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PCCW Limited

電訊盈科有限公司

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

**CONNECTED TRANSACTION
SUBSCRIPTION OF INTEREST
IN LIMITED PARTNERSHIP**

On April 8, 2014, WCL, a wholly-owned subsidiary of the Company entered into the Subscription Agreement and the Limited Partnership Agreement with the General Partner, to invest up to a maximum amount of US\$5 million (approximately HK\$39 million) in the Fund as a Limited Partner.

The Fund has been established in the Cayman Islands as an exempted limited partnership with the principal objective of generating capital returns primarily through equity and equity-related investments in companies that are beneficiaries of domestic consumption in the PRC. The Fund will be managed by the General Partner which has appointed the Management Company as the fund manager of the Fund.

Mr Wei is one of the founders of the Management Company and is also a director and a beneficial owner of each of the General Partner and the Management Company. Accordingly, the Fund, the General Partner and the Management Company are associates of Mr Wei under the Listing Rules and, therefore, connected persons of the Company under the Listing Rules. As such, the Investment constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules.

When aggregated with the Prior Investment in accordance with Rule 14A.25 of the Listing Rules, the percentage ratios (as defined in the Listing Rules) applicable to the Investment exceed 0.1% but do not exceed 5% and, therefore, pursuant to Rule 14A.32 of the Listing Rules, the Investment is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Investment will be included in the Company's next published annual report and financial statements.

INTRODUCTION

On April 8, 2014, WCL, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement and the Limited Partnership Agreement with the General Partner to invest up to a maximum amount of US\$5 million (approximately HK\$39 million) in the Fund as a Limited Partner.

SUBSCRIPTION AGREEMENT

Date

April 8, 2014

Parties

(1) WCL, as the subscriber; and

(2) the General Partner

Mr Wei, a non-executive director of the Company, is one of the founders of the Management Company.

Subscription

WCL subscribes for and agrees to purchase a limited partnership interest in the Fund.

Consideration

An aggregate capital commitment of up to US\$5 million (approximately HK\$39 million). This will be funded by the Group's internal resources.

INFORMATION ON THE FUND

The Fund has been established in the Cayman Islands as an exempted limited partnership with the principal objective of generating capital returns primarily through equity and equity-related investments in companies that are beneficiaries of domestic consumption in the PRC. The Fund will be managed by the General Partner which is a Cayman Islands exempted limited partnership. The General Partner has appointed the Management Company, which is a Cayman Islands exempted company, as the fund manager of the Fund. Mr Wei is one of the founders of the Management Company and is also a director and a beneficial owner of each of the General Partner and the Management Company.

The principal terms of the Limited Partnership Agreement are as follows:

Fund size

The total aggregate capital commitments to the Fund and its affiliated vehicle by Limited Partners shall not exceed US\$550 million (approximately HK\$4,290 million).

Term of the Fund

The term of the Fund will commence on or around April 8, 2014 and will end when the Fund dissolves in accordance with the terms of the Limited Partnership Agreement, including at any time at the election of at least 75% in interest of the Limited Partners.

The Limited Partners are not generally permitted to sell, assign, pledge or otherwise transfer their interest in the Fund without the prior written consent of the General Partner.

Limited Partners

To the best knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, all Limited Partners (other than WCL) are not connected persons of the Company.

Management fee

The Management Company is the fund manager of the Fund. An annual management fee will be payable by the Limited Partners to the Management Company. WCL will initially pay an annual management fee equal to 2.5% of its commitment to the Fund, subject to future adjustments in accordance with the terms of the Limited Partnership Agreement.

Carried interest

A carried interest will be payable to the General Partner, which will equal to 20% of any distributions made to each Limited Partner after such Limited Partner's capital contributions with respect to investments and costs, and an additional preferred return thereon, have been distributed to such Limited Partner.

LISTING RULES IMPLICATIONS

Mr Wei is one of the founders of the Management Company and is also a director and a beneficial owner of each of the General Partner and the Management Company. Accordingly, the Fund, the General Partner and the Management Company are associates of Mr Wei under the Listing Rules and, therefore, connected persons of the Company under the Listing Rules. As such, the Investment constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules.

When aggregated with the Prior Investment in accordance with Rule 14A.25 of the Listing Rules, the percentage ratios (as defined in the Listing Rules) applicable to the Investment exceed 0.1% but do not exceed 5% and, therefore, pursuant to Rule 14A.32 of the Listing Rules, the Investment is only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the Investment will be included in the Company's next published annual report and financial statements.

REASONS FOR AND BENEFITS OF THE INVESTMENT

The Board believes the Investment represents a good investment opportunity and the Company anticipates a reasonable return in the medium term from the Investment as a result of the performance of the Fund based on the credentials of the Management Company.

The Board (including the independent non-executive directors of the Company, but excluding Mr Wei who has abstained from voting) considers that the terms of the Investment are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Save for Mr Wei, none of the directors of the Company has any material interest in the Investment and none of them was required to abstain from voting on the board resolution in respect of approving the Investment.

INFORMATION ON THE GROUP

The principal activities of the 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.

INFORMATION ON THE GENERAL PARTNER

Mr Wei is a director and a beneficial owner of the General Partner. The business of the General Partner is to manage the Fund, and the General Partner has full control over the business, assets, conduct and affairs of the Fund, subject to the terms and conditions set forth in the Limited Partnership Agreement.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“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: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (ticker: PCCWY)
“connected person”	has the meaning ascribed to it under the Listing Rules

“Fund”	Vision Knight Capital (China) Fund II, L.P., a Cayman Islands exempted limited partnership
“General Partner”	Vision Knight Capital (China) GP II, L.P., a Cayman Islands exempted limited partnership, the general partner of the Fund
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment”	the investment by WCL of a limited partnership interest in the Fund in accordance with the terms of the Subscription Agreement and the Limited Partnership Agreement
“Limited Partners”	the limited partners of the Fund, including WCL
“Limited Partnership Agreement”	the amended and restated limited partnership agreement dated April 8, 2014 entered into between, among others, the General Partner and the Limited Partners to govern their relationship and provide for (among others) the manner of operation and management of the Fund
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Company”	Vision Knight Capital Management Company Limited, a Cayman Islands exempted company, and appointed as the fund manager of the Fund
“Mr Wei”	Mr Wei Zhe, David, a non-executive director of the Company
“PRC”	the People’s Republic of China
“Prior Investment”	the investment by WCL of a limited partnership interest in a fund as disclosed in the announcement of the Company dated August 13, 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated April 8, 2014 entered into between WCL and the General Partner
“US\$”	United States dollar(s), the lawful currency of the United States of America
“WCL”	Web Commerce Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company

“%”

per cent

For illustration only, an exchange rate of US\$1.00:HK\$7.80 has been assumed.

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

Hong Kong, April 8, 2014

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

Executive Directors

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

Non-Executive Directors

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