

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the “**Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE (THE “**SECURITIES**”) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: The attached document is in preliminary form and in order to be eligible to view this Offering Circular or make an investment decision with respect to the Securities, investors must not be a U.S. person. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that you are not a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Deutsche Bank AG, Hong Kong Branch, J.P. Morgan Securities plc and The Hongkong and Shanghai Banking Corporation Limited (together, the “**Joint Global Coordinators and Joint Bookrunners**”) and Mizuho Securities Asia Limited, Standard Chartered Bank and UBS AG Hong Kong Branch (together, the “**Joint Coordinating Arrangers and Joint Bookrunners**” and together with the Joint Global Coordinators and Joint Bookrunners, the “**Joint Lead Managers**” and each a “**Joint Lead Manager**”) or any person who controls any of the Joint Lead Managers, or any director, officer, employee or agent of any of the Joint Lead Managers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The information in this Preliminary Offering Circular is not complete and may be changed. This Preliminary Offering Circular is not an offer to sell the securities mentioned herein and is not soliciting an offer to buy such securities in any jurisdiction where such offer or sale is not permitted. No offer or invitation shall be made or received, and no agreement shall be made, on the basis of this Preliminary Offering Circular, to purchase or subscribe for any securities.

Subject to completion
Preliminary Offering Circular dated 4 January 2021

STRICTLY CONFIDENTIAL

CAS CAPITAL NO. 1 LIMITED

(incorporated in the British Virgin Islands with limited liability)

U.S.\$[●]

Perpetual Subordinated Guaranteed Securities
irrevocably and unconditionally guaranteed by

CAS HOLDING NO. 1 LIMITED

(incorporated in the British Virgin Islands with limited liability)

ISSUE PRICE: [●]%

Perpetual Subordinated Guaranteed Securities (the "Securities") will be issued in an initial aggregate principal amount of U.S.\$[●] by CAS Capital No. 1 Limited (the "Issuer") and will be irrevocably and unconditionally guaranteed on a subordinated basis (the "Guarantee") by CAS Holding No. 1 Limited (the "Guarantor"). Subject to the provisions of the Securities relating to deferral of Distributions (see "Terms and Conditions of the Securities – Distributions – Distribution Deferral") and increase in Distribution Rate (as defined in "Terms and Conditions of the Securities") following the occurrence of a Change of Control Triggering Event (as defined in "Terms and Conditions of the Securities") (see "Terms and Conditions of the Securities – Distributions – Increase in Distribution Rate following occurrence of a Change of Control Triggering Event"), the Securities confer a right to receive distributions (each a "Distribution") payable semi-annually in arrear on [●] and [●] of each year (each a "Distribution Payment Date"), with the first Distribution Payment Date falling on [●] 2021: (i) in respect of the period from, and including, [●] (the "Issue Date"), to, but excluding, [●] 2026 (the "First Reset Date"), shall be a fixed rate of [●]% per annum (the "Initial Distribution Rate"); (ii) in respect of the period from, and including, the First Reset Date (as defined in "Terms and Conditions of the Securities") to, but excluding, [●] 2031 (the "First Step-up Date"), shall be a fixed rate per annum (expressed as a percentage) equal to the sum of: (1) the then prevailing U.S. Treasury Rate (as defined in "Terms and Conditions of the Securities"); and (2) [●]% (the "Initial Spread"); (iii) in respect of the period from, and including, the First Step-up Date to, but excluding, [●] 2046 (the "Second Step-up Date"), shall be reset on each Reset Date to a fixed rate per annum (expressed as a percentage) equal to the sum of: (1) the then prevailing U.S. Treasury Rate; (2) the Initial Spread; and (3) 0.25% (the "Initial Step-up Margin"); (iv) in respect of the period from, and including, each Reset Date (as defined in "Terms and Conditions of the Securities") falling on and after the Second Step-up Date to, but excluding, the immediately following Reset Date, shall be reset on each Reset Date to a fixed rate per annum (expressed as a percentage) equal to the sum of: (1) the then prevailing U.S. Treasury Rate; (2) the Initial Spread; (3) the Initial Step-up Margin; and (4) 0.75% (the "Second Step-up Margin") (see further "Terms and Conditions of the Securities").

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the holders of the Securities (the "Holders", and each a "Holder"), DB Trustees (Hong Kong) Limited (the "Trustee") and Deutsche Bank AG, Hong Kong Branch (the "Principal Paying Agent") not more than ten business days nor less than five business days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event (as defined in "Terms and Conditions of the Securities") has occurred. Any Distribution so deferred shall remain outstanding in full and constitute "Arrears of Distribution". Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Securities at the prevailing Distribution Rate (such interest amount, the "Additional Distribution Amount"). Save for certain restrictions, the Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement and is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred. See "Terms and Conditions of the Securities – Distribution – Distribution Deferral".

The Securities are perpetual securities in respect of which there is no fixed redemption date. However, the Issuer may, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and to the Principal Paying Agent in writing and to the Holders (in accordance with the Terms and Conditions of the Securities), redeem all but not some only of the Securities: (i) on the First Reset Date and any Distribution Payment Date thereafter at their principal amount together with any Distributions accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount); (ii) upon the occurrence of a Gross-Up Event (as defined in "Terms and Conditions of the Securities") at their principal amount together with any Distributions accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount); (iii) upon the occurrence and/or pending occurrence of an Equity Credit Classification Event or an Accounting Event (each as defined in "Terms and Conditions of the Securities") at: (A) 101% of their principal amount together with any Distributions accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if such redemption occurs prior to the First Reset Date; or (B) their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs on or after the First Reset Date; or (iv) if the aggregate principal amount of the Securities outstanding is less than 25% of the aggregate principal amount originally issued (and including any additional Securities issued in accordance with Condition 15 (*Further Issues*) of the Terms and Conditions of the Securities, if any), at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount). The Issuer may, on giving not more than 30 nor less than 10 days' irrevocable notice to the Trustee and the Holders, redeem all but not some only of the Securities at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if immediately before giving such notice, a Change of Control Triggering Event (as defined in "Terms and Conditions of the Securities") occurs. See "Terms and Conditions of the Securities – Redemption and Purchase".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing of and quotation for the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Securities is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, any of their subsidiaries, their associated companies or the Securities.

Investing in the Securities involves certain risks. See "Risk Factors" beginning on page 21.

The Securities and the Guarantee described in this Offering Circular have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). For a description of these and certain further restrictions on offers and sales of the Securities and the distribution of this Offering Circular, see "Subscription and Sale".

The Securities are expected to be rated "Ba2" by Moody's Investors Service, Inc. ("Moody's") and "BB" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The Guarantor is expected to be rated "Baa3" by Moody's with a stable outlook and "BBB-" by S&P with a negative outlook. Such ratings do not constitute a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each such rating should be evaluated independently of any other rating of the Securities, the Issuer's or the Guarantor's other securities or of the Issuer or the Guarantor.

The Securities will initially be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Securities will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank

J.P. Morgan

HSBC

Joint Coordinating Arrangers and Joint Bookrunners

Mizuho Securities

Standard Chartered Bank

UBS

Offering Circular dated [●] 2021

The Issuer and the Guarantor are responsible for the accuracy and completeness of the information in this Offering Circular and the Issuer and the Guarantor represent and warrant that the information in this Offering Circular is accurate and complete in all material respects in accordance with the facts and does not omit anything likely to affect the accuracy and completeness of such information in any material respect, provided that for the information provided by third-party sources contained herein, the Issuer and the Guarantor accept responsibility for accurately reproducing such information but accept no further or other responsibility in respect of such information.

Investors should only rely on the information contained in this Offering Circular. The information contained in this Offering Circular is given only as at the date of this Offering Circular. The business, financial condition, results of operations and prospects of the Issuer and the Guarantor may have changed since that date.

This Offering Circular is based on information provided by the Issuer and the Guarantor and by other sources that they believe are reliable. No assurance can be given that such information from other sources is accurate or complete.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITY OFFERED HEREBY BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH HEREIN IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The distribution of this Offering Circular and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Deutsche Bank AG, Hong Kong Branch, J.P. Morgan Securities plc and The Hongkong and Shanghai Banking Corporation Limited (together, the “**Joint Global Coordinators and Joint Bookrunners**”) and Mizuho Securities Asia Limited, Standard Chartered Bank and UBS AG Hong Kong Branch (together, the “**Joint Coordinating Arrangers and Joint Bookrunners**” and together with the Joint Global Coordinators and Joint Bookrunners, the “**Joint Lead Managers**”, and each a “**Joint Lead Manager**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Securities or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Singapore, Japan, Hong Kong and the British Virgin Islands and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Securities and distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the offering of the Securities related thereto and described herein. The Issuer, the Guarantor and each of the Joint Lead Managers reserve the right to reject any offer to purchase the Securities offered hereby in the primary market, in whole or in part, for any reason.

Each person receiving this Offering Circular acknowledges that (i) such person has been afforded an opportunity to request from the Issuer and the Guarantor and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) such person has not relied on the Joint Lead Managers or any person affiliated with them in connection with any investigation of the accuracy of such information or its investment decision, and (iii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Guarantor or the Securities (other than as contained herein and information given by duly authorised officers and employees of the Issuer and the Guarantor in connection with investors’ examination of the Issuer and the Guarantor and the terms of the offering of the Securities) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Securities).

None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, employees, directors or advisors undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents.

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the offering, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Securities. The Securities have not been recommended by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents.

No representation or warranty, expressed or implied, is made by the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates or agents as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates and agents have not independently verified any of such information and assumes no responsibility for its accuracy or completeness. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or any Agent or any of their respective affiliates or agents accepts any responsibility for the contents of this Offering Circular or for any statements made or purported to be made by any such person or on its behalf in connection with the Issuer, the Group, the Guarantor, the issue and offering of the Securities or the Guarantee. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates or agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statements.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS ACTING AS THE STABILISATION MANAGERS (THE “STABILISATION MANAGERS” AND EACH A “STABILISATION MANAGER”) OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGERS (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGERS (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

SINGAPORE SFA PRODUCT CLASSIFICATION – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements under “Risk Factors”, “Business of the Group” and elsewhere in this Offering Circular constitute “forward-looking statements”. The words including “believe”, “expect”, “plan”, “anticipate”, “schedule”, “estimate” and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group’s management for its future operations (including development plans and objectives relating to the Group’s operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under “Risk Factors” and elsewhere, important factors that could cause actual results to differ materially from the expectations of the Issuer or the Guarantor. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

INCORPORATION BY REFERENCE

The audited consolidated financial statements of the HKT Trust and HKT as at and for the years ended 31 December 2018 and 2019, which have been audited by PricewaterhouseCoopers, the independent auditor of the HKT Trust and HKT, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), as disclosed on pages 95 to 190 of the Annual Report 2019 and pages 87 to 186 of the Annual Report 2018 of the HKT Trust and HKT, and the unaudited condensed consolidated interim financial information of the HKT Trust and HKT as at and for the six months ended 30 June 2020, which has been reviewed by PricewaterhouseCoopers, the independent auditor of the HKT Trust and HKT, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA, as disclosed on pages 23 to 45 of the Interim Report 2020 of the HKT Trust and HKT, are incorporated by reference in this Offering Circular. Copies of such financial information are available and may be obtained free of charge on <https://www.hkexnews.hk>, so long as any of the Securities is outstanding. Neither the HKT Trust nor HKT is the issuer or the guarantor in respect of the Securities. The Guarantor directly holds approximately 51.94% of the Share Stapled Units of the HKT Trust and HKT in issue. Please refer to the corporate structure on page 67 of this Offering Circular for further information. The interim financial information as at and for the six months ended 30 June 2020 should not be taken as an indication of the expected financial position and financial performance of the HKT Trust and HKT as at and for the year ended 31 December 2020.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, all references to the “**PRC**” are to the People’s Republic of China, excluding Taiwan, Hong Kong and Macau, all references to “**U.S.**” are to the United States of America, all references to “**H.K. dollars**”, “**HK\$**” or “**cents**” are to Hong Kong dollars and cents, all references to “**SG dollars**” or “**S\$**” are to the lawful currency of Singapore, all references to “**€**” or “**Euros**” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, and all references to “**U.S. dollars**” or “**U.S.\$**” are to the lawful currency of the U.S.. Such translations should not be construed as representations that the Hong Kong dollar or U.S. dollar amounts referred to herein could have been, or could be, converted into any other currency at that or any other rate or at all. See “Exchange Rates”.

As used in this Offering Circular:

“**2G**”, “**3G**”, “**4G**” and “**5G**” refers to second, third, fourth and fifth generation mobile wireless telecommunications technology;

“**Adjusted Funds Flow**” refers to the Group’s EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRS and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRS, or an alternative to cash flow from operations or a measure of liquidity. The computation of the Group’s Adjusted Funds Flow may not be comparable to similarly titled measures of other companies;

“**ADSL**” refers to asymmetric digital subscriber line technology used for data transmission over fixed-line telephone lines;

“**AI**” refers to artificial intelligence, which is a discipline of computer science that is aimed at developing machines and systems that can carry out tasks considered to require human intelligence, with limited or no human intervention;

“**Annual Adjusted Funds Flow**” refers to the Group’s Adjusted Funds Flow for a financial year as derived from HKT’s annual audited consolidated financial statements;

“**AR**” refers to augmented reality, which is an interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information, sometimes across multiple sensory modalities, including visual, auditory, haptic, somatosensory and olfactory;

“**ARPU**” refers to average revenue per user;

“**BA**” refers to the Broadcasting Authority established under the Broadcasting Authority Ordinance in 1987 and which has been replaced since 1 April 2012 by the CA;

“**CA**” refers to the Communications Authority, which merges the offices of the former Broadcasting Authority and Telecommunications Authority;

“**CAS Group**” refers to CAS No. 1 and its subsidiaries (collectively), including the Group;

“**CAS No. 1**” or “**Guarantor**” refers to CAS Holding No. 1 Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of PCCW;

“**CDN**” refers to content delivery network or content distribution network, which is a system of computers containing copies of data placed at various nodes of a network;

“**CSL Group**” refers to CSL Holdings and its subsidiaries (collectively);

“**CSL Holdings**” refers to CSL Holdings Limited, a company incorporated in Bermuda with limited liability, which was engaged, through its subsidiaries and joint venture interests, primarily in the provision of mobile telecommunications services through 5G, 4G, 3G and 2G networks, and the sale of mobile telecommunications products to customers in Hong Kong;

“**data-switching**” refers to the digital networking communication method that groups transmitted data into blocks for transmission over a network;

“**EBITDA**” represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gain/loss on disposal of property, plant and equipment, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group’s share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the HKFRS and should not be considered as representing net cash flows from operating activities. The computation of the Group’s EBITDA may not be comparable to similarly titled measures of other companies;

“**Ethernet**” refers to a family of wired computer networking technologies commonly used in local area networks, metropolitan area networks and wide area networks, which is defined by the Institute of Electrical and Electronics Engineers as 802.3 standard;

“**FTTH**” means fibre-to-the-home;

“**Group**” refers to HKT and its subsidiaries (collectively);

“**HKFRS**” refers to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

“**HKT**” refers to HKT Limited, a company incorporated in the Cayman Islands with limited liability; the Share Stapled Units of HKT and the HKT Trust are listed on The Stock Exchange of Hong Kong Limited (stock code: 6823);

“**HKTGH**” refers to HKT Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, a direct wholly-owned subsidiary of HKT and an indirect non-wholly owned subsidiary of PCCW;

“**HKT Trust**” refers to the trust established under the laws of Hong Kong as a fixed single investment trust and known as the “HKT Trust” currently indirectly owned as to approximately 51.94% by PCCW through CAS No. 1;

“**HKT Trust Deed**” refers to the trust deed dated 7 November 2011 and executed by the Trustee-Manager and HKT to constitute the HKT Trust;

“**ICT**” refers to information and communications technology;

“**Internet**” refers to the global system of interconnected computer networks;

“**IoT**” refers to the Internet of Things, which is a distributed network connecting physical objects that are capable of sensing or acting on their environment and able to communicate with each other, other machines or computers;

“**IP**” refers to Internet protocol, the protocol used for communicating data across a network;

“**IPTV**” refers to Internet protocol television, a system through which television services are delivered using the architecture and networking methods of the IP suite over a packet-switched network infrastructure, for example, the Internet and managed broadband IP networks;

“**Linked**” refers to the matching and linking of each Unit in the HKT Trust with and to a specifically identified Ordinary Share held by the Trustee-Manager in its capacity as trustee-manager of the HKT Trust, so that the registered holder of the Unit has a beneficial interest in the specifically identified Ordinary Share and any transfer of the Unit also transfers the beneficial interest in the Ordinary Share, in accordance with the HKT Trust Deed; and “**Linking**” shall be construed accordingly;

“**LTE**” refers to long term evolution technology, considered a fourth generation technology for cellular mobile;

“**Media Business**” refers to the television and the OTT digital media service carried on by the PCCW Group as described in this Offering Circular;

“**MPLS**” refers to multi-protocol label switching network, a mechanism in high-performance telecommunications networks which directs and carries data from one network node to the next with the help of labels and helps to preserve quality of service on IP networks;

“**MPLS VPN**” refers to a family of methods for harnessing the power of MPLS to create VPNs;

“**OFCA**” refers to the office of the CA;

“**OFTA**” refers to the Office of the Telecommunications Authority in Hong Kong and which has been replaced since 1 April 2012 by the OFCA;

“**Ordinary Share**” refers to the ordinary share of HK\$0.0005 each in HKT conferring the rights set out in the amended and restated articles of association of HKT;

“**OTT**” refers to over-the-top, which is an application accessed and delivered over the public Internet that may be a direct technical/functional substitute for traditional international telecommunications services;

“**PCCW**” refers to PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the U.S. (ticker: PCCWY);

“**PCCW Group**” refers to PCCW and its subsidiaries (collectively);

“**PCCW Media**” refers to PCCW Media Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of HKT;

“**PCCW Media Group**” refers to PCCW Media and its subsidiaries and joint venture;

“**PCCW Media Holdings**” refers to PCCW Media Holdings Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of PCCW;

