
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **PCCW Limited**, you should at once hand this Circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00008)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED'S
INTERESTS IN PACIFIC CENTURY PLACE, BEIJING**

A letter from the Board (as defined herein) is set out on pages 11 to 28 of this Circular.

A notice convening the EGM (as defined herein) of PCCW Limited to be held in the Conference Room, 14th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong on Thursday, 8 May 2014 at 4:30 p.m. (or so soon thereafter as the annual general meeting of PCCW Limited convened at the same place and on the same date at 4:00 p.m. shall have been concluded or adjourned) is set out on pages 51 to 52 of this Circular. A form of proxy is also enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to PCCW Limited's share registrar, Computershare Hong Kong Investor Services Limited, Investor Communications Centre, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

16 April 2014

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DEFINITIONS

In this Circular and the appendices to it, the following expressions have the following meanings unless the context otherwise requires:

“2014 Convertible Note”	the HK\$2,420 million convertible note issued by PCPD Wealth Limited, a wholly-owned subsidiary of PCPD, and guaranteed by PCPD, which convertible note has a maturity date of 9 May 2014 and is held by PCCW-HKT Partners Limited, a wholly-owned subsidiary of PCCW
“Adjusted Consideration”	has the meaning given to it in the section headed “The SPA – Consideration – Initial Consideration” in the Letter from the Board contained in this Circular
“Announcement”	the joint announcement of PCPD and PCCW dated 8 April 2014
“Balance”	has the meaning given to it in the section headed “The SPA – Consideration – Initial Consideration” in the Letter from the Board contained in this Circular
“BJJW”	北京京威房地產開發有限公司 (English translation for reference only: Beijing Jing Wei House and Land Estate Development Co., Ltd.), a wholly foreign owned enterprise established under the PRC laws, and the sole shareholder of which is New Mile
“BJJW Undertaking”	the letter of undertaking to be given by BJJW in favour of Excel Bright pursuant to which BJJW will, among others, give certain undertakings as mentioned in the section headed “The SPA – BJJW Undertaking” in the Letter from the Board contained in this Circular
“Board”	the board of directors of PCCW
“Break-up Fee”	the sum of USD100,000,000 (equivalent to approximately HK\$776,000,000) to be payable by PCPD to the Purchaser pursuant to the SPA if the SPA is terminated due to the failure to fulfill the conditions precedent set out in (a) and (b) or either of them under the section headed “The SPA – Conditions” in the Letter from the Board contained in this Circular
“Business Day”	a day on which banks in Hong Kong and the PRC are generally open for business (other than a Saturday or Sunday or public holiday or any day on which a tropical cyclone signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong)
“Circular”	this circular to the PCCW Shareholders in connection with, among other things, the sale and purchase of the Sale Share and the assignment of the Shareholder Loan under the SPA

DEFINITIONS

“Completion”	completion of the Disposal pursuant to the terms and conditions of the SPA
“Completion Accounts”	the unaudited management accounts of the Gain Score Group Companies as of the date of Completion to be prepared in accordance with the terms of the SPA
“Completion Date”	the date when Completion shall take place in accordance with the SPA
“Connected Lease(s)”	the Lease and Licence Agreements as defined and more particularly described in the Lease and Licence Announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Tenant/Licensee”	has the meaning given to it in the section headed “The SPA – Certain other terms” in the Letter from the Board contained in this Circular
“Consideration”	the aggregate consideration for the sale and purchase of the Sale Share and the assignment of the Shareholder Loan under the SPA, being the amount payable by the Purchaser to Excel Bright in accordance with the SPA
“Deed of Assignment”	the deed of assignment in respect of the Shareholder Loan to be executed by Excel Bright in favour of the Purchaser and with the consent of Gain Score on Completion
“Deposit”	the sum of USD92,800,000 (equivalent to approximately HK\$720,128,000), being 10% of the Initial Consideration, payable or to be paid by the Purchaser to Excel Bright pursuant to the SPA
“Disposal”	the disposal of the Sale Share and the assignment of the Shareholder Loan by Excel Bright to the Purchaser pursuant to the SPA
“EGM”	the extraordinary general meeting of PCCW to be held in the Conference Room, 14th Floor, PCCW Tower, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong on Thursday, 8 May 2014 at 4:30 p.m. (or so soon thereafter as the annual general meeting of PCCW convened at the same place and on the same date at 4:00 p.m. shall have been concluded or adjourned) and convened by the notice of extraordinary general meeting set out on pages 51 to 52 of this Circular (or any adjournment thereof)

DEFINITIONS

“Excel Bright” or “Vendor”	Excel Bright Properties Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of PCPD
“Exchange Rate”	(i) for conversion between RMB and US Dollars, the middle exchange rate for exchange between RMB and US Dollars posted by the People’s Bank of China; (ii) for conversion between RMB and HK Dollars, the middle exchange rate for exchange between RMB and HK Dollars posted by such bank; and (iii) for conversion between HK Dollars and US Dollars, by applying both the Exchange Rates in (i) and (ii) above, in each case on the date that is one Business Day immediately prior to the relevant date of payment or determination
“Excluded Portion”	certain premises (as specified in the SPA) in the property development known as “Pacific Century Place”, “盈科中心” and “Ying Ke Zhong Xin” located at 中國北京朝陽區工人體育場北路甲2號盈科中心 (No. 2A Gong Ren Ti Yu Chang Bei Lu, Chaoyang District, Beijing, the PRC), which do not form part of the Property
“Existing Facility Default”	a default by Excel Bright, Pride Pacific, PCPD or any Gain Score Group Company under the RMB Facility Documents or the HKD Facility Documents resulting in: (i) the occurrence of an event of default under the RMB Facility Documents and/or the HKD Facility Documents, <i>and</i> the acceleration of any of the loans under the RMB Facility or the HKD Facility; (ii) enforcement of the Existing Onshore Mortgage; or (iii) the Existing Onshore Lender Consent being revoked, in each case following the notification thereof in writing by the Existing Onshore Lender under the RMB Facility and/or the facility agent under the HKD Facility that such event has occurred
“Existing Onshore Lender”	Standard Chartered Bank (China) Limited, Beijing Branch
“Existing Onshore Lender Consent”	the conditional consent in writing from Standard Chartered Bank (Hong Kong) Limited (as the facility agent under the HKD Facility for and on behalf of the lenders in respect of the HKD Facility) and Standard Chartered Bank (China) Limited, Beijing Branch (as the lender in respect of the RMB Facility) to Pride Pacific, BJJW, PCPD and New Mile dated 25 March 2014 with respect to the entering into of the SPA, the New Onshore Facility Agreement and the New Onshore Mortgage

DEFINITIONS

“Existing Onshore Mortgage”	certain mortgage entered into between BJJW and the Existing Onshore Lender with respect to the Property
“Final Adjustment”	has the meaning given to it in the section headed “The SPA – Adjustments to Consideration – Final Adjustment” in the Letter from the Board contained in this Circular
“First Instalment”	the sum of USD185,600,000 (equivalent to approximately HK\$1,440,256,000), being the aggregate of the Deposit and the Further Payment, payable or to be paid by the Purchaser to Excel Bright pursuant to the SPA
“Fundamental Warranties”	certain warranties given by Excel Bright with respect to ownership of the Sale Share and the Property, ownership of share in New Mile by Gain Score, and ownership of registered capital of BJJW by New Mile, as specified in the SPA
“Further Payment”	the sum of USD92,800,000 (equivalent to approximately HK\$720,128,000), being 10% of the Initial Consideration and part of the First Instalment payable by the Purchaser to Excel Bright pursuant to the SPA
“Gain Score”	Gain Score Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of Excel Bright
“Gain Score Group”	Gain Score, New Mile and BJJW collectively
“Gain Score Group Company”	any member of the Gain Score Group, and “Gain Score Group Companies” shall be construed accordingly
“HK\$” or “HK Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKD Facility”	the term loan facility and the revolving loan facility of up to the aggregate amount of HK\$3,000 million made available under the HKD Facility Documents
“HKD Facility Documents”	collectively, the facility agreement in relation to the HKD Facility dated 8 October 2012 and entered into by and between Pride Pacific as the borrower and the agent of the obligors therein, PCPD and New Mile as the guarantors, Standard Chartered Bank (Hong Kong) Limited as the facility agent and security agent and the financial institutions listed therein as the lenders and co-ordinating arrangers and all guarantees, security and other agreements, instruments and documents relating to or in connection with the HKD Facility

DEFINITIONS

“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 under the Companies Ordinance (Chapter 622 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time) and having its share stapled units jointly issued with the HKT Trust listed on the main board of the Stock Exchange (Stock Code: 06823)
“HKT Group”	HKT and its subsidiaries
“HKT Trust”	a trust constituted on 7 November 2011 under the laws of Hong Kong and managed by HKT Management Limited (the trustee-manager of the HKT Trust) and having its share stapled units jointly issued with HKT listed on the main board of the Stock Exchange (Stock Code: 06823)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Adjustment”	has the meaning given to it in the section headed “The SPA – Adjustments to Consideration – Initial Adjustment” in the Letter from the Board contained in this Circular
“Initial Consideration”	the sum of USD928,000,000 (equivalent to approximately HK\$7,201,280,000), being the initial amount of Consideration before taking into account the adjustments (if any) pursuant to the SPA
“Interest Rate”	the interest rate as at a particular date quoted by the Intercontinental Exchange Benchmark Administration at 11:00 a.m. London time on the relevant date for the offering of US Dollar deposits in the London interbank market for a period of one week as published by Thomson Reuters Corporation (page LIBOR01)
“Latest Practicable Date”	10 April 2014, being the latest practicable date prior to the printing of this Circular for the purposes of ascertaining certain information contained in this Circular
“Lease and Licence Announcement”	the announcement of PCPD dated 9 December 2013 in relation to, among others, the lease and licence agreements entered into by BJW on the one hand and the Parent Group and the HKT Group on the other hand

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2014, or such other date as the Purchaser and Excel Bright may agree in writing
“New Mile”	New Mile International Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Gain Score
“New Onshore Agent”	United Overseas Bank (China) Limited, in its capacity as facility agent and/or security agent under the New Onshore Facility
“New Onshore Facility”	the term loan facility of up to RMB500,000,000 to be advanced by the New Onshore Lenders subject to and in accordance with the terms of the New Onshore Facility Agreement
“New Onshore Facility Agreement”	the facility agreement in relation to the New Onshore Facility to be entered into by and between BJW as the borrower, the New Onshore Agent and the New Onshore Lenders
“New Onshore Lenders”	the banks and financial institutions located in the PRC which are named as lenders in the New Onshore Facility Agreement
“New Onshore Mortgage”	certain mortgage to be entered into between BJW and the New Onshore Agent with respect to the Property pursuant to the New Onshore Facility Agreement
“New Onshore Mortgage Registration Completion”	the completion of the registration of the New Onshore Mortgage with the Relevant Housing and Land Bureau as evidenced by the issue of 他項權利證明書 (English translation for reference only: third party rights certificate) each by the Relevant Housing and Land Bureau
“New Onshore Mortgage Release Documents”	all agreements, forms, instruments and other documents necessary to terminate, release and discharge unconditionally the liabilities of, the obligations (including guarantees (if any)) owing by, and any security interests over the assets of, any Gain Score Group Company under the New Onshore Facility Agreement and the New Onshore Mortgage in accordance with the applicable laws
“Objection Notice”	has the meaning given to it in the section headed “The SPA – Adjustments to Consideration – Final Adjustment” in the Letter from the Board contained in this Circular
“Parent Group”	PCCW and its subsidiaries (excluding the PCPD Group and the HKT Group)

DEFINITIONS

“PCCW” or “Company”	PCCW Limited, a company incorporated in Hong Kong with limited liability and having its shares listed on the main board of the Stock Exchange (Stock Code: 00008) 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 an indirect holding company of PCPD
“PCCW Directors”	the directors of PCCW
“PCCW Group”	PCCW and its subsidiaries, and including the PCPD Group and the HKT Group
“PCCW Shareholders”	the holders of PCCW Shares
“PCCW Shares”	ordinary shares in the issued share capital of PCCW
“PCPD”	Pacific Century Premium Developments Limited (Stock Code: 00432), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“PCPD Directors”	the directors of PCPD
“PCPD Group”	PCPD and its subsidiaries
“PCPD SGM”	the special general meeting of PCPD to be convened to consider and, if thought fit, to approve, among other things, the sale and purchase of the Sale Share and the assignment of the Shareholder Loan subject to the terms and conditions of the SPA
“PCPD Shareholders”	the holders of PCPD Shares
“PCPD Shares”	ordinary shares of HK\$0.50 each in the issued share capital of PCPD
“PCRD”	Pacific Century Regional Developments Limited, a substantial shareholder of PCCW, a company listed on the Singapore Exchange Securities Trading Limited
“PRC”	the People’s Republic of China (excluding, for the purpose of this Circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Pride Pacific”	Pride Pacific Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCPD

DEFINITIONS

“Property”	the property as more particularly described in the property ownership certificates set out in the SPA, being the property development known as “Pacific Century Place”, “盈科中心” and “Ying Ke Zhong Xin” located at the Site (excluding, for the avoidance of doubt, the Excluded Portion)
“Purchaser”	Vinter Star Limited, a company incorporated in the British Virgin Islands
“Purchaser’s Additional Damages Amount”	has the meaning given to it in the section headed “The SPA – Further terms in relation to default – Purchaser’s Initial Damages Amount and Purchaser’s Additional Damages Amount” in the Letter from the Board contained in this Circular
“Purchaser’s Initial Damages Amount”	an amount equal to the Deposit
“Relevant Housing and Land Bureau”	北京朝陽區房屋管理局 (Beijing Chaoyang District Housing Administration Bureau) and 北京市國土資源局朝陽分局 (Beijing Municipal Bureau of Land And Resources, Chaoyang Branch)
“Retained Amount”	has the meaning given to it in the section headed “The SPA – Further terms in relation to default – Vendor’s Additional Damages Amount” in the Letter from the Board contained in this Circular
“Retained Amount Balance”	has the meaning given to it in the section headed “The SPA – Further terms in relation to default – Vendor’s Additional Damages Amount” in the Letter from the Board contained in this Circular
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Facility”	the term loan facility in an aggregate amount of RMB100,000,000 made available under the RMB Facility Documents
“RMB Facility Documents”	collectively, the facility agreement dated 8 October 2012 and entered into by and between BJJW as the borrower, Standard Chartered Bank (China) Limited as the RMB Facility coordinator and Standard Chartered Bank (China) Limited, Beijing Branch as the sole lender and all guarantees, security and other agreements, instruments and documents relating to or in connection with the RMB Facility including the Existing Onshore Mortgage

DEFINITIONS

“Sale Share”	the one (1) issued share of USD1 of and in the share capital of Gain Score, representing the entire issued share capital of Gain Score as at the date of Completion to be sold to the Purchaser by Excel Bright pursuant to the SPA
“Sale Share Consideration”	the consideration for the sale and purchase of the Sale Share under the SPA
“Second Instalment”	the sum of USD232,000,000 (equivalent to approximately HK\$1,800,320,000), being 25% of the Initial Consideration, payable or to be paid by the Purchaser to Excel Bright pursuant to the SPA
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder Loan”	the amount owing by Gain Score to Excel Bright as at the date of Completion which is to be no more than HK\$2,294,000,000
“Shareholder Loan Consideration”	the consideration for the assignment of the Shareholder Loan under the SPA
“Site”	the piece of land located at 中國北京朝陽區工人體育場北路甲2號盈科中心 (No. 2A Gong Ren Ti Yu Chang Bei Lu, Chaoyang District, Beijing, the PRC)
“SPA”	the agreement dated 8 April 2014 relating to the sale and purchase of the Sale Share and the assignment of the Shareholder Loan entered into by Excel Bright as vendor, PCPD as guarantor of the Vendor’s obligations and the Purchaser as purchaser
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Targeted Completion Date”	the later of (i) 28 August 2014, or such earlier date as the Purchaser and Excel Bright may agree in writing, and (ii) the fourteenth Business Day immediately following the date on which all the conditions precedent set out in (a) and (b) under the section headed “The SPA – Conditions” in the Letter from the Board contained in this Circular are fulfilled (such fulfilment to take place on or before 28 August 2014) (or such other date as Excel Bright and the Purchaser may agree in writing)
“US\$” or “USD” or “US Dollars”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

**“Vendor’s Additional
Damages Amount”**

has the meaning given to it in the section headed “The SPA – Further terms in relation to default – Vendor’s Additional Damages Amount” in the Letter from the Board contained in this Circular

“%”

per cent

Unless indicated otherwise, in this Circular, conversion of amounts from RMB into USD has been made at the rate of USD1 = RMB6.1199, conversion of amounts from RMB into HK\$ has been made at the rate of RMB1 = HK\$1.268 and conversion of amounts from USD into HK\$ has been made at the rate of USD1 = HK\$7.76 for illustration purpose only. No representation is made that any such amount could have been or could be converted at such respective rates or at all.

LETTER FROM THE BOARD



PCCW Limited **電訊盈科有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00008)

Executive Directors

Li Tzar Kai, Richard (*Chairman*)
Chan Ching Cheong, George (*Group Managing Director*)
Hui Hon Hing, Susanna (*Group Chief Financial Officer*)
Lee Chi Hong, Robert

Registered Office

41st Floor, PCCW Tower
TaiKoo Place, 979 King's Road
Quarry Bay, Hong Kong

Non-Executive Directors

Sir David Ford, KBE, LVO
Tse Sze Wing, Edmund, GBS
Lu Yimin (*Deputy Chairman*)
Li Fushen
Li Gang
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
David Christopher Chance

16 April 2014

To the PCCW Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED'S INTERESTS IN PACIFIC CENTURY PLACE, BEIJING

1. INTRODUCTION

Reference is made to the Announcement. On 8 April 2014, Excel Bright as vendor and PCPD as guarantor of the Vendor's obligations entered into the SPA with the Purchaser. Pursuant to the SPA, Excel Bright has conditionally agreed to sell, transfer, convey and assign and the Purchaser has

LETTER FROM THE BOARD

conditionally agreed to purchase the Sale Share (representing the entire issued share capital of Gain Score) and to take an assignment of the Shareholder Loan on and subject to the terms and conditions of the SPA. The Consideration payable by the Purchaser to Excel Bright for the purchase of the Sale Share and the assignment of the Shareholder Loan is the initial amount of USD928,000,000 (equivalent to approximately HK\$7,201,280,000), subject to adjustments in accordance with the terms of the SPA and as described in the Letter from the Board contained in this Circular. The principal asset of Gain Score Group is the land use rights and property rights in the Property held by BJJW.

If the SPA is terminated due to the failure to fulfill the conditions precedent to Completion referred to in the section headed “The SPA – Conditions” in the Letter from the Board contained in this Circular on or before 28 August 2014 (or such other date as Excel Bright and the Purchaser may agree in writing), PCPD will be required to pay the Break-up Fee of USD100,000,000 (equivalent to approximately HK\$776,000,000) to the Purchaser. Payment of the Break-up Fee is not dependent or consequential on any breach of the SPA.

The purpose of this Circular is to provide you with, among other things, further details of the terms of the SPA and the transactions contemplated thereunder, the financial information of the PCCW Group, the valuation report on the Property, the notice convening the EGM together with the form of proxy in respect of the EGM and other information as required under the Listing Rules.

2. THE SPA

Below is a summary of the principal terms of the SPA:

Date

8 April 2014

Parties

1. Excel Bright, as vendor
2. PCPD, as guarantor of the Vendor’s obligations
3. Vinter Star Limited, as purchaser

To the best of the PCCW Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of PCCW and PCCW’s connected persons (as defined under the Listing Rules).

Guarantee

PCPD has agreed to guarantee to the Purchaser the punctual and complete payment and performance of the Vendor’s obligations, commitments, representations, warranties, undertakings, indemnities, covenants and other terms and provisions under the SPA and other documents in relation to the SPA to which Excel Bright is a party.

LETTER FROM THE BOARD

Assets to be disposed of

Pursuant to the SPA, Excel Bright has conditionally agreed to sell, transfer, convey and assign and the Purchaser has conditionally agreed to purchase the Sale Share (representing the entire issued share capital of Gain Score) and to take an assignment of the Shareholder Loan on and subject to the terms and conditions of the SPA.

Gain Score is a company incorporated in the British Virgin Islands with an authorised share capital of USD50,000 divided into 50,000 shares of USD1 each, of which one share has been issued and is fully paid up and is legally and beneficially owned by Excel Bright as at the Latest Practicable Date.

New Mile is a company incorporated in Hong Kong with an issued and paid up capital of HK\$1 and one share in issue which is legally and beneficially owned by Gain Score as at the Latest Practicable Date.

BJJW is a wholly foreign owned enterprise under the PRC laws (with its entire equity interest registered in the name of and owned by New Mile) and it holds the land use rights certificates and property rights certificates in respect of the Property.

After Completion, the Gain Score Group Companies will cease to be subsidiaries of PCCW and PCCW will no longer have any ownership interest in the land use rights and property rights in the Property.

Consideration

Initial Consideration

The Consideration payable by the Purchaser to Excel Bright for the purchase of the Sale Share and the assignment of the Shareholder Loan is the initial amount of USD928,000,000 (equivalent to approximately HK\$7,201,280,000), subject to adjustments in accordance with the terms of the SPA and as described in the section headed “The SPA – Adjustments to Consideration” in the Letter from the Board contained in this Circular. Out of the Consideration, (i) the Shareholder Loan Consideration is a sum equal to the USD equivalent of the outstanding principal amount of the Shareholder Loan, and (ii) the Sale Share Consideration is the sum calculated by deducting the amount of the Shareholder Loan Consideration from the Consideration.

The Initial Consideration in the sum of USD928,000,000 (equivalent to approximately HK\$7,201,280,000) (subject to the adjustment (if any) in accordance with the SPA) is payable by the Purchaser to Excel Bright in the following manner:

- (i) the First Instalment in the sum of USD185,600,000 (equivalent to approximately HK\$1,440,256,000), being the aggregate of the Deposit and the Further Payment, is payable by the Purchaser to Excel Bright upon signing of the SPA; and

LETTER FROM THE BOARD

- (ii) the Second Instalment in the sum of USD232,000,000 (equivalent to approximately HK\$1,800,320,000) is payable by the Purchaser to Excel Bright on or before the earlier of 30 April 2014 and Completion; and
- (iii) the amount of the Initial Consideration after making the agreed adjustments (see the section headed “The SPA – Adjustments to Consideration – Initial Adjustment” in the Letter from the Board contained in this Circular) (the “**Adjusted Consideration**”) less the First Instalment and the Second Instalment (if already paid) (the “**Balance**”) is payable by the Purchaser to Excel Bright on Completion.

If the Completion occurs after 28 August 2014, the Purchaser is required to pay to Excel Bright interest accrued on the Balance calculated at the Interest Rate for the period from (and including) 28 August 2014 up to (but excluding) the date of Completion.

Adjustments to Consideration

Initial Adjustment

Pursuant to the terms of the SPA, the Initial Consideration is to be adjusted upward or downward by adjustments to the Initial Consideration (the “**Initial Adjustment**”). The Initial Adjustment will be calculated in accordance with certain agreed principles and calculations, and will be based on the unaudited management accounts of the Gain Score Group as at a month end date no more than three months prior to the Completion Date. Based on the management accounts of the Gain Score Group as at 31 December 2013 and pursuant to those agreed principles and calculations, an illustration in the SPA shows that the Initial Consideration could be adjusted upward by approximately USD12,500,000 (equivalent to approximately HK\$97,000,000) and on that basis the Adjusted Consideration would be approximately USD940,500,000 (equivalent to approximately HK\$7,298,280,000).

Final Adjustment

After the date of Completion, Excel Bright will prepare and deliver to the Purchaser the Completion Accounts and the calculation of the adjustments to the Initial Consideration (the “**Final Adjustment**”) in accordance with the SPA. The Final Adjustment is to be made in accordance with the same agreed principles and calculations as those used for the calculation of the Initial Adjustment, but based on the Completion Accounts.

The Purchaser will be deemed to have agreed to the Final Adjustment and Excel Bright’s calculation of the Final Adjustment for all purposes of the SPA unless the Purchaser within 30 days of receipt of such calculation serves a notice on Excel Bright objecting to the Final Adjustment and/or the calculation of the Final Adjustment and explaining in reasonable detail the reasons for its objection (the “**Objection Notice**”).

Within 20 Business Days following the Purchaser’s service of the Objection Notice on Excel Bright, Excel Bright and the Purchaser are required to negotiate with a view to reaching an agreement on the amount(s) and item(s) in dispute. If they are unable to reach an agreement within such period, then within 10 Business Days thereafter, Excel Bright and the Purchaser are required

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to jointly refer the matter or matters in dispute to (and shall jointly appoint) a certifying accountant to be mutually agreed by Excel Bright and the Purchaser. If Excel Bright and the Purchaser are unable to mutually agree on a certifying accountant within such period, then Excel Bright and the Purchaser are required to refer the matter to the President of the Hong Kong Institute of Certified Public Accountants who will designate a certifying accountant to determine the matter or matters in dispute and whose decision as to the Final Adjustment and the calculation of the Final Adjustment will be final and binding on the parties.

When the calculation of the Final Adjustment has become final and binding pursuant to the terms of the SPA:

- (i) if the Final Adjustment is in excess of the amount of the Initial Adjustment, such excess amount will be payable by the Purchaser to Excel Bright; or
- (ii) if the Final Adjustment is less than the amount of the Initial Adjustment, such shortfall amount will be payable by Excel Bright to the Purchaser.

Subject to Completion having taken place, the final adjustment payment mentioned above (if any) is payable by Excel Bright or the Purchaser (as appropriate) within 14 Business Days after the date on which the Final Adjustment becomes final and binding pursuant to the terms of the SPA.

