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PCCW Limited
電訊盈科有限公司

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

COMPLETION OF DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS WITH LENOVO

Reference is made to the announcement of the Company dated 14 June 2022 (the “**Announcement**”).

All of the conditions precedent in the SPA have been satisfied or waived and the Company is pleased to announce that Completion took place on 12 August 2022 in accordance with the terms of the SPA. As part of satisfying the conditions precedent in the SPA, certain members of the Group and members of the Lenovo Group entered into (i) the PCCW Network Services SHA; (ii) the PCCW Lenovo Technology Solutions SHA; (iii) the CCT Agreements in respect of the provision of certain services and products between the Group and the Lenovo Group; and (iv) the Guaranteed Revenue Agreement.

Upon Completion, Lenovo becomes a substantial shareholder of PCCW Network Services (a subsidiary of the Company) and therefore a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions between certain members of the Lenovo Group and certain members of the Group contemplated under the CCT Agreements constitute connected transactions of the Company.

As the transactions contemplated under the CCT Agreements are connected transactions between certain members of the Group and the Company’s connected persons at the subsidiary level on normal commercial terms or better and satisfy the requirements under Rule 14A.101 of the Listing Rules, the transactions contemplated under the CCT Agreements are subject to annual review, reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders’ approval requirements under the Listing Rules.

INTRODUCTION

Reference is made to the Announcement, which disclosed the entry by the Seller into the SPA with the Partner for the purpose of forming a strategic partnership in relation to the ITS Business. Unless defined herein or the context otherwise requires, capitalised terms and expressions used in this announcement shall have the respective meanings given to them in the Announcement.

All of the conditions precedent in the SPA have been satisfied or waived and Completion took place on 12 August 2022. Upon Completion, (i) the Company indirectly (through the Seller) holds 80% interest in PCCW Network Services, which in turn remains as the direct 100% shareholder in PCCWS and as a direct 20% shareholder in PCCW Lenovo Technology Solutions; and (ii) the Partner directly holds 80% interest in PCCW Lenovo Technology Solutions and 20% interest in PCCW Network Services. As payment of the share element of the Consideration, the Partner has allotted and issued 86,424,677 Consideration Shares to the Seller's nominee at the issue price of HK\$9.025 per Consideration Share to settle US\$100 million (equivalent to approximately HK\$780 million) of the Consideration.

As part of satisfying the conditions precedent in the SPA, certain members of the Group and members of the Lenovo Group entered into (i) the PCCW Network Services SHA; (ii) the PCCW Lenovo Technology Solutions SHA; (iii) the CCT Agreements in respect of the provision of certain services and products between the Group and the Lenovo Group; and (iv) the Guaranteed Revenue Agreement.

PRINCIPAL TERMS OF THE PCCW NETWORK SERVICES SHA

Parties : The Seller, the Partner and PCCW Network Services.

Date : 12 August 2022.

Subject matter : The PCCW Network Services SHA sets out the terms on which the management and affairs of PCCW Network Services and PCCWS will be governed.

Upon Completion, PCCW Network Services is owned as to 80% by the Seller and 20% by the Partner. PCCW Network Services is an investment holding company which upon Completion holds a (i) 100% direct interest in PCCWS; and (ii) 20% direct interest in PCCW Lenovo Technology Solutions.

The business of PCCWS includes the provision of solutions and services to public sector customers in Hong Kong.

Governance : The Seller and the Partner are entitled to appoint directors to the board of PCCW Network Services and, based on the shareholding of PCCW Network Services upon Completion, the Seller is entitled to appoint a majority of the directors of PCCW Network Services.

The board composition of PCCWS shall comprise the same directors appointed to the board of PCCW Network Services.

Restrictions on transfers : No transfers of shares in PCCW Network Services shall be permitted prior to the fourth anniversary of the date of Completion, other than certain customary exceptions.

No transfers of shares in PCCWS can take place at any time during the term of the PCCW Network Services SHA, other than certain customary exceptions.

Reserved matters : For so long as the Seller or the Partner, as the case may be, holds more than 10% of the shares in PCCW Network Services, certain customary material reserved matters (including but not limited to amendments to constitutional documents, change of company name and material change to business scope) will not proceed without approvals from both the Seller and the Partner.

With respect to certain other reserved matters (which mainly relate to the matters which are not in the ordinary course of business), such matters shall not be passed without approval by each of the Seller and the Partner, but the Seller may exercise a casting vote (subject to certain limits) in the case of a deadlock.

Termination : The PCCW Network Services SHA will terminate immediately if the shares of PCCW Network Services are listed or if only one shareholder of PCCW Network Services remains.