“**PCCW Media Holdings Group**” refers to PCCW Media Holdings and its subsidiaries, either under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) or the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“**PCPD**” refers to Pacific Century Premium Developments Limited, a company incorporated in Bermuda with limited liability and listed on The Stock Exchange of Hong Kong Limited (stock code: 0432) currently owned as to approximately 40.03% by a direct wholly-owned subsidiary of PCCW;

“**POS**” refers to point-of-sale;

“**Preference Share**” refers to the preference share of HK\$0.0005 each in HKT conferring the rights set out in the amended and restated articles of association of HKT;

“**SFO**” refers to the Securities and Futures Ordinance (Chapter 571) of Hong Kong as amended, supplemented or otherwise modified for the time being;

“**SGX-ST**” refers to the Singapore Exchange Securities Trading Limited;

“**Share Stapled Unit**” refers to the combination of the following securities or interests in securities which, subject to the provisions in the HKT Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:

- (a) a Unit in the HKT Trust;
- (b) the beneficial interest in a specifically identified Ordinary Share Linked to the Unit and held by the Trustee-Manager as legal owner in its capacity as trustee-manager of the HKT Trust; and
- (c) a specifically identified Preference Share Stapled to the Unit;

“**Smartphones**” refers to mobile phones offering advanced capabilities;

“**Solutions Business**” refers to the information and communications technologies services and solutions businesses carried on by the PCCW Group as described in this Offering Circular;

“**Stapled**” refers to the means by which each Unit in the HKT Trust is attached to a specifically identified Preference Share so that one may not be dealt with without the other, in accordance with the HKT Trust Deed; and “**Stapling**” shall be construed accordingly;

“**Telecommunications Business**” refers to the businesses carried on by the Group;

“**Top Supreme**” refers to Top Supreme Group Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of PCCW;

“**Trustee-Manager**” refers to HKT Management Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of PCCW and the trustee-manager of the HKT Trust;

“**Unit**” refers to an undivided interest in the HKT Trust, which confers the rights stated in the HKT Trust Deed as being conferred by a Unit (whether in its own right or as a component of a Share Stapled Unit);

“**VDSL**” refers to very-high-bitrate digital subscriber line, a digital subscriber line technology providing faster data transmission over a single flat untwisted or twisted pair of copper wires (up to 52 Mbit/s downstream and 16 Mbit/s upstream). An enhanced variant known as VDSL-2 can offer even higher data rates;

“**VPN**” refers to virtual private network, a secure way of connecting to a private local area network at a remote location, using the Internet or any insecure public network to transport network data packets privately using encryption;

“**VR**” refers to virtual reality, which is the use of computer technology to create the effect of an interactive three-dimensional world in which the objects have a sense of spatial presence; and

“**Wi-Fi**” refers to the trademark used to brand a variety of products that belong to a class of wireless local area network devices.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding.

TABLE OF CONTENTS

	Page
SUMMARY	1
THE OFFERING	3
SELECTED FINANCIAL INFORMATION	17
RISK FACTORS	21
TERMS AND CONDITIONS OF THE SECURITIES	40
THE GLOBAL CERTIFICATE	64
EXCHANGE RATES	66
DESCRIPTION OF THE ISSUER AND THE GUARANTOR	67
DESCRIPTION OF THE PCCW GROUP	70
CAPITALISATION AND EXTERNAL INDEBTEDNESS	71
DESCRIPTION OF THE GROUP	73
DIRECTORS AND SENIOR MANAGEMENT	94
USE OF PROCEEDS	100
TAXATION	101
SUBSCRIPTION AND SALE	103
RATINGS	107
GENERAL INFORMATION	108

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety. The summary is also qualified in its entirety by the relevant consolidated financial statements and condensed consolidated interim financial information of the HKT Trust and HKT, including the notes thereto, which are incorporated by reference in this Offering Circular.

OVERVIEW

The Share Stapled Units of the HKT Trust and HKT are listed on The Stock Exchange of Hong Kong Limited (stock code: 6823). The Guarantor directly holds approximately 51.94% of the total number of Share Stapled Units of the HKT Trust and HKT in issue.

The Group is Hong Kong's premier telecommunications service provider and a leading innovator. The Group's fixed-line, broadband, mobile communication and media entertainment services offer a unique quadruple-play experience. The Group provides a wide range of services, including local telephony, local data and broadband, international telecommunications, mobile, media entertainment, enterprise solutions and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres, to the Hong Kong public and local and international businesses.

The Group is the first local mobile operator to launch a true 5G network with differentiated services in Hong Kong. Backed by its substantial holding of 5G spectrum across all bands and a robust and extensive fibre backhaul infrastructure, the Group is committed to providing comprehensive 5G network coverage across the city.

The Group delivers end-to-end integrated solutions employing emerging technologies such as 5G, cloud computing, IoT and AI to accelerate the digital transformation of enterprises and contribute to Hong Kong's development into a smart city.

With its extensive and loyal customer base, the Group has also built a digital ecosystem integrating its loyalty program, e-commerce, travel, insurance, FinTech and HealthTech services. The ecosystem deepens the Group's relationship with its customers thereby enhancing customer retention and engagement.

The Issuer is a direct wholly-owned subsidiary of the Guarantor which is a holding company that holds the Telecommunications Business of the Group and Hong Kong Telecommunications (HKT) Limited is the main operating entity in the Group.

The Group had over 15,900 employees as at 30 June 2020, located in 48 countries and cities. Approximately 69% of these employees work in Hong Kong and the others are based mainly in the PRC, the Philippines, the United Kingdom and the U.S..

The Telecommunications Business of the Group comprises four business segments: telecommunications services, mobile, pay TV and other businesses:

- Telecommunications services: the Group provides four core areas of telecommunications products and services, being local telephony services, local data services, international telecommunications services and other services.
- Mobile: the Group currently offers 2G, 3G, 4G and 5G mobile services marketed under the "1010", "csl" and "SUN Mobile" brands and Wi-Fi services marketed under the "csl Wi-Fi" brand.
- Pay TV: the Group operates the "Now TV" business, which is the leading pay TV service provider in Hong Kong, offering a wide range of local and international content through linear TV channels, on demand and via applications. Now TV's digital service, Now E, is a subscription OTT service offering premium, exclusive dramas, movies and sports content to meet the needs of millennial viewers.

- Other businesses: primarily comprise new business areas such as The Club, the Group's loyalty and reward program, and HKT Financial Services and corporate support functions.

The Group also has other investments in associates and joint ventures:

- Smart Charge: a joint venture between the Group and the CLP Holdings Limited group, offering a total solution for the charging of electric vehicles in Hong Kong.
- Mox Bank Limited: a joint venture between HKT, PCCW, Standard Chartered Bank (Hong Kong) Limited and Ctrip Financial Management (Hong Kong) Co., Limited providing retail banking services entirely digitally through a virtual bank application.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths are as follows:

- the Group is the leading telecommunications service provider in Hong Kong with a stable business that generates strong recurring cash flow;
- the Group has attractive growth prospects for its mobile and broadband services and growth potential driven by HKT Enterprise Solutions and complementary new business lines;
- the Group has comprehensive delivery platforms;
- the Group has strong brand recognition and a reputation for quality and reliability;
- the Group has an extensive telecommunications network and infrastructure; and
- the Group has an experienced management team.

KEY STRATEGIES

The Group's key strategies are as follows:

- increase revenue from the Group's services;
- broaden the range of products and services offered;
- maintain the Group's leading network infrastructure; and
- focus on cost control and efficiency measures.

THE OFFERING

The following is a brief summary of the terms of the offering of the Securities. For a more complete description of the terms of the Securities, see “Terms and Conditions of the Securities” in this Offering Circular. Capitalised terms used in this summary and not otherwise defined shall have the meanings given to them in “Terms and Conditions of the Securities”.

Issuer	CAS Capital No. 1 Limited.
Guarantor	CAS Holding No. 1 Limited.
Securities offered	U.S.\$[●] Perpetual Subordinated Guaranteed Securities.
Guarantee	The Guarantor has irrevocably and unconditionally guaranteed on a subordinated basis the due payment of all sums expressed to be payable by the Issuer under the Securities and the Trust Deed. The obligations of the Guarantor in that respect (the “ Guarantee ”) are contained in the Trust Deed.
Status and Subordination of the Securities	The Securities will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank <i>pari passu</i> without any preference among themselves. The payment obligations of the Issuer under the Securities shall, save for such exceptions as may be provided for under applicable laws, at all times rank equally with all Parity Obligations of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in Condition 2 (<i>Status</i>).

Subject to the insolvency laws of the British Virgin Islands and other applicable laws, in the event of the Winding-Up of the Issuer, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of the Issuer, and thereafter, such Holder were the holder of one Issuer Notional Preference Share having an equal right to return of assets in the Winding-Up of the Issuer and so ranking *pari passu* with the holders of that class of preference shares (if any) which have a preferential right to return of assets in the Winding-Up over, and so rank in priority to the holders of, Junior Obligations of the Issuer, but subordinated to the claims of all other present and future creditors of the Issuer (other than Parity Obligations of the Issuer), on the assumption that the amount that such Holder of a Security is entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such Winding-Up is an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Security together with accrued and unpaid Distributions (including any Arrears of Distribution or any Additional Distribution Amount).

Status and Subordination of the Guarantee

The obligations of the Guarantor under the Guarantee will constitute direct, unconditional, unsecured and subordinated obligations of the Guarantor. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided for under applicable laws, at all times rank equally with all Parity Obligations of the Guarantor. The rights and claims of the Holders in respect of the Guarantee are subordinated as provided in Condition 3(b) (*Status of the Guarantee*).

Subject to the insolvency laws of the British Virgin Islands and other applicable laws and a claim arising under the Guarantee, in the event of the Winding-Up of the Guarantor, there shall be payable by the Guarantor in respect of each Security (in lieu of any other payment by the Guarantor), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of the Guarantor, and thereafter, such Holder were the holder of one Guarantor Notional Preference Share having an equal right to return of assets in the Winding-Up of the Guarantor and so ranking *pari passu* with the holders of that class of preference shares (if any) which have a preferential right to return of assets in the Winding-Up over, and so rank in priority to the holders of, Junior Obligations of the Guarantor, but subordinated to the claims of all other present and future creditors of the Guarantor (other than Parity Obligations of the Guarantor), on the assumption that the amount that such Holder of a Security is entitled to receive in respect of each Guarantor Notional Preference Share on a return of assets in such Winding-Up is an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Security together with accrued and unpaid Distributions (including any Arrears of Distribution or any Additional Distribution Amount).

Set-off

Subject to applicable laws, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Securities or the Guarantee, as the case may be, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer or the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Securities or the Guarantee, as the case may be, is discharged by set-off, such Holder shall, subject to applicable laws, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer or the Guarantor, as the case may be) and, until such time as payment is made, shall hold such amount in trust for the Issuer or the Guarantor, as the case may be (or the liquidator or, as appropriate, administrator of the Issuer or the Guarantor, as the case may be), and accordingly, any such discharge shall be deemed not to have taken place.

Issue Price [●]%

Distributions Subject to Condition 5(e) (*Increase in Distribution Rate following occurrence of a Change of Control Triggering Event*), the Securities confer a right to receive distributions (each a “**Distribution**”) in arrear, the applicable Distribution Rate:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, [●] 2026 (the “**First Reset Date**”), shall be a fixed rate of [●]% per annum (the “**Initial Distribution Rate**”);
- (ii) in respect of the period from, and including, the First Reset Date to, but excluding, [●] 2031 (the “**First Step-up Date**”), shall be a fixed rate per annum (expressed as a percentage) equal to the sum of:
 - (1) the then prevailing U.S. Treasury Rate; and
 - (2) [●]% (the “**Initial Spread**”);
- (iii) in respect of the period from, and including, the First Step-up Date to, but excluding, [●] 2046 (the “**Second Step-up Date**”), shall be reset on each Reset Date to a fixed rate per annum (expressed as a percentage) equal to the sum of:
 - (1) the then prevailing U.S. Treasury Rate;
 - (2) the Initial Spread; and
 - (3) 0.25% (the “**Initial Step-up Margin**”);
- (iv) in respect of the period from, and including, each Reset Date falling on and after the Second Step-up Date to, but excluding, the immediately following Reset Date, shall be reset on each Reset Date to a fixed rate per annum (expressed as a percentage) equal to the sum of:
 - (1) the then prevailing U.S. Treasury Rate;
 - (2) the Initial Spread;
 - (3) the Initial Step-up Margin; and
 - (4) 0.75% (the “**Second Step-up Margin**”).

Distribution Payment Date [●] and [●] of each year (each a “**Distribution Payment Date**”) commencing on [●] 2021.

Distribution Deferral

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders (in accordance with Condition 16 (*Notices*)), the Trustee and the Principal Paying Agent in writing not more than ten business days nor less than five business days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred.

Arrears of Distribution

Any Distribution deferred pursuant to Condition 5(d) (*Distribution Deferral*) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 5(d)(i) (*Deferral Election*)) to defer further any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred pursuant to Condition 5(d) (*Distribution Deferral*).

Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such interest (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to Condition 5 (*Distribution*) and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the provisions of Condition 5 (*Distributions*). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

**Satisfaction of Arrears of
Distribution by payment.**

The Issuer:

- (A) may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders, the Trustee and the Principal Paying Agent in writing not more than 20 business days nor less than five business days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and all Additional Distribution Amounts on the payment date specified in such notice); and

- (B) in any event shall satisfy any outstanding Arrears of Distribution and any Additional Distribution Amount (in whole but not in part) on the earliest of:
 - (i) the date of redemption of the Securities in accordance with the redemption events set out in Condition 6 (*Redemption and Purchase*);
 - (ii) the next Distribution Payment Date following the occurrence of a Compulsory Distribution Payment Event;
 - (iii) the date on which an order is made or an effective resolution is passed for Winding-Up of the Issuer or the Guarantor; and
 - (iv) the date of any substitution or variation in accordance with Condition 13(c) (*Substitution*).

Expected Issue Date [●].

Maturity Date There is no maturity date.

Increase in Distribution Rate following occurrence of a Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, unless:

- (A) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 16 (*Notices*)), the Trustee and the Principal Paying Agent pursuant to Condition 6 (*Redemption and Purchase*) by the 30th day following the occurrence of the relevant Change of Control Triggering Event; or
- (B) the Change of Control Triggering Event is remedied by the 30th day following the occurrence of such relevant Change of Control Triggering Event, the Distribution Rate will increase by 3.00% per annum with effect from:
 - (i) the next Distribution Payment Date immediately following the occurrence of the Change of Control Triggering Event or
 - (ii) if the date on which the Change of Control Triggering Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date,

provided that the maximum aggregate increase in the Distribution Rate pursuant to Condition 5(e) (*Increase in Distribution Rate following occurrence of a Change of Control Triggering Event*) shall be 3.00% per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to Condition 5(e) (*Increase in Distribution Rate following occurrence of a Change of Control Triggering Event*) is separate from and in addition to any increase in the Distribution Rate pursuant to Condition 5(b) (*Rate of Distribution*).

Any increase in the Distribution Rate pursuant to Condition 5(e) (*Increase in Distribution Rate following occurrence of a Change of Control Triggering Event*) shall be notified by the Issuer to the Holders (in accordance with Condition 16 (*Notices*)), the Trustee and the Agents in writing no later than the 30th day following the occurrence of the relevant Change of Control Triggering Event.

If following an increase in the Distribution Rate after a Change of Control Triggering Event, such Change of Control Triggering Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 16 (*Notices*)), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 3.00% per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Change of Control Triggering Event **provided that** the maximum aggregate decrease in the Distribution Rate pursuant to Condition 5(e) (*Increase in Distribution Rate following occurrence of a Change of Control Triggering Event*) shall be 3.00% per annum.

“**Change of Control**” means the Guarantor ceases to be the single largest, direct or indirect, shareholder of HKTGH.

“**Change of Control Triggering Event**” means the occurrence of both a Change of Control and a Rating Decline.

Redemption at the option of the Issuer

The Issuer may, on giving not more than 60 nor less than 30 days’ irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16 (*Notices*)), redeem all but not some only of the Securities on:

- (i) the First Reset Date; and
- (ii) any Distribution Payment Date thereafter,

(each such date being a “**Call Date**”). On expiry of such notice, the Issuer shall be bound to redeem the Securities on the relevant Call Date at their principal amount together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

**Redemption for Gross-up
Event**

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than 60 nor less than 30 days’ irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16 (*Notices*)) at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if the Issuer or the Guarantor, as the case may be, satisfies the Trustee prior to the giving of such notice and in accordance with the Trust Deed that:

- (i) the Issuer or, if the Guarantee were called, the Guarantor has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after [●] 2021; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it.

Upon the expiry of any such notice as is referred to in Condition 6(c) (*Redemption for Gross-up Event*), the Issuer shall be bound to redeem the Securities in accordance with Condition 6(c) (*Redemption for Gross-up Event*). No such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such Additional Tax Amounts were a payment in respect of the Securities then payable.

**Redemption upon an Equity
Credit Classification**

The Issuer may, at any time, on giving not more than 60 nor less than 30 days’ irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16 (*Notices*)), redeem all but not some only of the Securities at:

- (i) 101% of their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs prior to the First Call Date; or
- (ii) their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs on or after the First Call Date,

if, immediately before giving such notice, an amendment, clarification or change has occurred or will occur in the equity credit for the Securities granted by S&P, Moody's or any other rating agency of equivalent international standing requested from time to time by the Guarantor to grant an equity classification to the Securities and, in each case, any of their respective successors to the rating business thereof (each a "**Rating Agency**", and together, the "**Rating Agencies**"), which amendment, clarification or change results or will result in an equity credit for the Securities being:

- (1) in the case of S&P, lower than the equity credit assigned immediately prior to that relevant amendment, clarification or change; or
- (2) in the case of Moody's, lower than the equity credit assigned immediately prior to that relevant amendment, clarification or change; or
- (3) in the case of any Rating Agency other than S&P or Moody's, lower than the equity credit assigned immediately prior to that relevant amendment, clarification or change.