The provisions in the SPA relating to adjustments of the Consideration are the sole and exclusive remedies for the determination of the adjustments to the Initial Consideration and the Consideration. The Consideration, all parts thereof and (if Completion occurs after 28 August 2014) interest accrued on the Balance calculated at the Interest Rate for the period from (and including) 28 August 2014 up to (but excluding) the date of Completion are payable by the Purchaser in US Dollars.

Further terms in relation to default

Purchaser's Initial Damages Amount and Purchaser's Additional Damages Amount

In the event that the conditions precedent to Completion referred to in the section headed "The SPA – Conditions" in the Letter from the Board contained in this Circular are fulfilled but Completion does not occur on the Targeted Completion Date (or, if the deferral situation mentioned in the section headed "The SPA – Completion" in the Letter from the Board contained in this Circular applies and the date for Completion is so deferred as a result, the date to which the date for Completion is so deferred) as a result of:

- (a) a breach of any of the Fundamental Warranties by Excel Bright under the SPA; or
- (b) failure of Excel Bright to deliver title to the Sale Share and the Shareholder Loan at Completion in accordance with the SPA; or
- (c) an Existing Facility Default which results from an action or omission of, and is not outside the power and control of, Excel Bright, Pride Pacific, PCPD or any Gain Score Group Company,

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in each case other than due to a default of the Purchaser, then unless Excel Bright and the Purchaser agree in writing to an extension of the date and/or time of Completion, the Purchaser is entitled to terminate the SPA (except certain agreed provisions) by giving notice to the other parties to the SPA, whereupon (a) within 14 Business Days after the date of the receipt by BJJW of the duly executed New Onshore Mortgage Release Documents, Excel Bright is required to (i) refund to the Purchaser the First Instalment and the Second Instalment (in each case, to the extent that the same has been received by Excel Bright) together with all interest accrued thereon at the Interest Rate and (ii) pay to the Purchaser the Purchaser's Initial Damages Amount; and (b) following the Purchaser's receipt of all such amounts, the SPA (except certain agreed provisions) will terminate and cease to have effect.

The receipt and retention of the Purchaser's Initial Damages Amount by the Purchaser will be without prejudice to the Purchaser's right to claim against Excel Bright for damages (if any) to which the Purchaser is entitled against Excel Bright in respect of any and all losses, damages, costs and expenses which may be suffered or incurred by the Purchaser arising as a result of the default of Excel Bright and/or PCPD over and above the amount of the Purchaser's Initial Damages Amount (the "**Purchaser's Additional Damages Amount**"), provided that the Purchaser's Additional Damages Amount together with the Purchaser's Initial Damages Amount will in no event exceed an amount equal to the aggregate of the First Instalment and the Second Instalment. The parties to the SPA are not precluded by anything in the SPA from bringing any action for specific performance.

Vendor's damages if the New Onshore Mortgage Registration Completion fails to occur

In the event that (i) the conditions precedent to Completion referred to in the section headed "The SPA – Conditions" in the Letter from the Board contained in this Circular are fulfilled, and (ii) no Existing Facility Default exists, but Completion does not occur on or before the Long Stop Date as a result of the New Onshore Mortgage Registration Completion having not occurred on or before 28 August 2014 (or such other date as stipulated in the SPA), unless Excel Bright agrees in writing to a deferral of the date and/or time of Completion:

- (a) if, despite the Purchaser having promptly taken all necessary steps and actions (but limited as to matters within its powers) with respect to the registration of the New Onshore Mortgage by the Relevant Housing and Land Bureau, the New Onshore Mortgage Registration Completion does not so occur and the sole reason therefor is refusal or delay by the Relevant Housing and Land Bureau which in turn is solely as a result of defective title of BJJW to the Property (not amounting to a breach of any of the Fundamental Warranties in respect of the Property), then as the parties' sole and exclusive remedies, either the Purchaser or Excel Bright is entitled to terminate the SPA (except certain agreed provisions) by giving notice to the other parties to the SPA, whereupon (i) within 14 Business Days after the date of the receipt by BJJW of the duly executed New Onshore Mortgage Release Documents, Excel Bright is required to refund to the Purchaser the First Instalment and the Second Instalment (in each case, to the extent that the same has been received by Excel Bright) in each case, together with interest incurred thereon at the Interest Rate, and (ii) following the Purchaser's receipt of all such amounts, the SPA (except certain agreed provisions) will terminate and cease to have effect; or

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- (b) if the New Onshore Mortgage Registration Completion does not so occur solely due to refusal or delay by the Relevant Housing and Land Bureau despite (1) the Purchaser having promptly taken all necessary steps and actions (but limited as to matters within its powers) with respect to the registration of the New Onshore Mortgage by the Relevant Housing and Land Bureau, and (2) Excel Bright having taken steps and actions as required under the SPA (but otherwise than in the circumstances provided for in paragraph (a) above), then as the parties' sole and exclusive remedies, either the Purchaser or Excel Bright is entitled to terminate the SPA (except certain agreed provisions) by giving notice to the other parties to the SPA, whereupon: (i) the Deposit will be forfeited to the benefit of Excel Bright absolutely as and for liquidated damages (and not as penalty) in full and final settlement of all claims Excel Bright may have under or in respect of the SPA, (ii) within 14 Business Days after the date of the receipt by BJW of the duly executed New Onshore Mortgage Release Documents, Excel Bright is required to refund to the Purchaser the First Instalment (*less* the Deposit) and the Second Instalment (in each case, to the extent that the same has been received by Excel Bright), in each case, without interest; and (iii) following the Purchaser's receipt of all such amounts, the SPA (except certain agreed provisions) will terminate and cease to have effect.

Vendor's Additional Damages Amount

In the event that the conditions precedent to Completion referred to in the section headed "The SPA – Conditions" in the Letter from the Board contained in this Circular are fulfilled but Completion does not occur on the Targeted Completion Date (or, if the deferral situation mentioned in the section headed "The SPA – Completion" in the Letter from the Board contained in this Circular applies and the date for Completion is so deferred as a result, the date to which the date for Completion is so deferred) as a result of:

- (a) the Purchaser's refusal or failure to pay the Second Instalment to Excel Bright in accordance with the SPA; or
- (b) the Purchaser's refusal or failure to pay the Balance to Excel Bright in accordance with the SPA,

then unless Excel Bright and the Purchaser agree in writing to an extension of the date and/or time of Completion, (a) Excel Bright is entitled to (i) terminate the SPA (except certain agreed provisions) by giving notice to the Purchaser, and (ii) the Deposit will be forfeited to Excel Bright absolutely. The forfeiture of the Deposit as aforesaid will be without prejudice to Excel Bright's right to claim against the Purchaser for any damages to which Excel Bright is entitled against the Purchaser in respect of any and all losses, damages, costs and expenses which may be suffered or incurred by Excel Bright arising as a result of the default or failure of the Purchaser over and above the amount of the Deposit forfeited to Excel Bright as aforesaid (the "**Vendor's Additional Damages Amount**"), provided that the Vendor's Additional Damages Amount together with the Deposit forfeited to Excel Bright as aforesaid will in no event exceed an amount equal to the aggregate of the First Instalment and the Second Instalment.

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Excel Bright is entitled (i) to retain the amount of the First Instalment (*less* the Deposit) and the Second Instalment in each case, to the extent that the same has been received by it from the Purchaser (the “**Retained Amount**”) pending application towards Excel Bright’s claims against the Purchaser in respect of any and all losses, damages, costs and expenses suffered or incurred by Excel Bright arising from the Purchaser’s default or failure; and (ii) to retain the Retained Amount pending the final determination of such claims.

Excel Bright is entitled to apply the Retained Amount so retained towards the amount (if any) determined by legal proceedings or (if Excel Bright and the Purchaser so agree) arbitration in favour of Excel Bright. If the amount to which Excel Bright is entitled as finally determined is less than the Retained Amount, the excess (the “**Retained Amount Balance**”), if any, will be refunded to the Purchaser within 14 Business Days from the date of issuance of the court order by the relevant court or arbitral award in respect of which such determination is finally made.

If no legal proceedings (or, if applicable, arbitration proceedings or alternative dispute resolution procedure) in respect of any such claims and/or entitlements are commenced by Excel Bright against the Purchaser within 90 days after the date scheduled for Completion, then Excel Bright is required to refund to the Purchaser such Retained Amount (without any interest) within 14 Business Days after the expiry of the 90-day period.

If legal proceedings (or, if applicable, arbitration proceedings or alternative dispute resolution procedure) in respect of any claims are commenced by Excel Bright against the Purchaser within 90 days after the date scheduled for Completion, and the Retained Amount exceeds the amount so claimed by Excel Bright as stated in Excel Bright’s documents commencing legal proceedings (or, if applicable, arbitration proceedings or alternative dispute resolution procedure), Excel Bright is required to refund to the Purchaser such portion of the Retained Amount equal to the excess (without any interest) within 14 Business Days after the date of the relevant documents of Excel Bright’s legal proceedings (or, if applicable, arbitration proceedings or alternative dispute resolution procedure). Following the final determination of all amounts to which Excel Bright is entitled under the SPA and the receipt by the Purchaser of all Retained Amount or the Retained Amount Balance (if any), as the case may be, the SPA (except certain agreed provisions) will terminate and cease to have effect. This does not preclude Excel Bright from bringing any action for specific performance.

In the event that the conditions precedent to Completion referred to in the section headed “The SPA – Conditions” in the Letter from the Board contained in this Circular have been fulfilled but Completion does not occur on or before the Targeted Completion Date (or, if the deferral situation mentioned in the section headed “The SPA – Completion” in the Letter from the Board contained in this Circular applies and the date for Completion is so deferred as a result, the date to which the date for Completion is so deferred) as a result of an Existing Facility Default (other than an Existing Facility Default which results from an action or omission of, and is not outside the power and control of, Excel Bright, Pride Pacific, PCPD or any Gain Score Group Company), then unless Excel Bright and the Purchaser agree in writing to a further extension of the date of Completion, either the Purchaser or Excel Bright is entitled to terminate the SPA (except certain agreed provisions) by giving notice to the other parties to the SPA, whereupon (i) within 14 Business Days after the date of the receipt by BJW of the duly executed New Onshore Mortgage Release Documents, Excel Bright is required to refund to the Purchaser the First Instalment and the Second Instalment (in each case, to the extent that the same has been received by Excel Bright), in each case, without interest and (ii) following the Purchaser’s receipt of all such amounts, the SPA (except certain agreed provisions) will terminate and cease to have effect.

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Conditions

PCPD is required to ensure that a special general meeting of PCPD is duly convened as soon as practicable after the date of the SPA to approve the completion of the sale and purchase of the Sale Share and the assignment of the Shareholder Loan under the SPA.

Completion of the sale and purchase of the Sale Share and the assignment of the Shareholder Loan as contemplated under the SPA is conditional upon the following conditions precedent being or having been fulfilled:

- (a) the passing of a resolution at a duly convened special general meeting of PCPD by the requisite majority of its shareholders who are not prohibited from voting under the Listing Rules to approve the sale and purchase of the Sale Share and the assignment of the Shareholder Loan under the SPA and the Deed of Assignment; and
- (b) the passing of a resolution at a duly convened extraordinary general meeting of PCCW by the requisite majority of its shareholders who are not prohibited from voting under the Listing Rules to approve the sale and purchase of the Sale Share and the assignment of the Shareholder Loan under the SPA and the Deed of Assignment.

PCPD agreed to use reasonable endeavours to procure the fulfilment of the conditions precedent set out in (a) and (b) above by 28 August 2014 (or such other date as Excel Bright and the Purchaser may agree in writing). The conditions precedent set out in (a) and (b) above cannot be waived by any party to the SPA.

Break-up Fee

If the SPA is terminated due to the failure to fulfill the conditions precedent to Completion referred to in the section headed “The SPA – Conditions” in the Letter from the Board contained in this Circular on or before 28 August 2014 (or such other date as Excel Bright and the Purchaser may agree in writing), PCPD will be required to pay the Break-up Fee of USD100,000,000 (equivalent to approximately HK\$776,000,000) to the Purchaser.

Payment of the Break-up Fee is not dependent or consequential on any breach of the SPA.

The amount of the Break-up Fee was determined by the parties to the SPA with reference to the amount of the Deposit, the Further Payment and the Second Instalment made and to be made by the Purchaser before the PCPD SGM and it was considered commercially appropriate and fair.