PRINCIPAL TERMS OF THE PCCW LENOVO TECHNOLOGY SOLUTIONS SHA

Parties : The Seller, the Partner, PCCW Network Services and PCCW Lenovo Technology Solutions.

Date : 12 August 2022.

Subject matter : The PCCW Lenovo Technology Solutions SHA sets out the terms on which the management and affairs of PCCW Lenovo Technology Solutions will be governed.

Upon Completion, PCCW Lenovo Technology Solutions is owned as to 80% by the Partner and 20% by the PCCW Network Services. The business of PCCW Lenovo Technology Solutions is the provision of the PCCW Lenovo Technology Solutions Business.

Governance : PCCW Network Services and the Partner are entitled to appoint directors to the board of PCCW Lenovo Technology Solutions in accordance with the terms of the PCCW Lenovo Technology Solutions SHA. Based on the shareholding of PCCW Lenovo Technology Solutions upon Completion, the Partner is entitled to appoint a majority of the directors of PCCW Lenovo Technology Solutions.

Restrictions on transfers : No transfers of shares of PCCW Lenovo Technology Solutions shall be permitted prior to the third anniversary of the date of Completion, other than certain customary exceptions.

Reserved matters : For so long as PCCW Network Services or the Partner, as the case may be, holds more than 10% of the shares in PCCW Lenovo Technology Solutions, certain customary material reserved matters (including but not limited to amendments to constitutional documents, change of company name, and material change to business scope) will not proceed without approvals from both PCCW Network Services and the Partner.

With respect to certain other reserved matters (which mainly relate to the matters which are not in the ordinary course of business), such matters shall not be passed without approval by each of PCCW Network Services and the Partner, but the Partner may exercise a casting vote (subject to certain limits) in the case of a deadlock.

Termination : The PCCW Lenovo Technology Solutions SHA will terminate immediately if the shares of PCCW Lenovo Technology Solutions are listed or if only one shareholder of PCCW Lenovo Technology Solutions remains.

PRINCIPAL TERMS OF THE CCT AGREEMENTS

(i) Transitional Services Agreement

- Parties : – PCCWS (a subsidiary of the Company) and PCCW Beijing (a subsidiary of the Company), as service recipients; and
- PCCW Lenovo Technology Solutions (a subsidiary of the Partner), as service provider.
- Date : 12 August 2022.
- Subject matter : With effect from Completion, the service provider shall provide or procure the provision of the performance of certain retained customer contracts, and all the related work orders, purchaser orders and other similar customer requests by providing secondment and other support services to the service recipients.
- Transitional Services Charges : The service charges will be settled on a monthly basis, and shall be determined by the total number of working days in the relevant period and the monthly rate for each staff plus a margin of 5%. The annual caps on the service charges payable by the service recipients to the service provider under the Transitional Services Agreement from 12 August 2022 to 31 December 2022, the financial year ending 31 December 2023, the financial year ending 31 December 2024 and from 1 January 2025 to 11 August 2025 are US\$29 million, US\$77 million, US\$84 million and US\$54 million, respectively.

The annual caps in relation to the transactions contemplated under the Transitional Services Agreement are determined with reference to historical transaction amounts, the anticipated level of services required to perform certain customer contracts of the service recipients and the resource requirements to provide the services.

Term : The term of the Transitional Services Agreement commences upon Completion for a period of three years unless otherwise terminated. Subject to applicable laws and compliance with the Listing Rules, any party may elect to renew the agreement for a further three-year period at the end of the initial three-year period and at the end of each three-year extension period thereafter.

(ii) HKT Service Agreement and PCCW Service Agreement

Parties : In respect of the HKT Service Agreement:

- HK Telecom (a subsidiary of the Company), as service recipient;
- PCCW Digital Solutions (a subsidiary of the Partner), as new service provider; and
- PCCWS (a subsidiary of the Company), as previous service provider.

In respect of the PCCW Service Agreement:

- the Seller (a subsidiary of the Company), as service recipient; and
- PCCW Digital Solutions (a subsidiary of the Partner), as service provider.

Date : 12 August 2022.

Subject matter : With effect from Completion, PCCW Digital Solutions will provide to HK Telecom (under the HKT Service Agreement) and the Seller (under the PCCW Service Agreement) various information technology services relating to:

- (a) change management services;
- (b) cloud hosting services;
- (c) business recovery services;
- (d) help desk, incident management and problem management services;
- (e) security management services;
- (f) technical platform services;
- (g) application management services;
- (h) system development and enhancement services; and
- (i) relevant documentation, audit and compliance support, regulatory support and consultancy services.