Upon the expiry of any such notice as is referred to in Condition 6(d) (*Redemption upon an Equity Credit Classification Event*), the Issuer shall be bound to redeem the Securities in accordance with Condition 6(d) (*Redemption upon an Equity Credit Classification Event*), provided that such date for redemption shall be no earlier than the last day before the date on which the Securities will no longer be eligible for the same or higher category of equity credit.

Redemption for Accounting

Reasons

The Issuer may, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16 (*Notices*)), redeem all but not some only of the Securities at:

- (i) 101% of their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs prior to the First Call Date); or
- (ii) their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs on or after the First Call Date),

if, immediately before giving such notice, a change or amendment to, or a change or amendment to any interpretation of, HKFRS or any other internationally generally accepted accounting standards that the Guarantor has adopted for the purposes of the Guarantor's consolidated financial statements (the "**Relevant Accounting Standards**") has occurred or will occur, which change or amendment results or will result in the Securities, in whole or in part, not being permitted to be recorded as "equity" of the Guarantor in the consolidated financial statements of the Guarantor pursuant to the Relevant Accounting Standards.

Upon the expiry of any such notice as is referred to in Condition 6(e) (*Redemption for Accounting Reasons*), the Issuer shall be bound to redeem the Securities in accordance with Condition 6(e) (*Redemption for Accounting Reasons*), provided that such date for redemption shall be no earlier than the last day before the date on which the Securities are no longer permitted to be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standards.

Redemption for Change of Control

The Issuer may, at any time, on giving not more than 30 nor less than 10 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16 (*Notices*)), redeem all but not some only of the Securities at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, a Change of Control Triggering Event occurs.

Prior to the publication of any notice of redemption pursuant to Condition 6(f) (*Redemption for Change of Control*), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate, signed by an Authorised Signatory of the Guarantor, stating that the circumstances referred to above in Condition 6(f) (*Redemption for Change of Control*) prevail and setting out the details of such circumstances.

The Trustee shall be entitled, without being liable to Holders or any other person, to conclusively rely on such certificate without investigation and accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in Condition 6(f) (*Redemption for Change of Control*), the Issuer shall be bound to redeem the Securities in accordance with Condition 6(f) (*Redemption for Change of Control*).

Redemption in the case of Minimal Outstanding Amount

The Issuer may, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16 (*Notices*)), redeem all but not some only of the Securities at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 25% of the aggregate principal amount of the Securities originally issued (and including any additional Securities issued in accordance with Condition 15 (*Further Issues*), if any).

Upon expiry of any such notice as is referred to in Condition 6(g) (*Redemption in the case of Minimal Outstanding Amount*), the Issuer shall be bound to redeem the Securities in accordance with Condition 6(g) (*Redemption in the case of Minimal Outstanding Amount*).

Replacement Intention

The following paragraphs in italics do not form part of the Terms and Conditions of the Securities:

The Issuer intends (without thereby assuming any legal obligation to do so), during the period from the Issue Date to and including the Second Step-up Date, that if the Securities are assigned an "equity credit" (or such other classification that S&P may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) at the time of such redemption or repurchase, that it will redeem or repurchase the Securities pursuant to:

- (1) *a redemption of the Securities at the option of the Issuer pursuant to Condition 6(b) (Redemption at the option of the Issuer);*
- (2) *a repurchase of the Securities by the Issuer, the Guarantor or any of their respective Subsidiaries under Condition 6(i) (Purchase) of more than:*
 - (i) *10% of the aggregate principal amount of the Securities issued on the Issue Date in any consecutive 12 month period; or*
 - (ii) *25% of the aggregate principal amount of the Securities issued on the Issue Date in any consecutive 10 year period,*

only to the extent the Aggregate Equity Credit of the Securities at the time of issue to be redeemed or repurchased does not exceed the Aggregate Equity Credit received by the Guarantor or any other Subsidiaries of the Guarantor during the 365 day period prior to the date of such redemption or repurchase from certain securities offerings. Such offerings must involve the sale or issuance by the Guarantor or any other Subsidiaries of the Guarantor to third party purchasers other than the Guarantor or any other Subsidiaries of the Guarantor, of securities which are assigned by S&P, at the time of sale or issuance, an “equity credit” that is equal to or greater than the equity credit assigned to the Securities to be redeemed or repurchased at the time of issue (taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities).

The Restrictions described above shall not apply if on the date of such redemption or repurchase:

- (a) the Guarantor has a corporate credit rating from S&P that is equal to or greater than the rating assigned to the Guarantor by S&P as at the Issue Date, and to the best knowledge of the Guarantor, after giving effect to such redemption or repurchase, such rating will not be revised downward, withdrawn or placed on review or “creditwatch” with negative implications (or other similar review or change of outlook) by S&P to levels below the rating assigned to the Guarantor as at the Issue Date as a result of such redemption or repurchase; or*
- (b) the Securities are not assigned any category (not even ‘no’) of “equity credit” at the time of such redemption or repurchase; or*
- (c) a Special Event has occurred; or*
- (d) the Issuer, the Guarantor or any other Subsidiaries of the Guarantor has individually or in the aggregate, redeemed, cancelled or purchased the Securities equal to or in excess of 75% of the aggregate principal amount of the Securities issued on the Issue Date; or*
- (e) the statements made in the Restrictions set forth hereunder are no longer required for the Securities to be assigned an “equity credit” that is equal to or greater than the equity credit assigned by S&P on the Issue Date; or*
- (f) in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Guarantor’s hybrid capital to which S&P then assigns “equity credit” under its prevailing methodology; or*

- (g) *there shall have occurred a general moratorium on, or disruption in, commercial banking activities in the British Virgin Islands, Hong Kong, the United Kingdom, the European Economic Area or the U.S. by any British Virgin Islands, Hong Kong, United Kingdom, European Economic Area, New York State or United States Federal authorities, which would be, in the Issuer's sole opinion, likely to materially prejudice dealings in the Securities in the secondary market.*

For the purpose of the Restrictions, "Aggregate Equity Credit" means the equity credit (as a percentage) assigned by S&P of the relevant securities multiplied by the aggregate principal amount of such securities with respect to which the calculation is being made.

Limited right to institute proceedings

The right to institute proceedings for Winding-Up is limited to circumstances where payment has become due but has not been paid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 5(d) (*Distribution Deferral*).

Proceedings for Winding-Up

- If:
- (i) there is a Winding-Up of the Issuer or the Guarantor; or
 - (ii) the Issuer has not made payment in respect of the Securities or the Guarantor has not made payment in respect of the Guarantee for a period (in either case) of ten days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Trust Deed, the Securities, and in the case of the Guarantor, the Guarantee, and the Trustee may, subject to the provisions of Condition 9(d) (*Entitlement of Trustee*), institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or prove in the Winding-Up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment.

Substitution

If a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 5 (*Distributions*) (without any requirement for the consent or approval of the Holders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to in the Terms and Conditions that the provisions of Condition 13(c) (*Substitution*) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16 (*Notice*)), at any time either:

- (i) substitute all, but not some only, of the Securities for; or

- (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of Condition 13(c) (*Substitution*) and subject to the receipt by it of the certificate of an Authorised Signatory of the Guarantor) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with Condition 13(c) (*Substitution*).

“**Special Event**” means a Gross-Up Event, an Accounting Event, an Equity Credit Classification Event or any combination of the foregoing.

Further Issues The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the issue date and issue price, the first payment of Distribution and, to the extent necessary, certain temporary securities law transfer restrictions) so as to form a single series with the Securities.

Governing Law The Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities and the Trust Deed will be governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Clause 4.1 (*Guarantee*) of the Trust Deed, Clause 4.2 (*Subordination of the Guarantee*) of the Trust Deed, Clause 4.3 (*Ranking of claims in respect of the Guarantee on Winding-Up*) of the Trust Deed, Clause 4.4 (*Set-off of the Guarantee*) of the Trust Deed, Clause 5 (*Subordination of the Securities*) of the Trust Deed, Condition 2 (*Status*) and Condition 3 (*Guarantee*) are governed by, and shall be construed in accordance with, the laws of the British Virgin Islands.

Denomination, Form and Registration The Securities will be registered and issued in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Clearing systems The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for, Euroclear and Clearstream.

Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except as described in the Global Certificate, individual certificates evidencing the Securities will not be issued in exchange for beneficial interests in the Global Certificate.

Clearance and settlement The Securities have been accepted for clearance through Euroclear and Clearstream under the following codes:

ISIN: XS[●]

Common Code: [●]

Legal Entity Identifier (LEI) 254900REJZW5L9QRTD85.

Listing Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum trading board lot size of S\$200,000 or its equivalent in foreign currencies, for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

Ratings The Securities are expected to be rated “Ba2” by Moody’s and “BB” by S&P. A rating is not a recommendation to buy, sell or hold any Securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Trustee DB Trustees (Hong Kong) Limited.

Principal Paying Agent, Transfer Agent, Registrar and Calculation Agent Deutsche Bank AG, Hong Kong Branch.

Use of Proceeds See “Use of Proceeds”.

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the HKT Trust and HKT as at the end of and for the periods indicated. The selected financial information presented below as at 31 December 2017, 2018, and 2019 and for the three years ended 31 December 2017, 2018 and 2019 has been extracted from the audited consolidated financial statements of the HKT Trust and HKT for the years ended 31 December 2018 and 2019. The summary consolidated financial information presented below as at 30 June 2020 and for the six months ended 30 June 2019 and 2020 has been extracted from the unaudited condensed consolidated interim financial information of the HKT Trust and HKT as at and for the six months ended 30 June 2020 (which has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA). The interim financial information as at and for the six months ended 30 June 2020 should not be taken as an indication of the expected financial position and financial performance of the HKT Trust and HKT as at and for the year ended 31 December 2020. The information set out below should be read in conjunction with the relevant consolidated financial statements and interim financial information of the HKT Trust and HKT, including the notes thereto, incorporated by reference in this Offering Circular.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	(restated [#])	(audited)	(audited)	(unaudited)
	(HK\$ million)			(HK\$ million)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	19,386	20,601	22,177	22,730
Right-of-use assets	2,220	2,808	2,436	2,441
Interests in leasehold land	240	227	215	209
Goodwill	49,814	49,805	49,814	49,806
Intangible assets	7,966	8,691	10,118	10,725
Fulfillment costs	1,378	1,336	1,342	1,391
Customer acquisition costs	611	632	592	576
Contract assets	350	295	346	338
Interests in associates	–	–	209	183
Interests in joint ventures	720	678	643	601
Available-for-sale financial assets	77	–	–	–
Financial assets at fair value through other comprehensive income	–	77	124	124
Financial assets at fair value through profit or loss	20	8	32	47
Derivative financial instruments	223	148	284	267
Deferred income tax assets	468	465	410	406
Other non-current assets	842	1,065	1,106	1,123
	<u>84,315</u>	<u>86,836</u>	<u>89,848</u>	<u>90,967</u>

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	(restated [#])	(audited)	(audited)	(unaudited)
	(HK\$ million)			(HK\$ million)
Current assets				
Inventories	749	1,080	803	751
Prepayments, deposits and other current assets	2,772	2,033	1,811	1,901
Contract assets	737	630	576	553
Trade receivables, net	2,787	3,727	3,600	3,538
Amounts due from related companies . . .	77	102	95	104
Financial assets at fair value through profit or loss	17	12	12	15
Derivative financial instruments	–	–	6	–
Restricted cash	51	88	115	106
Short-term deposits	450	523	486	508
Cash and cash equivalents	3,217	2,534	2,417	1,823
	<u>10,857</u>	<u>10,729</u>	<u>9,921</u>	<u>9,299</u>
Current liabilities				
Short-term borrowings	–	–	–	(2,256)
Trade payables	(1,874)	(1,787)	(2,342)	(2,366)
Accruals and other payables	(5,129)	(4,771)	(3,904)	(3,877)
Derivative financial instruments	–	–	–	(16)
Carrier licence fee liabilities	(173)	(173)	(195)	(251)
Amount due to a fellow subsidiary	(969)	(1,675)	(2,855)	(2,983)
Advances from customers	(241)	(266)	(291)	(277)
Contract liabilities	(1,288)	(1,415)	(1,361)	(1,403)
Lease liabilities	(1,157)	(1,293)	(1,065)	(1,153)
Current income tax liabilities	(856)	(761)	(1,078)	(1,156)
	<u>(11,687)</u>	<u>(12,141)</u>	<u>(13,091)</u>	<u>(15,738)</u>
Non-current liabilities				
Long-term borrowings	(39,146)	(40,169)	(40,358)	(38,851)
Derivative financial instruments	(150)	(152)	(38)	(112)
Deferred income tax liabilities	(2,989)	(3,393)	(3,874)	(4,059)
Carrier licence fee liabilities	(455)	(357)	(527)	(704)
Contract liabilities	(952)	(1,010)	(1,001)	(966)
Lease liabilities	(1,307)	(1,900)	(1,697)	(1,609)
Other long-term liabilities	(596)	(849)	(1,213)	(1,394)
	<u>(45,595)</u>	<u>(47,830)</u>	<u>(48,708)</u>	<u>(47,695)</u>
Net assets	<u>37,890</u>	<u>37,594</u>	<u>37,970</u>	<u>36,833</u>

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	(restated [#])	(audited)	(audited)	(unaudited)
	(HK\$ million)			(HK\$ million)
CAPITAL AND RESERVES				
Share capital	8	8	8	8
Reserves	37,842	37,547	37,904	36,771
Equity attributable to holders of Share Stapled Units of the HKT Trust and HKT/shares of HKT				
Non-controlling interests	37,850	37,555	37,912	36,779
	40	39	58	54
Total equity	37,890	37,594	37,970	36,833

[#] See Note 5 of the audited consolidated financial statements of the HKT Trust and HKT for the year ended 31 December 2018 for details regarding the restatement as a result of changes in accounting policies.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	(restated [#])	(audited)	(audited)	(unaudited)	(unaudited)
	(HK\$ million)			(HK\$ million)	
Revenue	33,067	35,187	33,103	15,109	14,606
Cost of sales	(15,972)	(17,980)	(15,787)	(6,950)	(6,941)
General and administrative expenses	(10,137)	(9,991)	(9,622)	(4,796)	(4,608)
Other (losses)/gains, net	(145)	2	3	1	(50)
Finance costs, net	(1,148)	(1,350)	(1,372)	(662)	(658)
Share of results of associates	(12)	–	(33)	(12)	(26)
Share of results of joint ventures	2	(16)	(18)	(11)	(4)
Profit before income tax	5,655	5,852	6,274	2,679	2,319
Income tax	(898)	(1,010)	(1,037)	(509)	(414)
Profit for the period	4,757	4,842	5,237	2,170	1,905
Profit attributable to:					
Holders of Share Stapled Units of the HKT Trust and HKT/shares of HKT	4,745	4,825	5,217	2,162	1,898
Non-controlling interests	12	17	20	8	7
Profit for the period	4,757	4,842	5,237	2,170	1,905

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	(restated [#])	(audited)	(audited)	(unaudited)	(unaudited)
	(HK\$ million)			(HK\$ million)	
Profit for the period	4,757	4,842	5,237	2,170	1,905
Other comprehensive income/(loss)					
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:					
Exchange differences on translating foreign operations	181	(73)	(2)	(2)	(67)
Reclassification of currency translation reserve on disposal of subsidiaries	–	–	–	–	(1)
Cash flow hedges:					
– effective portion of changes in fair value . . .	(280)	(137)	257	127	(23)
– transfer from equity to consolidated income statement	(332)	35	152	52	84
Costs of hedging	–	39	11	23	(6)
Other comprehensive (loss)/income for the period	(431)	(136)	418	200	(13)
Total comprehensive income for the period	<u>4,326</u>	<u>4,706</u>	<u>5,655</u>	<u>2,370</u>	<u>1,892</u>
Attributable to:					
Holders of Share Stapled Units of the HKT Trust and HKT/shares of HKT	4,314	4,689	5,635	2,362	1,885
Non-controlling interests . .	12	17	20	8	7
Total comprehensive income for the period	<u>4,326</u>	<u>4,706</u>	<u>5,655</u>	<u>2,370</u>	<u>1,892</u>

[#] See Note 5 of the audited consolidated financial statements of the HKT Trust and HKT for the year ended 31 December 2018 for details regarding the restatement as a result of changes in accounting policies.

RISK FACTORS

Any investment in the Securities is subject to a number of risks. Prior to investing in the Securities, prospective investors should carefully consider risk factors associated with any investment in the Securities, the business of the Issuer, the Guarantor and the Group and the industry in which the Group operates together with all other information contained in this Offering Circular, including, in particular, the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Securities” below or elsewhere in this Offering Circular have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Securities and should be used as guidance only. Additional risks and uncertainties relating to the Issuer, the Guarantor or the Group that are not currently known to the Issuer, the Guarantor or the Group or that the Issuer, the Guarantor or the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer, the Guarantor or the Group and, if any such risk should occur, the price of the Securities may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Securities is suitable for them in light of the information in this Offering Circular and their personal circumstances.

RISKS RELATING TO THE GROUP’S BUSINESS

Increased competition has adversely affected and may continue to affect the Group’s businesses

The Hong Kong Government’s policies relating to liberalisation of the telecommunications industry have led to increased competition for the Group in the markets for local and international telecommunications services. New licences and new types of licences have been granted to other service providers and the industry has had to adapt to significantly more competitors in the market. The Group has operated in this competitive landscape for over twenty years and has adapted its business strategies in light of the changed marketplace. Increased competition has resulted in pricing pressure, loss of market share, additional promotional, marketing and customer acquisition expenses and reduced gross margins for the Group, and such effects may be repeated in the future. The arrival and development of 5G mobile technology together with other emerging technologies, the introduction of new types of licences and the potential entry of new competitors may further intensify competition in the market.

More generally, companies in the Hong Kong telecommunications industry operate under licences granted by the CA. The Group’s operations could be adversely affected if any of its existing licenses are amended, not renewed or revoked. The viability or competitiveness of the Group’s businesses could also be affected by any future regulatory changes. These factors may continue to adversely affect the Group’s results of operations, cash flows and financial position.

