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PCCW Limited
電訊盈科有限公司

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

**PROPOSED SALE OF TRANSVISION INVESTMENTS LIMITED
AND UK BROADBAND LIMITED
DISCLOSEABLE TRANSACTION**

Proposed sale of Transvision and UK Broadband

The Company is pleased to announce that, on February 6, 2017, the Group entered into the Share Purchase Agreement with Three UK, for the sale to Three UK of the entire issued share capital of Transvision. Transvision's only material asset is its holding of the entire issued share capital of UK Broadband.

Consideration

The Consideration payable by Three UK under the Share Purchase Agreement is £300 million (equivalent to approximately HK\$2,918 million), payable as to £250 million (equivalent to approximately HK\$2,432 million) in cash and as to the balance of £50 million (equivalent to approximately HK\$486 million) by the issue of two credit vouchers in the amount of £25 million (equivalent to approximately HK\$243 million) each, having the features described below in this announcement, by Three UK. The Consideration is subject to possible adjustment as described below in this announcement.

The Consideration was determined by the parties to the Share Purchase Agreement by reference to the value of assets and business of UK Broadband which are the major assets of the Sale Group, including in particular UK Broadband's holding of certain licences for radio frequency spectrum, its wireless networks and related systems and its customers.

Conditions precedent to completion

Completion of the transaction is subject to the fulfilment, or waiver by Three UK, of a number of conditions precedent specified in the Share Purchase Agreement and summarised below in this announcement. The date specified in the Share Purchase Agreement by which the conditions precedent must be fulfilled (or waived by Three UK) is July 31, 2017.

Reasons for entering into the transaction and expected benefits

The Directors consider that the sale of the Sale Group represents a good opportunity for the Group to realise and unlock the value of the Sale Group. With the sale of the Sale Group, the Group will be able to focus its resources and efforts on its main businesses, such as Media and Solutions businesses. In particular, the cash received from the transaction can be used in developing businesses such as over-the-top services and free TV services which are in their investment stages.

Listing Rules implications

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

Shareholders of the Company and potential investors should note that completion of the transaction is subject to a number of conditions precedent. Therefore, there is no assurance that the transaction will be completed. Shareholders of the Company and potential investors should, accordingly, exercise caution when dealing in the shares of the Company.

PROPOSED SALE OF TRANSVISION AND UK BROADBAND

The Company is pleased to announce that, on February 6, 2017, the Group entered into the Share Purchase Agreement with Three UK for the sale by the Group and purchase by Three UK of the entire issued share capital of Transvision.

Transvision is an investment holding company. Transvision's only material asset is its holding of the entire issued share capital of UK Broadband.

UK Broadband conducts a broadband business in the UK under the "Relish" brand which is delivered to its customers via UK Broadband's fixed wireless networks. UK Broadband's principal assets are its holding of certain licences for radio frequency spectrum, its wireless networks and related systems, and its customers.

On completion of the transaction, both Transvision and UK Broadband will cease to be subsidiaries of the Company.

SUMMARY OF PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT

Parties

- (1) Seamless Industries, as seller.
- (2) The Company, as guarantor of the obligations of Seamless Industries.
- (3) Three UK, as buyer.

Proposed sale and purchase of the entire issued share capital of Transvision

The Share Purchase Agreement provides for the sale by Seamless Industries and the purchase by Three UK of the entire issued share capital of Transvision. Transvision's only material asset is its holding of the entire issued share capital of UK Broadband.

Consideration

The Consideration payable by Three UK under the Share Purchase Agreement for the entire issued share capital of Transvision is £300 million (equivalent to approximately HK\$2,918 million), subject to possible adjustment as described below, payable as to £250 million (equivalent to approximately HK\$2,432 million) in cash and as to the balance of £50 million (equivalent to approximately HK\$486 million) by the issue by Three UK of two credit vouchers in the amount of £25 million (equivalent to approximately HK\$243 million) each. The cash consideration is payable, and the credit vouchers are required to be issued, on completion of the sale under the Share Purchase Agreement.

The Consideration was determined by the parties to the Share Purchase Agreement by reference to the value of assets and business of UK Broadband which are the major assets of the Sale Group, including in particular UK Broadband's holding of certain licences for radio frequency spectrum, its wireless networks and related systems, and its customers.

Credit vouchers

The credit vouchers to be issued by Three UK can be applied against specific domestic service charges (excluding value added tax) payable under a mobile virtual network operator (MVNO) agreement pursuant to which Three UK will provide access to capacity on its mobile network. The MVNO agreement will be entered into by Three UK upon the request of the Group (or the transferee of the credit voucher).

