

PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 196300381N

ANNOUNCEMENT

PROPOSED DISTRIBUTION *IN SPECIE* OF SHARE STAPLED UNITS OF THE HKT TRUST AND HKT LIMITED

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Pacific Century Regional Developments Limited (“**PCRD**” or the “**Company**”) wishes to announce that the Company is proposing to undertake a distribution *in specie* (the “**Proposed Distribution**”) of 132,407,510 share stapled units jointly issued by the HKT Trust and HKT Limited (“**HKT**”, and such share stapled units, the “**HKT SSUs**”), representing approximately 1.75% of the HKT SSUs in issue as at the date of this Announcement, to shareholders of the Company (the “**Shareholders**”) on a pro rata basis.

As the HKT SSUs are listed on The Stock Exchange of Hong Kong Limited (“**HKEx**”), in order to provide flexibility for Shareholders who do not wish to hold securities listed on the HKEx or whose entitlement to HKT SSUs pursuant to the Proposed Distribution may be uneconomic to trade, the Company will provide Shareholders with the right to elect to receive their entitlement to the Proposed Distribution in the form of cash, being an amount equivalent to the value of their entitlement to the Proposed Distribution (the “**Cash Election**”).

2. RATIONALE FOR THE PROPOSED DISTRIBUTION

The Board is of the view that the Proposed Distribution would be beneficial to the Company and Shareholders as follows:

2.1 Simplification of the composition and structure of the Company’s main investment assets

Currently, the Company holds an approximate 22.66% interest in PCCW Limited, which in turn holds approximately 51.91% of HKT. The Company also holds a direct minority interest in 145,604,804 HKT SSUs, representing approximately 1.92% of the HKT SSUs in issue as at the date of this Announcement. Following the proposed distribution of most of its direct interest in HKT through the Proposed Distribution, the Company would then focus on managing its main asset holding in PCCW and provide Shareholders and investors with a clearer investment strategy.

On completion of the Proposed Distribution, Shareholders who do not take the Cash Election would have direct ownership of the 132,407,510 HKT SSUs distributed pursuant to the Proposed Distribution (such HKT SSUs, the “**Relevant HKT SSUs**”) and direct access to steady dividend distributions to holders of HKT SSUs reflecting effectively the payout of HKT’s annual adjusted funds flow. Shareholders would also have the discretion and flexibility to decide whether to take up holdings in the Relevant HKT SSUs in accordance with their individual investment objectives as well as their ability to manage and trade the Relevant HKT SSUs on the HKEx.

2.2 Increase in the economic value of dividends to Shareholders

Prior to the completion of the Proposed Distribution, the Company intends to make a partial repayment of its indebtedness, including utilising, *inter alia*, excess cash resources from dividends to be received from PCCW and HKT. Upon partial repayment of its indebtedness, the Company would be able to effect the Proposed Distribution of HKT SSUs to Shareholders. Based on the closing price of the HKT SSUs of HK\$10.92 as at 12 August 2022, the aggregate market value of the Relevant HKT SSUs is approximately HK\$1,446 million (equivalent to approximately S\$253 million based on an exchange rate of HK\$5.718 : S\$1.00).

There would therefore be a higher than usual distribution of economic value to Shareholders through the Proposed Distribution, without affecting the long-term soundness of the financial position of the PCRD group, as well as the Company's standing as a significant direct shareholder of PCCW, and through PCCW, a significant indirect unitholder of HKT. The Company and its Shareholders will continue to benefit from the steady dividend streams and solid business growth in both entities.

3. INFORMATION ON HKT LIMITED

- 3.1 **General.** HKT is a company incorporated in the Cayman Islands with limited liability. The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, FinTech, e-Commerce, Big Data Analytics, media entertainment including the provision of interactive pay-TV services, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

The HKT Trust, a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by HKT Management Limited, was established as a fixed single investment trust, with its activities being limited to investing in HKT. The share stapled units jointly issued by the HKT Trust and HKT are listed on the HKEx.

- 3.2 **Financial Information.** Based on the audited consolidated financial statements of HKT for the financial year ended 31 December 2021 ("**HKT FY2021 Financial Results**"):

- (i) the net profit before tax of HKT was approximately HK\$5,819 million; and
- (ii) the net asset value of HKT attributable to its unitholders was approximately HK\$37,141 million as at 31 December 2021.

