance.

6. General

That:

- (a) acceptance of the Partial Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and SCB that the Shares acquired under the Partial Offer are fully paid and sold by any such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the Final Closing Date (other than the Interim Cash Dividend and the Dividend in Specie);
- (b) the Qualifying Shareholders may approve and/or accept the Partial Offer by completing the Form of Approval and Acceptance in accordance with the instructions set out in the Form of Approval and Acceptance (which constitute part of the terms of the Partial Offer). A Form of Approval and Acceptance will be rejected as invalid if the procedures contained in this Composite Document and in the Form of Approval and Acceptance are not complied with;
- (c) the Partial Offer and all acceptances of it, the Form of Approval and Acceptance and all contracts made pursuant to the Partial Offer, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Approval and Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts;

- (d) the failure of any person to receive this Composite Document or the Form of Approval and Acceptance will not invalidate any aspect of the Partial Offer. Extra prints of these documents are available to any Qualifying Shareholder at the office of the Share Registrar during the period from the date of this Composite Document to the Final Closing Date (both days inclusive), between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays), and on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.pccw.com/ir;
- (e) the Offeror reserves the right, subject to any applicable law or regulatory requirements (including the Takeovers Code), to amend the Offer Price. In the event of such amendment (which will not, for the avoidance of doubt, include an alteration of the total number of Offer Shares), a supplemental document and new Form of Approval and Acceptance ("**Revised Form of Approval and Acceptance**") will be despatched to the Qualifying Shareholders. Any revised Partial Offer will be kept open for at least 14 days following the date on which the revised offer document is despatched. If in the course of the Partial Offer, the Offeror revises the terms of the Partial Offer, all Qualifying Shareholders, whether they have accepted the Partial Offer or not, will be entitled to the revised terms. Qualifying Shareholders, whether or not they have submitted the Form of Approval and Acceptance to the Share Registrar and whether or not they have approved and/or accepted the Partial Offer, may submit the Revised Form of Approval and Acceptance. If a Qualifying Shareholder chooses to submit the Revised Form of Approval and Acceptance, the approval, acceptance and number of Shares specified for approval and/or acceptance as stated on the Revised Form of Approval and Acceptance completed and lodged in accordance with the instructions set out therein shall prevail, otherwise, the execution of the Form of Approval and Acceptance by or on behalf of any Qualifying Shareholder who has accepted the Partial Offer shall be deemed to constitute valid acceptance of the revised Partial Offer unless such Qualifying Shareholder becomes entitled to withdraw his or her acceptance and has duly done so in accordance with the terms of the Partial Offer as set out in this Composite Document and/or the relevant supplemental document. Accordingly, Qualifying Shareholders who have accepted the Partial Offer and lodged the completed Form of Approval and Acceptance in accordance with the instructions set out therein prior to the despatch of the relevant supplemental document need not complete and submit the Revised Form of Approval and Acceptance;
- (f) the right of acceptance of the Partial Offer is personal to the Qualifying Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Qualifying Shareholders;

- (g) all questions as to the number of Offer Shares to be taken up by the Offeror, the Offer Price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Offeror in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable laws or by the Executive). The Offeror reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment for which may, in the opinion of the Offeror, be unlawful;
- (h) any irregular acceptance failing to satisfy the requirements of Rule 30.2 of the Takeovers Code and the notes thereto will not be counted towards fulfilling the acceptance condition of the Partial Offer and approval requirements under Rule 28.5. None of the Offeror, the Company, SCB, the Share Registrar or any of their respective directors or any other person involved in the Partial Offer is or will be obliged to give notice of any defects or irregularities in acceptances and none of them will incur any liability for failure to give any such notice; and
- (i) all communications, notices, Form(s) of Approval and Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered or sent by, to or from the Shareholders will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of the Offeror, the Company, SCB, Somerley or the Share Registrar or any of their respective directors or any other person involved in the Partial Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

ANNOUNCEMENTS

The announcement of the results of the Partial Offer will be jointly issued by the Offeror and the Company on the website of the Stock Exchange by 7:00 p.m. on the day when the Partial Offer has become or has been declared unconditional as to acceptances (if such date is prior to the First Closing Date) or on the First Closing Date, as the case may be, and on the Final Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, amongst other things, the results of the Partial Offer, and details of the way in which each Accepting Shareholder's pro-rata entitlement was determined. In any announcement of an extension of the Partial Offer, either the next closing date will be stated or, if the Partial Offer is unconditional in all respects, a statement may be made that the Partial Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code. Pursuant to Rule 28.4 of the Takeovers Code, if the Partial Offer has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.

