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**HKT Trust**

*(a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by HKT Management Limited)*

**and**

**HKT Limited**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 6823)**



**PCCW Limited**

**電訊盈科有限公司**

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

## **JOINT ANNOUNCEMENT**

### **FORMATION OF JOINT VENTURE WITH STANDARD CHARTERED AND CTRIP TO ESTABLISH A VIRTUAL BANK IN HONG KONG**

### **CONNECTED TRANSACTION FOR HKT**

#### **Joint Venture Formation**

HKT and the HKT Trust and PCCW are pleased to announce that, on March 27, 2019, wholly owned subsidiaries of HKT and PCCW, respectively, entered into the Subscription Agreement and the Shareholders' Agreement with SC Digital, Standard Chartered and Ctrip Sub, for the formation of a joint venture to undertake the business of operating a virtual bank in Hong Kong focusing on retail banking and delivering its products and services through a mobile application.

The business will be conducted by SC Digital as the Joint Venture company.

#### **Grant of Virtual Bank Licence to SC Digital**

On March 27, 2019, the HKMA granted SC Digital a licence to operate a virtual bank in Hong Kong. A "virtual bank" is a bank licensed under the Banking Ordinance which primarily delivers retail banking services through the internet or other forms of electronic channels instead of physical branches. SC Digital is one of only three entities to have received a virtual bank licence in Hong Kong to date.

#### **Investment Amounts**

Under the Subscription Agreement:

- (a) HKT Sub has agreed to subscribe for 24,163,800 ordinary shares in SC Digital, representing 15% of the total issued share capital of SC Digital at Closing, for an aggregate price of approximately HK\$241.6 million; and

- (b) PCCW Sub has agreed to subscribe for 16,109,200 ordinary shares in SC Digital, representing 10% of the total issued share capital of SC Digital at Closing, for an aggregate price of approximately HK\$161.1 million.

Under the Subscription Agreement, Standard Chartered and Ctrip Sub have also agreed to subscribe for ordinary shares in SC Digital at the same subscription price per ordinary share. At Closing, Standard Chartered and Ctrip Sub will hold ordinary shares in SC Digital representing 65.1% and 9.9%, respectively, of the total issued share capital of SC Digital.

Under the Shareholders' Agreement, the parties will invest further in SC Digital on a pro-rata basis in accordance with the requirements of its initial business plan. HKT Sub and PCCW Sub have agreed to invest up to a further amount of approximately HK\$239.3 million and HK\$159.5 million, respectively.

### **Reasons for the Transaction and Expected Benefits**

The boards of directors of HKT and the Trustee-Manager and the board of directors of PCCW see the Joint Venture as a significant business opportunity for their respective groups. Participation in the Joint Venture will enable the HKT Group and the PCCW Group to integrate virtual banking into the service offering to its large base of existing customers. It is expected to give rise to value accretive synergies, in particular with the HKT Group's telecommunications businesses, providing opportunities to deepen customer relationships and a channel to foster greater financial inclusion and engagement with new customers, particularly the younger and digitally savvy segment. The Joint Venture offers the opportunity to combine with strong partners, benefiting from Standard Chartered's deep banking expertise, potential synergies with Ctrip's travel related businesses and economies of scale arising from joint investment and joint marketing activities. It is also hoped that the Joint Venture will bring an advantage of speed to the new virtual banking market in Hong Kong.

### **Listing Rules Implications**

As PCCW owns approximately 51.97% of the total number of share stapled units of HKT and the HKT Trust in issue, PCCW is a connected person of HKT and the HKT Trust under Chapter 14A of the Listing Rules. Therefore, the Transaction is a connected transaction for HKT and the HKT Trust. As the Transaction is conducted on normal commercial terms and all of the applicable percentage ratios of HKT and the HKT Trust in respect of the Transaction are less than 5%, the Transaction is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76 of the Listing Rules. The Transaction is not a notifiable transaction for HKT and the HKT Trust under Chapter 14 of the Listing Rules, as all the applicable percentage ratios of HKT and the HKT Trust in respect of the Transaction are less than 5%.

HKT and the HKT Trust are not connected persons of PCCW and all of the applicable percentage ratios of PCCW in respect of the Transaction are less than 5%. Accordingly, the Transaction is not a notifiable transaction under Chapter 14 of the Listing Rules, or a connected transaction under Chapter 14A of the Listing Rules, for PCCW.

## **JOINT VENTURE FORMATION**

HKT and the HKT Trust and PCCW are pleased to announce that, on March 27, 2019, wholly owned subsidiaries of HKT and PCCW, respectively, entered into the Subscription Agreement and the Shareholders' Agreement with SC Digital, Standard Chartered and Ctrip Sub, for the formation of a joint venture to undertake the business of operating a virtual bank in Hong Kong focusing on retail banking and delivering its products and services through a mobile application.