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BJJW Undertaking

It is a requirement under the SPA that BJJW will execute the BJJW Undertaking in favour of Excel Bright at Completion. Pursuant to the BJJW Undertaking, BJJW will give, among other things, the following undertakings:

- (a) without specified time limit and to the extent not prohibited under the laws of the PRC:
 - (i) not to change the existing name of the whole development on the Site currently known as Pacific Century Place (i.e. “Pacific Century Place”, “盈科中心” and “Ying Ke Zhong Xin”) as the name of the whole development without the prior written approval of Excel Bright; and
 - (ii) an exclusive right of use of the existing signage structures located at (1) the north-facing facade of the podium of the development on the Site and (2) the north-western corner of the north plaza outside the north entrance of the podium of the development on the Site free of charges or fees and not to change the design of the name of the whole development thereon and not to remove or relocate such structures without the prior written approval of Excel Bright; and
- (b) within a period of 10 years after the Completion and to the extent not prohibited under the laws of the PRC, Excel Bright will have the exclusive right to use the existing signage light box free of charges or fees located on the top floor of the tower of Tower C of the development on the Site for putting up sign at any time and from time to time (including the existing sign (at Excel Bright’s cost) provided that prior approval of BJJW is required to be obtained in respect of any change in the design (including size and outlook) and logo (such approval not to be unreasonably withheld or delayed)). At any time and from time to time after the expiry of such 10-year period, Excel Bright will have a right of first refusal to lease such light box from BJJW at the then prevailing market rent.

The BJJW Undertaking also contains provisions to protect the above rights conferred upon Excel Bright in case of any proposed sale, transfer, assignment or disposal to a third party of any interest in the development on the Site by BJJW.

Certain other terms

- (a) Subject to Completion having taken place, the Purchaser has agreed to use reasonable endeavours to procure BJJW to grant to the tenant/licensee of each Connected Lease (the “**Connected Tenant/Licensee**”) an option to renew the relevant lease/licence of the premises at the then prevailing market terms (as mutually agreed upon by BJJW and the relevant Connected Tenant/Licensee, such terms will in any event include an option to renew similar to that as provided under the SPA) including the then prevailing market rent upon the expiry of the relevant Connected Lease, except as mentioned below. If a third party makes a bona fide offer to BJJW to enter into a lease with BJJW with respect to the relevant premises in question, then, prior to accepting such offer, the Purchaser is required to cause BJJW to

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deliver a notice to the relevant Connected Tenant/Licensee offering it the right to renew the relevant Connected Lease on the same terms as those offered by the third party. The relevant Connected Tenant/Licensee may therefore exercise its right to renew the relevant Connected Lease on the same terms as those offered by the third party or if it does not exercise its right to renew pursuant to the SPA, (i) such Connected Tenant/Licensee will be deemed to have waived its right to renew the relevant Connected Lease pursuant thereto, (ii) the Purchaser will not be required to perform its obligation as described hereinabove in respect of the relevant Connected Tenant/Licensee, and (iii) the Purchaser will be entitled to cause BJW to enter into a lease with the third party on the same terms as offered by such third party.

- (b) Subject to Completion having taken place in accordance with the SPA, Excel Bright is required to indemnify and hold harmless the Purchaser and each member of Gain Score Group and each of their respective successors and permitted assigns, from and against all liabilities, losses, suits, claims in writing, damages and reasonable attorneys' fees, taxes, court costs and other out-of-pocket expenses that the Purchaser or any member of Gain Score Group suffers, incurs, expends or is claimed against (in writing) in relation to, or that arise out of or result from, inter alia, the breach by Excel Bright of any term or provision of the SPA or documents entered into in relation to the SPA to which Excel Bright is a party and any liabilities for taxes to which any member of Gain Score Group is subject for all taxable periods ending on or before the date of Completion and, with respect to any taxable period that begins on or before and ends after the date of Completion, for the portion of tax calculated proportionally in respect of the taxable period ending on the date of Completion, subject to the agreed exclusions under the SPA.

Completion

Subject to fulfilment of the conditions precedent to Completion referred to in the section headed "The SPA – Conditions" in the Letter from the Board contained in this Circular, Completion is to take place on the Targeted Completion Date (or, if the deferral situation mentioned in this section applies and the date for Completion is deferred as a result, the date to which the date for Completion is so deferred) unless the SPA has been terminated in accordance with the terms therein. If the New Onshore Mortgage Registration Completion does not occur on or before 28 August 2014 despite the Purchaser having promptly taken all necessary steps and actions (but limited as to matters within its powers) with respect to the registration of such mortgage with the Relevant Housing and Land Bureau, then the Completion Date will be deferred to a date (which shall be no later than 14 Business Days after the Long Stop Date) mutually agreed by Excel Bright and the Purchaser (both acting reasonably).

3. FURTHER INFORMATION RELATING TO THE GAIN SCORE GROUP AND THE PROPERTY

The Property is part of a premium-grade investment building located at the Site in the city centre of Beijing, the PRC with convenient access via public and private transportation. It comprises a commercial and residential complex, with two towers of office buildings, two towers of service apartments and a shopping mall (excluding, for the avoidance of doubt, the Excluded Portion).

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As at 31 December 2013, the total value of the Property was HK\$6,642 million for the PCCW Group, which comprised investment property at valuation of HK\$6,603 million and land and buildings at cost of HK\$39 million.

4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Disposal

The PCPD Group is principally engaged in the development and management of premium property and infrastructure projects as well as investment in premium-grade buildings in Asia.

As PCPD continues to consider various business and investment opportunities, PCPD is exploring different methods to satisfy the anticipated funding requirements of the PCPD Group. Given that the global economy has shown signs of stabilisation and gradual recovery, the PCPD Directors consider that the Disposal represents a good opportunity for the PCPD Group to realise the Property at a reasonable price such that the overall financing resources of the PCPD Group could be enhanced.

Following the completion of the Residence Bel-Air project in Hong Kong, PCPD is committed to building its presence in Asia, particularly in economies that are experiencing high growth. It is believed that the Disposal would release the PCPD Group's capital, allowing PCPD to focus its resources on the existing landmark developments in Hokkaido, Japan and Phang-nga, Thailand as well as the project in Jakarta, Indonesia and at the same time to provide greater financial flexibility for the PCPD Group to explore and capitalise on business and investment opportunities globally.

In Indonesia, the PCPD Group plans to develop a 40-storey Grade A office building with development area of not less than 132,000 square metres; the project site is located in Sudirman CBD, one of the prime business districts within what is referred to as the Golden Triangle of Jakarta. This project has quickly proceeded to the design and planning stage. The ground-breaking ceremony was held on 30 October 2013 and the project is expected to be completed by the end of 2016 and to be operational by 2017.

In Japan, the PCPD Group is developing an all-season resort project at Hanazono in Hokkaido, Japan. The development will consist of hotels, apartments and villas. The planning works for this project is progressing in accordance with its schedule, where the ski business has already been in operation. The detailed design works of Hanazono all-season resort project in Hokkaido, Japan is making good progress.

In Thailand, development plans for luxury resort complexes in Thai Muang Beach, Phang-nga in Southern Thailand, represent long-term expansion prospects for the PCPD Group. The planning works for the Phang-nga project continue in accordance with its schedule. The PCPD Group has signed contracts with one of the top-class international hotel operators for the management of a hotel in the project in Phang-nga, Southern Thailand. The master planning for the project in Phang-nga, Southern Thailand is progressing in accordance with its schedule. In addition to the development projects as mentioned above, the businesses of the PCPD Group include property and facilities management.

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Following completion of the Disposal, in addition to the PCPD Group's commitment to the existing business projects in Japan, Thailand and Indonesia, it is also the key business objective of the PCPD Group to continue to explore other suitable business and investment opportunities in the PRC. As a key driver of global economic growth, the PRC remains the PCPD Group's top priority for business investments, including property development projects and property investment opportunities that are in line with PCPD's principal business. The PCPD Group would evaluate any proposals, including those involving the PRC, as it considers appropriate and would analyse the advantages and disadvantages involved.

The Disposal will provide the PCPD Group with cash flow and greater financial flexibilities and it may benefit the PCPD Group's long term growth and profitability. As at 31 December 2013, PCPD had cash (including cash equivalents) amounting to approximately HK\$866 million which includes the amount drawn down under the term loan facility of HK\$1,500 million under the HKD Facility Documents; such loan facility will be fully repaid upon Completion.

The Consideration was determined after arm's length negotiations between Excel Bright and the Purchaser with the value of the Property of USD928,000,000 (equivalent to approximately HK\$7,201,280,000) being determined on the basis of prevailing property market conditions whilst the initial and final adjustments will be made to cover the fair value of other assets and liabilities within the Gain Score Group. The value of the Property payable by the Purchaser is approximately 8% higher than the book value as at 31 December 2013.

Although PCPD is majority-owned by PCCW, PCPD is a separately listed company with its own board of directors. Having regard to the reasons for and benefits of the Disposal as described by the PCPD Directors, the PCCW Directors, including the independent non-executive PCCW Directors, consider that the terms of the SPA are on normal commercial terms and are fair and reasonable and the Disposal is in the interest of the PCCW Shareholders as a whole.

The payment of the Break-up Fee

In order to secure that the Purchaser pays to Excel Bright an amount of USD417,600,000 (equivalent to approximately HK\$3,240,576,000) before the date of the PCPD SGM for the protection of Excel Bright in the event of default of the Purchaser and to compensate the Purchaser for the loss of opportunity in the event that the PCPD Shareholders and PCCW Shareholders do not approve the SPA, Excel Bright and the Purchaser agreed on a Break-up Fee arrangement.

Although PCPD is majority-owned by PCCW, PCPD is a separately listed company with its own board of directors. Having regard to the reasons for and benefits of the Disposal as described by the PCPD Directors, the PCCW Directors, including the independent non-executive PCCW Directors, consider that the terms of the SPA are on normal commercial terms and are fair and reasonable and the payment of the Break-up Fee, if any, is in the interest of the PCCW Shareholders as a whole, in the context of the agreed terms of the Disposal.

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5. FINANCIAL EFFECTS OF THE TRANSACTIONS AND USE OF PROCEEDS

Financial effects of the Disposal

Set out below is a summary of unaudited consolidated income statement of the Gain Score Group for the years ended 31 December 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
	(unaudited)	(unaudited)	(unaudited)
<i>HK\$ million</i>			
Revenue	260	239	236
Profit before taxation	153	460	732
Profit after taxation	104	342	534

The unaudited consolidated net asset value of the Gain Score Group was approximately HK\$3,835 million as at 31 December 2013 according to PCCW's latest unaudited management report. It is expected that, for illustrative purpose only, the Disposal will result in an estimated consolidated profit before taxation for the PCCW Group of approximately HK\$2,661 million which is based on (i) the Initial Consideration of USD928 million (equivalent to approximately HK\$7,201 million); (ii) the estimated Final Adjustment of USD12.5 million (equivalent to approximately HK\$97 million); (iii) the unaudited consolidated net asset value of the Gain Score Group of approximately HK\$3,835 million; (iv) the exchange reserve of approximately HK\$1,321 million in relation to the Gain Score Group to be transferred to profit and loss upon Disposal; (v) an estimated cash settlement of indebtedness of approximately HK\$241 million against the outstanding indebtedness owed by the Gain Score Group to Excel Bright of approximately HK\$2,294 million; and (vi) the related expenses of approximately HK\$70 million.

The actual gain or loss arising from the Disposal would be different from the above and will be subject to audit and determined based on (i) the amounts as at the date of Completion of the Gain Score Group's consolidated net assets/liabilities (as the case may be); (ii) the Shareholder Loan and the exchange reserve balance; (iii) the prevailing Exchange Rate; and (iv) the actual amount of expenses incidental to the Disposal.

Upon Completion, the Gain Score Group Companies will cease to be subsidiaries of PCCW, and PCCW will no longer have any ownership interest in the land use rights and property rights in the Property. The profit and loss and the assets and liabilities of the Gain Score Group will no longer be consolidated into the PCCW Group's consolidated financial statements.

The major assets of the PCPD Group upon Completion include the property development projects in Hokkaido, Japan, Phang-nga, Thailand and Jakarta, Indonesia.

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Use of proceeds

PCPD intends to use the net proceeds from the Disposal, after fully repaying all outstanding balances in the amount of HK\$1,500 million under the HKD Facility Documents upon Completion, as general working capital, to repay existing debts (including towards financing the redemption of the 2014 Convertible Note which remains outstanding and has not otherwise been converted or redeemed by other means on the maturity date of the 2014 Convertible Note) and partly as funds for the purposes of funding the existing projects in Japan, Thailand and Indonesia, and for further business developments and investments that may be undertaken by the PCPD Group in the coming future, including new development projects and new investment schemes, in Asia or overseas.

Financial effects of the payment of the Break-up Fee

The payment of the Break-up Fee of USD100,000,000 (equivalent to approximately HK\$776,000,000), if materialised, will be expensed in the consolidated income statements for the PCCW Group, and will result in a loss of USD100,000,000 (equivalent to approximately HK\$776,000,000) for the PCCW Group.

6. SALES AND POSSIBLE FURTHER SALES OF PCPD SHARES BY PCCW TO EXPAND PCPD'S INVESTOR BASE AND INCREASE ITS PUBLIC FLOAT AND TRADING LIQUIDITY

It is mentioned in the Announcement that PCCW might (following the publication of the Announcement) explore ways to expand PCPD's shareholder base, including the possibility of selling some of the PCPD Shares held by PCCW's relevant wholly-owned subsidiaries, with the intention of increasing its public float and trading liquidity. In any event, PCCW would still maintain its majority indirect shareholding in PCPD. The PCCW Directors consider that it would be in the interests of all PCPD Shareholders and all PCCW Shareholders for PCPD's investor base to be expanded and for the number of PCPD Shares held by the public to be increased.