Each of such announcements will specify the total number of Shares:

- (a) for which acceptances of the Partial Offer have been received;
- (b) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and

- (c) acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it.

Each of such announcements will include the level of acceptances or the number or percentage of Accepting Shareholders in compliance with Note 2 to Rule 19 of the Takeovers Code.

Each of such announcements will include the details of the way in which each of the Accepting Shareholder's pro-rata entitlement was/is to be determined in compliance with Note 7 to Rule 19 of the Takeovers Code.

Each of such announcements will include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

Each of such announcements will include the percentages of the relevant classes of share capital of the Company, and the percentages of voting rights represented by these numbers.

As required under the Takeovers Code, all announcements in relation to the Partial Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange and the Company.

INTERPRETATION

A reference in this Composite Document to a Qualifying Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares is entitled to execute a Form of Approval and Acceptance and in the event of more than one person executing a Form of Approval and Acceptance, the provisions of this Composite Document apply to them jointly and severally.

(A) SUMMARY FINANCIAL INFORMATION

Set out below is a summary of the: (i) audited consolidated financial information of the Group for each of the years ended December 31, 2017, 2018 and 2019 as extracted from the 2018 and 2019 annual reports of the Company; and (ii) unaudited consolidated financial information for the six months ended June 30, 2020 as extracted from the Interim Results Announcement.

The consolidated financial statements of the Group for each of the years ended December 31, 2017, 2018 and 2019 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong and did not contain any qualified or modified opinion, nor any emphasis of matter or material uncertainty related to going concern.

	For the year ended December 31,			For the six months ended
	2017	2018	2019	June 30, 2020
	HK\$ million (audited)	HK\$ million (audited)	HK\$ million (audited)	HK\$ million (unaudited)
Revenues	36,832	38,850	37,521	18,281
Cost of sales	(18,344)	(20,642)	(18,907)	(9,689)
General and administrative expenses	(12,859)	(12,970)	(13,462)	(6,901)
Other gains/(losses), net	(35)	643	498	(61)
Interest income	133	134	86	35
Finance costs	(1,636)	(1,899)	(1,958)	(998)
Share of results of associates	83	97	54	(10)
Share of results of joint ventures	(29)	(29)	(21)	(9)
Profit before income tax	4,145	4,184	3,811	648
Income tax	(1,061)	(1,134)	(941)	(394)
Profit for the year/period from continuing operations	3,084	3,050	2,870	254
Profit for the year/period from discontinued operations	1,143	—	—	—
Profit for the year/period	<u>4,227</u>	<u>3,050</u>	<u>2,870</u>	<u>254</u>
Cash dividends	<u>2,297</u>	<u>2,412</u>	<u>2,485</u>	<u>710 (note)</u>

Note: On August 6, 2020, the Board resolved to declare the Dividend in Specie, being a distribution to Shareholders of 85 PCPD Shares for every 1,000 Shares they hold as at the Record Date, provided however that if the Bondholders' Consent is obtained by September 1, 2020, the amount of the Dividend in Specie will be increased to 108 PCPD Shares for every 1,000 Shares held as at the Record Date. The Company announced on August 28, 2020 that the Bondholders' Consent was obtained and, accordingly, the amount of the Dividend in Specie will be increased to 108 PCPD Shares for every 1,000 Shares held as at the Record Date.