The business will be conducted by SC Digital as the Joint Venture company.

## **GRANT OF VIRTUAL BANK LICENCE TO SC DIGITAL**

On March 27, 2019, the HKMA granted SC Digital a licence to operate a virtual bank in Hong Kong. A "virtual bank" is a bank licensed under the Banking Ordinance which primarily delivers retail banking services through the internet or other forms of electronic channels instead of physical branches. SC Digital is one of only three entities to have received a virtual bank licence in Hong Kong to date.

## **SUMMARY OF PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

### **Parties**

- (1) SC Digital, as issuer
- (2) Standard Chartered, as subscriber
- (3) PCCW Sub, as subscriber
- (4) HKT Sub, as subscriber
- (5) Ctrip Sub, as subscriber

### **Subscriptions for Shares in SC Digital**

Under the Subscription Agreement:

- (a) HKT Sub has agreed to subscribe for 24,163,800 ordinary shares in SC Digital, representing 15% of the total issued share capital of SC Digital at Closing for an aggregate price of approximately HK\$241.6 million; and
- (b) PCCW Sub has agreed to subscribe for 16,109,200 ordinary shares in SC Digital, representing 10% of the total issued share capital of SC Digital at Closing for an aggregate price of approximately HK\$161.1 million.

Under the Subscription Agreement, Standard Chartered and Ctrip Sub have also agreed to subscribe for ordinary shares in SC Digital at the same subscription price per ordinary share. At Closing, Standard Chartered and Ctrip Sub will hold ordinary shares in SC Digital representing 65.1% and 9.9%, respectively, of the total issued share capital of SC Digital. The HKT Group and the PCCW Group will bring an advantage of scale to the Joint Venture, enabling the HKT Group and the PCCW Group to integrate virtual banking into the service offerings to its large base of existing customers, while bringing potential synergies, in particular with the HKT Group's telecommunications businesses.

The subscription prices were determined by the parties based on the anticipated funding requirements of the SC Digital for its initial business operations.

## **SUMMARY OF PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT**

### **Parties**

- (1) SC Digital
- (2) HKT Sub
- (3) PCCW Sub
- (4) Standard Chartered
- (5) Ctrip Sub

### **Purpose**

To regulate the governance and operation of SC Digital, as the Joint Venture company.

### **Business Activities of the Joint Venture**

The Joint Venture has been formed to establish and conduct a virtual banking business focusing on retail banking, initially targeting mass and emerging affluent customers in Hong Kong and delivering its products and services through a mobile application.

### **Condition to Effectiveness**

The Shareholders' Agreement is conditional upon Closing. If that condition is not fulfilled by June 27, 2019 (or such other date agreed by the parties), the Shareholders' Agreement will not become effective.

### **Further Funding**

HKT Sub and PCCW Sub have agreed to invest up to a further amount of approximately HK\$239.3 million and HK\$159.5 million, respectively, in SC Digital in accordance with the requirements of SC Digital's business plan over a period of five years, on a pro-rata basis with the other Shareholders based on their respective shareholdings in SC Digital at the relevant time.

### **Board Composition**

The board of directors of SC Digital shall be composed of up to six directors appointed by Standard Chartered, one director appointed by HKT, one director appointed by Ctrip Sub and three independent non-executive directors (or one-third of the total number of directors, whichever is the higher). PCCW Sub may nominate a representative to attend meetings of the board of directors of SC Digital.

### **Key Shareholder Rights**

HKT Sub and PCCW Sub have customary rights in respect of reserved matters, pre-emption right for the issue of new securities by SC Digital and tag-along rights for certain sale of shares by Standard Chartered. All Shareholders are subject to customary pre-emptive rights and restrictions on the sale of their shares in SC Digital, including a five year lock-in period. PCCW Sub and HKT

Sub may also be required to sell their shares in SC Digital if Standard Chartered sells all its shares, subject to certain conditions having been fulfilled.

The Shareholders' Agreement includes deadlock resolution provisions which apply if a deadlock occurs in respect of the requested approval of reserved matters and provisions dealing with the consequences of events of default under the Shareholders' Agreement and other material breaches of the Shareholders' Agreement by Shareholders.

### **Provision of Support Services by Standard Chartered**

Standard Chartered will provide certain support services to the Joint Venture, including in respect of its technology infrastructure and processes, pursuant to a services agreement to be entered into at Closing.