HKT, through its subsidiary, PCCW Media, holds a domestic pay TV program services licence. The content market in Hong Kong is highly competitive and PCCW Media faces considerable competition from conventional television (including free-to-air broadcasters) as well as accelerating competition from online and digital content providers, both of which may materially and adversely affect the Group’s business, prospects and results of operations. The prevalence of pirated content may also adversely affect the Group’s results of operations.

Regulatory decisions could adversely affect the Group

Under the Telecommunications Ordinance (Chapter 106) of Hong Kong, the CA, on the basis of the powers originally conferred on the Telecommunications Authority, has certain discretionary powers to direct the Group and its other licensees to undertake and provide certain interconnection services and facilities and to impose the terms and conditions of interconnection. It may also direct its licensees to co-operate and share any facilities owned by them in the public interest. In the event the CA exercises such powers and the Group is required to undertake and provide interconnection services and facilities or co-operate and share facilities with other operators, the Group may be required to do so on terms which force it to incur costs that may not be fully recoverable.

Since 1995, most interconnection and facility sharing issues have been resolved either by industry agreement or OFTA (now OFCA) intervention. Fixed to fixed interconnection arrangements have not been the subject of significant regulatory dispute or OFTA (now OFCA) intervention for several years. A 2013 CA decision deregulated such arrangements and HKT has commercially negotiated follow on arrangements. Mobile to mobile interconnection has always been carried out pursuant to carrier agreements employing a “Bill and Keep” methodology. Unbundled local loop requirements have been phased out and arrangements are now deregulated and governed by carrier-to-carrier contracts. In April 2007, subject to a two-year transition period, the Telecommunications Authority withdrew its guidance for interconnection terms between fixed network and mobile telecommunications operators, leaving carriers to negotiate their own terms of interconnection. The Group has agreed fixed-mobile interconnection terms with the other Hong Kong carriers employing the “Bill and Keep” methodology.

In 2011, OFTA (now OFCA) completed its review of its Local Access Charge (“LAC”) regime which relates to the interconnection charges applied to international voice minutes which originate or terminate on the fixed networks in Hong Kong. It decided to extend the LAC regime to the mobile network operators and to deregulate the payment levels subject to an 18-month transition period which has now ended. Commercial arrangements have now been negotiated among the carriers.

Should the Group be unable to agree interconnection terms with other licensees, including future renewal terms, the CA could intervene and invoke its power to determine these terms. The Group (with both fixed and mobile businesses) can give no assurance that the results of any regulatory intervention will be favourable to the Group.

Spectrum releases have primarily been done by auction in Hong Kong, although the earliest releases were by beauty contests. As a condition of the acquisition of CSL Holdings by the Group in May 2014, the Group did not participate in the auction held in December 2014 to re-assign the 3G spectrum bands upon expiry of their initial assignment period in October 2016. Instead, the Group exercised its “right of first refusal” to retain half of its 3G spectrum holding. Renewal of the 900 MHz and 1,800 MHz spectrum bands (whose assignment period expires in January 2021 and September 2021, respectively) was completed in March 2019, with the Group retaining 60 MHz of its original holding by exercising its “right of first refusal” and participating in a spectrum auction.

In December 2018, the CA announced plans to release spectrum for 5G mobile services. Spectrum in the 26/28 GHz band was administratively assigned to licensees in April 2019 based on the merits of their applications. The Group was assigned 400 MHz of spectrum in this band in April 2019. Spectrum in the 3.3 GHz, 3.5 GHz and 4.9 GHz bands were auctioned in October/November 2019, with the Group successfully bidding for 30MHz, 50MHz and 40MHz of the respective bands.

A consultation on the assignment of new spectrum in the 600 MHz and 700 MHz bands for the provision of public mobile services and the related spectrum utilisation fee commenced in August 2020. The CA has proposed the release of 140 MHz of spectrum. Consultations have also been commenced in August 2020 regarding the re-assignment arrangements for spectrum in the 850 MHz band and in September 2020 regarding the re-assignment arrangements for spectrum in the 2.5/2.6 GHz band when the assignment periods for these bands expire in November 2023 and March 2024, respectively.

The outcome of these consultations will determine how the spectrum will be assigned or re-assigned and additionally, in respect of new spectrum, when the spectrum will be made available. There can be no assurance that the Group will continue to be assigned with the desired amount of spectrum in future auctions at a reasonable price, which may hinder or prevent the Group from deploying new products and services and may adversely affect the results of the Group.

The Group's substantial debt could impair its ability to implement its business plan

The Group has incurred significant indebtedness and, subject to limitations imposed by lenders, may incur additional debt in the future.

As at 30 June 2020, the Group had a combined outstanding total debts of approximately HK\$45,094 million, as adjusted to give effect to the net drawdown of bank loans and other borrowings of HK\$2,681 million during the period from 1 July 2020 to 30 November 2020. See "Business of the Group – Financing".

As long as the Group has a substantial amount of debt, the consequences of this debt to the Group's business, among other things, could be to:

- require the Group to dedicate a substantial portion of its cash flow from operations to servicing of its existing debt, reducing the availability of its cash flow to fund working capital, capital expenditure, acquisitions, research, development and other general corporate requirements;
- limit the Group's ability to take advantage of significant new business opportunities;
- make it more difficult for the Group to satisfy its payment obligations, particularly in the event that market or operational conditions deteriorate;
- increase the Group's vulnerability to general adverse economic and industry conditions;
- limit the Group's flexibility in planning for, or reacting to, changes in its business in which the Group operates;
- limit the Group's ability to obtain refinancing where necessary;
- increase the Group's cost of financing; and
- place the Group at a competitive disadvantage compared to its competitors that have less debt.

The Group is exposed to interest rate risk

The Group has a substantial portion of debt with a floating interest rate. The Group seeks to achieve a balance between fixed and floating interest rates for its borrowings by managing the proportion of its borrowings in fixed interest rates and floating interest rates. However, its interest rate management policy may not adequately cover the Group's exposure to interest rate fluctuations and this may result in a large interest expense and have an adverse effect on the Group's financial condition and results of operations. If interest rates rise, this may result in higher interest costs and adversely affect the Group's financial condition. This could also make it more difficult or expensive for the Group to obtain funding in the future.

The Group may not be able to obtain additional capital

The Group expects to continue to make investments to maintain, integrate and upgrade its telecommunications networks and market its new and existing services.

The Group may have to obtain additional financing for new investments, if its business plans are accelerated or are affected by changes in the telecommunications industry, or if its revenue and cash flow are significantly reduced.

Financing may not be available to the Group when needed or may only be available on terms that are unfavourable to the Group. Any debt financing, if available, may involve restrictive covenants. If the Group is unable to raise the amounts required on favourable terms, it may be unable to pursue its planned business strategy, and there can be no assurance that future conditions in the financial markets will not

adversely affect its ability to finance its operations. If the Group cannot raise sufficient funds on commercially acceptable terms, it may need to delay or abandon some of its developments and expansion plans or otherwise forgo market opportunities. In addition, if the Group cannot raise new debt or refinance its debt, its ability to service its debt may be affected.

The Group faces challenges in executing its growth strategy

The Group's business strategy may require it to develop its business both organically and through new business combinations, strategic investments, acquisitions and disposals. However, the Group may not be able to enter into new business combinations, strategic investments, acquisitions and disposals due to regulatory or other constraints and this could have a material adverse effect on the Group's results of operations.

In addition, acquisitions typically involve a number of risks, including:

- the difficulty of integrating the operations and personnel of the acquired companies;
- the potential disruption to the Group's on-going business and the distraction of its management;
- the difficulty of incorporating acquired technology and rights into the Group's products and services;
- the impairment of relationships with employees and customers as a result of integration of new management and personnel;
- potential unknown liabilities associated with acquired businesses;
- higher than planned requirements to preserve and grow the value of acquired companies or, if the Group is unable to obtain access to such funds, possible loss of value of the acquired companies; and
- adverse effects on the Group's reported operating results due to the amortisation of and potential impairment provision for goodwill and other intangible assets associated with acquisitions and losses sustained by acquired companies after the date of acquisitions.

Disposals typically involve a number of risks, including:

- the potential disruption to the Group's on-going business and distraction of its management;
- proprietary and confidential information about the Group's operations may be disclosed in the due diligence process which may have an adverse effect on the Group's competitive position; and
- the impairment of relationships with employees and customers as a result of separation of businesses, management and product and/or service offerings.

The Group may also face challenges in growing its business organically, including:

- competition in its markets and challenges in maintaining customers and enhancing its services;
- the existence of regulatory requirements and barriers to entry into new areas of business;
- the complexity of large scale projects such as building the 5G network with full coverage within a desired time frame and at desirable costs; and
- the new initiatives may not be able to generate sufficient revenues to justify the initial or ongoing cost of investment.

There is no assurance that the Group will be able to implement its growth strategies successfully or that it will be able to expand the Group's activities or portfolio at any specified rate or to any specified size. The Group may not be able to complete its plans on schedule or without incurring additional expenditures or at all.

If market conditions change, if operations do not generate sufficient funds or for any other reason, the Group may decide to delay, modify or forgo some aspects of its growth strategies. The Group's future results of operations may be adversely affected if it is unable to implement growth strategies successfully.

The Group may be susceptible to risks associated with expanding its operations overseas, which could harm its operating results

The Group plans to offer the network, operations and management experience and expertise that it has acquired in Hong Kong to clients and business partners in overseas markets. The Group expects to commit substantial time and development resources to customising and developing its products and services for overseas markets and to developing relevant sales and support channels. The Group's ability to expand into these overseas markets may be constrained by the pace of deregulation in individual markets, including the timing of the removal of restrictions on foreign participation. In addition, operations outside of Hong Kong will be subject to certain risks, including:

- lack of familiarity with the overseas market, such as customer preferences and competitors' practices;
- multiple and conflicting regulations relating to communications, use of data and control of Internet access;
- changes in regulatory requirements, tariffs and import and export restrictions;
- increased costs associated with complying with the laws of numerous jurisdictions;
- fluctuations in currency exchange rates;
- lack of clarity in the interpretation of laws and regulations;
- insufficient protection of intellectual property rights;
- changes in political and economic stability; and
- potentially adverse tax consequences.

Any of these factors could have a material and adverse effect on the Group's business, results of operations and financial condition.

Any asset impairment could adversely affect the Group's financial results

The Group has non-current assets such as property, plant and equipment, right-of-use assets, interests in leasehold land, fulfillment costs, customer acquisition costs, intangible assets, goodwill and investments in associates and joint ventures, and it is required to review these assets for impairment at the end of each reporting period. This review is made with reference to the recoverable amounts in respect of those assets. Impairment of any of these assets could adversely affect the Group's financial condition and results of operations. The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value-in-use. If the carrying value of an asset as reflected in the Group's consolidated statement of financial position is higher than its recoverable amount, it must make an asset impairment charge to its consolidated income statement.

The recoverable amount of an asset depends on the prevailing market conditions at the time of the review, the nature of the asset, its fair value and estimated future cash flows that are expected to be derived from the asset. The discount rate used in this review reflects the Group's current market assessment of the time value of money and the risks specific to the asset. Any reduction in the recoverable amount of an asset below its carrying value, whether due to a weak economic environment, challenging market conditions, asset or portfolio sale decisions by management or any other condition or occurrence, could be charged to the income statement and could thus materially and adversely affect the Group's results of operations and shareholders' equity in the period in which the impairment occurs.

The financial information of the HKT Trust and HKT may not necessarily be indicative of the consolidated financial information of the CAS Group

The Guarantor directly holds approximately 51.94% of the Share Stapled Units of the HKT Trust and HKT in issue. The HKT Trust and HKT are required to make publicly available its financial results from time to time (on an annual and interim basis). There is currently no statutory requirement for the Guarantor to prepare or publish consolidated financial information of the CAS Group.

However, if consolidated financial information were to be prepared for the CAS Group, due to the difference in measurement bases in the consolidated financial information of the CAS Group and the consolidated financial information of the HKT Trust and HKT, when preparing the consolidated financial information of the CAS Group, the following consolidation adjustment would be included.

Under HKFRS 3 *Business Combinations*, a substantial portion of purchase price allocation adjustments, including primarily goodwill attributable to internal reorganisations of businesses within the CAS Group taken place in prior years recorded on the consolidated statement of financial position of the HKT Trust and HKT would be eliminated at the CAS Group level.

Accordingly, consolidation of financial information at the CAS Group level would result in a substantial reduction in goodwill and in turn, the consolidated net assets at the CAS Group level would be significantly lower compared to the consolidated net assets of the HKT Trust and HKT. Please refer to “Capitalisation and External Indebtedness of the Guarantor” for the amount of capital and reserves of the CAS Group as adjusted. Therefore, the consolidated financial information of the HKT Trust and HKT may not necessarily be indicative of the consolidated financial information of the CAS Group.

Such group eliminations do not have any impact on the cash flow of the CAS Group and the distributable reserves of the Guarantor.

The Group is exposed to risks relating to certain critical accounting estimates

Note 4 to the consolidated financial statements of the HKT Trust and HKT sets out certain critical accounting estimates, including certain subjective estimates and judgments made by the Group’s management team. The underlying assumptions on which these critical accounting estimates were based may not turn out to be correct, the result of which may have a material adverse effect on the Group’s results of operations and financial position. In addition, accounting estimates used in the preparation of the consolidated financial statements of the HKT Trust and HKT in relation to taxes may not be recognised or agreed by the relevant tax authorities in their ultimate assessments. Investors should refer to Note 4 of the consolidated financial statements of the HKT Trust and HKT, which are incorporated by reference in this Offering Circular for further information.

The Group’s ability to introduce new technologies to successfully respond to technological developments and to adapt existing technologies may be limited

The Group’s operations depend on the successful deployment of continuously evolving technologies, its response to technological and industry developments and its ability to adapt to the emergence of disruptive technologies.

The Group cannot be certain that technologies will be developed in time to meet changing market conditions and will perform according to expectations or that they will achieve commercial acceptance. The failure of vendor performance or technology performance to meet the Group’s expectations or the failure of technology to achieve commercial acceptance could mean that the Group has to make additional unexpected capital expenditures or the Group is left with obsolete and outdated technologies. In addition, the Group may not be able to adapt its services to changing market conditions or establish and maintain effective distribution channels for its services. Competitors may adapt more successfully to changing market conditions, establish more effective distribution channels or introduce technologies that make the Group’s products and services less competitive.

With respect to any current or future technological developments and/or changes, the Group may be required to incur significant future capital expenditure spending for the expansion of its network capacity and infrastructure. The rapid advancement in technology may require the Group to replace and/or upgrade its network infrastructure and as a result, incur additional capital expenditure, which may be significant, in order to maintain the latest technological standards and remain competitive against newer products and services. As any future expansion or upgrade to the Group's network infrastructure will be dependent in part on the future demand for its services, it is difficult for the Group to predict with certainty its future capital expenditure costs. Future capital expenditure costs may be beyond the control of the Group. There is no assurance that sufficient incremental revenue can be generated by the Group to cover such capital expenditure. In addition, there is no assurance that the capital expenditure costs associated with the future expansion of the Group's network may not increase due to any impact resulting from circumstances outside of the Group's control, for example, potential delay in network rollout or disruptions in resources supply due to the ongoing coronavirus ("COVID-19") pandemic. In the event that the Group's actual capital expenditure costs exceed the budget, the Group may require additional financing in order to meet its projected capital and other expenditure requirements. There is also a risk that the Group may not have invested sufficiently in its network infrastructure and may in the future require further capital expenditure to maintain or expand its network.

In respect of the mobile technology, the Group cannot guarantee the successful deployment of 5G as it would depend on various factors such as the availability of compatible handsets, market demands from enterprise and consumer users and macro-economic factors as affected by the continuing COVID-19 pandemic. The Group's future results may be adversely affected if the Group's targeted level of deployment is not met.

Global trade and geopolitical activities, such as the evolving trade monitoring and restrictions placed on certain PRC-based enterprises by the U.S. Government, may also have a negative impact on the Group's ability to choose its vendors or business partners to provide the necessary services or equipment in support of its businesses or to develop new technologies. Such form of limitations, restrictions or prohibitions would require the Group to deploy additional resources to adapt its services to alternative vendors or business partners or to re-align its development plans, which may negatively affect the Group's financial conditions and results of operations.

The Group is exposed to risks relating to cyber-attacks and/or other data security breaches

The Group handles significant amounts of customer data, personal information and other sensitive commercial data which are susceptible to cyber threats and/or other data security breaches. The Group's operations, reputation and financial performance could be adversely impacted if the Group sustains cyber-attacks and/or other data security breaches that disrupt its operations, which may result in litigation action from customers and/or regulatory fines and penalties and have an adverse impact on the reputation of the Group. The Group makes extensive use of multiple channels to keep informed of emerging cyber security threats and to identify and implement measures intended to mitigate the occurrence and/or consequences of such risks being realised. However, there can be no assurance that these initiatives are sufficient or effective or the Group's business would not be adversely affected by such attacks or breaches.

A recurrence of natural disasters, acts of God, occurrence of epidemics and pandemics, acts of war and other disasters in the PRC, Hong Kong or other countries may adversely affect the Group's businesses, results of operations and financial condition

Natural disasters, epidemics and pandemics, such as the ongoing COVID-19 pandemic, and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the cities the Group operates. Some regions where the Group operates have been under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics and pandemics such as COVID-19. The occurrence or reoccurrence of such disasters or outbreaks in the PRC, Hong Kong or other countries, such as the continuing COVID-19 pandemic, may adversely affect the Group's customers and its ability to develop its business.