	For the year ended December 31,			For the six months ended
	2017	2018	2019	June 30,
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	2020 <i>HK cents</i>
Cash dividends per Share	29.75	31.24	32.18	9.18
	<u>29.75</u>	<u>31.24</u>	<u>32.18</u>	<u>9.18</u>
Earnings/(loss) per Share				
Basic				
Continuing operations	11.62	11.63	8.83	(7.57)
Discontinued operations	14.83	—	—	—
	<u>11.62</u>	<u>11.63</u>	<u>8.83</u>	<u>(7.57)</u>
	<u>26.45</u>	<u>11.63</u>	<u>8.83</u>	<u>(7.57)</u>
Diluted				
Continuing operations	11.60	11.62	8.82	(7.57)
Discontinued operations	14.82	—	—	—
	<u>11.60</u>	<u>11.62</u>	<u>8.82</u>	<u>(7.57)</u>
	<u>26.42</u>	<u>11.62</u>	<u>8.82</u>	<u>(7.57)</u>

	For the year ended December 31,			For the six months ended
	2017 HK\$ million (audited)	2018 HK\$ million (audited)	2019 HK\$ million (audited)	June 30, 2020 HK\$ million (unaudited)
Profit/(loss) attributable to:				
Equity holders	2,038	897	681	(584)
Non-controlling interests	<u>2,189</u>	<u>2,153</u>	<u>2,189</u>	<u>838</u>
	<u>4,227</u>	<u>3,050</u>	<u>2,870</u>	<u>254</u>
Profit/(loss) attributable to equity holders				
Continuing operations	895	897	681	(584)
Discontinued operations	<u>1,143</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>2,038</u>	<u>897</u>	<u>681</u>	<u>(584)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders	2,177	425	1,046	(692)
Non-controlling interests	<u>2,013</u>	<u>2,064</u>	<u>2,408</u>	<u>825</u>
	<u>4,190</u>	<u>2,489</u>	<u>3,454</u>	<u>133</u>
Total comprehensive income/(loss) attributable to equity holders:				
Continuing operations	834	425	1,046	(692)
Discontinued operations	<u>1,343</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>2,177</u>	<u>425</u>	<u>1,046</u>	<u>(692)</u>

Certain material items recognized in “Other gains/(losses), net” and “Profit for the year/period from discontinued operations” within the summary financial information presented above are set out below.

Profit from discontinued operations in 2017

In May 2017, the Group completed the sale of the entire issued share capital of Transvision Investments Limited (the “**Transaction**”), part of the Group’s wireless broadband and related business component in the United Kingdom (the “**UK Component**”), to an independent third party (the “**Buyer**”) for GBP250 million in cash (equivalent to approximately HK\$2,509 million) and two restricted use network capacity access instruments issued by the Buyer, representing the right of capacity access on the mobile network operated by the Buyer in the United Kingdom (the “**Network Capacity Access Rights**”).

The remaining operations of the UK Component ceased in 2018. The operating profit attributable to the UK Component (including the disposal gain on the Transaction) of HK\$1,143 million was therefore presented as profit attributable to discontinued operations in the consolidated income statement for the year ended December 31, 2017.

“Other gains/(losses), net” in 2018

“Other gains, net” of HK\$643 million for the year ended December 31, 2018 included gains on the disposal of subsidiaries of HK\$276 million and fair value gains on financial assets at fair value through profit or loss of HK\$300 million.

“Other gains/(losses), net” in 2019

“Other gains, net” of HK\$498 million for the year ended December 31, 2019 included a fair value gain on Network Capacity Access Rights (as defined above) of HK\$369 million. No value of the Network Capacity Access Rights had been recognised by the Group up to December 31, 2018 due to the uncertainty of potential market condition and the range of potential values being too wide for an amount to be reliably measured. During the first half of the year ended December 31, 2019, clarity on the fair value of the Network Capacity Access Rights improved substantially and a gain of HK\$369 million was therefore recognised in 2019.

(B) CONSOLIDATED FINANCIAL INFORMATION

The unaudited consolidated financial information of the Group for the six months ended June 30, 2020 (the “**2020 Interim Financial Information**”) has been set out on pages 25 to 39 of the Interim Results Announcement which was posted on August 6, 2020 on the Stock Exchange’s website (<http://www.hkexnews.hk>).

Please also see below a quick link to the Interim Results Announcement:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0806/2020080600942.pdf>

The audited consolidated financial statements of the Group for the year ended December 31, 2019 (the “**2019 Financial Statements**”) has been set out on pages 93 to 222 of the annual report of the Company for the year ended December 31, 2019 which was posted on April 1, 2020 on the Stock Exchange’s website (<http://www.hkexnews.hk>).