Each credit voucher is transferrable, subject to certain restrictions, to a third party following which such third party will have access to capacity on Three UK's mobile network under the MVNO agreement or other terms as may be agreed with Three UK.

Each credit voucher is valid for five years from the date of its issue, with the possibility of an increased validity period of up to 7.5 years from the date of its issue where it has been partially applied against charges under the MVNO agreement prior to the fifth anniversary.

Possible adjustment of the Consideration

The Consideration payable under the Share Purchase Agreement was determined on a cash free, debt free basis and on the assumption that the working capital of UK Broadband will be zero on completion of the transaction. The Consideration is subject to the following possible adjustments:

- (a) to the extent that the working capital of UK Broadband at completion is more than or less than zero, the Consideration would be adjusted on a £ for £ basis (increased if the working capital is more than zero and reduced if the working capital is less than zero);

- (b) the Consideration would be increased by the amount of capital expenditure (exclusive of value added tax) incurred during the period from January 1, 2017 to the date of completion, in respect of UK Broadband's site acquisition programme and/or renewal of software licence arrangements exceeding 12 months, subject to the amount of such capital expenditure not exceeding £5 million (equivalent to approximately HK\$49 million) or otherwise being approved by Three UK; and
- (c) to the extent the Sale Group has indebtedness at completion (excluding any liabilities which are included in the determination of working capital referred to in (a) above), the Consideration would be reduced on a £ for £ basis.

Pre-completion reorganisation

Under the Share Purchase Agreement, the Sale Group shall conduct the following Reorganisation before completion of the transaction:

- (a) UK Broadband will transfer the UKB Subsidiaries, which do not have any material assets or business activities and shall not be sold to Three UK under the Share Purchase Agreement, to Seamless Industries so that the UKB Subsidiaries will remain indirect wholly-owned subsidiaries of the Company upon completion;
- (b) UK Broadband will transfer back to the Group certain domain names currently registered under UK Broadband's name but required by the Group after completion;
- (c) the intercompany balance owed by the Sale Group to the Group will be capitalised into new shares in Transvision issued to Seamless Industries; and
- (d) the intercompany balance owed by UK Broadband to Transvision will be capitalised into new shares in UK Broadband issued to Transvision.

Conditions precedent

Completion of the transaction is subject to the fulfilment, or waiver by Three UK, of the following conditions precedent:

- (a) UK anti-trust regulatory clearance;
- (b) the licences for radio frequency spectrum specified in the Share Purchase Agreement having vested in the sole name of UK Broadband or Three UK;
- (c) completion of the Reorganisation; and
- (d) execution of a transitional services agreement between the Group and UK Broadband in respect of a period after completion of the transaction.

If the conditions are not satisfied by July 31, 2017, the Share Purchase Agreement will terminate and have no further effect (except for specified provisions under the Share Purchase Agreement) unless the parties to the Share Purchase Agreement otherwise agree.

REASONS FOR ENTERING INTO THE TRANSACTION AND EXPECTED BENEFITS

The Directors consider that the sale of the Sale Group represents a good opportunity for the Group to realise and unlock the value of the Sale Group. With the sale of the Sale Group, the Group will be able to focus its resources and efforts on its main businesses, such as Media and Solutions businesses. In particular, the cash received from the transaction can be used in developing businesses such as over-the-top services and free TV services which are in their investment stages.

The proceeds from the transaction received by the Group will be used for funding its business and other general corporate purposes.

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

FURTHER INFORMATION IN RELATION TO THE SALE GROUP

For the financial year ended December 31, 2016, excluding a debit of exchange difference arising from intercompany balances translation of HK\$616 million which is eliminated in the consolidated income statement of the Group, the unaudited consolidated net loss before taxation and net loss after taxation of the Sale Group were approximately HK\$224 million and approximately HK\$224 million, respectively.

For the financial year ended December 31, 2015, excluding a debit of exchange difference arising from intercompany balances translation of HK\$137 million which is eliminated in the consolidated income statement of the Group, the unaudited consolidated net loss before taxation and net loss after taxation of the Sale Group were approximately HK\$297 million and approximately HK\$297 million, respectively.

The net asset value of the Sale Group as shown in the consolidated audited financial statements of the Group as at December 31, 2016 was approximately HK\$771 million. Based on such net asset value and the related exchange reserve, it is currently anticipated that the Group will recognise a gain of not less than approximately HK\$1.3 billion from the transaction.