In addition, measures implemented by local governments to contain the spread of COVID-19 or any other diseases may have a significant adverse impact on the Group. The global travel restrictions implemented by governments to contain the spread of COVID-19 has reduced international travel significantly, causing the number of customers using the Group's roaming service to decrease. As a result, the Group's roaming and IDD revenue for the six months ended 30 June 2020 has decreased by 48% as compared to the same period last year, and roaming and IDD revenue as a percentage of Mobile Services revenue decreased to 8% for the six months ended 30 June 2020 as compared to 14% for the same period last year. Consequently, Mobile services revenue decreased by 8% year-on-year to HK\$3,573 million for the six months ended 30 June 2020, as compared to HK\$3,881 million for the same period last year. Despite this, the core local component of Mobile services revenue remained relatively steady during the period. Total revenue for the Group decreased by 3% year-on-year to HK\$14,606 million for the six months ended 30 June 2020, as compared to HK\$15,109 million for the same period last year. Total EBITDA decreased by 3% year-on-year to HK\$5,546 million for the six months ended 30 June 2020, with the overall EBITDA margin stable at 38%, reflecting the stringent cost measures implemented by the Group during the period to counteract the challenging operating and economic conditions. While a number of biopharmaceutical manufacturers have developed COVID-19 vaccines, there remains uncertainty regarding the efficacy, safety, and durability of such vaccines, as well as how quickly and widely the vaccines might be made available. The COVID-19 pandemic continues to affect many countries globally and there remains significant uncertainty as to when the pandemic will end and whether governments will extend or implement further travel restrictions or other restrictive measures to contain the COVID-19 pandemic. Even if such restrictions are lifted, there can be no assurance that demand for international travel, and in turn, the Group's roaming and prepaid and mobile virtual network operator services, will return to pre-pandemic levels, which may materially adversely affect the Group's roaming, prepaid and mobile virtual network operator revenues and overall business, results of operations and financial condition.

The occurrence of any disasters or outbreaks may also cause a general and/or prolonged slowdown of the economy, and hence, the demand for the Group's products and services. Acts of war and terrorist attacks may cause damage or disruption to the Group, its employees and its markets, any of which could materially impact the Group's sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorist attacks may also cause uncertainty and cause a material adverse effect on the Group's business. The prolonged effects of any disasters, epidemics and pandemics or acts of war may have a material adverse impact on the Group's business, results of operations and financial condition.

An economic downturn could adversely affect the Group's results of operations

Economic developments outside Hong Kong could adversely affect the telecommunications sector in Hong Kong. The global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions. Slowdown in the global economies has led, and may continue to lead, to significant declines in corporate earnings, employment, household wealth, consumer demand and as a result may adversely affect economic growth in Hong Kong, the PRC and elsewhere. More recently, deterioration of the global economies as a result of the COVID-19 pandemic, amplified tensions over trade and technology between the U.S. and the PRC, uncertainty of the effect of Brexit and rating outlook on Hong Kong have caused, and may continue to cause, volatility in the financial markets, which as a result may adversely affect economic growth in Hong Kong, the PRC and elsewhere and could significantly undermine the stability of the global economies.

There can be no assurance that the global economic downturn will not lead to a significant reduction in corporate investment and consumer spending relevant to the Group's business. For example, while national governments have proposed or adopted various forms of economic relief to contain the economic impacts of the COVID-19 pandemic and stabilise markets, there can be no assurance that such monetary and fiscal policy measures will have the intended effects or market volatilities will not persist. Measures such as social distancing, travel restrictions and mandatory suspension of business at public premises to contain the spread of COVID-19 in countries affected by the COVID-19 pandemic have also precipitated an economic slowdown in those economies, which, if prolonged, could further negatively impact the global economies. The timing of economic recovery remains highly uncertain and a prolonged downturn of the domestic or global economies could adversely affect the Group's financial conditions and results of operations.

Changes in the global credit and financial markets may diminish the availability of credit significantly and lead to an increase in the cost of financing. The Group may have difficulty in accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. There can be no assurance that the Group will be able to raise finance at a reasonable cost, or at all, which could in turn materially and adversely affect the Group's prospects, results of operations and financial condition.

Currency fluctuations could adversely affect the Group's results of operations

Although a significant part of the Group's outstanding debt and guarantee obligations are denominated in foreign currencies including U.S. dollars and Euros, the Group has entered into a series of cross-currency swap and forward contracts with reputable financial institutions to convert these liabilities denominated in foreign currencies back into the Hong Kong dollar. Whilst such transactions hedge the Group's foreign currency risk, they do expose the Group to counterparty risk. The Hong Kong dollar has been pegged to the U.S. dollar since 1983. However, there is no assurance that such a peg will be maintained in the future. Therefore, the Group's results of operations and ability to discharge its obligations could be adversely affected by the discontinuation or revaluation of the peg between the Hong Kong dollar and U.S. dollar or the insolvency of its counterparties. In addition, even if the peg continues, the Group's operating costs could be adversely affected by substantial fluctuations in the U.S. dollar.

Although the Group has an insignificant portion of revenues and costs denominated in Renminbi, substantial fluctuations in Renminbi may also have an adverse impact on the Group's results of operations and financial condition.

The Group is exposed to risks relating to complex transactions and contractual arrangements

The Group has entered into a number of complex transactions and contractual arrangements. These include, among other things, financing and other contracts and instruments, investments, acquisitions, sales agreements, intra group transfer pricing arrangements and other contractual arrangements. These transactions and contractual arrangements could give rise to differences in interpretation, disputes, claims or other developments with the applicable counterparties or regulators, which could have a material adverse effect on the Group's business, financial conditions or results of operations.

Loss of key management and other qualified personnel could weaken the Group's businesses

A small group of key executive officers manages the Group and the loss of services of one or more of these key individuals could affect the Group's ability to make successful strategic decisions.

The service contracts with these executive management are terminable with notice periods ranging from three to twelve months. The Group cannot guarantee that these contracts will allow it to retain key employees. Additionally, the Group does not presently maintain any "key person" insurance.

The Group's management believes that its growth and success will depend largely upon its ability to attract, train, retain and motivate highly skilled and qualified managerial, sales, marketing, administrative, operating and technical personnel. The loss of key personnel, or the inability to find additional qualified personnel, could materially and adversely affect the Group's business, prospects and results of operations.

Economic, social and political conditions in the countries in which the Group operates may materially and adversely affect the Group's business

The Group's overall success depends, in part, upon its ability to operate and succeed in different economic, social and political conditions. Political unrest such as protests or demonstrations in the countries in which the Group operates could disrupt economic activities and adversely affect the Group's business. For example, the social conditions in Hong Kong in recent years has led to a decrease in inbound tourism to Hong Kong, decreased consumer spending and an overall negative impact on the domestic economy. There can be no assurance that protests or demonstrations and other changes in the future to economic, social or political conditions in the countries in which the Group operates will not have a material adverse effect on the Group's business, financial conditions and results of operations.

The continuity of the Group's services is highly dependent on the proper functioning of its networks, facilities and infrastructure, and any loss or damage to or failure in the networks or such facilities or infrastructure could materially adversely affect the Group's business

The Group's networks, facilities and infrastructure are vulnerable to loss or damage or cessation of operations from fire, earthquakes, severe storms, heavy rainfall, power loss, telecommunications failures, network software flaws, vandalism, transmission cable cuts, political unrest and other catastrophic events. The Group may experience equipment failures or shutdowns relating to individual points of presence or even catastrophic failure of its entire networks, facilities and infrastructure. The provision of the Group's services depends on the quality, stability, resilience and robustness of its integrated networks, facilities and infrastructure.

For example, the operation of the Group's business requires a large amount of power. The Group cannot be certain that there will be adequate power in all of the locations in which it operates. In case of a power loss, the Group may incur a loss or damage to its equipment. The Group's customers may also seek damages from it for any loss or damage they may suffer as a result.

Any loss or sustained failure of the Group's network, its servers, facilities, infrastructure or any link in the delivery chain, whether from operational disruption, natural disaster or otherwise or any failure by the Group's disaster recovery plans or insurance policies to mitigate these risks, could have a material adverse effect on the Group's business, financial condition and results of operations.

Exposure to perceived risks associated with electromagnetic energy could adversely affect the Group's results of operations

Various reports have alleged that there may be possible adverse health consequences associated with the operations of communications or transmission devices due to potential exposure to electromagnetic energy.

While the Group is not aware of any substantiated evidence of public health effects from exposure to the levels of electromagnetic energy typically emitted from communicating or transmitting devices, there is a risk that an actual or perceived health risk associated with communications or transmission devices could result in litigation, reduced demand for the Group's services and new government imposed restrictions. Any of the above could have a material adverse effect on the Group's financial performance and results of operations.

Any downgrading of the corporate ratings and/or outlook assigned to Hong Kong Telecommunications (HKT) Limited by rating agencies could adversely affect the Group's business and financial conditions

As at the date of this Offering Circular, Hong Kong Telecommunications (HKT) Limited has a rating of "Baa2" with Moody's with a stable outlook and "BBB" with S&P with a negative outlook. On 28 August 2019, S&P revised its outlook on Hong Kong Telecommunications (HKT) Limited from stable to negative. The negative outlook for Hong Kong Telecommunications (HKT) Limited's corporate rating was driven by S&P's rating methodology and based on the increased debt leverage of PCCW. S&P took a consolidated view from PCCW in analysing the rating of Hong Kong Telecommunications (HKT) Limited. There can be no assurance that the ratings and/or outlook assigned will remain in effect or that such ratings and/or outlook will be revised in the future. Any adverse revision to Hong Kong Telecommunications (HKT) Limited's corporate and debt ratings by any rating agency may adversely affect the Group's business, its financial performance and the trading price of the Securities. Further, the Group's ability to obtain financing or access to capital markets may become limited, thereby reducing its financial flexibility to refinance existing indebtedness or fund investments in the future. The cost of financing may also increase as a result of the rating changes. Any of the above could adversely affect the Group's business, results of operations and financial condition.

RISKS RELATING TO THE SECURITIES

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or distribution payments is different from the potential investor's currency;
- understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex investment securities. Sophisticated institutional investors generally do not purchase complex investment securities as stand-alone investments. They purchase complex investment securities as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- (i) the Securities are legal investments for it;
- (ii) the Securities can be used as collateral for various types of borrowing; and
- (iii) other restrictions apply to its purchase of any Securities.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

A trading market for the Securities may not develop

No public market exists for the Securities. Approval in-principle has been received from the SGX-ST for the listing of the Securities on the Official List of the SGX-ST; however, the offering and settlement of the Securities is not conditioned on obtaining a listing. No assurances can be given as to whether the Securities will be, or will remain, listed on the SGX-ST or whether a trading market for the Securities will develop or as to the liquidity of any such trading market. If the Securities fail to or cease to be listed on the SGX-ST, certain investors may not invest in, or continue to hold or invest in, the Securities. If any of the Securities are traded after their initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar securities and the market for the Securities and other factors, including general economic conditions and the Group's financial condition, performance and prospects. No assurance can be given as to the future price level of the Securities after their initial issue.

The Securities may be sold to a limited number of investors and liquidity of the Securities may be adversely affected if a significant portion of the Securities are bought by limited investors.

Insolvency laws of the British Virgin Islands may differ from the bankruptcy laws of other jurisdictions with which holders of the Securities are familiar

The insolvency laws of the British Virgin Islands and other local insolvency laws may differ from the bankruptcy laws of other jurisdictions with which the holders of the Securities are familiar. Since the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands, any insolvency proceedings relating to the Issuer or the Guarantor, regardless of where they were brought, would likely involve British Virgin Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in other jurisdictions with which the holders of the Securities are familiar.

The Issuer's ability to make payments under the Securities is dependent on the business and financial condition of the Guarantor and its subsidiaries, including the Group companies

The Issuer, a single purpose vehicle incorporated for the purpose of issuing the Securities, is a direct wholly-owned subsidiary of the Guarantor and will on-lend the net proceeds from the issue of the Securities to PCCW for general corporate purposes of the PCCW Group. PCCW is neither the issuer nor the guarantor in respect of the Securities. Holders have no recourse against PCCW with respect to the payment of amounts due under the Securities. The Issuer's ability to make payments under the Securities depends on timely payments under such on-lent loans and the availability of funds from PCCW Group companies, the Guarantor and its subsidiaries, and the Group's financial condition and results of operations. In the event that PCCW Group companies, the Guarantor and its subsidiaries, including the Group companies, do not make such payments or funding due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Securities could be adversely affected.

The Guarantor's ability to make payments under the Guarantee in respect of the Securities is dependent on the business and financial condition of the HKT Trust and HKT and other Group entities

As a holder of Share Stapled Units of the HKT Trust and HKT, the Guarantor's ability to make payments under the Guarantee in respect of the Securities is affected by whether it receives distributions from the HKT Trust.

Although the HKT Trust Deed requires the HKT Trust to distribute 100% of its cash flows from dividends, other distributions and any other amounts received from the Group (after deduction of all amounts permitted to be deducted or paid under the HKT Trust Deed), if the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, is lower than expected, the Group's (and therefore the HKT Trust's) ability to make distributions will be adversely affected. In circumstances where the Group's Annual Adjusted Funds Flow may not be sufficient, the HKT Trust may not be able to make distributions to holders of Share Stapled Units at all or the level of distribution may fall.

The HKT Trust relies on the receipt of dividends, distributions and other amounts from HKT in order to make distributions to holders of Share Stapled Units, including the Guarantor. There can be no assurance that HKT or other members of the Group will have sufficient distributable profits, distributable reserves or other amounts in any future period to make dividends, distributions or other payments to the HKT Trust to enable the HKT Trust to make distributions to the holders of Share Stapled Units, including the Guarantor. The ability of the Group to pay dividends and/or make other distributions to the HKT Trust may be affected by a number of factors including, among other things:

- the Group's businesses and their respective financial positions;
- insufficient cash flows received from the assets held by the Group;
- reduced operating profits or losses incurred by the Group companies in any financial year;
- applicable laws and regulations, which may restrict the payment of dividends by the Group companies;
- changes in accounting standards, tax laws and regulations, laws and regulations in respect of foreign exchange repatriation of funds, corporate laws and regulations relating thereto in Hong Kong;
- trapped cash in the Group companies (as a result of depreciation being a mandatory accounting expense under the applicable accounting standards), which cannot be effectively utilised when the existing shareholder's loans at the Hong Kong companies have been fully repaid;
- the terms of agreements to which the Group companies are, or may become, party;
- compliance with financial undertakings imposed under the Group's financing arrangement such as the ratio of EBITDA to interest and the ratio of net debt to EBITDA;
- refinancing needs of existing or future indebtedness of the Group companies; and
- funding requirements with reference to the prevailing business environment and operations, expansion plans, other capital and liquidity management considerations, the overall stability of distributions and prevailing industry practice.

In addition, any change in the applicable laws in Hong Kong or other applicable jurisdictions may limit the Group's ability to pay dividends and/or make other distributions to the HKT Trust and, therefore, the HKT Trust's ability to pay or maintain distributions to holders of Share Stapled Units. There can be no assurance that the HKT Trust will be able to pay or maintain distributions in respect of the Share Stapled Units or that the level of distributions will increase over time, which in turn may materially and adversely affect the Guarantor's ability to make payments under the Guarantee in respect of the Securities. See "Description of the Issuer and the Guarantor – Distribution from the HKT Trust" for further details.

The Issuer is a special purpose vehicle and the obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of the Guarantor's subsidiaries and other Group entities

The Issuer is a special purpose vehicle with no substantive assets that has been incorporated to issue the Securities. Accordingly, the Issuer has limited assets to meet its obligations under the Securities and its ability to make payments in respect of the Securities depends largely on the provision of funds from the Guarantor or other entities in the Group. In addition, the Guarantor is a holding company. The ability of the Guarantor to make payments under the Guarantee depends largely upon the receipt of dividends and distributions, interest payments or advances from its subsidiaries, including HKT, and other Group entities. Neither the HKT Trust nor HKT are the issuer or the guarantor in respect of the Securities. The ability of the members of the Group to pay such amounts to the Guarantor may be subject to the profitability of the Group and applicable laws. As a result, (i) the Guarantor's obligations under the

Guarantee will be effectively subordinated to all existing and future obligations of the existing or future Group entities; and (ii) all claims of creditors of the existing or future subsidiaries or other Group entities, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such entities (if any) will have priority as to the assets of such entities over the Guarantor's claims and those of its creditors, including the Holders of the Securities.

The Securities are perpetual securities and investors have no right to require redemption

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

The Distribution Rate will be reset on the First Reset Date, the First Step-up Date, the Second Step-up Date and each Reset Date thereafter, which may affect the market value of the Securities

The Distribution Rate applicable to the Securities will initially be [●]% per annum from, and including, the Issue Date to, but excluding, the First Reset Date. However, the Distribution Rate will be reset on the First Call Date, the First Step-up Date, the Second Step-up Date and each Reset Date thereafter, as described in the Terms and Conditions of the Securities. In respect of the period from, and including, the First Reset Date to, but excluding, the First Step-up Date, the Distribution Rate shall be equal to the sum of (a) the then prevailing U.S. Treasury Rate (as defined in the Terms and Conditions of the Securities) and (b) the Initial Spread (as defined in the Terms and Conditions of the Securities). In respect of the period from, and including, the First Step-up Date to, but excluding, the Second Step-up Date, the Distribution Rate shall be equal to the sum of (a) the Treasury Rate, (b) the Initial Spread (as defined in the Terms and Conditions of the Securities); and (c) the Initial Step-up Margin (as defined in the Terms and Conditions of the Securities). In respect of the period from, and including, each Reset Date falling on and after the Second Step-up Date to, but excluding, the immediately following Reset Date, the Distribution Rate shall be equal to the sum of: (a) the then prevailing U.S. Treasury Rate (as defined in the Terms and Conditions of the Securities); (b) the Initial Spread (as defined in the Terms and Conditions of the Securities); (c) the Initial Step-up Margin (as defined in the Terms and Conditions of the Securities) and (d) the Second Step-up Margin (as defined in the Terms and Conditions of the Securities). As a result, the applicable Distribution Rate following the First Reset Date, the First Step-up Date, the Second Step-up Date and any Reset Date thereafter could be less than the Distribution Rate that applied previously under the Terms and Conditions of the Securities, which could affect the amount of any Distribution payments under the Securities and therefore the market value of an investment in the Securities.

