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HKT[®]
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)

**(1) REVISED ANNUAL CAPS FOR EXISTING
CONTINUING CONNECTED TRANSACTIONS AND
(2) NEW CONTINUING CONNECTED TRANSACTIONS
WITH THE PCCW GROUP**

Reference is made to the 2016 Announcement in relation to, among the others, the Continuing Connected Transactions in respect of the provision of managed services and other telecommunications related services by the HKT Limited Group to the PCCW Group.

With the continuing growth and development in the business and operations of the HKT Limited Group and the PCCW Group, the Directors envisage that the existing annual caps in respect of the Continuing Connected Transactions for the three financial years ending December 31, 2019 will be insufficient for the HKT Limited Group's business needs. Accordingly, the Directors have resolved to revise the existing annual caps for the same period in respect of the Continuing Connected Transactions by entering into the Amendment Agreement.

Furthermore, to meet the growing demand for the provision of customer premises equipment (CPE) solutions and networking services by the HKT Limited Group to the PCCW Group, the Directors have resolved to enter into the New Agreement with the PCCW Media and set New Annual Caps for the three financial years ending December 31, 2019.

PCCW is the controlling holder of the Share Stapled Units. Accordingly, the PCCW Group is a connected person of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Caps and the New Annual Caps, in each case (or aggregated with the other existing continuing connected transactions as described in the 2016 Announcement), of the continuing connected transactions, which are categorized according to the providers of the relevant service, exceed 0.1% but are less than 5%, the continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the 2016 Announcement in relation to, among the others, the Continuing Connected Transactions in respect of the provision of managed services and other telecommunications related services by the HKT Limited Group to the PCCW Group.

With the continuing growth and development in the business and operations of the HKT Limited Group and the PCCW Group, the Directors envisage that the existing annual caps in respect of the Continuing Connected Transactions for the three financial years ending December 31, 2019 will be insufficient for the HKT Limited Group's business needs. Accordingly, the Directors have resolved to revise the existing annual caps for the same period in respect of the Continuing Connected Transactions by entering into the Amendment Agreement.

Furthermore, to meet the growing demand for the provision of customer premises equipment (CPE) solutions and networking services by the HKT Limited Group to the PCCW Group, the Directors have resolved to enter into the New Agreement with PCCW Media and set New Annual Caps for the three financial years ending December 31, 2019.

PRINCIPAL TERMS OF THE AMENDMENT AGREEMENT

Provision of managed services and other telecommunications related services

Date of existing agreements	: December 23, 2016
Parties	: (a) HK Telecom and (b) PCCW Solutions
Current term	: January 1, 2017 to December 31, 2019
Date of Amendment Agreement	: December 14, 2017

On December 23, 2016, HK Telecom and PCCW Solutions entered into the following agreements:

- (a) a managed wavelength service agreement whereby HK Telecom has agreed to provide certain connectivity services to PCCW Solutions, linking the Solutions Group's data centre(s) in Hong Kong and certain designated sites based on an agreed bandwidth capacity and in accordance with other agreed services levels.
- (b) a telecommunications and other miscellaneous services agreement whereby HK Telecom and its specified affiliates in the HKT Limited Group have agreed to provide certain agreed telecommunications and related services to the Solutions Group on normal commercial terms. The HKT Limited Group charges the Solutions Group on market rate.

On December 14, 2017, HK Telecom and PCCW Solutions entered into the Amendment Agreement to revise the existing annual caps for the three financial years ending December 31, 2019 to cater for the anticipated increase in demand for the telecommunications and other miscellaneous services arising from the continuous expansion of data centre development and connectivity business, as well as other business process transformation projects which require services and support from the HKT Limited Group.