Please also see below a quick link to the annual report of the Company for the year ended December 31, 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0401/2020040102419.pdf>

The audited consolidated financial statements of the Group for the year ended December 31, 2018 (the “**2018 Financial Statements**”) has been set out on pages 93 to 222 of the annual report of the Company for the year ended December 31, 2018 which was posted on April 1, 2019 on the Stock Exchange’s website (<http://www.hkexnews.hk>).

Please also see below a quick link to the annual report of the Company for the year ended December 31, 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0401/ltn201904011920.pdf>

The audited consolidated financial statements of the Group for the year ended December 31, 2017 as restated in the 2018 annual report of the Company (the “**2017 Financial Statements**”) has been set out on pages 93 to 222 of the annual report of the Company for the year ended December 31, 2018 which was posted on April 1, 2019 on the Stock Exchange’s website (<http://www.hkexnews.hk>).

Please also see below a quick link to the annual report of the Company for the year ended December 31, 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0401/ltn201904011920.pdf>

The 2020 Interim Financial Information, the 2019 Financial Statements, the 2018 Financial Statements and the 2017 Financial Statements (but not any other part of the Interim Results Announcement and the annual reports of the Company for the years ended December 31, 2019 and 2018 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

(C) INDEBTEDNESS

As at the close of business on June 30, 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this Composite Document, the Group had outstanding bank loans and other borrowings of approximately HK\$56,519 million.

At the close of business on June 30, 2020, certain property, plant and equipment, investment properties, properties held for development, restricted cash, and cash and cash equivalents held by the Group with a net carrying value of approximately HK\$2,098 million, HK\$3,581 million, HK\$2,192 million, HK\$20 million and HK\$124 million, respectively, were pledged to secure certain banking facilities granted to the Group.

At the close of business on June 30, 2020, the Group had a contingent liability of HK\$1,166 million in respect of certain performance guarantees given by the Group in the ordinary course of business.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities at the close of business on June 30, 2020.

(D) MATERIAL CHANGE

The Directors confirm that, save for the following matters, there has been no material change in the financial or trading position or outlook of the Group subsequent to December 31, 2019, the date to which the latest audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

As set out in the Interim Results Announcement, the Company reported consolidated loss attributable to equity holders of the Company for the period of HK\$584 million as a result of increased investments and financing costs to support the growth of the Free TV and OTT businesses, as well as the recognition of expenses associated with the Park Hyatt Niseko, Hanazono upon the hotel's opening. Excluding "other gains/losses, net", consolidated loss attributable to equity holders of the Company was HK\$547 million, compared to HK\$263 million as reported in same period last year (as set out in the Interim Results Announcement).

As stated in the Interim Results Announcement, the Board has resolved to declare the Interim Cash Dividend and the Dividend in Specie.

As set out in the Interim Results Announcement, in light of the extensive social distancing measures as well as travel restrictions as a result of COVID-19, HKT saw a noticeable drop in foot traffic to its retail outlets, reduction in consumer handset and business equipment purchases, a sharp decline in mobile roaming revenue and a slowdown in information and communications technology projects in the private sector. Despite this, the overall softness in the Mobile segment was cushioned by the boost in demand for high quality, high speed home broadband services to accommodate work and entertainment needs arising from the stay home advice during the period. The core local revenue was kept steady reflecting the initial benefits of the average revenue per user uplift from 5G upgrades which offset the continued price competition in the low-end segment of the market and reduced corporate spending.