The Securities and the Guarantee are subordinated obligations

The obligations of the Issuer under the Securities and of the Guarantor under the Guarantee will constitute unsecured and subordinated obligations of the Issuer and the Guarantor. Subject to the insolvency laws of the British Virgin Islands and other applicable laws, in the event of the Winding-Up (as defined in the Terms and Conditions of the Securities) of the Issuer, the rights of the holders to receive payments in respect of the Securities will rank senior to the holders of all Junior Obligations (as defined in the Terms and Condition of the Securities) of the Issuer and equally with the holders of all Parity Obligations (as defined in the Terms and Conditions of the Securities) of the Issuer, but junior to the claims of all unsubordinated creditors of the Issuer and all creditors of the Issuer whose claims are stated to rank senior to the Securities or rank senior to the Securities by operation of law or contract. Upon the Winding-Up of the Issuer, holders of the Securities can enforce the obligations of the Guarantor under the Guarantee, but, subject to the insolvency laws of the British Virgin Islands and other applicable laws, in the event of the Winding-Up of the Guarantor, the rights and claims of holders of the Guarantee will rank senior to the holders of all Junior Obligations of the Guarantor, equally with the holders of all Parity Obligations of the Guarantor, but be subordinated to the claims of all unsubordinated creditors of the Guarantor and all creditors of the Guarantor whose claims are stated to rank senior to the Securities or rank senior to the Securities by operation of law or contract.

In the event of a shortfall of funds or a Winding-Up, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Securities.

The Issuer and the Guarantor may raise other capital which affects the price of the Securities

The Issuer and the Guarantor may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders of Securities on a Winding-Up of the Issuer and/or the Guarantor, and may increase the likelihood of a deferral of Distribution under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

Holders may not receive Distribution payments if the Issuer validly elects to defer Distribution payments

The Issuer may, at its sole discretion, elect to defer any scheduled Distributions or Arrears of Distribution on the Securities for any period of time unless a Compulsory Distribution Payment Event (as defined in the Terms and Conditions of the Securities) has occurred. The Issuer is not subject to any limit as to the number of times Distributions or Arrears of Distribution can be deferred. Although Arrears of Distributions following a deferral are cumulative, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral election notices to Holders of the Securities, the Trustee and the Principal Paying Agent. Pursuant to the Terms and Conditions of the Securities, the Issuer shall satisfy any outstanding Arrears of Distribution and any Additional Distribution Amount (each as defined in the Terms and Conditions of the Securities) (in whole but not in part) on the earliest of the occurrence of certain events, including on the next Distribution Payment Date following the occurrence of a Compulsory Distribution Payment Event.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's, the Guarantor's and the Group's financial condition.

The Securities may be redeemed at the Issuer's option on a date falling 5.5 calendar years from the date of issue of the Securities and every six months thereafter or upon the occurrence of certain other events

The Securities are redeemable at the option of the Issuer on the First Call Date and on any Distribution Payment Date thereafter at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, the Issuer also has the right to redeem the Securities at the redemption prices set out in the Terms and Conditions of the Securities:

- (i) upon the occurrence of a Gross-up Event (as defined in the Terms and Conditions of the Securities);
- (ii) upon the occurrence of an Equity Credit Classification Event (as defined in the Terms and Conditions of the Securities);
- (iii) upon the occurrence of an Accounting Event (as defined in the Terms and Conditions of the Securities);
- (iv) upon the occurrence of a Change of Control Triggering Event (as defined in the Terms and Conditions of the Securities); or
- (v) if the aggregate principal amount of the Securities outstanding is less than 25% of the aggregate principal amount of the Securities originally issued.

The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holder of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds at a comparable return or purchase securities comparable to the Securities.

There may be further amendments, clarifications or changes in the equity credit criteria, guidelines or methodology of the Rating Agencies, which could constitute an Equity Credit Classification Event

The Issuer may also have the right to redeem the Securities upon the occurrence of an amendment, clarification or change which has occurred or will occur in the equity credit criteria, guidelines or methodology of any Rating Agency (as defined in the Terms and Conditions of the Securities), requested from time to time by the Guarantor to grant an equity classification to the Securities, if such amendment, clarification or change results or will result in a lower equity credit for the Securities than the equity credit assigned by such rating agency on the Issue Date (in the case of S&P and Moody's) or the date on which the equity credit is first assigned (in the case of any other Rating Agency or Rating Agencies) (an "Equity Credit Classification Event"), provided that any such amendment, clarification or change (including any plan therefor) has not been proposed, circulated or been open for comment on or prior to the Issue Date. There can be no assurance that S&P and Moody's or any other Rating Agency will not propose further amendments, clarifications or changes in the equity credit criteria, guidelines or methodology which results or will result in a lower equity credit for the Securities than the equity credit assigned by such rating agency on the Issue Date (in the case of S&P and Moody's) or the date on which the equity credit is first assigned (in the case of any other Rating Agency or Rating Agencies), and would constitute an Equity Credit Classification Event.

The Rating Agencies may also grant equity credit for the Securities in respect of PCCW, the parent company of the Guarantor, which may be lower than the equity credit for the Securities assigned in respect of the Guarantor. However, as PCCW is neither the issuer nor the guarantor in respect of the Securities, such equity credit classification or changes to such equity credit classification would not constitute an Equity Credit Classification Event.

Changes in accounting standards may impact the Guarantor's financial condition or the characterisation of the Securities

The HKICPA is continuing its policy of issuing HKFRS and interpretations which fully converge with the International Financial Reporting Standards. HKICPA has issued and may in the future issue more new and revised standards and interpretations, including those required to conform with standards and interpretations issued from time to time by the International Accounting Standards Board.

Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new HKFRS will not have a significant impact on the financial condition and results of operations of the Group. In addition, any change or amendment to, or any change or amendment to any interpretation of, HKFRS may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of the Guarantor, and will give the Issuer the right to elect to redeem the Securities. See "Risk Factors – Risks Relating to the Securities – The Securities may be redeemed at the Issuer's option on a date falling 5.5 calendar years from the date of issue of the Securities and every six months thereafter or upon the occurrence of certain other events".

There are limited remedies for non-payment under the Securities and the Guarantee

Any scheduled Distribution will not be due if the Issuer validly elects to defer that Distribution pursuant to the Terms and Conditions of the Securities. Notwithstanding any of the provisions relating to non-payment default, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and is unpaid and the Issuer fails to make the payment when due. The only remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Securities) any Holder of Securities for recovery

of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Securities and the Trust Deed. Holders can look to the Guarantor only upon the Winding-Up of the Issuer, and the right to institute Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Securities and the Trust Deed is limited to circumstances provided by applicable law.

The Trustee may request that Holders provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including, without limitation, as referred to in Conditions 9(b) (*Proceedings for Winding-Up*) and 9(c) (*Enforcement*) of the Terms and Conditions of the Securities), the Trustee may (at its sole discretion) request the Holders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or action and/or institutes proceedings on behalf of the Holders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or action can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute proceedings notwithstanding the provision of an indemnity and/or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Securities and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Holders to take such steps and/or actions and/or institute such proceedings directly.

Investors in the Securities may be subject to foreign exchange risk

The Securities are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars will be subject to foreign exchange risks by virtue of an investment in the Securities, due to, among other things, economic, political, social and other factors over which neither the Issuer nor the Guarantor has any control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Securities for an investor and could result in a loss when the return on the Securities is translated into such currency. Conversely, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Securities in the event of an appreciation.

The liquidity and price of the Securities following the offering may be volatile

The price and trading volume of the Securities may be highly volatile. Factors such as variations in the Guarantor's and the Group's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Securities to change. Any such developments may result in large and sudden changes in the volume and price at which the Securities will trade. There is no assurance that these developments will not occur in the future.

Certain initial investors or a single initial investor may purchase a significant portion of the Securities and may potentially be able to exercise certain rights and powers on their own

Certain initial investors or a single initial investor may purchase a significant portion of the aggregate principal amount of the Securities in this offering. Any Holder of a significant percentage of the aggregate principal amount of the Securities will be able to exercise certain rights and powers and will have significant influence on matters voted on by Holders. For example, Holders of more than half (or at adjourned meetings, no minimum percentage) of the aggregate principal amount of the Securities would form quorum for the purposes of passing an Extraordinary Resolution (as defined in the Terms and Conditions of the Securities), while Holders of at least three-quarters (or at adjourned meetings at least one-quarter) of the aggregate principal amount of the Securities would form quorum for the purposes of

voting on reserved matters, including any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities or to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities, to amend the terms of the Guarantee of the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution.

In addition, as the passing of Extraordinary Resolutions at meetings of Holders requires a majority of three-quarters of votes cast, any holder of a significant percentage of the Securities, even if less than a majority, will on its own be able to take certain actions that would be binding on all Holders. For example, holders of at least one-quarter of the principal amount of Securities represented at a meeting of Holders is able to block the passing of Extraordinary Resolutions, and holders of at least one-quarter of the aggregate principal amount of the Securities then outstanding may, subject to the provisions of the Trust Deed, direct the Trustee to institute proceedings for the Winding-Up of the Issuer and/or the Guarantor where payment in respect of the Securities has become due but has not been paid prior to expiration of the applicable grace period.

Additionally, the existence of any such significant Holder may reduce the liquidity of the Securities in the secondary trading market.

Credit ratings assigned to the Securities may not reflect the potential impact of all Securities

The Securities are expected to be rated by Moody's and S&P. The ratings address the Issuer's and the Guarantor's ability to perform their respective obligations under the Terms and Conditions of the Securities and credit risks in determining the likelihood that payments will be made when due under the Securities. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. The Group cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Issuer nor the Guarantor has any obligation to inform Holders of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Securities may adversely affect the market price of the Securities.

The Terms and Conditions of the Securities contain provisions which may permit their modification without the consent of all investors

The Terms and Conditions of the Securities contain provisions for calling meetings of holders of the Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Securities, including holders of the Securities who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Holders of the Securities may be adverse to the interests of individual Holders of the Securities.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Holders of the Securities, agree to any modification of the Trust Deed, the Terms and Conditions of the Securities and/or the Agency Agreement (as defined in the Terms and Conditions of the Securities) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Securities and to any modification of the Trust Deed, the Terms and Conditions of the Securities or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law.

In addition, the Trustee may, without the consent of the Holders of the Securities, authorise or waive any proposed breach or breach of the Securities, the Trust Deed, the Terms and Conditions of the Securities or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Holders of the Securities will not be materially prejudiced thereby.

The Securities will be represented by a Global Certificate, and holders of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems

The Securities will be represented by beneficial interests in a Global Certificate, which will be registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream (the “**Clearing Systems**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems and the Issuer, failing which, the Guarantor, will discharge its payment obligations under the Securities by making payments to the Clearing Systems for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems to receive payments under the Securities. None of the Issuer, the Guarantor, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

Integral multiples of less than the specified denomination

The denominations of the Securities are U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Securities may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a holder of Securities who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 will not receive a definitive certificate in respect of such holding of Securities (should definitive certificates be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If definitive certificates are issued, holders of the Securities should be aware that Securities with aggregate principal amounts that are not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

TERMS AND CONDITIONS OF THE SECURITIES

The following (other than the words in italics) is the text of the Terms and Conditions of the Securities which will appear on the reverse side of each of the individual certificates evidencing the Securities:

The U.S.\$[●] Perpetual Subordinated Guaranteed Securities (the “**Securities**”, which expression includes any further securities issued pursuant to Condition 15 and forming a single series therewith) of CAS Capital No. 1 Limited (the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated on or about [●] (the “**Issue Date**”) (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and CAS Holding No. 1 Limited (the “**Guarantor**”) and DB Trustees (Hong Kong) Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated on or about [●] (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, Deutsche Bank AG, Hong Kong Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Securities), Deutsche Bank AG, Hong Kong Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities), Deutsche Bank AG, Hong Kong Branch as calculation agent (the “**Calculation Agent**”, which expression includes any successor calculation agent appointed from time to time in connection with the Securities), and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agents, the Paying Agents and the Calculation Agent and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Holders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Holders during normal business hours (being 9:00a.m. to 3:00p.m.) with prior written notice and satisfactory proof of holding at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1 FORM AND DENOMINATION

The Securities are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

*Upon issue, the Securities will be evidenced by a global certificate (the “**Global Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), and will be exchangeable for individual certificates only in the circumstances set out therein.*

2 STATUS

(a) Status

The Securities constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* without any preference among themselves. The payment obligations of the Issuer under the Securities shall, save for such exceptions as may be provided for under applicable laws, at all times rank equally with all Parity Obligations of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in this Condition 2.

(b) Ranking of claims on Winding-Up

Subject to the insolvency laws of the British Virgin Islands and other applicable laws, in the event of the Winding-Up (as defined in Condition 18) of the Issuer, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of the Issuer, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (and if more than one class of preference shares is outstanding, the most junior ranking class of such preference shares) (“**Issuer Notional Preference Shares**”) having an equal right to return of assets in the Winding-Up of the Issuer and so ranking *pari passu* with the holders of that class of preference shares (if any) which have a preferential right to return of assets in the Winding-Up over, and so rank in priority to the holders of, Junior Obligations of the Issuer, but subordinated to the claims of all other present and future creditors of the Issuer (other than Parity Obligations of the Issuer), on the assumption that the amount that such Holder of a Security is entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such Winding-Up is an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Security together with accrued and unpaid Distributions (including any Arrears of Distribution (as defined below) or any Additional Distribution Amount (as defined below)).

(c) Set-off

Subject to applicable laws, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Securities, and each Holder is, by virtue of his holding of any Securities, deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with, the Securities is discharged by set-off, such Holder shall, subject to applicable laws, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

3 GUARANTEE

(a) Guarantee

The Guarantor has irrevocably and unconditionally guaranteed on a subordinated basis the due payment of all sums expressed to be payable by the Issuer under the Securities and the Trust Deed. The obligations of the Guarantor in that respect (the “**Guarantee**”) are contained in Clause 4.1 of the Trust Deed.

(b) Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsecured and subordinated obligations of the Guarantor. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided for under applicable laws, at all times rank equally with all Parity Obligations of the Guarantor. The rights and claims of the Holders in respect of the Guarantee are subordinated as provided in this Condition 3(b).

(c) Ranking of claims on Winding-Up

Subject to the insolvency laws of the British Virgin Islands and other applicable laws and a claim arising under the Guarantee, in the event of the Winding-Up of the Guarantor, there shall be payable by the Guarantor in respect of each Security (in lieu of any other payment by the Guarantor), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the

commencement of the Winding-Up of the Guarantor, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Guarantor (and if more than one class of preference shares is outstanding, the most junior ranking class of such preference shares) (“**Guarantor Notional Preference Shares**”) having an equal right to return of assets in the Winding-Up of the Guarantor and so ranking *pari passu* with the holders of that class of preference shares (if any) which have a preferential right to return of assets in the Winding-Up over, and so rank in priority to the holders of, Junior Obligations of the Guarantor, but subordinated to the claims of all other present and future creditors of the Guarantor (other than Parity Obligations of the Guarantor), on the assumption that the amount that such Holder of a Security is entitled to receive in respect of each Guarantor Notional Preference Share on a return of assets in such Winding-Up is an amount equal to the principal amount (and any applicable premium outstanding) of the relevant Security together with accrued and unpaid Distributions (including any Arrears of Distribution or any Additional Distribution Amount).

(d) Set-off

Subject to applicable laws, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with, the Guarantee, and each Holder is, by virtue of his holding of any Securities, deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Guarantor in respect of, or arising under or in connection with, the Guarantee is discharged by set-off, such Holder shall, subject to applicable laws, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and, accordingly, any such discharge shall be deemed not to have taken place.

4 REGISTER, TITLE AND TRANSFERS

(a) Register

The Registrar will maintain a register (the “**Register**”) in respect of the Securities outside of the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a “**Certificate**”) will be issued to each Holder in respect of their registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Title

The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) Transfers

Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. No transfer of title to a Security will be valid unless and until entered on the Register. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) Registration and delivery of Certificates

Within five business days of the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) No charge

The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) Closed periods

Holders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or Distribution in respect of the Securities.

(g) Regulations concerning transfers and registration

All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available for inspection by the Registrar to any Holder upon prior written request and satisfactory proof of holding.

5 DISTRIBUTIONS

(a) Distributions:

- (i) Subject to Condition 5(d), each Security shall confer the right to receive distributions (“**Distributions**” and each a “**Distribution**”) from and including the Issue Date at the applicable rate of distribution (“**Distribution Rate**”) in accordance with the provisions of this Condition 5.

- (ii) Subject to Condition 5(d), Distributions shall be payable on the Securities semi-annually in arrear on [●] and [●] in each year (each, a “**Distribution Payment Date**”), with the first Distribution Payment Date falling on [●] 2021.
- (iii) If a Distribution is required to be paid in respect of a Security on any date other than a Distribution Payment Date, it shall be calculated by applying the applicable Distribution Rate to the Calculation Amount, multiplying the product by the Day Count Fraction (as defined below), rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal amount of such Security divided by the Calculation Amount, where “**Calculation Amount**” means U.S.\$1,000 and “**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).
- (iv) Distributions payable under this Condition 5 will be paid in accordance with Condition 7.
- (v) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Trustee and the Holders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(b) Rate of Distribution

Subject to Condition 5(e), the Distribution Rate applicable to the Securities:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, [●] 2026 (the “**First Reset Date**”), shall be a fixed rate of [●] per cent. per annum (the “**Initial Distribution Rate**”);
- (ii) in respect of the period from, and including, the First Reset Date to, but excluding, [●] 2031 (the “**First Step-up Date**”), shall be a fixed rate per annum (expressed as a percentage) equal to the sum of:
 - (A) the then prevailing U.S. Treasury Rate; and
 - (B) the Initial Spread;
- (iii) in respect of the period from, and including, the First Step-up Date to, but excluding, [●] 2046 (the “**Second Step-up Date**”), shall be reset on each Reset Date (as defined in Condition 18) to a fixed rate per annum (expressed as a percentage) equal to the sum of:
 - (A) the then-prevailing U.S. Treasury Rate;
 - (B) the Initial Spread; and
 - (C) 0.25 per cent. (the “**Initial Step-up Margin**”);

- (iv) in respect of the period from, and including, each Reset Date falling on and after the Second Step-up Date to, but excluding, the immediately following Reset Date, shall be reset to a fixed rate per annum (expressed as a percentage) equal to the sum of:
- (A) the then-prevailing U.S. Treasury Rate;
 - (B) the Initial Spread;
 - (C) the Initial Step-up Margin; and
 - (D) 0.75 per cent. (the “**Second Step-up Margin**”).