### **REASONS FOR THE TRANSACTION AND EXPECTED BENEFITS**

The boards of directors of HKT and the Trustee-Manager and the board of directors of PCCW see the Joint Venture as a significant business opportunity for their respective groups. Participation in the Joint Venture will enable the HKT Group and the PCCW Group to integrate virtual banking into the service offering to its large base of existing customers. It is expected to give rise to value accretive synergies, in particular with the HKT Group's telecommunications businesses, providing opportunities to deepen customer relationships and a channel to foster greater financial inclusion and engagement with new customers, particularly the younger and digitally savvy segment. The Joint Venture offers the opportunity to combine with strong partners, benefiting from Standard Chartered's deep banking expertise, potential synergies with Ctrip's travel related businesses and economies of scale arising from joint investment and joint marketing activities. It is also hoped that the Joint Venture will bring an advantage of speed to the new virtual banking market in Hong Kong.

The directors of HKT and the Trustee-Manager (including the Independent Non-Executive Directors of HKT and the Trustee-Manager) believe that the terms of the Transaction are fair and reasonable, the Transaction is on normal commercial terms and in the ordinary and usual course of business of the HKT Group and the Transaction is in the interests of HKT and the HKT Trust and holders of their share stapled units as a whole.

### **FURTHER INFORMATION IN RELATION TO SC DIGITAL, STANDARD CHARTERED, CTRIP SUB AND CTRIP**

#### *SC Digital*

SC Digital was incorporated in Hong Kong on August 10, 2018 for the purpose of making application to the HKMA for the virtual bank licence. Due to its date of incorporation, it has yet to publish any financial statements.

#### *Standard Chartered*

Standard Chartered is a leading international banking group, with a presence in 60 of the world's most dynamic markets, and serving clients in a further 85. The purpose of the banking group is to drive commerce and prosperity through its unique diversity, and its heritage and values are expressed in its brand promise, Here for good.

Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

### *Ctrip Sub*

Ctrip Sub is a wholly owned subsidiary of Ctrip and has not conducted any business prior to the Transaction.

### *Ctrip*

Ctrip.com International, Ltd. is a leading provider of online travel and related services, including accommodation reservation, transportation ticketing, package tour and in-destination services, corporate travel management, and other travel related services. It enables business and leisure travellers to make informed and cost-effective bookings by aggregating comprehensive travel related information and offering its services through an advanced transaction and service platform consisting of its mobile apps, Internet websites and centralized, toll-free, 24-hour customer service center. The family of travel brands mainly includes Ctrip, the largest online travel agency in terms of gross merchandise value and best-known travel brand in China; Qunar, a leading online travel agency in China; Trip.com, an online travel agency for global consumers; and Skyscanner, a leading global travel search site. Since its inception in 1999, Ctrip Group has experienced substantial growth and become one of the largest travel service providers in the world.

## **INFORMATION IN RELATION TO HKT SUB, THE HKT TRUST AND HKT**

HKT Sub is a wholly owned subsidiary of HKT and has not conducted any business prior to the Transaction.

The HKT Trust, a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by the Trustee-Manager, has been established as a fixed single investment trust, with its activities being limited to investing in HKT and anything necessary or desirable for or in connection with investing in HKT.

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, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers. HKT and its subsidiaries operate primarily in Hong Kong, and also serve customers in mainland China and other parts of the world.

## **INFORMATION IN RELATION TO PCCW SUB AND PCCW**

PCCW Sub is a wholly owned subsidiary of PCCW and has not conducted any business prior to the Transaction.

The principal activities of PCCW and 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, over-the-top (OTT) digital media entertainment service in Hong Kong and other parts of the world; investments in, and development of, systems integration, network engineering, and information technology-related businesses; and development and management of premium-grade property and infrastructure projects as well as premium-grade property investments. Through HK Television Entertainment Company Limited, PCCW also operates a domestic free television service in Hong Kong.

## LISTING RULES IMPLICATIONS

### *HKT and the HKT Trust*

As PCCW owns approximately 51.97% of the total number of share stapled units of HKT and the HKT Trust in issue, PCCW is a connected person of HKT and the HKT Trust under Chapter 14A of the Listing Rules. Therefore, the Transaction is a connected transaction for HKT and the HKT Trust. As the Transaction is conducted on normal commercial terms and all of the applicable percentage ratios of HKT and the HKT Trust in respect of the Transaction are less than 5%, the Transaction is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76 of the Listing Rules. The Transaction is not a notifiable transaction for HKT and the HKT Trust under Chapter 14 of the Listing Rules, as all the applicable percentage ratios of HKT and the HKT Trust in respect of the Transaction are less than 5%.

### *PCCW*

HKT and the HKT Trust are not connected persons of PCCW and all of the applicable percentage ratios of PCCW in respect of the Transaction are less than 5%. Accordingly, the Transaction is not a notifiable transaction under Chapter 14 of the Listing Rules, or a connected transaction under Chapter 14A of the Listing Rules, for PCCW.

## GENERAL

To the best of the knowledge, information and belief of the directors of HKT and the Trustee-Manager, having made all reasonable enquiry, Standard Chartered, Ctrip Sub and SC Digital and their respective ultimate beneficial owners are third parties independent of HKT, the HKT Trust and their connected persons for the purposes of the Listing Rules.