It is also mentioned in the Announcement that, as part of any such sale of PCPD Shares, PCCW may arrange for its wholly-owned subsidiary which holds the 2014 Convertible Note to convert all or part of the 2014 Convertible Note into PCPD Shares.

As mentioned above, PCPD may elect to apply part of the proceeds from the Disposal to finance the redemption of the 2014 Convertible Note which remains outstanding and which has not otherwise been converted or redeemed by other means on its maturity date of 9 May 2014.

Following the publication of the Announcement, PCCW's wholly-owned subsidiary sold 9,045,000 PCPD Shares (representing approximately 2.27% of the issued share capital of PCPD) by way of on-market transactions during the period from the date after the date of the Announcement to the Latest Practicable Date (both dates inclusive), at an average price of approximately HK\$5.55 per PCPD Share. Following completion of such disposals, the shareholding of PCCW and its wholly-owned subsidiaries in PCPD was reduced from approximately 74.50% of PCPD's issued share capital to approximately 72.23%. As at the Latest Practicable Date, PCCW has not arranged for its wholly-owned subsidiary which holds the 2014 Convertible Note to convert any part of the 2014 Convertible Note into PCPD Shares.

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PCCW may continue to explore ways to expand PCPD's shareholder base, including the possibility of, after the Latest Practicable Date, selling additional PCPD Shares held by PCCW's relevant wholly-owned subsidiaries, conversion of all or part of the 2014 Convertible Note into PCPD Shares, or a combination of the foregoing.

7. LISTING RULES IMPLICATIONS

As not all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Disposal are less than 25% but all the applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for PCCW under Chapter 14 of the Listing Rules. Hence, the sale and purchase of the Sale Share and the assignment of the Shareholder Loan are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The EGM will be convened by PCCW to consider and, if thought fit, approve the sale and purchase of the Sale Share and the assignment of the Shareholder Loan subject to the terms and conditions of the SPA.

PCRD has provided a written undertaking to the Purchaser and PCCW to vote all the PCCW Shares in respect of which it is then entitled to exercise voting rights in favour of the ordinary resolution(s) of PCCW Shareholders to be proposed to approve the Disposal at the EGM and to maintain its current shareholding in PCCW (except for a reduction of the number of PCCW Shares held pursuant to any pro rata repurchase of PCCW Shares by PCCW from its shareholders) until the time of the vote on the ordinary resolution(s) to approve the Disposal at the EGM (with the EGM to be held no later than 28 August 2014). As at the Latest Practicable Date, PCRD holds 1,548,211,301 PCCW Shares, which represent approximately 21.29% of the issued and paid up capital of PCCW.

Unconditionality of the Break-up Fee

As mentioned above, if the SPA is terminated due to the failure to fulfill the conditions precedent to Completion referred to in the section headed "The SPA – Conditions" in the Letter from the Board contained in this Circular on or before 28 August 2014 (or such other date as Excel Bright and the Purchaser may agree in writing), PCPD will be required to pay the Break-up Fee of USD100,000,000 (equivalent to approximately HK\$776,000,000) to the Purchaser. For the avoidance of doubt, the obligation of PCPD to pay the Break-up Fee in such event is not conditional upon the approval by the PCPD Shareholders at the PCPD SGM or the approval by the PCCW Shareholders since, in respect of PCPD, the payment of the Break-up Fee has been approved by a wholly-owned subsidiary of PCCW, Asian Motion Limited, as holder of more than 50% of the PCPD Shares in issue giving the right to attend and vote at general meetings of PCPD by way of written approval, as permitted by Rule 14.44 of the Listing Rules and, in respect of PCCW, the payment of the Break-up Fee is not a notifiable transaction for PCCW under Chapter 14 of the Listing Rules.

8. INFORMATION ON THE PCPD GROUP, THE PCCW GROUP AND THE PURCHASER

The PCPD Group is principally engaged in the development and management of premium property and infrastructure projects as well as investment in premium-grade buildings in Asia. The principal activity of Excel Bright is investment holding.

LETTER FROM THE BOARD

The principal activities of the PCCW Group are the provision of local, mobile and international telecommunications services, Internet access services, interactive multimedia and pay-TV services, the sale and rental of telecommunications equipment, and the provision of computer, engineering and other technical services primarily in Hong Kong, and also in mainland China and elsewhere in the Asia Pacific region; investments in, and development of, systems integration, network engineering, and technology-related businesses; and investments in, and development of, infrastructure and properties in Hong Kong, mainland China and elsewhere in the Asia Pacific region.

The Purchaser is principally engaged in property investment holding, and is owned by real estate private equity funds managed by Gaw Capital Partners.

9. EGM

As no PCCW Shareholder has a material interest in the SPA (or the transactions contemplated thereunder) different from any other PCCW Shareholder, all PCCW Shareholders are entitled to vote on the ordinary resolution to approve the Disposal to be proposed at the EGM.

A notice convening the EGM to be held in the Conference Room, 14th Floor, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong on Thursday, 8 May 2014 at 4:30 p.m. (or so soon thereafter as the annual general meeting of PCCW convened at the same place and on the same date at 4:00 p.m. shall have been concluded or adjourned) is set out on pages 51 to 52 of this Circular. At the EGM, PCCW Shareholders will be requested to consider and, if thought fit, pass (with or without amendments) the ordinary resolution to approve, among other things, the Disposal. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of PCCW Shareholders at a general meeting must be taken by poll. Therefore, the resolution put to the vote at the EGM will be taken by way of poll. After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and PCCW.

A form of proxy for use by the PCCW Shareholders at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of PCCW, Computershare Hong Kong Investor Services Limited, Investor Communications Centre, by hand or by post, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish, but in the event of your attending the EGM or any adjourned meeting after having lodged the form of proxy, the form of proxy will be deemed to have been revoked.

10. RECOMMENDATION

The PCCW Directors, including the independent non-executive PCCW Directors, consider that the terms of the SPA are fair and reasonable and the transactions contemplated thereunder are in the interests of PCCW and the PCCW Shareholders as a whole. Accordingly, the PCCW Directors, including the independent non-executive PCCW Directors, recommend the PCCW Shareholders to vote in favour of the ordinary resolution to be proposed in relation to the Disposal at the EGM.

LETTER FROM THE BOARD

11. GENERAL

PCCW Shareholders and potential investors of PCCW should note that Completion is subject to a number of conditions. There is no assurance that the Disposal will be completed. PCCW Shareholders and potential investors of PCCW should, accordingly, exercise caution when dealing in the PCCW Shares.

12. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Circular and the notice of EGM.

Yours faithfully,
By order of the board of
PCCW Limited
Chan Ching Cheong, George
Group Managing Director

1. CONSOLIDATED FINANCIAL INFORMATION OF THE PCCW GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

Financial information of the PCCW Group for each of the three years ended 31 December 2011, 2012 and 2013 are disclosed on pages 50 to 137 of PCCW's annual report for the year ended 31 December 2011, pages 53 to 145 of PCCW's annual report for the year ended 31 December 2012, and pages 55 to 173 of PCCW's annual report for the year ended 31 December 2013, all of which are published on both the websites of the Stock Exchange (<http://www.hkexnews.hk>) and PCCW (<http://www.pccw.com/ir>) and which can be accessed by the direct hyperlinks below:

- (i) the annual report of PCCW for the year ended 31 December 2011:

[http://www.pccw.com/staticfiles/PCCWCorpsite/About%20PCCW/Investor%20Relations/Financial%20Results/2011/E_PCCW%20AR%20\(W00008\).pdf](http://www.pccw.com/staticfiles/PCCWCorpsite/About%20PCCW/Investor%20Relations/Financial%20Results/2011/E_PCCW%20AR%20(W00008).pdf)

- (ii) the annual report of PCCW for the year ended 31 December 2012:

http://www.pccw.com/staticfiles/PCCWCorpsite/About%20PCCW/Investor%20Relations/Announcements%20&%20Notices/2013/Mar/e01_EW00008_AR2012.pdf

- (iii) the annual report of PCCW for the year ended 31 December 2013:

http://www.pccw.com/staticfiles/PCCWCorpsite/About%20PCCW/Investor%20Relations/Announcements%20&%20Notices/2014/Mar/E1W00008_AR.pdf

2. INDEBTEDNESS

As at the close of business on 28 February 2014, being the latest practicable date for the purpose of this indebtedness statement, the PCCW Group had outstanding borrowings of approximately HK\$29,258 million which comprised unsecured bank loans and other borrowings of approximately HK\$27,792 million and secured bank loans of approximately HK\$1,466 million.

As at 28 February 2014, certain assets of the PCCW Group with an aggregate carrying value of approximately HK\$6,605 million were pledged to banks to secure banking facilities for the PCCW Group.

As at the close of business on 28 February 2014, the PCCW Group had contingent liabilities of approximately HK\$424 million in respect of performance guarantees for its subsidiaries in the normal course of business and other guarantees of approximately HK\$119 million.

Save as aforesaid and apart from intra-group liabilities, the PCCW Group did not have, at the close of business on 28 February 2014, any loan capital, issued and outstanding, or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, material obligations under hire purchase contracts or finance leases, guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing at the close of business on 28 February 2014.

3. WORKING CAPITAL

Taking into account the expected completion of the Disposal and the proposed acquisition of CSL New World Mobility Limited (“CSLNW”) as set out in the circular of PCCW dated 31 December 2013, and based on the expected cash flows, banking facilities available, internal resources of the PCCW Group and the short-term commercial banking facility to be provided to the HKT Group for the purposes of financing the acquisition of CSLNW, the PCCW Directors are of the opinion that the PCCW Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances for at least the next 12 months from the date of this Circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE PCCW GROUP

The PCCW Group operates its business under, among others, the following business segments: (i) media business includes interactive pay-TV service, Internet portal multimedia entertainment platform and the PCCW Group’s directories operations in Hong Kong and mainland China; (ii) solutions business offers information and communications technologies services and solutions in Hong Kong and mainland China; (iii) HKT offers telecommunications services and (iv) PCPD covers the PCCW Group’s property portfolio in Hong Kong, mainland China and elsewhere in Asia.

In terms of the media business, NOW TV will continue to strengthen its programming and production capabilities in order to bring viewers higher quality and differentiated content. The solutions business is expected to exhibit sustained growth capitalising on its leading position in the IT services industry and riding on the endogenous growth of data center on the back of structural demand of data traffic. HKT will continue to capitalise on its fiber-to-the-home (“FTTH”) network advantages locally and on its global network coverage with additional capacity and resilience internationally to drive profitability and cashflow growth.

In relation to the property portfolio, all of the residential units held by the PCPD Group in Hong Kong have been sold. Henceforth, the PCPD Group will focus on its existing overseas projects and it will also examine other new investment opportunities in Hong Kong, mainland China and any other suitable cities elsewhere which are enjoying economic prosperity and the affluent population of which is rapidly growing, with a particular focus on Asia. This is exemplified by its recent acquisition of a site in Jakarta, Indonesia. The initial planning work for this project is now in full swing and the ground-breaking ceremony was held on 30 October 2013, and the PCPD Group expects a world-class office building to be operational in this prime location by 2017.

The PCPD Group believes that its brand as a premium property developer is its most valuable intangible asset, and that forms a solid foundation for its future projects in Hong Kong and in other Asian countries.

In addition to the abovementioned project in Jakarta, the designing works are continuing for the first phase of the PCPD Group’s Hanazono all-season resort project in Hokkaido, Japan. The planning for the project in Phang-nga, Southern Thailand, has reached a very advanced stage and is also making good progress. Both of these overseas projects will require substantial investment lead-time before they will contribute any income to the PCPD Group.

The following is the text of a letter, the Summary of Value and the Valuation Certificate prepared for the purpose of incorporation in this Circular received from Colliers International (Hong Kong) Ltd., an independent valuer, in connection with its valuation as at 28 February 2014 of the Property.



Colliers International (Hong Kong) Ltd.
Valuation & Advisory Services
Company Licence No: C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong



The Board of Directors

PCCW Limited
41st Floor, PCCW Tower,
TaiKoo Place, 979 King's Road,
Quarry Bay, Hong Kong

16 April 2014

Dear Sir/Madam,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the market value of the property as more particularly described in the Building Ownership Rights Certificates (as mentioned in Note 2 to the attached Valuation Certificate) (the "Property") held by Pacific Century Premium Developments Limited (referred to as "PCPD"), a non-wholly owned subsidiary of PCCW Limited, and/or its subsidiaries (together referred to as the "PCPD Group") in Beijing of the People's Republic of China (the "PRC"). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 28 February 2014 (the "Valuation Date").