Set forth below are the approximate historical aggregate values for the respective periods set out below, the existing annual cap for the year ending December 31, 2017 and the Revised Annual Caps:

Historical transaction amounts

Aggregate value for the financial year ended <u>December 31, 2015</u> (HK\$ million)	Aggregate value for the financial year ended <u>December 31, 2016</u> (HK\$ million)	Aggregate value for the period from January 1, 2017 to <u>June 30, 2017</u> (HK\$ million)
70.2	358.7	329.8

Existing annual cap for the financial year ending December 31, 2017 and the Revised Annual Caps for the three financial years ending December 31, 2019

Existing annual cap for the financial year ending <u>December 31, 2017</u> (HK\$ million)	Revised Annual Caps for the financial year ending December 31,		
<u>2017</u> (HK\$ million)	<u>2018</u> (HK\$ million)	<u>2019</u> (HK\$ million)	<u>2019</u> (HK\$ million)
406.5	960.0	1,024.0	1,065.5

Services provided by the HKT Limited Group include two major types of services: (i) connectivity and other telecommunications services; and (ii) equipment and facilities leasing charges:

- (i) The HKT Limited Group being the backbone of the Solutions Group provides services that include telephone services (fixed line and mobile services), connectivity services including broadband, datapak, IPLCs, asynchronous transfer mode and network services, to support the Solutions Group's daily operations and to ensure the smooth running of the business for its clients by linking data centre sites in Hong Kong. The connectivity services are charged at a monthly rate determined by reference to usage and service duration as well as the market rate charged for similar third party customers.
- (ii) The HKT Limited Group is to provide fully equipped premises to the Solutions Group for its data centre business needs. These premises are exchange buildings which are converted and built to specifically fulfill data centre specifications by installing equipment and facilities such as generators, chillers, cooling towers, transformers and other power equipments up to the required loading requirements and standards. These equipped premises are leased to the Solutions Group for its data centre business and charged at a monthly rate per area used determined by reference to the rate charged for similar third party customers.

The Revised Annual Caps have been determined based on i) the historical transaction amounts for the services; ii) the estimated level of services required, which shows a substantial increase due to growing demand for connectivity, equipment sales and facilities charges to meet requirement from Solutions Group's expanded data centre business; and iii) the staff and resources requirement for the services.

PRINCIPAL TERMS OF THE NEW AGREEMENT

Provision of customer premises equipment (CPE) solutions and networking services

Date of the New Agreement	:	December 14, 2017
Parties	:	(a) HK Telecom and (b) PCCW Media
Term	:	December 14, 2017 to December 31, 2019

On December 14, 2017, HK Telecom and PCCW Media entered into the New Agreement pursuant to which HK Telecom has agreed to provide customer premises equipment and solutions, network connectivity relocation and set-up and other related services to Media Group so as to meet demand from Media Group for its plan of ongoing infrastructure upgrade and expansion. In particular, this covers PCCW Media's office relocation project that requires set-up of relevant equipment and facilities, provision of new fixed and broadband lines and IT infrastructure set-up (inclusive of cable networks and security systems) by the HKT Limited Group.

Set forth below are the New Annual Caps for the three financial years ending December 31, 2019.

New Annual Caps for the financial year ending December 31,		
<u>2017</u> (HK\$ million)	<u>2018</u> (HK\$ million)	<u>2019</u> (HK\$ million)
80.0	120.0	160.0

The services will be charged at market rate determined by reference to rates which would have been charged to independent third party customers.

The New Annual Caps have been determined based on i) the estimated level of services required; ii) the staff and resources requirement for the services; and iii) the estimated demand for equipment and facilities to meet the requirements of PCCW Media in relation to business expansion of Media Group's services.

REASONS FOR ENTERING INTO THE AMENDMENT AGREEMENT AND NEW AGREEMENT

The Directors believe that the Amendment Agreement and the New Agreement entered into with the PCCW Group will enable the HKT Limited Group to meet the demand of the continuing growth and development of its businesses and operations, help to achieve business continuity and efficiency and to minimize any potential disruption to the daily operation of the HKT Limited Group as well as to further strengthen HKT Limited Group's position as a premier telecommunications service provider in Hong Kong. It is also considered that the Amendment Agreement and the New Agreement relating to these continuing connected transactions are consistent with the commercial objectives of the HKT Limited Group and fall within the core business of the HKT Limited Group.