In addition, PCCW Digital Solutions will provide to HK Telecom (under the HKT Service Agreement) and the Seller (under the PCCW Service Agreement) materials (including hardware and software), reports, plans, models, documents and/or other materials developed or supplied by PCCW Digital Solutions, any of its subcontractors, vendors or agents. PCCW Digital Solutions will also provide supplements, modifications, replacements, enhancements and other upgrades to the systems, hardware, platform, software, personnel skills, processes and methods for the provision of the above services under the agreement that are necessary to keep pace with technological advancements or improvements during the term of the agreement, as well as the business process and logistics services and such other services agreed from time to time.

In addition, certain statements of work and purchase orders under an existing master service agreement dated 18 July 2019 between HK Telecom (as service recipient) and PCCWS (as service provider) for the provision of the services described above are novated to PCCW Digital Solutions under the HKT Service Agreement with effect from Completion.

Service Fees : Services are charged at market rate by reference to the average rate for third party customers. For business processing, order fulfillment and logistical services, fees will be charged based on the actual usage of the services, such as the number of applications and support servers installed and the number of support staff required during the construction process and maintenance period, as well as the current market price and adjusted by the Consumer Price Index annual growth factor forecast by Bloomberg.

The annual caps on the service fees to be paid by HK Telecom to PCCW Digital Solutions under the HKT Service Agreement from 12 August 2022 to 31 December 2022, the financial year ending 31 December 2023, the financial year ending 31 December 2024 and from 1 January 2025 to 11 August 2025 are US\$86 million, US\$208 million, US\$210 million and US\$124 million, respectively.

The annual caps on the service fees to be paid by the Seller to PCCW Digital Solutions under the PCCW Service Agreement from 12 August 2022 to 31 December 2022, the financial year ending 31 December 2023, the financial year ending 31 December 2024 and from 1 January 2025 to 11 August 2025 are US\$4 million, US\$8 million, US\$8 million and US\$8 million, respectively.

The annual caps in relation to the transactions contemplated under the HKT Service Agreement and the PCCW Service Agreement are determined with reference to historical transaction amounts, the anticipated level of services required and the resource requirements to provide the services.

Term : The HKT Service Agreement and the PCCW Service Agreement both commence upon Completion and shall remain in full force and effect until the end of three years from the Completion Date.

GUARANTEED REVENUE AGREEMENT

As a condition precedent to Completion, the Guaranteed Revenue Agreement was entered into on 26 July 2022 between the Seller and PCCW Lenovo Technology Solutions and became effective upon Completion, pursuant to which the Seller guarantees to PCCW Lenovo Technology Solutions the Relevant Revenue during the Relevant Period. In the event of any shortfall of the Relevant Revenue, the Seller shall pay the Shortfall Payment to PCCW Lenovo Technology Solutions after the end of the Relevant Period.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CCT AGREEMENTS

Please refer to the Announcement for details of the reasons for and the benefits of the Transaction.

The Directors believe that the entering into of the CCT Agreements will (i) strengthen the strategic partnership between the Group and the Partner; (ii) promote the continuing growth and development of the businesses and operations of the ITS Business; and (iii) help to achieve business continuity and leverage efficiency while minimising any potential disruption to the continuing operations of the Group.

The CCT Agreements and the transactions contemplated thereunder have been approved by the board of Directors. The Directors (including the independent non-executive directors) have confirmed that the CCT Agreements and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the terms thereof (including the annual caps relating thereto) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As no Director has any material interest in the SHAs, the CCT Agreements, the Guaranteed Revenue Agreement or the transactions contemplated thereunder, none of the Directors have abstained from voting on the resolutions of the board of Directors approving them.

LISTING RULES IMPLICATIONS

Upon Completion, Lenovo becomes a substantial shareholder of PCCW Network Services (a subsidiary of the Company) and therefore a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions between certain members of the Lenovo Group and certain members of the Group contemplated under the CCT Agreements constitute connected transactions of the Company. As the transactions contemplated under the CCT Agreements are connected transactions between certain members of the Group and the Company's connected persons at the subsidiary level on normal commercial terms or better and satisfy the requirements under Rule 14A.101 of the Listing Rules, the transactions contemplated under the CCT Agreements are subject to annual review, reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

INFORMATION IN RELATION TO THE GROUP

PCCW is a global company headquartered in Hong Kong which holds interests in telecommunications, media, IT solutions, and other businesses.

The principal activity of the Company is investment holding, and the principal activities of the Group are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, FinTech, HealthTech, e-commerce, big data analytics, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres and the provision of interactive pay-TV services; multimedia businesses including over-the-top digital media entertainment services and the development of content, talent and events in Hong Kong, the Asia-Pacific region, and other parts of the

world; and investments in, and development of, systems integration, network engineering, and information technology-related businesses. Through HK Television Entertainment Company Limited, PCCW also operates a domestic free television service in Hong Kong. The Group also has an interest in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments through its interest in Pacific Century Premium Developments Limited.