As set out in the Company's announcement dated August 6, 2020 relating to, among other things, the proposed transfer of PCCW Media Limited, the operator of the "Now TV" business, to HKT, PCCW Interactive Media Holdings Limited ("**PCCW Interactive Media**", an indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement (the "**Share Purchase Agreement**") on August 6, 2020 with HKT Interactive Media Holdings Limited ("**HKT Interactive Media**", an indirect wholly-owned subsidiary of HKT and an indirect non-wholly owned subsidiary of the Company) for the sale by PCCW Interactive Media to HKT Interactive Media of the entire issued share capital of PCCW Media Limited, for a cash consideration of US\$250 million (approximately HK\$1,950 million). After completion of the proposed sale, which is subject to the fulfilment or waiver of conditions precedent specified in the Share Purchase Agreement, PCCW Media Limited will continue to be consolidated into the Group's financial statements as an indirect non-wholly owned subsidiary of the Company. The proposed sale is expected to be completed in the second half of 2020. In that announcement, the Company also disclosed the Strategic Review. As part of the Strategic Review, the Company has submitted a proposal to the Stock Exchange pursuant to Practice Note 15 to the Listing Rules in relation to a proposed spin-off which would involve a separate listing of PCCW OTT on a recognised stock exchange in the United States through a registered public offering. The terms of any spin-off, including offering size, price range and any assured entitlement to PCCW OTT securities for Shareholders, have not yet been finalised and further announcement(s) will be made by the Company as and when appropriate. The proposed spin-off, if it proceeds, is not expected to amount to a discloseable transaction for the Company, and PCCW OTT is expected to remain as a subsidiary of the Company after the spin-off.

RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Partial Offer.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document relating to the Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of information contained in this Composite Document (other than the information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The Principal accepts full responsibility for the accuracy of information contained in this Composite Document (including, in his capacity as a Director, the information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (including those expressed by him in his capacity as a Director) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

SHARE CAPITAL OF THE COMPANY

	Number of Shares	Share capital <i>HK\$ million</i>
<i>Issued and fully paid Shares:</i>		
– Balance as at December 31, 2019	7,719,638,249	12,954
– Shares issued since December 31, 2019	10,000,000	0.1
– As at the Latest Practicable Date	7,729,638,249	12,954

All existing Shares rank equally in all respects, including in particular as to capital, dividends and voting.

DISCLOSURE OF INTERESTS

(a) Interests of the Offeror, its directors and parties acting, and presumed to be acting, in concert with them, in the Company

As at the Latest Practicable Date, the Offeror and parties acting, or presumed to be acting, in concert with it are interested in an aggregate of 2,251,901,526 Shares (representing approximately 29.13% of the total number of Shares in issue). Save for the aforesaid, neither the Offeror, its directors nor parties acting in concert with it hold any Shares, convertible securities, warrants or options in respect of Shares or any other voting rights or rights over Shares or any outstanding derivatives in respect of securities in the Company entered into by the Offeror or any party acting in concert with it.

Interests in the Shares as at the Latest Practicable Date

	<i>No. of Shares</i>	<i>%</i>
Offeror and concert parties		
The Offeror	0	0
The Principal	2,236,536,593	28.93
Fung Jenny Wai Ling (<i>Note 1</i>)	6,400	0.0001
	<u>2,236,542,993</u>	<u>28.93</u>
Sub-total of Offeror and parties acting in concert with it		
Directors (excluding the Principal) (<i>Note 2</i>)		
Hui Hon Hing, Susanna (<i>Note 3</i>)	7,242,175	0.09
Srinivas Bangalore Gangaiah (<i>Note 4</i>)	2,218,768	0.03
Lee Chi Hong, Robert	993,111	0.01
Tse Sze Wing, Edmund	367,479	0.005
	<u>10,821,533</u>	<u>0.14</u>
Sub-total of Directors (excluding the Principal)		
Other parties presumed to be acting in concert with the Offeror		
The Foundation (<i>Note 5</i>)	4,537,000	0.06
	<u>4,537,000</u>	<u>0.06</u>
Total of Offeror and parties acting, and presumed to be acting, in concert with it		
	<u><u>2,251,901,526</u></u>	<u><u>29.13</u></u>

Notes:

1. Fung Jenny Wai Ling, the sole director of the Offeror, is presumed to be acting in concert with the Offeror under the Takeovers Code. Fung Jenny Wai Ling is taken for the purposes of the Takeovers Code to be interested in 6,400 Shares held by a close relative. Fung Jenny Wai Ling was deemed to be interested in the shareholdings of the related trusts of the Principal under Part XV of the SFO as she controlled the exercise of one-third or more of the voting power at general meetings of certain companies operating such related trusts.