(c) Distribution Accrual

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distributions from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, the right to a Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of:

- (i) the date on which all sums due in respect of the Securities are received by or on behalf of the relevant Holder; and
- (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

(d) Distribution Deferral:

- (i) *Deferral Election:* The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (a “**Deferral Election Notice**”) to the Holders (in accordance with Condition 16) and to the Trustee and the Principal Paying Agent in writing not more than ten business days nor less than five business days prior to a scheduled Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred (a “**Deferral Election Event**”). Any partial payment of outstanding Distributions (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.
- (ii) *No obligation to pay:* The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 5(d)(i).
- (iii) *Requirements as to Notice:* Each Deferral Election Notice shall be accompanied, in the case of the notice to the Trustee and the Principal Paying Agent, by a certificate in the form attached as Schedule 5 to the Trust Deed signed by an Authorised Signatory of the Issuer confirming that no Compulsory Distribution Payment Event has occurred. The Trustee shall be entitled to accept such Deferral Election Notice and such certificate (if applicable) without investigation as sufficient evidence of the occurrence of a Deferral Election Event, in which event it shall be conclusive and binding on the Holders.

- (iv) *Cumulative Deferral*: Any Distribution deferred pursuant to this Condition 5(d) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 5(d)(i)) to defer further any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 5(d).

Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such interest (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 5 and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

- (v) *Satisfaction of Arrears of Distribution by payment*: The Issuer:
- (A) may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 16) and to the Trustee and the Principal Paying Agent in writing not more than 20 business days nor less than five business days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and all Additional Distribution Amounts on the payment date specified in such notice); and
 - (B) in any event shall satisfy any outstanding Arrears of Distribution and any Additional Distribution Amount (in whole but not in part) on the earliest of:
 - (1) the date of redemption of the Securities in accordance with the redemption events set out in Condition 6;
 - (2) the next Distribution Payment Date following the occurrence of a Compulsory Distribution Payment Event;
 - (3) the date on which an order is made or an effective resolution is passed for Winding-Up of the Issuer or the Guarantor; and
 - (4) the date of any substitution or variation in accordance with Condition 13(c).

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.

- (vi) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this Condition 5(d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9) on the part of the Issuer under the Securities or the Guarantor under the Guarantee or for any other purpose.

(e) Increase in Distribution Rate following occurrence of a Change of Control Triggering Event:

- (i) *Increase in Distribution Rate:* Upon the occurrence of a Change of Control Triggering Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 16), the Trustee and the Principal Paying Agent pursuant to Condition 6 by the 30th day following the occurrence of the relevant Change of Control Triggering Event or (y) the Change of Control Triggering Event is remedied by the 30th day following the occurrence of such relevant Change of Control Triggering Event, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the Change of Control Triggering Event or (b) if the date on which the Change of Control Triggering Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, **provided that** the maximum aggregate increase in the Distribution Rate pursuant to this Condition 5(e) shall be 3.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this Condition 5(e) is separate from and in addition to any increase in the Distribution Rate pursuant to Condition 5(b).

Any increase in the Distribution Rate pursuant to this Condition 5(e) shall be notified by the Issuer to the Holders (in accordance with Condition 16), the Trustee and the Agents in writing no later than the 30th day following the occurrence of the relevant Change of Control Triggering Event.

- (ii) *Decrease in Distribution Rate:* If following an increase in the Distribution Rate after a Change of Control Triggering Event, such Change of Control Triggering Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 16), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Change of Control Triggering Event **provided that** the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 5(e) shall be 3.00 per cent. per annum.

6 REDEMPTION AND PURCHASE

(a) No Fixed Redemption Date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 and Condition 3 and without prejudice to Condition 9) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

(b) Redemption at the option of the Issuer

The Issuer may, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16), redeem all but not some only of the Securities on the First Reset Date (the "**First Call Date**") and any Distribution Payment Date falling after the First Call Date (each such date being a "**Call Date**"). On expiry of such notice, the Issuer shall be bound to redeem the Securities on the relevant Call Date at their principal amount together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

(c) Redemption for Gross-up Event

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16) at their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if the Issuer or the Guarantor, as the case may be, satisfies the Trustee prior to the giving of such notice and in accordance with the Trust Deed that:

- (i) the Issuer or, if the Guarantee were called, the Guarantor has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in Condition 18), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after [●] 2021; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it (a “**Gross-Up Event**”).

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer or the Guarantor, as the case may be, shall deliver to the Trustee:

- (A) a certificate signed by an Authorised Signatory of the Issuer or, as the case may be, by an Authorised Signatory of the Guarantor, stating that the obligation referred to in Condition 6(c)(i) cannot be avoided by the Issuer or, as the case may be, the Guarantor, taking reasonable measures available to it; and
- (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor, has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment,

and the Trustee shall be entitled to accept such certificate and opinion without investigation as sufficient evidence of the satisfaction of the conditions precedent set out in Conditions 6(c)(i) and 6(c)(ii), in which event the same shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(c). No such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such Additional Tax Amounts were a payment in respect of the Securities then payable.

(d) Redemption upon an Equity Credit Classification Event

The Issuer may, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16), redeem all but not some only of the Securities at:

- (i) 101 per cent. of their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs prior to the First Call Date; or
- (ii) their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs on or after the First Call Date,

if, immediately before giving such notice, an amendment, clarification or change has occurred or will occur in the equity credit in respect of the Guarantor for the Securities granted by S&P, Moody's or any other rating agency of equivalent international standing requested from time to time by the Guarantor to grant an equity classification to the Securities and, in each case, any of their respective successors to the rating business thereof (each a "**Rating Agency**" and, together, "**Rating Agencies**"), which amendment, clarification or change results or will result in an equity credit in respect of the Guarantor for the Securities being:

- (A) in the case of S&P, lower than the equity credit assigned immediately prior to that relevant amendment, clarification or change; or
- (B) in the case of Moody's, lower than the equity credit assigned immediately prior to that relevant amendment, clarification or change; or
- (C) in the case of any Rating Agency other than S&P or Moody's, lower than the equity credit assigned immediately prior to that relevant amendment, clarification or change,

(each an "**Equity Credit Classification Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Guarantor shall deliver or procure that there is delivered to the Trustee a certificate signed by an Authorised Signatory of the Guarantor stating that the circumstances referred to in this Condition 6(d) prevail and setting out the details of such circumstances.

The Trustee shall be entitled to accept such certificate without investigation as sufficient evidence of the satisfaction of the circumstances set out above in this Condition 6(d), in which event it shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 6(d), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(d), provided that such date for redemption shall be no earlier than the last day before the date on which the Securities will no longer be eligible for the same or higher category of equity credit.

(e) Redemption for Accounting Reasons

The Issuer may, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16), redeem all but not some only of the Securities at:

- (i) 101 per cent. of their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs prior to the First Call Date; or
- (ii) their principal amount (together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if such redemption occurs on or after the First Call Date,

if, immediately before giving such notice, a change or amendment to, or a change or amendment to any interpretation of, Hong Kong Financial Reporting Standards or any other internationally generally accepted accounting standards that the Guarantor has adopted for the purposes of the Guarantor's consolidated financial statements (the "**Relevant Accounting Standards**") has occurred or will occur, which change or amendment results or will result in the Securities, in whole or in part, not being permitted to be recorded as "equity" of the Guarantor in the consolidated financial statements of the Guarantor pursuant to the Relevant Accounting Standards (an "**Accounting Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 6(e), the Guarantor shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate, signed by an Authorised Signatory of the Guarantor, stating that the circumstances referred to above in this Condition 6(e) prevail and setting out the details of such circumstances; and
- (B) an opinion, in form and substance satisfactory to the Trustee, of the Guarantor's independent auditors or of a recognised accountancy firm of international standing stating that the circumstances referred to above in this Condition 6(e) prevail and the date on which the relevant change or amendment to the Relevant Accounting Standards is due to take effect.

The Trustee shall be entitled to accept such certificate and opinion without investigation as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 6(e), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(e), provided that such date for redemption shall be no earlier than the last day before the date on which the Securities are no longer permitted to be recorded as "equity" of the Guarantor pursuant to the Relevant Accounting Standards.

(f) Redemption for Change of Control

The Issuer may, at any time, on giving not more than 30 nor less than 10 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16), redeem all but not some only of the Securities at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, a Change of Control Triggering Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition 6(f), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate, signed by an Authorised Signatory of the Guarantor, stating that the circumstances referred to above in this Condition 6(f) prevail and setting out the details of such circumstances.

The Trustee shall be entitled, without being liable to Holders or any other person, to conclusively rely on such certificate without investigation and accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Holders. Upon the expiry of any such notice period as is referred to in this Condition 6(f), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(f).

(g) Redemption in the case of Minimal Outstanding Amount

The Issuer may, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16), redeem all but not some only of the Securities at their principal amount, together with any Distribution accrued to but excluding the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 25 per cent. of the aggregate principal amount of the Securities originally issued (and including any additional Securities issued in accordance with Condition 15, if any). Upon expiry of any such notice as is referred to in this Condition 6(g), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(g).

(h) No other redemption

The Issuer shall not be entitled to redeem the Securities otherwise than as provided in paragraphs (a) to (g) above.

(i) Purchase

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.

(j) Cancellation

All Securities so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

7 PAYMENTS

(a) Method of payment

Payments of principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made by transfer to a U.S. Dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) Payments subject to fiscal laws

All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 any law implementing an intergovernmental approach thereto.

(c) Payments on business days

Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 7(c), “**business day**” means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

(d) Partial payments

If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(e) Record date

Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the clearing system business day before the due date for such payments, where "clearing system business day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

8 TAXATION

(a) Payment Without Withholding

All payments of principal and Distributions (including any Arrears of Distribution or any Additional Distribution Amount) by or on behalf of the Issuer in respect of the Securities and the Guarantor in respect of the Guarantee shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts ("**Additional Tax Amounts**") as may be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Securities in the absence of the withholding or deduction, except that no Additional Tax Amounts shall be payable in relation to any payment in respect of any Securities:

- (i) *other connection*: to a Holder (or a third party on behalf of a Holder) who is liable to the Taxes in respect of the Securities by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Securities; or
- (ii) *presentation more than 30 days after the Relevant Date*: if the Certificate in respect of such Security is presented for payment more than 30 days after the Relevant Date (as defined in Condition 18) except to the extent that a Holder would have been entitled to Additional Tax Amounts on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a business day); or
- (iii) *lawful avoidance of withholding*: if the Certificate in respect of such Security is presented for payment by or on behalf of a Holder who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and who does not make such declaration or claim.

(b) Additional Tax Amounts

Any reference in these Conditions to principal, Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any Additional Tax Amounts in respect of such principal, Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 8 or any undertaking given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed.

(c) Trustee and Agents

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Holders or any other person to pay such tax, duty, charges, withholding or other payment.

9 NON-PAYMENT

(a) Non-payment when Due

Notwithstanding any of the provisions below in this Condition 9, the right to institute proceedings for Winding-Up is limited to circumstances where payment has become due but has not been paid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 5(d). In addition, nothing in this Condition 9, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or Appointees (as defined in the Trust Deed) to claim from or to otherwise take any action against the Issuer and/or the Guarantor in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

(b) Proceedings for Winding-Up

If: (i) there is a Winding-Up of the Issuer or the Guarantor; or (ii) the Issuer has not made payment in respect of the Securities or the Guarantor has not made payment in respect of the Guarantee for a period (in either case) of ten days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Trust Deed, the Securities and, in the case of the Guarantor, the Guarantee, and the Trustee may, subject to the provisions of Condition 9(d), institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or prove in the Winding-Up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment.

(c) Enforcement

Without prejudice to Condition 9(b) but subject to the provisions of Condition 9(d), the Trustee may at its discretion and without notice to the Issuer or the Guarantor take and/or institute such steps and/or actions and/or proceedings, as the case may be, against the Issuer and/or the Guarantor as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Trust Deed or the Securities (other than any payment obligation of the Issuer or the Guarantor under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities or the Guarantee, including any damages awarded for breach of any obligations) and in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) Entitlement of Trustee

The Trustee shall not and shall not be obliged to take any of the actions referred to in Condition 9(b) or Condition 9(c) above against the Issuer and/or the Guarantor to enforce the terms of the Trust Deed or the Securities unless:

- (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least 25 per cent. in aggregate principal amount of the Securities then outstanding; and
- (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) Right of Holders

No Holder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer and/or the Guarantor or claim in the liquidation of the Issuer and/or the Guarantor or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer and/or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 9.

(f) Extent of Holders' remedy

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee or under the Trust Deed or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Securities or the Guarantee or under the Trust Deed.

10 PRESCRIPTION

Claims for payment in respect of the Securities shall become void unless the relevant Certificates are surrendered for payment within ten years in the case of principal and five years in the case of Distributions of the appropriate Relevant Date.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in Hong Kong, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Holders. In addition, the Trustee, the Agents and their respective directors and officers are entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Holders as a class and will not be responsible for any consequence for individual Holders of Securities as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below in Condition 18. The Issuer and the Guarantors reserve the right (having notified the Trustee in writing) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however*, that the Issuer and the Guarantors shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders.

13 MEETINGS OF HOLDERS; MODIFICATION AND WAIVER; SUBSTITUTION

(a) Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantors (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more persons being or representing Holders whatever the principal amount of the Securities held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities, to amend the terms of the Guarantee of the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, (i) a resolution in writing signed by or on behalf of Holders of not less than 90% in principal amount of Securities outstanding will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders and (ii) by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Holders of not less than 75 per cent. in aggregate principal amount of the Securities outstanding will take effect as if it were an Extraordinary Resolution.

(b) Modification and waiver

The Trustee may, but shall not be obliged to, without the consent of the Holders, agree to any modification of these Conditions, the Securities or the Trust Deed which is: (i) in the opinion of the Trustee, is a modification which will not be materially prejudicial to the interests of Holders (other than in respect of a Reserved Matter); or (ii) is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, but shall not be obliged to, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

If, but only if, the Trustee shall so require, any such authorisation, waiver or modification by the Issuer shall be notified to the Holders by the Issuer as soon as practicable thereafter.

(c) Substitution

If a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 5 (without any requirement for the consent or approval of the Holders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 13(c) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16), at any time either (i) substitute all, but not some only, of the Securities for; or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 13(c) and subject to the receipt by it of the certificate of an Authorised Signatory of the Guarantor referred to in Clause 8.3 of the Trust Deed) agree to such substitution or variation. Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 13(c).

In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) shall be satisfied in full in accordance with the provisions of Condition 5(d)(v).

In connection with any substitution or variation in accordance with this Condition 13(c), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

(d) Certificates and reports

The Trustee may act on the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant, auditor, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Guarantors, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee will not be responsible to anyone for any liability occasioned by so acting.

(e) Directions from Holders

Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Holders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

14 ENFORCEMENT

The Trustee may at any time, at its discretion and without notice, institute such proceedings against any of the Issuer or the Guarantors as it thinks fit to recover any amounts due in respect of the Securities which are unpaid or enforce its rights under the Trust Deed in respect of the Securities, but it shall not be bound to do so unless: (a) it has been so requested in writing by the Holders of at least one-quarter of the aggregate principal amount of the outstanding Securities or has been so directed by an Extraordinary Resolution; and (b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Holder may proceed directly against the Issuer or either Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

15 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the issue date and issue price, the first payment of Distribution and, to the extent necessary, certain temporary securities law transfer restrictions) so as to form a single series with the Securities.

16 NOTICES

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any individual certificates are issued and so long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg, any notice to the holders of the Securities shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 GOVERNING LAW AND JURISDICTION

(a) Governing law

The Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Clauses 4.1, 4.2, 4.3, 4.4 and 5 of the Trust Deed and Conditions 2 and 3 are governed by, and shall be construed in accordance with, the laws of the British Virgin Islands.

(b) Jurisdiction

Each of the Issuer and the Guarantor has in the Trust Deed (i) agreed for the benefit of the Trustee and the Holders that the courts of England shall have non-exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Securities (including any non-contractual obligation arising out of or in connection with the Securities); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets

or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Holders from taking proceedings related to a Dispute in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Holders may take concurrent proceedings in any number of jurisdictions.

18 DEFINITIONS

In these Conditions:

“Authorised Signatory” has the meaning set out in the Trust Deed;

“Calculation Date” means the second business day prior to the relevant Reset Date;

“Capital Stock” means any and all shares, interests (including joint venture interests), participations or other equivalents (howsoever designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

“Change of Control” means the Guarantor ceases to be the single largest, direct or indirect, shareholder of HKT Group Holdings Limited;

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline;

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Issuer as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years;

“Comparable Treasury Price” means, with respect to the second business day immediately preceding the Reset Date, the average of three Reference Treasury Dealer Quotations for the relevant Calculation Date;

“Compulsory Distribution Payment Event” means circumstances in which during the three month period ending on the day before the relevant scheduled Distribution Payment Date either or both of the following have occurred:

- (i) a discretionary dividend, distribution or other discretionary payment has been declared, paid or made by the Issuer, the Guarantor or any of their respective Subsidiaries on or in respect of any of the Junior Obligations or the Parity Obligations of the Issuer or the Guarantor other than a dividend, distribution or other payment in respect of:
 - (a) an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or
 - (b) any Parity Obligations of the Issuer or the Guarantor made on a pro rata basis; or
- (ii) the Issuer, the Guarantor or any of their respective Subsidiaries has at its discretion repurchased, redeemed or otherwise acquired any of the Junior Obligations or the Parity Obligations of the Issuer or the Guarantor other than:
 - (a) a repurchase or other acquisition of securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or
 - (b) as a result of the exchange or conversion of the Parity Obligations of the Issuer or the Guarantor for the Junior Obligations of the Issuer or the Guarantor, as the case may be;

“**Extraordinary Resolution**” has the meaning set out in the Trust Deed;

“**Independent Investment Bank**” means an independent investment bank of international repute (acting as an expert) selected by the Issuer (at the expense of the Issuer) and notified to the Trustee and Calculation Agent in writing;

“**Initial Spread**” means [●] per cent. per annum;

“**Investment Grade**” means:

- (i) in relation to the Guarantor, a long term foreign currency issuer credit rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent long term foreign currency issuer credit rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; an issuer rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent issuer rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns; a long term foreign currency issuer credit rating of “BBB-” or better by Fitch, or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody’s, or Fitch or any combination thereof, as the case may be; or
- (ii) in relation to any of the Guarantor’s senior unsecured obligations, a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns; or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be.