The Directors (including the independent non-executive Directors) consider that the Amendment Agreement and the New Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the HKT Limited Group and that the terms thereof and the Revised Annual Caps and the New Annual Caps are fair and reasonable and in the interests of the holders of the Share Stapled Units as a whole.

As no Director has any material interest in the Amendment Agreement and the New Agreement and the transactions contemplated thereunder, none of the Directors have abstained from voting on the resolutions of the respective Boards approving them.

LISTING RULES IMPLICATIONS

PCCW is the controlling holder of the Share Stapled Units. Accordingly, the PCCW Group is a connected person of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Caps and the New Annual Caps, in each case (or aggregated with the other existing continuing connected transactions as described in the 2016 Announcement), of the continuing connected transactions, which are categorized according to the providers of the relevant service, exceed 0.1% but are less than 5%, the continuing connected transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

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 the Company and anything necessary or desirable for or in connection with investing in the Company.

The principal activities of the HKT Limited Group 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. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

The principal activities of the PCCW Group (including the HKT Limited Group) 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, PCCW also operates a domestic free television service in Hong Kong.

DEFINITIONS

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

“2016 Announcement”	the announcement dated December 23, 2016 jointly issued by HKT Trust and the Company
“Agreements”	the managed wavelength service agreement and the telecommunications and other miscellaneous services agreement
“Amendment Agreement”	the amendment agreement to the telecommunications and other miscellaneous services agreement dated December 14, 2017 entered into between HK Telecom and PCCW Solutions
“Boards”	the boards of directors of the Company and the Trustee-Manager
“Company”	HKT Limited, a company incorporated in the Cayman Islands with limited liability, the Share Stapled Units of HKT Trust and the Company are listed on the main board of the Stock Exchange (Stock Code: 6823)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Agreements for the three financial years ending December 31, 2019
“Directors”	the directors of the Company and the Trustee-Manager
“HK Telecom”	Hong Kong Telecommunications (HKT) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKT Limited Group”	the Company and its subsidiaries
“HKT Trust”	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 the Company listed on the main board of the Stock Exchange (Stock Code: 6823)

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Media Group”	Media Holdings and its subsidiaries, either under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) or the Listing Rules
“Media Holdings”	PCCW Media Holdings Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of PCCW
“New Agreement”	the customer premises equipment (CPE) services agreement dated December 14, 2017 entered into between HK Telecom and PCCW Media
“New Annual Caps”	the new annual caps for the continuing connected transactions contemplated under the New Agreement for the three financial years ending December 31, 2019 as referred to in this announcement
“PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on 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), which is indirectly holding approximately 51.97% of the total number of Share Stapled Units in issue as at the date of this announcement
“PCCW Group”	PCCW and its subsidiaries (excluding HKT Limited Group)
“PCCW Media”	PCCW Media Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW
“PCCW Solutions”	PCCW Solutions Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW
“Revised Annual Caps”	the revised annual caps for the Continuing Connected Transactions contemplated under the Agreements (as amended by the Amendment Agreement) for the three financial years ending December 31, 2019 as referred to in this announcement

“Share Stapled Units”	the share stapled units of HKT Trust and the Company
“Solutions Group”	Solutions Holdings and its subsidiaries
“Solutions Holdings”	HKT Solutions Holdings Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of PCCW
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trustee-Manager”	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

Hong Kong, December 14, 2017

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

Executive Directors:

Li Tzar Kai, Richard (*Executive Chairman*); Alexander Anthony Arena (*Group Managing Director*) and Hui Hon Hing, Susanna (*Group Chief Financial Officer*)

Non-Executive Directors:

Peter Anthony Allen; Chung Cho Yee, Mico; Lu Yimin; Li Fushen 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