2. The Directors are presumed to be acting in concert with the Principal by virtue of class (6) of the definition of “acting in concert” under the Takeovers Code. The number of Shares held by the relevant Directors excludes any interests which are subject to certain vesting conditions pursuant to an award scheme of the Company.
3. Hui Hon Hing, Susanna is also the recipient of awards under a share award scheme of the Company. Upon the fulfilment of certain vesting conditions and assuming the vesting in full of all such awards in accordance with their terms, Hui Hon Hing, Susanna will become interested in a further 2,030,070 Shares.
4. Srinivas Bangalore Gangaiah is also the recipient of awards under a share award scheme of the Company. Upon the fulfilment of certain vesting conditions and assuming the vesting in full of all such awards in accordance with their terms, Srinivas Bangalore Gangaiah will become interested in a further 2,097,217 Shares.
5. By virtue of the terms of the constituent documents of the Foundation, the Foundation may be regarded as a company in which the close relatives of the Principal hold 30% or more of the voting rights of the Foundation and a presumed concert party of the Offeror falling within class (8) of the definition of “acting in concert” under the Takeovers Code.

(b) Interests of the Directors in the Shares

As at the Latest Practicable Date, the interests of each of the Directors in the Shares, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Number of Shares held				Total	Approximate percentage of the total number of Shares in issue
	Personal interests	Family interests	Corporate interests	Other interests		
The Principal	–	–	307,694,369 <i>(Note 1(a))</i>	1,928,842,224 <i>(Note 1(b))</i>	2,236,536,593	28.93%
Srinivas Bangalore Gangaiah	2,218,768	–	–	2,097,217 <i>(Note 2)</i>	4,315,985	0.06%
Hui Hon Hing, Susanna	7,242,175	–	–	2,030,070 <i>(Note 2)</i>	9,272,245	0.12%
Lee Chi Hong, Robert	992,600 <i>(Note 3(a))</i>	511 <i>(Note 3(b))</i>	–	–	993,111	0.01%
Tse Sze Wing, Edmund	–	367,479 <i>(Note 4)</i>	–	–	367,479	0.005%

Notes:

1. (a) Of these Shares, Pacific Century Diversified Limited (“PCD”), a wholly-owned subsidiary of Chiltonlink Limited (“Chiltonlink”), held 269,471,956 Shares and Eisner Investments Limited (“Eisner”) held 38,222,413 Shares. The Principal owned 100% of the issued share capital of Chiltonlink and Eisner.

- (b) These interests represented:
- (i) a deemed interest in 175,312,270 Shares held by Pacific Century Group Holdings Limited (“PCGH”). The Principal was the founder of certain trusts which held 100% interests in PCGH. Accordingly, the Principal was deemed, under the SFO, to have an interest in the 175,312,270 Shares held by PCGH; and
 - (ii) a deemed interest in 1,753,529,954 Shares held by Pacific Century Regional Developments Limited (“PCRD”), a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.63% interest. The Principal was the founder of certain trusts which held 100% interests in PCGH. Accordingly, the Principal was deemed, under the SFO, to have an interest in the 1,753,529,954 Shares held by PCRD. The Principal was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by the Principal.
2. These interests represented awards made to these directors, which are subject to certain vesting conditions pursuant to a share award scheme of the Company.
3. (a) These Shares were held jointly by Lee Chi Hong, Robert and his spouse.
- (b) These Shares were held by the spouse of Lee Chi Hong, Robert.
4. These Shares were held by the spouse of Tse Sze Wing, Edmund.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and/or any of their respective associates had or is deemed to have any interest in the Shares which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, or were required to be disclosed by the Takeovers Code.

(c) Interests of the Company and the Directors in the Offeror

As at the Latest Practicable Date, the Principal, being an Executive Director and the Chairman of the Board, indirectly held the entire issued share capital of the Offeror.

(d) Other disclosures

As at the Latest Practicable Date:

- (i) none of the Offeror and its concert parties has received any irrevocable commitment to approve, accept or reject the Partial Offer other than the Irrevocable Undertaking. Details of the Irrevocable Undertaking are set out in the section headed “The Irrevocable Undertaking” in the Letter from SCB in this Composite Document. Interests of China Unicom BVI in the Shares are set out in the section headed “Shareholding structure of the Company and effect of the Partial Offer” in the letter from SCB in this Composite Document. China Unicom BVI has not dealt for value in the Shares during the Relevant Period;