BASIS OF VALUATION

Our valuation has been undertaken on the basis of Market Value, which is defined by The Hong Kong Institute of Surveyors ("HKIS") as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

In the course of our valuation, we have considered that the Income Capitalisation Approach is a reasonable and appropriate valuation methodology to be adopted for assessing the market value of the Property. It is particularly relevant for the valuation of well-established income-producing property that can be expected to have relatively stabilised income streams in the future as it can reflect prevailing economic and investment market conditions, the existing tenancy profile (including, without limitation, the existing rental income and occupancy level, tenancy commencement and expiry profiles, and tenancy duration) and the period of the unexpired term of the land use rights of the Property.

The Income Capitalisation Approach is a valuation method commonly applied for investment property. The rental income derived from the existing tenancies are capitalised for their respective unexpired terms of the contractual tenancies, while vacant units are assumed to be let at their respective market rents at the Valuation Date. Upon expiry of the existing tenancies, the Property is assumed to be let at its current market rent as at the Valuation Date, which is then capitalised for the remaining term of the land use rights of the Property. The sum of the capitalised value of the term income, the reversionary income as appropriately deferred and the vacant units provide the market value of the Property.

In our analysis of the Property, we have deducted amounts for business tax, real estate tax, sales and marketing, building insurance, property management fee and replacement of furniture, fixtures and equipment.

For cross-checking purposes, we have used the Sales Comparison Approach by reference to comparable sales evidence as available in the relevant market. By analysing comparable sales which qualify as ‘arms-length’ transactions between willing buyers and sellers, adjustments for relevant factors have been made when comparing such sales with the Property.

VALUATION STANDARDS

The valuation has been carried out in accordance with the HKIS Valuation Standards (2012 Edition) published by HKIS, the RICS Valuation – Professional Standards (January 2014) incorporating the International Valuation Standards published by the Royal Institution of Chartered Surveyors, the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the International Valuation Standards published by the International Valuation Standards Council.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the Property. However, we have not scrutinised the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the PCPD Group.

We have relied on the advice given by the PCPD Group’s legal adviser, Dacheng Law Offices, on the PRC laws, regarding the title to the Property in the PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of PCPD Group’s legal adviser.

All legal documents disclosed in this letter, the Summary of Value and the Valuation Certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal title to the Property set out in this letter, Summary of Value and Valuation Certificate.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the PCPD Group and its legal adviser, Dacheng Law Offices, in respect of the title to the Property in the PRC. We have also accepted advice given to us on matters such as tenancy schedules, statutory notices, easements, tenure, floor areas, building plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the PCPD Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the PCPD Group which is material to the valuation.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property. The site inspection was carried out on 6 January 2014 by our Gregory Tam, who is a qualified surveyor and has over 16-year experience in property valuations. However, we have not carried out an investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the utility services.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the PCPD Group sells the Property on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect their values, though they are subject to the existing tenancy agreements.

No allowances have been made in our valuation for any charges, mortgages or amounts owing neither on the Property nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

This report and our valuation are for the use of PCCW Limited and its subsidiaries and the report is only for the use of the parties to whom it is addressed and for no other purpose. No responsibility to any third party who may use or rely on the whole or any part of the content of this valuation is accepted.

We have made the following assumptions:

- All information on the Property provided by the PCPD Group is correct.
- Proper ownership titles to and relevant planning approvals of the Property have been obtained, all payable land premiums, land use rights fees and other relevant fees have been fully settled and the Property can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- We have been provided with the tenancy schedules and abstract of the Tenancy Agreement by the PCPD Group. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- Unless otherwise stated, we have not carried out any valuation on a redevelopment basis or the study of possible alternative options.
- No acquisition costs or disposal costs have been taken into account in the valuation.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We hereby certify that we have neither present nor a prospective interest in the Property or the value reported.

Our Summary of Value and Valuation Certificate are attached hereto.

Yours faithfully,
For and on behalf of

Colliers International (Hong Kong) Ltd.

David Faulkner
BSc(Hons) FRICS FHKIS RPS(GP) MAE
Executive Director
Valuation & Advisory Services – Asia

Gregory Tam
BSc(Hons) MRICS MHKIS RPS(GP)
Director
Valuation & Advisory Services

Note:

David Faulkner is a Chartered Surveyor and has over 30 years' experience in the valuation of properties of this magnitude and nature, and over 25 years' experience in Hong Kong, the PRC and Asia region.

Gregory Tam is a Chartered Surveyor and has over 16 years' experience in the valuation of properties of this magnitude and nature in Hong Kong, the PRC and Asia region.

SUMMARY OF VALUE**Group I – Property held by the PCPD Group for Investment**

Property	Market Value in existing state as at 28 February 2014 RMB
Portions of Pacific Century Place, No. 2A Gong Ren Ti Yu Chang Bei Lu, Chaoyang District, Beijing, The PRC	5,240,000,000
中國北京朝陽區工人體育場北路甲2號盈科中心之部份面積	
Total:	5,240,000,000

VALUATION CERTIFICATE

Group I – Property held by the PCPD Group for Investment

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 28 February 2014																								
Portions of Pacific Century Place, No. 2A Gong Ren Ti Yu Chang Bei Lu, Chaoyang District, Beijing, The PRC 中國北京朝陽區 工人體育場北路甲2號 盈科中心之部份面積	The Property forms part of a composite development known as “Pacific Century Place” (the “Development”). It is located in the western part of Chaoyang District and situated on the south side of Gong Ren Ti Yu Chang Bei Lu, close to its junction with East 3rd Ring Road North. The neighbouring developments include Waijiao Apartment to the north, the Comfort Inn & Suites Beijing to the west and Zhaolong Hotel to the east. The region is well developed as a commercial/residential district. The Development comprises two office buildings (Towers A & B) and two service apartment buildings (Towers C & D), erected on a five-storey shopping mall with car parking spaces allocated on Levels 1-3 and in the basement. The Development was built between 1998 and 2001. The Property has a total gross floor area (“GFA”) of approximately 196,107.55 sq.m. (or about 2,110,901.67 sq.ft.). The GFA breakdowns are as follows: <table><tr><th>Uses</th><th>No. of Storey[#]</th><th>GFA (sq.m.)</th></tr><tr><td>Office Tower A</td><td>20-storey (L6, L8-L26)</td><td>41,717.25</td></tr><tr><td>Office Tower B</td><td>11-storey (L6-L16)</td><td>20,103.93</td></tr><tr><td>Apartment Tower C</td><td>19-storey (L5-L23)</td><td>21,718.13</td></tr><tr><td>Apartment Tower D</td><td>9-storey (L7-L15)</td><td>10,945.80</td></tr><tr><td>Commercial Podium</td><td>6-storey (L1-L5, B1)</td><td>75,430.62</td></tr><tr><td>Carpark & its ancillary use (861 units)</td><td>5-storey (L1-L3, B1-B2)</td><td>26,191.82</td></tr><tr><td>Total</td><td></td><td>196,107.55</td></tr></table>	Uses	No. of Storey [#]	GFA (sq.m.)	Office Tower A	20-storey (L6, L8-L26)	41,717.25	Office Tower B	11-storey (L6-L16)	20,103.93	Apartment Tower C	19-storey (L5-L23)	21,718.13	Apartment Tower D	9-storey (L7-L15)	10,945.80	Commercial Podium	6-storey (L1-L5, B1)	75,430.62	Carpark & its ancillary use (861 units)	5-storey (L1-L3, B1-B2)	26,191.82	Total		196,107.55	According to the tenancy schedules dated 28 February 2014 provided by the PCPD Group, Office Tower A of the Property is about 88.9% tenanted whilst Office Tower B of the Property is about 90.0% tenanted. Apartment Tower C and D are partially occupied at occupancy rates of 72.8% and 57.2% respectively. The occupancy rate of Commercial Podium of the Property is about 19.5%. The total passing rental of the Property as at the date of valuation was RMB16,474,917 per month, inclusive of management fee.	RMB5,240,000,000
Uses	No. of Storey [#]	GFA (sq.m.)																									
Office Tower A	20-storey (L6, L8-L26)	41,717.25																									
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Apartment Tower C	19-storey (L5-L23)	21,718.13																									
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Commercial Podium	6-storey (L1-L5, B1)	75,430.62																									
Carpark & its ancillary use (861 units)	5-storey (L1-L3, B1-B2)	26,191.82																									
Total		196,107.55																									

[#] see Note 8 below.

The land use rights of the Property have been granted for various terms expiring on 3 January 2044 for office use, expiring on 3 January 2064 for residential use, 3 January 2034 for commercial use and 15 June 2048 for carpark use.

Notes:

1. Pursuant to three State-owned Land Use Certificates (國有土地使用證), Jing Chao Guo Yong (2009 Chu) Di No. 0570 dated 20 November 2009 (and revised on 28 December 2009), Jing Chao Guo Yong (2009 Chu) Di No. 0571 dated 20 November 2009 and Jing Chao Guo Yong (2009 Chu) Di No. 0599 dated 15 December 2009, issued by Beijing City State Land Resources Bureau (北京市國土資源局), the land use rights of certain parts of the three parcels of land have been granted to Beijing Jing Wei House and Land Estate Development Co., Ltd. (北京京威房地產開發有限公司) (“Beijing Jing Wei”). Details of the said certificates are summarised as follows:

Land Parcel	Title Document No.	Permitted Use	Land Use Rights Expiry Date	Site Area (sq.m.)
I	Jing Chao Guo Yong (2009 Chu) Di No. 0570 京朝國用(2009出)第0570號	Commercial Office Residential	3-Jan-2034 3-Jan-2044 3-Jan-2064	12,543.74
II	Jing Chao Guo Yong (2009 Chu) Di No. 0571 京朝國用(2009出)第0571號	Commercial Office	3-Jan-2034 3-Jan-2044	11,457.12
III	Jing Chao Guo Yong (2009 Chu) Di No. 0599 京朝國用(2009出)第0599號	Car Park Building	15-Jun-2048	3,026.76
Total				27,027.62

As advised by the PCPD Group, the Property occupies only certain portions of the above land parcels.

2. Pursuant to three Building Ownership Rights Certificates (房屋所有權證), Jing Fang Quan Zheng Chao Qi 10 Zi No. 003015, dated 6 February 2010, X Jing Fang Quan Zheng Chao Zi No. 804988 and X Jing Fang Quan Zheng Chao Zi No. 804977 both dated 5 February 2010, issued by Beijing City Housing and Township Construction Committee (北京市住房和城鄉建設委員會), the building ownership rights of the Property have been granted to Beijing Jing Wei.
3. Based on three Beijing City Buildings Registration Forms (北京市房屋登記表) all dated 4 February 2010 attached to the Building Ownership Rights Certificates referred to in Note 2 above, we have gathered and set out in the following table the salient details of the buildings of the Property:

No.	Title Document No.	Building Use #	GFA (sq.m.)
I	Jing Fang Quan Zheng Chao Qi 10 Zi No. 003015 京房權證朝其10字第003015號	Office Tower A (Level 6 & 8 – 26) Apartment Tower C (Level 5 – 23) Apartment Tower D (Level 7 – 15) Basement Car Parking (Level B2)	41,717.25 21,718.13 10,945.80 14,670.70
II	X Jing Fang Quan Zheng Chao Zi No. 804988 X京房權證朝字第804988號	Commercial Podium (Level 1 – 5) Ancillary Car Parking Block (B1) Office Tower B (Level 6 – 16)	67,916.63 7,513.99 20,103.93
III	X Jing Fang Quan Zheng Chao Zi No. 804977 X京房權證朝字第804977號	Ancillary Car Parking Block (Level 1–3, Basement, Ancillary Rooms 1 & 2)	11,521.12
Total			196,107.55

See Note 8 below.

4. Pursuant to a Renminbi Lending Mortgage Agreement (人民幣貸款抵押合同) and its supplementary agreement dated 30 November 2012 and 15 May 2013 respectively, entered into between Beijing Jing Wei and Standard Chartered Bank (China) Limited, Beijing Branch (渣打銀行(中國)有限公司北京分行) (“mortgagee”), a first-mortgage over the Property was granted in favour of the mortgagee for a term from 8 October 2012 to 8 October 2015 for a loan of RMB100,000,000.
5. According to the legal opinion on the title to the Property issued by the PCPD Group’s PRC legal adviser:
- Beijing Jing Wei has a proper legal title to the Property and is entitled to occupy, use, make profit from or deal with the land use rights and building ownership rights of the Property with the granted residual term of its land lease at no extra land premium or other onerous payments payable to the government or other local authorities.
 - Beijing Jing Wei co-owns or owns the right to use the ancillary equipment and facilities and roads and landscape within the Development.