INFORMATION IN RELATION TO THE LENOVO GROUP

The Partner is a limited liability company incorporated in Hong Kong and its shares have been listed on the Main Board of the Stock Exchange since 1994. The Lenovo Group is principally engaged in three business segments, namely Intelligent Devices Group – focused on various Smart Devices and IoT; Infrastructure Solutions Group – focused on Smart Infrastructure; and Solutions and Services Group – focused on Smart Verticals & Services, and with operations in over 60 countries/regions, selling its products and services in around 180 markets.

DEFINITIONS

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

“Affiliates”	means, in relation to a body corporate, means any entity directly or indirectly controlling, controlled by, or under common control with such body corporate
“Announcement”	means the announcement published by the Company dated 14 June 2022
“CCT Agreements”	the following agreements: (a) the Transitional Services Agreement; (b) the HKT Service Agreement; and (c) the PCCW Service Agreement
“Guaranteed Revenue Agreement”	the Guaranteed Revenue Agreement dated 26 July 2022 entered into between the Seller and PCCW Lenovo Technology Solutions in relation to the guarantee of the Relevant Revenue

“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, and having its share stapled units jointly issued with the HKT Trust listed on the main board of the Stock Exchange (stock code: 6823)
“HKT Trust”	a trust constituted on 7 November 2011 under the laws of Hong Kong and managed by HKT Management Limited and having its share stapled units jointly issued with HKT listed on the main board of the Stock Exchange (stock code: 6823)
“HKT Service Agreement”	has the meaning given to it in the paragraph headed “ <i>Principal Terms of the CCT Agreements – (ii) HKT Service Agreement and PCCW Service Agreement</i> ” in this announcement
“HK Telecom”	Hong Kong Telecommunications (HKT) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of HKT, and the principal business of which is the provision of telecommunications services
“Lenovo Group”	Lenovo and its subsidiaries
“PCCW Beijing”	電訊盈科(北京)有限公司 PCCW (Beijing) Limited*, a company incorporated in the People’s Republic of China and an indirect wholly-owned subsidiary of the Company, and the principal business of which is the provision of software development, systems integration, consulting and informatisation project services
“PCCW Digital Solutions”	PCCW Digital Solutions Limited, a company incorporated in Hong Kong, which is a wholly-owned subsidiary of PCCW Lenovo Technology Solutions, and the principal business of which is the provision of computer services and intellectual property/information technology related value-added services to business customers.
“PCCW Lenovo Technology Solutions SHA”	has the meaning given to it in the paragraph headed “ <i>Principal Terms of the PCCW Lenovo Technology Solutions SHA</i> ” in this announcement

“PCCW Network Services SHA”	has the meaning given to it in the paragraph headed “ <i>Principal Terms of the PCCW Network Services SHA</i> ” in this announcement
“PCCW Service Agreement”	has the meaning given to it in the paragraph headed “ <i>Principal Terms of the CCT Agreements – (ii) HKT Service Agreement and PCCW Service Agreement</i> ” in this announcement
“Relevant Period”	the period from 12 August 2022 to 31 December 2025
“Relevant Revenue”	a total revenue of not less than US\$407.3 million arising from the fees charged by PCCW Lenovo Technology Solutions and its subsidiaries to service recipients including members of the Group (except PCCWS and its subsidiaries from time to time) and their Affiliates under specified service agreements from 12 August 2022 to 31 December 2025
“SHAs”	the PCCW Lenovo Technology Solutions SHA and the PCCW Network Services SHA
“Shortfall Payment”	1.5 multiplied by the shortfall of the Relevant Revenue (if any)
“Transitional Services Agreement”	has the meaning given to it in the paragraph headed “ <i>Principal Terms of the CCT Agreements – (i) Transitional Services Agreement</i> ” in this announcement

* *Unofficial company name*

In this announcement, unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = HK\$7.80. Percentages and figures expressed in millions have been rounded.

By order of the board of
PCCW Limited
Cheung Hok Chee, Vanessa
Group General Counsel and Company Secretary

Hong Kong, 12 August 2022

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

Executive Directors

Li Tzar Kai, Richard (Chairman) and Hui Hon Hing, Susanna (Acting Group Managing Director and Group Chief Financial Officer)

Non-Executive Directors

Tse Sze Wing, Edmund, GBS; Meng Shusen; Wang Fang and Wei Zhe, David

Independent Non-Executive Directors

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