4. DETAILS OF THE PROPOSED DISTRIBUTION

- 4.1 **Mode of Distribution and Distribution Ratio.** As at the date of this Announcement, the Company directly holds 145,604,804 HKT SSUs, representing approximately 1.92% of the total number of HKT SSUs in issue as at the date of this Announcement. Subject to the satisfaction of the conditions set out in paragraph 4.4 below, the Proposed Distribution will be effected by way of a dividend *in specie* to Shareholders pro rata to their respective shareholdings in the Company, on the basis of 0.05 HKT SSU for each ordinary share in the issued share capital of

the Company (“**PCRD Share**”) held by Shareholders or on their behalf as at a record date to be determined by the Company (the “**Record Date**”), fractional entitlements to be disregarded. Shareholders will receive the Relevant HKT SSUs free of cash outlay. The Relevant HKT SSUs will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is completed.

In order to provide flexibility for Entitled Shareholders who do not wish to hold securities listed on the HKEx or whose entitlement to HKT SSUs pursuant to the Proposed Distribution may be uneconomic to trade, the Company will provide the Cash Election to Entitled Shareholders so that they may choose to receive an amount in cash equivalent in value for all **and not part** of the Relevant HKT SSUs which they are entitled to receive pursuant to the Proposed Distribution.

The Company will deal with the balance of HKT SSUs remaining with the Company after the Proposed Distribution (including any resulting fractional HKT SSUs arising from the Proposed Distribution) in such manner as it deems fit (including, among others, retaining such HKT SSUs or disposing of such HKT SSUs).

- 4.2 **Entitled Shareholders.** Shareholders who hold PCRD Shares as at the Record Date will be entitled to the Proposed Distribution (the “**Entitled Shareholders**”).
- 4.3 **Appropriation from Retained Earnings.** To effect the Proposed Distribution as a dividend in specie, the Company will appropriate an amount from the retained earnings of the Company to match the amount of dividend to be declared. **The final appropriated amount will be based on the value of the Relevant HKT SSUs on the date the Proposed Distribution is completed (the “Completion Date”).** For illustrative purposes, assuming a closing price of HK\$10.92 per HKT SSU on the Completion Date, the amount to be appropriated would be approximately S\$253 million.
- 4.4 **Conditions to the Proposed Distribution.** The Proposed Distribution is subject to and conditional upon, *inter alia*:
- (i) the approval of Shareholders by way of an ordinary resolution for the Proposed Distribution (the “**Distribution Resolution**”) at an extraordinary general meeting (“**EGM**”) of the Company to be convened; and
 - (ii) all necessary waivers, consents and approvals from, *inter alia*, the SGX-ST and any other third parties in connection with the Proposed Distribution being obtained.
- 4.5 **PCGH Undertaking.** As at the date of this Announcement, Pacific Century Group Holdings Limited (“**PCGH**”) holds, directly and indirectly, an interest in 2,347,042,230 PCRD Shares, representing approximately 88.63% of the PCRD Shares in issue as at the date of this Announcement. PCGH has undertaken to the Company that:
- (i) it will vote in favour of the Distribution Resolution at the EGM; and
 - (ii) it will not exercise the Cash Election in respect of its entitlement to the Relevant HKT SSUs in connection with and pursuant to the Proposed Distribution.

4.6 **Effect of the Proposed Distribution.** On completion of the Proposed Distribution:

- (i) the Company would directly hold 13,197,294 HKT SSUs, representing approximately 0.17% of the total number of HKT SSUs in issue as at the date of this Announcement, assuming that no Entitled Shareholder elects for the Cash Election. Shareholders would then hold PCRD Shares and the Relevant HKT SSUs; or
- (ii) the Company would have distributed approximately 117,352,111 HKT SSUs, representing approximately 1.55% of the total number of HKT SSUs in issue as at the date of this Announcement, with a resultant holding of 28,252,693 HKT SSUs, representing approximately 0.37% of the HKT SSUs in issue as at the date of this Announcement, assuming that all Entitled Shareholders, other than PCGH, elect to exercise the Cash Election and receive an amount in cash equivalent to the value of their entitlements to the Relevant HKT SSUs pursuant to the Proposed Distribution.

The Proposed Distribution will not result in any change to the issued and paid-up share capital of the Company after the Proposed Distribution or to the number of PCRD Shares held by each Shareholder.

4.7 **Notice of Record Date.** Subject to the fulfilment of the conditions to the Proposed Distribution, the Company will, in due course, announce the Record Date in order to determine the entitlements of each Entitled Shareholder to the Relevant HKT SSUs.

5. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED DISTRIBUTION

5.1 **Bases and Assumptions.** The pro forma financial effects of the Proposed Distribution on the net asset value (“NAV”), net tangible asset value (“NTA”) and earnings of the PCRD group have been prepared based on the Company’s audited consolidated financial statements for the financial year ended 31 December 2021 (“**PCRD FY2021 Financial Statements**”) and the HKT FY2021 Financial Results, are prepared purely for illustrative purposes only and do not reflect the future actual financial position of the PCRD group following the completion of the Proposed Distribution.

The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (i) for pro forma financial effects of the Proposed Distribution on the NTA and NAV of the PCRD group, that the Proposed Distribution had been completed on 31 December 2021;
- (ii) for the pro forma financial effects of the Proposed Distribution on earnings of the PCRD group, that the Proposed Distribution had been completed on 1 January 2022;
- (iii) the Proposed Distribution is effected at the carrying value of the Relevant HKT SSUs of approximately S\$241 million as recorded in the accounts of the Company as at 31 December 2021, assuming that no Entitled Shareholder elects for the Cash Election; and
- (iv) the Proposed Distribution is effected at the carrying value of the Relevant HKT SSUs of approximately S\$214 million as recorded in the accounts of the Company as at 31

December 2021 and a cash distribution of approximately S\$27 million assuming that all Entitled Shareholders, other than PCGH, elect to exercise the Cash Election and receive an amount in cash equivalent to the value of their entitlements to the Relevant HKT SSUs pursuant to the Proposed Distribution.

- 5.2 **NTA and NAV.** For illustrative purposes only, assuming that the Proposed Distribution had been completed on 31 December 2021, the pro forma financial effects of the Proposed Distribution on the NTA, NTA per PCRD Share, NAV, NAV per PCRD Share are as follows:

	Before the Proposed Distribution	After the Proposed Distribution (no Entitled Shareholders elects for Cash Election)	After the Proposed Distribution (all Entitled Shareholders, other than PCGH, elects for Cash Election)
NTA / NAV (S\$ million)	737.3	496.2	496.2
NTA / NAV per PCRD Share ¹ (S\$)	0.2784	0.1874	0.1874

Note:

(1) Based on 2,648,150,200 PCRD Shares in issue as at the date of this Announcement.

- 5.3 **Earnings.** For illustrative purposes only, assuming that the Proposed Distribution had been completed on 1 January 2021, the pro forma financial effects of the Proposed Distribution on the earnings per PCRD Share of the PCRD group are as follows:

	Before the Proposed Distribution	After the Proposed Distribution (no Entitled Shareholders elects for Cash Election)	After the Proposed Distribution (all Entitled Shareholders, other than PCGH, elects for Cash Election)
Net profit attributable to Shareholders (S\$ million)	58.7	42.3	44.1
Earnings per PCRD Share ¹ (S\$)	2.22	1.60	1.67

Note:

(1) Based on 2,648,150,200 PCRD Shares in issue as at the date of this Announcement.

- 5.4 **Share Capital.** The Proposed Distribution will not have any impact on the number of PCRD Shares held by Shareholders after the Proposed Distribution or on the share capital of the Company.

6. OVERSEAS SHAREHOLDERS

Where the Company is of the view that the distribution of the HKT SSUs to certain Overseas Shareholders (as defined below) may infringe certain relevant foreign laws or may necessitate compliance with conditions or requirements which they, in their sole discretion, regard as onerous by reason of costs, delay or otherwise, the HKT SSUs which such Overseas Shareholders would have been entitled to pursuant to the Proposed Distribution (the “**Overseas Shareholders’ HKT SSUs**”) will not be distributed to such Overseas Shareholders. Instead, such Overseas Shareholders will be deemed to have exercised the Cash Election and will receive an amount in cash equivalent to the value of their entitlements to the Relevant HKT SSUs pursuant to the Proposed Distribution. For the purposes of this Announcement, “**Overseas Shareholders**” means Entitled Shareholders whose registered address appearing in the register of members of the Company or the depository register maintained by The Central Depository (Pte) Limited (as the case may be) is outside Singapore. Further information on the entitlements of the Overseas Shareholders will be set out in the Circular (as defined below).

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this Announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Distribution, other than through their respective direct or indirect shareholdings in the Company.

8. CIRCULAR AND FURTHER INFORMATION

A circular to Shareholders (the “**Circular**”) containing further details in respect of the Proposed Distribution and the notice of the EGM to be convened to approve the Proposed Distribution, will be despatched to the Shareholders in due course.

In the meantime, Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests until they or their advisers have considered the information and the recommendations to be set out in the Circular.

By Order of the Board

Lim Beng Jin
Company Secretary
Singapore, 12 August 2022