- c) The Property is not subject to lien.
 - d) Portions of the Property have been leased out.
 - e) The Property has been mortgaged in favour of the mortgagee and the mortgage has been registered. The rights to deal with and any further mortgages of the Property are restricted by the existing mortgage.
6. We have prepared our valuation based on the following assumptions:
- a) Beijing Jing Wei has a proper legal title to the Property and is entitled to occupy, transfer, dispose, lease out or deal with the Property with the granted residual term of its land lease at no extra land premium or other onerous payments payable to the government or other local authorities.
 - b) All land premium and costs of public utilities services have been settled in full.
 - c) The Property is not subject to any mortgages or encumbrances.
 - d) The Property is in compliance with local planning regulations and has been approved by relevant government authorities and there is no height restriction.
 - e) The Property can be freely disposed of to the local or overseas markets.
7. Beijing Jing Wei is a 100% indirect-subsiary of PCPD.
8. For the avoidance of doubt, the following portions of the Development do not form part of the Property and thus are not included in the table above:
- a) the entire 7th Floor, Unit Nos. 802A-803, 805-808 on 8th Floor, Unit Nos. 901, 902, 902A, 903, 905-908 and 917A on 9th Floor, Unit Nos. 1501-1510 on 15th Floor of Tower A;
 - b) 8 car parking spaces on Basement Level 2 of Tower A;
 - c) the entire 16th – 24th Floors of Tower D; and
 - d) 36 car parking spaces on Basement Level 2 of Tower D.

1. RESPONSIBILITY STATEMENT

This Circular, for which the PCCW Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to PCCW. The PCCW Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS

- (i) **Directors' and chief executives' interests and short positions in shares, share stapled units jointly issued by the HKT Trust and HKT (the "Share Stapled Units"), underlying shares, underlying Share Stapled Units and debentures of PCCW and its associated corporations**

As at the Latest Practicable Date, the PCCW Directors and chief executives of PCCW and their respective associates had the following interests and short positions in the shares, Share Stapled Units, underlying shares, underlying Share Stapled Units and debentures of PCCW and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to PCCW and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by PCCW referred to therein; or (c) were otherwise required to be notified to PCCW and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules:

(A) *Interests in PCCW*

The table below sets out the aggregate long positions in the shares and underlying shares of PCCW held by the PCCW Directors and chief executives of PCCW:

Name of Director/ Chief Executive	Number of ordinary shares held				Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	–	–	271,666,824 (Note 1(a))	1,740,004,335 (Note 1(b))	–	2,011,671,159	27.66%
Chan Ching Cheong, George	1,923,100	–	100,000 (Note 2(a))	7,580,500 (Note 2(b))	–	9,603,600	0.13%
Hui Hon Hing, Susanna	650,589	–	–	650,588 (Note 3)	–	1,301,177	0.02%
Lee Chi Hong, Robert	992,600 (Note 4(a))	511 (Note 4(b))	–	–	–	993,111	0.01%
Tse Sze Wing, Edmund	–	340,000 (Note 5)	–	–	–	340,000	0.005%
Dr The Hon Sir David Li Kwok Po	1,000,000	–	–	–	–	1,000,000	0.01%

Notes:

1. (a) Of these shares, Pacific Century Diversified Limited (“**PCD**”), a wholly-owned subsidiary of Chiltonlink Limited (“**Chiltonlink**”), held 237,919,824 shares and Eisner Investments Limited (“**Eisner**”) held 33,747,000 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests represented:
 - (i) a deemed interest in 36,726,857 shares of PCCW held by Yue Shun Limited (“**Yue Shun**”), a subsidiary of Hutchison Whampoa Limited (“**HWL**”). Cheung Kong (Holdings) Limited (“**Cheung Kong**”) through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares of PCCW held by Yue Shun;
 - (ii) a deemed interest in 154,785,177 shares of PCCW held by Pacific Century Group Holdings Limited (“**PCGH**”). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 154,785,177 shares of PCCW held by PCGH;

- (iii) a deemed interest in 1,548,211,301 shares of PCCW held by PCRD, a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 77.12% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,548,211,301 shares of PCCW held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 0.93% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard; and
 - (iv) a deemed interest in 281,000 shares of PCCW held by PineBridge Investments LLC (“**PBI LLC**”) in the capacity of investment manager. PBI LLC was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 281,000 shares of PCCW held by PBI LLC in the capacity of investment manager.
- 2.
 - (a) These shares were held by Butternut Pacific Resources Limited (“**Butternut**”), which was 100% owned by Chan Ching Cheong, George.
 - (b) These interests represented share awards made to Chan Ching Cheong, George which were subject to certain vesting conditions pursuant to a share award scheme of PCCW, namely the Purchase Scheme.
- 3. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.
- 4.
 - (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.
 - (b) These shares were held by the spouse of Lee Chi Hong, Robert.
- 5. These shares were held by the spouse of Tse Sze Wing, Edmund.

(B) *Interests in the associated corporations of PCCW*

PCCW-HKT Capital No.4 Limited

FWD Life Insurance Company (Bermuda) Limited (“**FWD**”) held US\$9,000,000 of 4.25% guaranteed notes due 2016 issued by PCCW-HKT Capital No.4 Limited, an associated corporation of PCCW. Li Tzar Kai, Richard indirectly owned an approximate 87.7% interest in FWD.

HKT Trust and HKT

The table below sets out the aggregate long positions in the Share Stapled Units held by the PCCW Directors and chief executives of PCCW:

Name of Director/ Chief Executive	Number of Share Stapled Units held				Number of underlying Share Stapled Units held under equity derivatives	Approximate percentage of issued Share Stapled Units
	Personal interests	Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	–	–	177,552,046 (Note 1(a))	125,358,732 (Note 1(b))	–	302,910,778 4.72%
Chan Ching Cheong, George	46,413	–	7,205 (Note 2(a))	120,391 (Note 2(b))	–	174,009 0.003%
Hui Hon Hing, Susanna	165,187	–	–	165,187 (Note 3)	–	330,374 0.01%
Lee Chi Hong, Robert	43,156 (Note 4(a))	22 (Note 4(b))	–	–	–	43,178 0.0007%
Tse Sze Wing, Edmund	–	208,499 (Note 5)	–	–	–	208,499 0.003%
Dr The Hon Sir David Li Kwok Po	143,477	–	–	–	–	143,477 0.002%

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in HKT; and
- (b) one voting preference share of HK\$0.0005 in HKT,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the trust deed dated 7 November 2011 constituting the HKT Trust entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT as supplemented, amended or substituted from time to time and the amended and restated articles of association of HKT, the number of ordinary shares and preference shares of HKT in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

Notes:

1. (a) Of these Share Stapled Units, PCD held 17,142,046 Share Stapled Units, Eisner held 39,000,000 Share Stapled Units and FWD held 121,410,000 Share Stapled Units.
- (b) These interests represented:
 - (i) a deemed interest in 2,646,156 Share Stapled Units held by Yue Shun. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 2,646,156 Share Stapled Units held by Yue Shun;
 - (ii) a deemed interest in 11,152,220 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 11,152,220 Share Stapled Units held by PCGH;
 - (iii) a deemed interest in 111,548,140 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 111,548,140 Share Stapled Units held by PCRD; and
 - (iv) a deemed interest in 12,216 Share Stapled Units held by PBI LLC in the capacity of investment manager. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 12,216 Share Stapled Units held by PBI LLC in the capacity of investment manager.
2. (a) These Share Stapled Units were held by Butternut.
- (b) These interests represented a contingent interest in respect of 120,391 Share Stapled Units held on trust for Chan Ching Cheong, George pursuant to a share award scheme of PCCW, namely the Purchase Scheme, which were subject to certain vesting conditions.
3. These interests represented an award made to Hui Hon Hing, Susanna which was subject to certain vesting conditions pursuant to an award scheme of HKT, namely the HKT Share Stapled Units Purchase Scheme.
4. (a) These Share Stapled Units were held jointly by Lee Chi Hong, Robert and his spouse.
- (b) These Share Stapled Units were held by the spouse of Lee Chi Hong, Robert.
5. These Share Stapled Units were held by the spouse of Tse Sze Wing, Edmund.

Save as disclosed above, as at the Latest Practicable Date, none of the PCCW Directors or chief executives of PCCW or their respective associates had any interests or short positions in any shares, Share Stapled Units, underlying shares, underlying Share Stapled Units or debentures of PCCW or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to PCCW and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were otherwise required to be notified to PCCW and the Stock Exchange pursuant to the Model Code.

(ii) **Interests and short positions of substantial shareholders of PCCW and other persons required to be disclosed under the SFO**

As at the Latest Practicable Date, so far as is known to the PCCW Directors and chief executives of PCCW, the following persons (other than any PCCW Directors or chief executives of PCCW) were substantial shareholders (as defined in the Listing Rules) of PCCW or had interests or short positions in the shares and underlying shares of PCCW which fall to be disclosed to PCCW under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register required to be kept pursuant to Section 336 of the SFO:

(A) *Interests of substantial shareholders of PCCW*

Name of shareholder	Note(s)	Number of shares/ underlying shares held	Approximate percentage of issued share capital
Interests			
PCRD		1,548,211,301	21.29%
PCGH	1	1,702,996,478	23.42%
Star Ocean Ultimate Limited	2 and 3	1,702,996,478	23.42%
The Ocean Trust	2	1,702,996,478	23.42%
The Starlite Trust	2	1,702,996,478	23.42%
OS Holdings Limited	2	1,702,996,478	23.42%
Ocean Star Management Limited	2	1,702,996,478	23.42%
The Ocean Unit Trust	2	1,702,996,478	23.42%
The Starlite Unit Trust	2	1,702,996,478	23.42%
Star Ocean Ultimate Holdings Limited	3	1,702,996,478	23.42%
Fung Jenny Wai Ling	4	1,702,996,478	23.42%
Huang Lester Garson	4	1,702,996,478	23.42%
中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited [#]) (“Unicom”)	5	1,343,571,766	18.48%

Notes:

- These interests represented (i) PCGH's beneficial interests in 154,785,177 shares; and (ii) PCGH's interests (through itself and its controlled corporations, being its wholly-owned subsidiaries, Borsington Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited, which together controlled 77.12% of the issued share capital of PCRD) in 1,548,211,301 shares held by PCRD.
- On 18 April 2004, Li Tzar Kai, Richard transferred the entire issued share capital of PCGH to Ocean Star Management Limited as trustee of The Ocean Unit Trust and The Starlite Unit Trust. The entire issued share capital of Ocean Star Management Limited was held by OS Holdings Limited. The Ocean Trust and The Starlite Trust held all units of The Ocean Unit Trust and The Starlite Unit Trust respectively. Star Ocean Ultimate Limited was the discretionary trustee of The Ocean Trust and The Starlite Trust.

[#] For identification only

3. On 4 November 2013, Star Ocean Ultimate Limited became a controlled corporation of Star Ocean Ultimate Holdings Limited.
4. Fung Jenny Wai Ling and Huang Lester Garson were deemed to be interested in such shares under the SFO as each of them controlled the exercise of one-third or more of the voting power at general meetings of each of Ocean Star Investment Management Limited, OS Holdings Limited and Star Ocean Ultimate Holdings Limited.
5. Unicom indirectly held these interests through China Unicom Group Corporation (BVI) Limited, a company wholly-owned by Unicom.

(B) *Interests of other persons required to be disclosed under the SFO*

Name	Number of shares/ underlying shares held	Approximate percentage of issued share capital
<i>Interests</i>		
Ocean Star Investment Management Limited	<i>Note</i>	1,702,996,478
		23.42%

Note: Ocean Star Investment Management Limited was deemed interested under the SFO in the shares of PCCW by virtue of it being the investment manager of The Ocean Unit Trust and The Starlite Unit Trust which together held 100% of PCGH (see the notes of paragraph 2(ii)(A) above).

Save as disclosed above, the PCCW Directors and chief executives of PCCW are not aware that there is any other person (other than any PCCW Directors or chief executives of PCCW) who, as at the Latest Practicable Date, had an interest or a short position in the shares or underlying shares of PCCW, which would fall to be disclosed to PCCW under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register required to be kept pursuant to Section 336 of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the PCCW Directors had any service contracts with the PCCW Group (excluding contracts expiring or determinable by the PCCW Group within one year without payment of compensation, other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the PCCW Directors to be pending or threatened against any member of the PCCW Group (as a defendant).