- (ii) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror or its concert parties and any person;
- (iii) none of the Offeror and its concert parties has borrowed or lent any relevant securities in the Company, save for any borrowed Shares which have been either on-lent or sold;
- (iv) the Company had no shareholding in the Offeror or any warrants, options, convertible securities or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror;
- (v) save as disclosed in the sub-section headed “Interests of the Company and the Directors in the Offeror” under the section headed “Disclosure of Interests” of this Appendix, none of the Directors were interested in any shares of the Offeror or any warrants, options, convertible securities or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror;
- (vi) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code but excluding any exempt principal traders and exempt fund managers, owned or controlled any Shares or any convertible securities, warrants, options or derivatives of the Company;
- (vii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (viii) no fund managers (other than exempt fund managers) connected with the Company had managed any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) on a discretionary basis;
- (ix) neither the Company nor any of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares, save for any borrowed Shares which have been either on-lent or sold;
- (x) the Principal and parties acting, or presumed to be acting, in concert with the Offeror (including the Directors, who, for the avoidance of doubt, are not Qualifying Shareholders in respect of the Partial Offer) will not receive an offer from the Offeror in respect of their own beneficial shareholdings in the Company;
- (xi) there was no agreement, arrangement or understanding that the Offer Shares acquired in pursuance to the Partial Offer would be transferred, charged or pledged to any other persons;

- (xii) other than the Offer Price under the Partial Offer, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or parties acting in concert with it in connection with the Partial Offer;
- (xiii) there is no understanding, arrangement, agreement or special deal (under Rule 25 of the Takeovers Code) between the Offeror or parties acting in concert with it on the one hand, and Shareholders or parties acting in concert with them on the other hand; and
- (xiv) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror or parties acting, or presumed to be acting, in concert with it or (b) the Company, its subsidiaries or associated companies.

ARRANGEMENTS AFFECTING OR RELATING TO THE DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Partial Offer;
- (b) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Partial Offer or otherwise connected with the Partial Offer;
- (c) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any recent Directors, or (other than the Irrevocable Undertaking) any Shareholders or recent Shareholders which had any connection with or dependence upon the Partial Offer;
- (d) there was no agreement or arrangement to which the Offeror is party which relates to the circumstances in which it may or may not invoke or seek to invoke a Condition; and
- (e) no material contracts had been entered into by the Offeror in which any Director has a material personal interest.

DEALINGS IN SHARES

- (a) other than the Directors presumed to be acting in concert with the Offeror by virtue of class (6) of the definition of “acting in concert” under the Takeovers Code (whose dealings are disclosed in paragraph (iii) below) and the Foundation (whose dealings are disclosed below), none of the Offeror or its concert parties had dealt for value in any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period:

The Foundation

Date	Description	Number of Shares	Price (HK\$)
February 5, 2020	On-market purchase	405,000	4.620–4.630
February 7, 2020	On-market purchase	1,180,000	4.700–4.740
February 10, 2020	On-market purchase	1,000,000	4.700–4.730
February 11, 2020	On-market purchase	952,000	4.730–4.750
February 12, 2020	On-market purchase	1,000,000	4.780
		4,537,000	

Notes:

- The purchases of Shares set out above were on-market purchases carried out in the ordinary course by the management of the Foundation pursuant to the general investment mandate given to the management.
 - The Foundation had no knowledge of the Partial Offer at the time of the purchases set out above until the release of the Announcement and neither the Offeror nor the Principal had any knowledge of the purchases set out above until notified by the Foundation after the release of the Announcement.
- (b) neither the Company, any of its subsidiaries, nor any Directors had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror during the Relevant Period;

- (c) save as disclosed below, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares during the Relevant Period:

Srinivas Bangalore Gangaiah

Date	Description	Number of Shares	Price
April 10, 2020	Vesting of Shares under share award scheme	723,799	N/A
April 16, 2020	Grant of award under share award scheme	1,402,248	N/A
April 17, 2020	Vesting of Shares under share award scheme	694,969	N/A

Hui Hon Hing, Susanna

Date	Description	Number of Shares	Price
April 10, 2020	Vesting of Shares under share award scheme	419,659	N/A
April 16, 2020	Grant of award under share award scheme	1,553,111	N/A
April 17, 2020	Vesting of Shares under share award scheme	476,961	N/A

- (d) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code but excluding any exempt principal traders and exempt fund managers, owned or controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company during the period commencing at the start of the Offer Period and ending on the Latest Practicable Date;

- (e) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code and no such person dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company during the period commencing at the start of the Offer Period and ending on the Latest Practicable Date; and
- (f) no fund managers connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives of the Company during the period commencing at the start of the Offer Period and ending on the Latest Practicable Date.