Certain directors of HKT and the Trustee-Manager have interests in the shares of PCCW, as disclosed in their publicly available filings made under Part XV of the SFO. Those directors voted in favour of the board resolutions of HKT and the Trustee-Manager to approve the Transaction. Apart from those interests, no directors of HKT or the Trustee-Manager have a material interest in the Transaction.

## DEFINITIONS

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

<b>“Banking Ordinance”</b>	the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).
<b>“Closing”</b>	the closing of the share subscriptions under the Subscription Agreement.
<b>“Ctrip”</b>	Ctrip.com International, Ltd. is a Cayman Islands company listed on NASDAQ (stock code: CTRP), with principal executive office at 968 Jin Zhong Road, Shanghai PRC.
<b>“Ctrip Sub”</b>	Ctrip Financial Management (Hong Kong) Co., Limited, a company incorporated in Hong Kong whose registered office is at Unit 402, 4th Floor, Fairmont House, No. 8 Cotton Tree Drive, Admiralty, Hong Kong, a wholly owned subsidiary of Ctrip.

<b>“HKMA”</b>	the Hong Kong Monetary Authority.
<b>“HKT”</b>	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 and having its share stapled units jointly issued with the HKT Trust listed on the main board of the Stock Exchange (Stock Code: 6823).
<b>“HKT Group”</b>	HKT and its subsidiaries.
<b>“HKT Sub”</b>	Digital Access Limited, a company incorporated in the British Virgin Islands whose registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, a wholly owned subsidiary of HKT.
<b>“HKT Trust”</b>	a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by the Trustee-Manager and having its share stapled units jointly issued with HKT listed on the main board of the Stock Exchange (Stock Code: 6823).
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong.
<b>“Joint Venture”</b>	the joint venture established by HKT Sub, PCCW Sub, Standard Chartered and Ctrip Sub for the operation of a virtual bank in Hong Kong by SC Digital in accordance with the terms of the Subscription Agreement and the Shareholders’ Agreement.
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
<b>“PCCW”</b>	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).
<b>“PCCW Group”</b>	PCCW and its subsidiaries (aside from HKT and the HKT Group).
<b>“PCCW Sub”</b>	Digital Harmony Limited, a company incorporated in the British Virgin Islands whose registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, a wholly owned subsidiary of PCCW.



<b>“SC Digital”</b>	SC Digital Solutions Limited, a public company limited by shares incorporated in Hong Kong whose registered office is at 32/F, 4-4A Des Voeux Road Central, Hong Kong.
<b>“SFO”</b>	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).
<b>“Shareholders”</b>	each of the shareholders in SC Digital being HKT Sub, PCCW Sub, Standard Chartered and Ctrip Sub.
<b>“Shareholders’ Agreement”</b>	the shareholders’ agreement dated March 27, 2019 in relation to SC Digital between SC Digital, HKT Sub, PCCW Sub, Standard Chartered and Ctrip Sub.
<b>“Standard Chartered”</b>	Standard Chartered Bank (Hong Kong) Limited, a public company limited by shares incorporated in Hong Kong whose registered office is at Standard Chartered Bank Building, 32/F, 4-4A Des Voeux Road Central, Hong Kong.
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited.
<b>“Subscription Agreement”</b>	the share subscription agreement dated March 27, 2019 between SC Digital as issuer, Standard Chartered, PCCW Sub, HKT Sub and Ctrip Sub.
<b>“Transaction”</b>	the establishment of the Joint Venture by HKT Sub, PCCW Sub, Standard Chartered and Ctrip Sub, by the subscriptions for shares in SC Digital in accordance with the terms of the Subscription Agreement and the entry into of the Shareholders’ Agreement.
<b>“Trustee-Manager”</b>	HKT Management Limited (a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of PCCW), in its capacity as the trustee-manager of the HKT Trust.

By order of the boards of  
**HKT Management Limited**  
and  
**HKT Limited**  
**Bernadette M. Lomas**  
*Group General Counsel and*  
*Company Secretary*

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

Hong Kong, March 27, 2019

As at the date of this announcement, the directors of the Trustee-Manager and HKT are as follows:

***Executive Directors:***

Li Tzar Kai, Richard (Executive Chairman) and Hui Hon Hing, Susanna (Group Managing Director)

***Non-Executive Directors:***

Peter Anthony Allen; Chung Cho Yee, Mico; Li Fushen; Zhu Keping and Srinivas Bangalore Gangaiah (aka BG Srinivas)

***Independent Non-Executive Directors:***

Professor Chang Hsin Kang, FREng, GBS, JP; Sunil Varma; Aman Mehta and Frances Waikwun Wong

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

***Executive Directors:***

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

***Non-Executive Directors:***

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

***Independent Non-Executive Directors:***

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