5. COMPETING INTERESTS

As at the Latest Practicable Date, the following were the interests of the PCCW Directors in businesses apart from the PCCW Group's business, which compete or are likely to compete, either directly or indirectly, with the PCCW Group's business:

Name of Director	Name of company	Nature of business	Nature of interests
Li Tzar Kai, Richard	Cheung Kong and its subsidiaries (the " Cheung Kong Group ")	Property development and investment, hotel and serviced suite operation, property and project management and investment in securities	Deemed interests in Cheung Kong (<i>Note 1</i>)
	HWL and its subsidiaries (the " Hutchison Group ")	Ports and related services; property and hotels; retail; infrastructure; energy; telecommunications; and finance & investments and others	Certain personal and deemed interests in HWL (<i>Note 2</i>)
Lu Yimin	Unicom and its subsidiaries	Provision of wireless, fixed-line, broadband, data and related value-added services	Vice Chairman and President of Unicom
	China United Network Communications Limited (" Unicom A-Share ") and its subsidiaries	Provision of wireless, fixed-line, broadband, data and related value-added services	Director and President of Unicom A-Share
	China Unicom (Hong Kong) Limited (" Unicom HK ") and its subsidiaries	Provision of wireless, fixed-line, broadband, data and related value-added services	Executive Director and President of Unicom HK
Li Fushen	Unicom and its subsidiaries	Provision of wireless, fixed-line, broadband, data and related value-added services	Director, Vice President and Chief Accountant of Unicom
	Unicom A-Share and its subsidiaries	Provision of wireless, fixed-line, broadband, data and related value-added services	Director of Unicom A-Share
	Unicom HK and its subsidiaries	Provision of wireless, fixed-line, broadband, data and related value-added services	Executive Director and Chief Financial Officer of Unicom HK
Li Gang	Unicom and its subsidiaries	Provision of wireless, fixed-line, broadband, data and related value-added services	Vice President of Unicom
	Unicom HK and its subsidiaries	Provision of wireless, fixed-line, broadband, data and related value-added services	Senior Vice President of Unicom HK

Notes:

1. Certain businesses of the Cheung Kong Group may compete with certain aspects of the business of the PCCW Group. Li Tzar Kai, Richard is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of Cheung Kong.
2. Li Tzar Kai, Richard was a director of HWL and certain of its subsidiaries until 16 August 2000, the day before the acquisition of Cable & Wireless HKT Limited (now known as PCCW-HKT Limited) became effective. Certain businesses of the Hutchison Group compete with certain aspects of the business of the PCCW Group. Li Tzar Kai, Richard has a personal interest in 110,000 shares in HWL, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of HWL.

In addition, Li Tzar Kai, Richard is a director of certain private companies (the “**Private Companies**”), which are engaged in property development and investment in Hong Kong and Japan.

Further, Li Tzar Kai, Richard is an executive director and Chairman of PCRD. PCRD is an investment holding company with interests in telecommunications, media and IT solutions (through PCCW), logistics and property development and investment in the Asia Pacific region.

The business interests of the Private Companies in Hong Kong are not significant when compared with the business of the PCCW Group and it is unlikely that such business interests will compete with the business of the PCCW Group. The business interests in Japan and the Asia Pacific region are also unlikely to compete with the existing business of the PCCW Group.

Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCRD and PCGH due to the interests as disclosed in paragraph 2 above.

As PCRD and the Private Companies are involved in the development and/or investment of properties of different types and/or in different locations, the PCCW Group has been operating independently of, and at arm’s length from, the businesses of those companies.

Furthermore, the PCCW Group holds minority equity interests in a number of Internet-related companies in which the PCCW Group is entitled to appoint, and has appointed, one or more directors to the respective boards of these companies to represent the interests of the PCCW Group. Some or all of these companies may compete directly or indirectly, with certain aspects of the PCCW Group’s business.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the PCCW Directors, none of the PCCW Directors is interested in any business, apart from the PCCW Group’s businesses, which competes or is likely to compete, either directly or indirectly, with the PCCW Group’s businesses.

6. MATERIAL INTERESTS IN CONTRACTS OR ARRANGEMENTS

None of the directors or proposed directors of PCCW was materially interested in any contract or arrangement entered into by any member of the PCCW Group which is subsisting at the Latest Practicable Date and which is significant in relation to the business of the PCCW Group.

As at the Latest Practicable Date, none of the directors or proposed directors of PCCW had any direct or indirect interest in any assets which have been, since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of PCCW were made up), acquired or disposed of by, or leased to, any member of the PCCW Group, or which were proposed to be acquired or disposed of by, or leased to, any member of the PCCW Group.

7. EXPERT

The following is the qualification of the expert (the “**Expert**”) who has given its opinion, letter or advice contained in this Circular or whose name is otherwise referred to in this Circular:

Name	Qualification
Colliers International (Hong Kong) Ltd.	Independent Valuer

The Expert has confirmed that it did not have any shareholding (or holding of any other securities), directly or indirectly, in PCCW or any other member of the PCCW Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in PCCW or any other member of the PCCW Group as at the Latest Practicable Date.

The Expert has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion therein of its letter and/or report and the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Expert did not have any direct or indirect interest in any asset which has been acquired or disposed of by or leased to any member of the PCCW Group, or which was proposed to be acquired or disposed of by or leased to any member of the PCCW Group since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of PCCW were made up).

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by the PCCW Group within the two years immediately preceding the Latest Practicable Date and are, or may be considered, material:

- (a) the trust deed dated 17 April 2012 entered into between PCCW Capital No. 4 Limited as issuer, PCCW Limited as guarantor and The Bank of New York Mellon, London Branch as trustee in relation to US\$300,000,000 5.75% guaranteed notes due 2022;
- (b) the agency agreement dated 17 April 2012 entered into between PCCW Capital No. 4 Limited as issuer, PCCW Limited as guarantor, The Bank of New York Mellon (Luxembourg) S.A. as registrar and The Bank of New York Mellon, London Branch as principal paying agent, paying agent and trustee in relation to US\$300,000,000 5.75% guaranteed notes due 2022;

- (c) the subscription agreement dated 13 August 2012 entered into between Web Commerce Limited (“WCL”) (a wholly-owned subsidiary of PCCW Limited) as subscriber and Vision Knight Capital General Partners Limited as the general partner of the Vision Knight Capital (China) Fund I, L.P. (the “Fund”) in relation to the purchase of a limited partnership interest in the Fund by WCL with an aggregate capital commitment of up to US\$25,000,000;
- (d) the amended and restated limited partnership agreement dated 31 January 2013 entered into between the general partners of the Fund, WCL (as a limited partner) and all other limited partners of the Fund;
- (e) the share purchase agreement dated 7 November 2012 entered into between PCCW Solutions Limited as buyer and Vanda IT Solutions & Systems Management Limited as seller in relation to the purchase of the shares in Vandasoft Technology Holdings Limited at a total consideration of US\$1,000,000;
- (f) the trust deed dated 8 March 2013 between PCCW-HKT Capital No.5 Limited as issuer, HKT Group Holdings Limited and Hong Kong Telecommunications (HKT) Limited as guarantors and The Hongkong and Shanghai Banking Corporation Limited as trustee in relation to US\$500,000,000 3.75% guaranteed notes due 2023;
- (g) the agency agreement dated 8 March 2013 between PCCW-HKT Capital No.5 Limited as issuer, HKT Group Holdings Limited and Hong Kong Telecommunications (HKT) Limited as guarantors and The Hongkong and Shanghai Banking Corporation Limited as registrar, principal paying agent, transfer agent, paying agent and trustee in relation to US\$500,000,000 3.75% guaranteed notes due 2023;
- (h) the sale and purchase agreement dated 24 April 2013 entered into between PCCW Network Services (China) Limited as buyer and (i) Chan Wai Ming, (ii) Lam Ho Cheong Eric, (iii) Lee Wing Man and (iv) Luk Man For as sellers in relation to the purchase of the shares in Compass Solutions Holdings Limited at a total consideration of HK\$65,000,000;
- (i) the stock purchase agreement dated 26 November 2013 entered into between PCCW Solutions Limited as buyer and (i) AGAS Overseas Holding Co. W.L.L., (ii) Basil Growth Corporation, (iii) Investa-Basil Technology Fund, (iv) Anchor Equities Inc., (v) Brian Koh, (vi) Patrick Krause, (vii) Scott Krause, (viii) Andrew J. Meinnert, (ix) Jake Van der Vort, (x) Owen T Welch and (xi) Brazil Consulting Services Holding LLC as sellers in relation to the purchase of common stocks in IT Convergence at a total consideration of US\$36,508,876;
- (j) the share purchase agreement dated 20 December 2013 entered into between HKT, CSL New World Mobility Limited (“CSLNW”), Telstra Holdings (Bermuda) No. 2 Limited, Telstra Corporation Limited, Upper Start Holdings Limited and New World Development Company Limited in respect of the proposed acquisition of the entire issued share capital of CSLNW by HKT for a purchase price of US\$2,425,000,000, subject to certain price adjustments;

- (k) the subscription agreement entered into on 8 April 2014 between WCL as subscriber and Vision Knight Capital (China) GP II, L.P., as the general partner of Vision Knight Capital (China) Fund II, L.P. (the “**Fund II**”) in relation to the purchase of a limited partnership interest in the Fund II by WCL with an aggregate capital commitment of up to US\$5,000,000;
- (l) the amended and restated limited partnership agreement entered into on 8 April 2014 between, among others, the general partner of the Fund II and the limited partners of the Fund II, including WCL; and
- (m) the SPA.

9. MISCELLANEOUS

- (a) The registered office of PCCW is situated at 41st Floor, PCCW Tower, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong.
- (b) The Group Company Secretary of PCCW is Philana WY Poon. She has about 20 years of post-qualification legal experience both in private practice and in-house, and holds a Bachelor of Commerce degree from the University of Toronto and a Doctor of Law degree from Cornell University.
- (c) PCCW’s share registrar is Computershare Hong Kong Investor Services Limited, which has its office located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (d) In the event of inconsistency, the English version of this Circular shall prevail over the Chinese version.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of PCCW at 39th Floor, PCCW Tower, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong, on any weekday (except public holidays) up to and including the date of the EGM:

- (a) the memorandum and articles of association of PCCW;
- (b) the annual reports of PCCW (including audited financial statements of the PCCW Group) for the three financial years ended 31 December 2011, 2012 and 2013;
- (c) the property valuation report issued by Colliers International (Hong Kong) Ltd. as set out in Appendix II to this Circular;
- (d) the written consent referred to in the section headed “Expert” in this appendix;
- (e) copies of each of the material contracts referred to in the section headed “Material Contracts” in this appendix; and
- (f) this Circular.

NOTICE OF EGM



PCCW Limited

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00008)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of PCCW Limited (“PCCW”) will be held in the Conference Room, 14th Floor, PCCW Tower, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong on Thursday, 8 May 2014 at 4:30 p.m. (or so soon thereafter as the annual general meeting of PCCW convened at the same place and on the same date at 4:00 p.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing (with or without amendments) the following ordinary resolution of PCCW:

ORDINARY RESOLUTION

“THAT:

- (a) the following be and are hereby approved, ratified and/or confirmed:
 - (i) the sale of one (1) issued share of USD1 of and in the share capital of Gain Score Limited (“**Gain Score**”), representing the entire issued share capital of Gain Score, and the assignment of the entire amount of the loan owing by Gain Score to Excel Bright Properties Limited (“**Excel Bright**”), an indirect subsidiary of PCCW, as at the date of Completion (as defined in the circular of PCCW dated 16 April 2014), in each case by Excel Bright pursuant to the terms and conditions of the agreement dated 8 April 2014 entered into by Excel Bright as vendor, Pacific Century Premium Developments Limited (“**PCPD**”), an indirect subsidiary of PCCW, as guarantor of Excel Bright’s obligations and Vinter Star Limited as purchaser (the “**SPA**”, a copy of which marked “A” is produced to the meeting and signed by the chairman of the meeting for the purpose of identification) (the “**Disposal**”) and the entry into of the SPA by Excel Bright and PCPD and the performance of their respective obligations thereunder; and
 - (ii) all transactions contemplated under the SPA in connection with the Disposal, including without limitation to the generality of the foregoing the entering into of any other documents ancillary thereto (including but not limited to the Deed of Assignment and the BJJW Undertaking (each as defined in the circular of PCCW dated 16 April 2014)); and

NOTICE OF EGM

- (b) the directors of PCCW be and are hereby authorised for and on behalf of PCCW to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or give effect to, and otherwise in connection with or incidental to the Disposal and all the transactions in connection therewith under the SPA and to agree to such variation, amendment or waiver as are, in the opinion of the directors of PCCW, in the interests of PCCW.”

By order of the board of
PCCW Limited
Philana WY Poon
Group Company Secretary

Hong Kong, 16 April 2014

Registered Office:

41st Floor, PCCW Tower
TaiKoo Place, 979 King's Road
Quarry Bay, Hong Kong

Notes:

1. A form of proxy for use at the extraordinary general meeting (or any adjournment thereof) of shareholders of PCCW convened by the notice set out above (the “**Meeting**”) is enclosed with PCCW's shareholders' circular dated 16 April 2014, of which the notice of the Meeting set out above is part.
2. Any member of PCCW entitled to attend and vote at the Meeting may appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of PCCW.
3. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share of PCCW as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of PCCW in respect of such share shall alone be entitled to vote in respect thereof to the exclusion of the votes of the other joint holders.
4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof or, in the case of a member which is a corporation, under its seal or the hand of an officer or attorney duly authorised, must be delivered to PCCW's share registrar, Computershare Hong Kong Investor Services Limited, Investor Communications Centre, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting.
5. Whether or not you intend to attend and/or vote at the Meeting in person, you are strongly urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the form of proxy, it will be deemed to have been revoked.
6. In the event that a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force on the day of the Meeting, shareholders are advised to visit PCCW's website at **www.pccw.com** or to contact PCCW's share registrar by telephone on (852) 2862 8555 for arrangements of the Meeting.