MARKET PRICES

The table below shows the closing price per Share as quoted on the Stock Exchange on (a) the Latest Practicable Date; (b) the Last Trading Day; and (c) the last trading day of each of the calendar months during the Relevant Period.

Date	Closing price per Share HK\$
February 28, 2020	4.69
March 31, 2020	4.27
April 29, 2020	4.75
May 29, 2020	4.25
June 30, 2020	4.42
July 31, 2020	4.37
Last Trading Day	4.49
Latest Practicable Date	4.86

HIGHEST AND LOWEST SHARE PRICE

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$4.97 on August 10, 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$3.92 on March 23, 2020.

MATERIAL CONTRACTS

Other than the Share Purchase Agreement, the Group had not, within the two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date, entered into any contract (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group), which is or may be material.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

EXPERTS AND CONSENTS

The following are the names and qualifications of each of the experts who has been named in this Composite Document or who has given opinion or advice, which is contained in or referred to in this Composite Document:

Name	Qualification
Standard Chartered Bank (Hong Kong) Limited	a corporation licensed under the SFO to carry out type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities), type 6 regulated activity (advising on corporate finance) and type 9 regulated activity (asset management), being the financial adviser to the Offeror in relation to the Partial Offer
Somerley Capital Limited	a corporation licensed to carry out type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Partial Offer

Each of SCB and Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the opinion, letter or report (as the case may be) and references to its name in the form and context in which it is included.

MISCELLANEOUS

- (a) Information regarding the Offeror and its principal concert parties is set out below:
- (i) The registered office of the Offeror is at Vistra (Cayman) Limited, P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The correspondence address of the Offeror is at c/o 38/F Champion Tower, 3 Garden Road Central, Hong Kong.
 - (ii) As at the Latest Practicable Date, the sole director of the Offeror is Ms. Fung Jenny Wai Ling. Her correspondence address is c/o 38/F Champion Tower, 3 Garden Road Central, Hong Kong.
 - (iii) The entire issued share capital of the Offeror is indirectly held by the Principal. The Principal is an Executive Director and the Chairman of the Company. His correspondence address is c/o 38/F Champion Tower, 3 Garden Road Central, Hong Kong.
- (b) The registered office of SCB is at 32/F, 4-4A Des Voeux Road Central, Hong Kong.
- (c) The registered office of the Company is at 41st Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Company is a limited company incorporated in Hong Kong with limited liability, the shares of which are 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).
- (d) The Group is principally engaged in 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, the Company also operates a domestic free television service in Hong Kong.
- (e) The Independent Financial Adviser is Somerley Capital Limited whose address is at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.
- (f) The share registrar is Computershare Hong Kong Investor Services Limited, whose address is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (g) In case of inconsistency, the English text of this Composite Document and the Form of Approval and Acceptance shall prevail over the Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company at 41st Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong; (ii) on the SFC's website at www.sfc.hk; and (iii) on the Company's website at www.pccw.com/ir, during the period from the Despatch Date, up to as long as the Partial Offer remains open for acceptance:

- (a) the memorandum and articles of association of the Offeror;
- (b) the articles of association of the Company;
- (c) the annual reports of the Company for the three financial years ended December 31, 2017, 2018 and 2019;
- (d) the Interim Results Announcement;
- (e) the letter from SCB, the text of which is set out on pages 7 to 17 of this Composite Document;
- (f) the letter from the Board, the text of which is set out on pages 18 to 22 of this Composite Document;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this Composite Document;
- (h) the letter from Somerley, the text of which is set out on pages 25 to 53 of this Composite Document;
- (i) the Share Purchase Agreement;
- (j) the Irrevocable Undertaking; and
- (k) the written consents as referred to in the section headed "Experts and Consents" in this Appendix.