INFORMATION IN RELATION TO THREE UK

Three UK is a mobile network operator, which provides mobile broadband and other communications services in the UK. Three UK is a wholly-owned subsidiary of CKHH which, through its subsidiaries, is principally engaged in five core businesses: ports and related services, retail, infrastructure, energy and telecommunications. CKHH has its shares listed (Stock Code: 0001) on the Hong Kong Stock Exchange. As disclosed in CKHH's 2016 interim report, trustees of two discretionary trusts in respect of which Mr. Li Ka-shing is the founder are interested (for the purposes of the SFO) in shares representing approximately 28.73% of CKHH's latest published issued share capital and the discretionary beneficiaries of those discretionary trusts include Mr. Victor Li, his wife and children, and Mr. Richard Li (the Chairman and an executive director of the Company). CKHH's 2016 interim report also discloses that Mr. Li Ka-shing and Mr. Victor Li (respectively, the father and brother of Mr. Richard Li) have personal and corporate interests (for the purposes of the SFO) in shares representing approximately 1.73% and 0.07% of CKHH's latest published issued share capital, respectively.

INFORMATION IN RELATION TO THE COMPANY

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

GENERAL

Three UK and CKHH are not connected persons of the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Three UK and its ultimate beneficial owner, CKHH, are third parties independent of the Company and its connected persons for the purposes of the Listing Rules. Information regarding Three UK, CKHH and interests in CKHH disclosed under the SFO is set forth above in this announcement, in the section headed "Information in relation to Three UK".

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

Shareholders of the Company and potential investors should note that completion of the transaction is subject to a number of conditions precedent. Therefore, there is no assurance that the transaction will be completed. Shareholders of the Company and potential investors should, accordingly, exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“£”	pounds sterling, the lawful currency of the UK.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“CKHH”	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands and having its shares listed on the Hong Kong Stock Exchange (Stock Code: 0001).
“Company”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (Ticker: PCCWY).

“Consideration”	the consideration payable by Three UK under the Share Purchase Agreement described under the heading “Consideration” in this announcement.
“Directors”	the directors of the Company.
“Group”	the Company and its subsidiaries, excluding the Sale Group.
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Relish Communications”	Relish Communications Limited, a company incorporated in England and Wales and currently a wholly-owned subsidiary of UK Broadband.
“Reorganisation”	the pre-completion reorganisation described under the heading “Pre-completion reorganisation” in this announcement.
“Sale Group”	Transvision and its subsidiary, UK Broadband.
“Seamless Industries”	Seamless Industries Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.
“SFO”	Securities and Futures Ordinance (Cap. 571, laws of Hong Kong).
“Share Purchase Agreement”	the share purchase agreement dated February 6, 2017 between Seamless Industries, the Company and Three UK.
“Three UK”	Hutchison 3G UK Limited, a company incorporated in England and Wales.
“Transvision”	Transvision Investments Limited, a company incorporated in the British Virgin Islands and currently an indirect wholly-owned subsidiary of the Company.
“UK”	the United Kingdom of Great Britain and Northern Ireland.
“UK Broadband”	UK Broadband Limited, a company incorporated in England and Wales and currently an indirect wholly-owned subsidiary of the Company.
“UK Spectrum”	UK Spectrum Limited, a company incorporated in England and Wales and currently a wholly-owned subsidiary of UK Broadband.

“UKB Solutions”	UKB Solutions Limited, a company incorporated in England and Wales and currently a wholly-owned subsidiary of UK Broadband.
“UKB Subsidiaries”	Relish Communications, UK Spectrum, UKB Solutions and UKB Wireless.
“UKB Wireless”	UKB Wireless Solutions Limited, a company incorporated in England and Wales and currently a wholly-owned subsidiary of UK Broadband.

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

Translations of currency values in this announcement are made on an approximate basis and at the rate of £1 = HK\$9.7287.

Hong Kong, February 6, 2017

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

Executive Directors

Li Tzar Kai, Richard (Chairman); Srinivas Bangalore Gangaiah (aka BG Srinivas) (Group Managing Director); Hui Hon Hing, Susanna (Group Chief Financial Officer) and Lee Chi Hong, Robert

Non-Executive Directors

Sir David Ford, KBE, LVO; Tse Sze Wing, Edmund, GBS; Lu Yimin (Deputy Chairman); Li Fushen; Zhang Junan and Wei Zhe, David

Independent Non-Executive Directors

Dr The Hon Sir David Li Kwok Po, GBM, GBS, OBE, JP; Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert and David Christopher Chance