“**Junior Obligations**” means any class of the Issuer’s or, as the case may be, the Guarantor’s share capital, other than any instrument or security (including without limitation any preference shares) ranking in priority in payment and in all other respects to the ordinary shares of the Issuer or, as the case may be, the Guarantor;

“**Maximum Distribution Rate**” means the relevant Distribution Rate plus 3.00 per cent. per annum;

“**Parity Obligations**” means any instrument or security (including preference shares) issued, entered into or guaranteed by the Issuer or, as the case may be, the Guarantor which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with an Issuer Notional Preference Share (in the case of the Issuer) or a Guarantor Notional Preference Share (in the case of the Guarantor);

“**Person**” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity;

“Qualifying Securities” means securities that:

- (a) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by the Guarantor and an Independent Investment Bank, and provided that a certificate to such effect (and confirming that the conditions set out in (i) to (iv) below of this definition have been satisfied) signed by an Authorised Signatory of the Guarantor and from an Independent Investment Bank, shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities upon which certificate the Trustee shall rely absolutely and which shall be binding on the Holders), provided that:
 - (i) they are issued by the Guarantor, the Issuer or any wholly-owned direct or indirect finance Subsidiary of the Guarantor;
 - (ii) they are unconditionally and irrevocably guaranteed by the Guarantor where not issued by the Guarantor;
 - (iii) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up, shall preserve the Holders’ rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the Securities, and shall contain terms which provide at least for the same Distribution Rate, subsequent Distribution Payment Dates and redemption events, from time to time applying to the Securities; and other terms of such securities are substantially identical (as reasonably determined by the Guarantor and an Independent Investment Bank) to the Securities and, other than in the case of an Equity Credit Classification Event, have an equity content or credit that is the same or better than the equity credit assigned to the Securities before the substitution or variation, save for any modifications to such terms that are required to be made to avoid or resolve the occurrence of a Special Event; and
 - (iv) they shall not contain loss-absorbing provisions, such as principal write-offs, write-downs or conversion to equity;
- (b) have been, or will on issue be, assigned at least the same rating as that assigned by all relevant Rating Agencies where the Securities were so rated (other than unsolicited ratings) prior to substitution or variation as provided in Condition 13(c); and
- (c) are listed on the Singapore Exchange Securities Trading Limited or another securities exchange of international standing regularly used for the listing and quoting of debt securities offered and traded in the international markets;

“Rating Date” means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the intention of the Guarantor to effect a Change of Control;

“Rating Decline” mean, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date of (x) a Change of Control or (y) a public notice of the intention of the Guarantor to effect a Change of Control, of any of the events listed below:

- (a) in the event the Guarantor or any of the Guarantor’s senior unsecured obligations (x) is on the Rating Date (A) rated by any Rating Agency and (B) rated Investment Grade by each such Rating Agency, and (y) ceases to be rated Investment Grade by such Rating Agency; and
- (b) in the event the Guarantor or any of the Guarantor’s senior unsecured obligations (x) is on the Rating Date (A) rated by any Rating Agency and (B) rated below Investment Grade by each such Rating Agency, and (y) is downgraded by one or more rating categories by such Rating Agency.

“Reference Treasury Dealer” means each of the three nationally recognised investment banking firms selected by the Issuer that are primary U.S. Government securities dealers;

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and the Calculation Date, the average, as determined by the Calculation Agent, of the bid and ask prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m. (New York City time), on the relevant Calculation Date and then notified in writing by the Issuer to the Calculation Agent and the Trustee;

“Relevant Date” means in respect of any Security means the date on which payment in respect of it first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 16;

“Relevant Jurisdiction” means the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority therein or thereof having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of any sums due in respect of the Securities;

“Reset Date” means the First Reset Date and each day falling every five calendar years after the First Reset Date;

“Special Event” means a Gross-Up Event, an Accounting Event, an Equity Credit Classification Event or any combination of the foregoing;

“Specified Office” has the meaning as defined in the Agency Agreement;

“Subsidiary” means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person;

“U.S. Treasury Rate” means the rate in percentage per annum as notified by the Calculation Agent to the Issuer, the Trustee and the Agents in writing and to the Holders (in accordance with Condition 16) equal to the yield on U.S. Treasury securities having a maturity of five years as set forth in H.15(519) under the caption “Treasury constant maturities”, as set out on the website <https://www.federalreserve.gov/releases/h15/> (or any successor page or service displaying yields on U.S. Treasury securities as agreed between the Issuer and the Calculation Agent), at 5:00 p.m. (New York time) on the Calculation Date.

If such page (or any successor page or service) does not display the relevant yield at 5:00 p.m. (New York time) on the Calculation Date, “U.S. Treasury Rate” shall mean the rate in percentage per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price on the relevant Calculation Date.

If there is no Comparable Treasury Price on the relevant Calculation Date for whatever reason, “U.S. Treasury Rate” means the rate in percentage per annum as notified by the Calculation Agent in writing to the Issuer equal to the yield on U.S. Treasury securities having a maturity of five years as set forth in H.15(519) under the caption “Treasury constant maturities”, as set out on the website <https://www.federalreserve.gov/releases/h15/> (or any successor page or service displaying yields on U.S. Treasury securities as agreed between the Issuer and the Calculation Agent), at 5:00 p.m. (New York time) on the last available date preceding the Calculation Date on which such rate was set out on the website <https://www.federalreserve.gov/releases/h15/> (or any successor page or service displaying yields on U.S. Treasury securities as agreed between the Issuer and the Calculation Agent);

“Voting Shares” means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency); and

“Winding-Up” means, with respect to the Issuer or, as the case may be, the Guarantor, a final and effective order or resolution by a competent authority in the respective jurisdiction of incorporation of the Issuer or, as the case may be, the Guarantor for the winding up, liquidation or similar proceedings in respect of the Issuer or, as the case may be, the Guarantor.

The following paragraphs in italics do not form part of the Terms and Conditions of the Securities: Restrictions regarding redemption of the Securities (the **“Restrictions”**):

The Issuer intends (without thereby assuming any legal obligation to do so), during the period from the Issue Date to and including the Second Step-up Date, that if the Securities are assigned an “equity credit”(or such other classification that S&P may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) at the time of such redemption or repurchase, that it will redeem or repurchase the Securities pursuant to:

- (1) *a redemption of the Securities at the option of the Issuer pursuant to Condition 6(b);*
- (2) *a repurchase of the Securities by the Issuer, the Guarantor or any of their respective Subsidiaries under Condition 6(i) of more than:*
 - (i) *10 per cent. of the aggregate principal amount of the Securities issued on the Issue Date in any consecutive 12 month period; or*
 - (ii) *25 per cent. of the aggregate principal amount of the Securities issued on the Issue Date in any consecutive 10 year period,*

only to the extent the Aggregate Equity Credit of the Securities at the time of issue to be redeemed or repurchased does not exceed the Aggregate Equity Credit received by the Guarantor or any other Subsidiaries of the Guarantor during the 365 day period prior to the date of such redemption or repurchase from certain securities offerings. Such offerings must involve the sale or issuance by the Guarantor or any other Subsidiaries of the Guarantor to third party purchasers other than the Guarantor or any other Subsidiaries of the Guarantor, of securities which are assigned by S&P, at the time of sale or issuance, an “equity credit” that is equal to or greater than the equity credit assigned to the Securities to be redeemed or repurchased at the time of issue (taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities).

The Restrictions described above shall not apply if on the date of such redemption or repurchase:

- (a) *the Guarantor has a corporate credit rating from S&P that is equal to or greater than the rating assigned to the Guarantor by S&P as at the Issue Date, and to the best knowledge of the Guarantor, after giving effect to such redemption or repurchase, such rating will not be revised downward, withdrawn or placed on review or “creditwatch” with negative implications (or other similar review or change of outlook) by S&P to levels below the rating assigned to the Guarantor as at the Issue Date as a result of such redemption or repurchase; or*
- (b) *the Securities are not assigned any category (not even ‘no’) of “equity credit” at the time of such redemption or repurchase; or*
- (c) *a Special Event has occurred; or*
- (d) *the Issuer, the Guarantor or any other Subsidiaries of the Guarantor has individually or in the aggregate, redeemed, cancelled or purchased the Securities equal to or in excess of 75 per cent. of the aggregate principal amount of the Securities issued on the Issue Date; or*
- (e) *the statements made in the Restrictions set forth hereunder are no longer required for the Securities to be assigned an “equity credit” that is equal to or greater than the equity credit assigned by S&P on the Issue Date;*

- (f) *in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Guarantor's hybrid capital to which S&P then assigns "equity credit" under its prevailing methodology; or*
- (g) *there shall have occurred a general moratorium on, or disruption in, commercial banking activities in the British Virgin Islands, Hong Kong, the United Kingdom, the European Economic Area or the United States by any British Virgin Islands, Hong Kong, United Kingdom, European Economic Area, New York State or United States Federal authorities, which would be, in the Issuer's sole opinion, likely to materially prejudice dealings in the Securities in the secondary market.*

For the purpose of the Restrictions, "Aggregate Equity Credit" means the "equity credit" (as a percentage) assigned by S&P of the relevant securities multiplied by the aggregate principal amount of such securities with respect to which the calculation is being made.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Securities in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Securities (the “Conditions” or the “Terms and Conditions”) set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Securities will be represented by a Global Certificate which will be registered in the name of DB Nominees (Hong Kong) Limited as nominee for, and deposited with, a common depository for Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of such Securities from and including [●] in arrear at the rates, in the amounts and on the dates for payment, in accordance with the method of calculation provided for in the Terms and Conditions of the Securities, save that calculation is made in respect of the total aggregate amount of the Securities represented by the Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Securities, all subject to and in accordance with the Terms and Conditions of the Securities.

The Global Certificate will become exchangeable in whole, but not in part, for individual certificates (“**Individual Certificates**”) if Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so.

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Certificate at the Specified Office (as defined in the Terms and Conditions of the Securities) of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Securities scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Securities as they apply to the Securities evidenced by the Global Certificate. The following is a summary of certain of those provisions:

RECORD DATE

Notwithstanding Condition 7(e) (*Record date*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an “**Alternative Clearing System**”), each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

NOTICES

Notwithstanding Condition 16 (*Notices*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System, notices to Holders of Securities represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

DETERMINATION OF ENTITLEMENT

The Global Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of the Global Certificate.

EXCHANGE RATES

The Hong Kong dollar is freely convertible into other currencies (including the U.S. dollar). Since 17 October 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK\$7.80 to U.S.\$1.00. The central element in the arrangement which gave effect to this peg is that, by agreement between the Hong Kong Government and the three Hong Kong banks that issue Hong Kong dollar banknotes, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China (Hong Kong) Limited, certificates of indebtedness (which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issue) are issued and redeemed only against payment in U.S. dollars, at the fixed exchange rate of U.S.\$1.00 to HK\$7.80. When banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent amount of U.S. dollars at the fixed rate of exchange.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continued to be determined by the forces of supply and demand in the foreign exchange market. In light of the fixed rate for the issue of Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated significantly from the level of HK\$7.80 to U.S.\$1.00 since 17 October 1983. In May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar.

The Hong Kong Government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Government will maintain the link within the range of HK\$7.75 to HK\$7.85 per U.S. dollar or at all, or will not in the future impose exchange controls. Exchange rates between the Hong Kong dollar and other currencies are influenced by the exchange rate between the U.S. dollar and such currencies.

The following table sets forth the average, high, low and period-end exchange rates between the Hong Kong dollar and the U.S. dollar (in HK\$ per U.S.\$1.00) at the noon buying rate in New York City for cable transfers in foreign currencies for the periods indicated (the Noon Buying Rate).

	Year Ended 31 December			
	Hong Kong Dollars/U.S. Dollars Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
2016	7.7505	7.7620	7.8270	7.7534
2017	7.7540	7.7926	7.8267	7.8128
2018	7.8043	7.8376	7.8499	7.8305
2019	7.7850	7.8335	7.8499	7.7894
2020				
January	7.7661	7.7725	7.7889	7.7665
February	7.7630	7.7757	7.7951	7.7927
March	7.7511	7.7651	7.7863	7.7513
April	7.7498	7.7512	7.7530	7.7514
May	7.7500	7.7519	7.7561	7.7513
June	7.7498	7.7501	7.7514	7.7501
July	7.7499	7.7509	7.7538	7.7500
August	7.7498	7.7502	7.7506	7.7501
September	7.7499	7.7500	7.7504	7.7500
October	7.7498	7.7503	7.7548	7.7548
November	7.7505	7.7526	7.7552	7.7522
December (through 23 December)	7.7505	7.7516	7.7529	7.7529

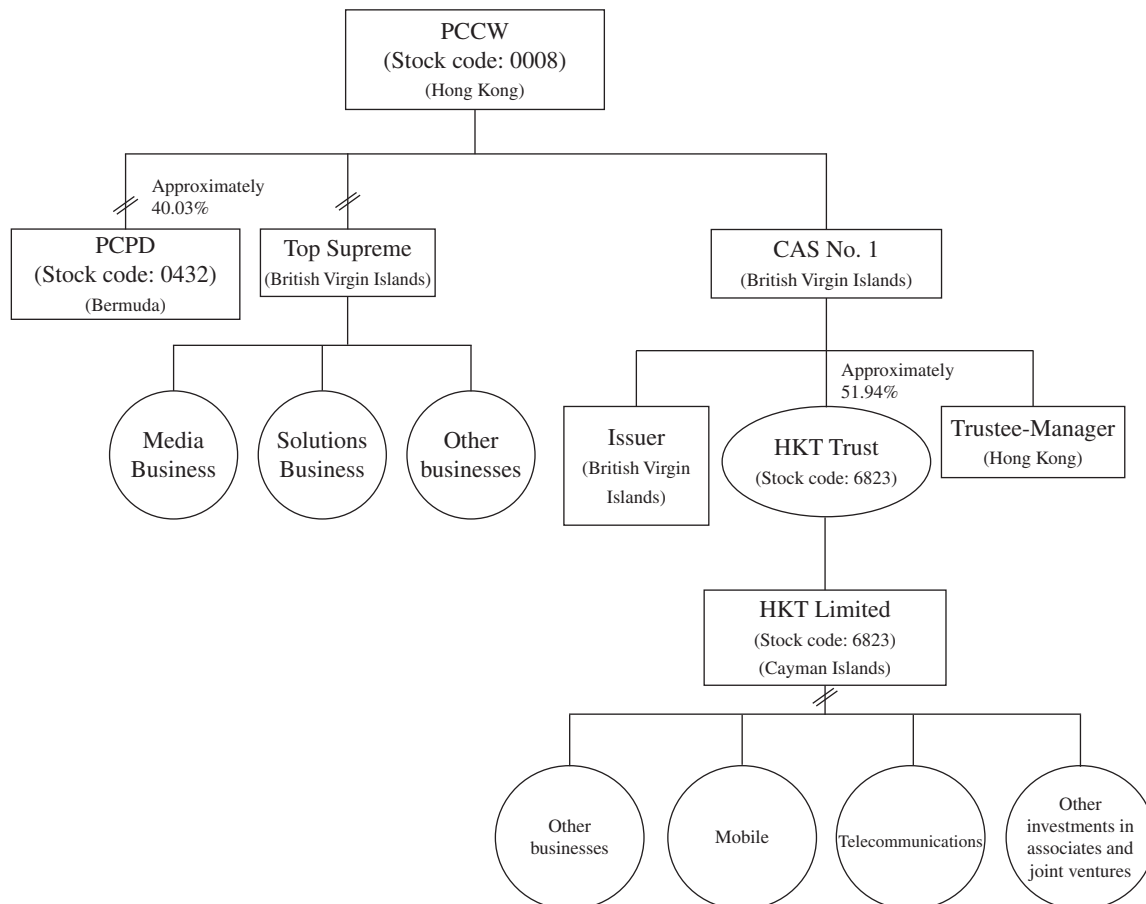
Source: www.federalreserve.gov

Note:

(1) Determined by averaging the rates on each business day during the relevant period.

DESCRIPTION OF THE ISSUER AND THE GUARANTOR

The chart below illustrates, in simplified form, the corporate structure of the PCCW Group and the Group:



Notes:

1. \neq represents indirect shareholding.
2. 100% shareholding unless otherwise specified.
3. Place of incorporation of each entity is specified in parenthesis.
4. Following the completion of the Reorganisation on 31 December 2020, CAS No. 1 has discontinued its involvement in businesses other than the Telecommunications Business.

THE ISSUER

The Issuer, a direct wholly-owned subsidiary of CAS No. 1 and an indirect wholly-owned subsidiary of PCCW, was incorporated as a company with limited liability under the laws of the British Virgin Islands on 26 November 2020. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Issuer, a single purpose vehicle incorporated for the purpose of issuing the Securities, will remain a direct wholly-owned subsidiary of CAS No. 1 and an indirect wholly-owned subsidiary of PCCW as long as the Securities are outstanding and will advance the net proceeds of the Securities to PCCW for the general corporate purposes of the PCCW Group. The Issuer has no material assets, and since its incorporation has not conducted and will not conduct any business, except relating to the offering, sale and issuance of indebtedness and the lending of the proceeds thereof to PCCW as set out in this Offering Circular and any other activities in connection therewith.

The directors of the Issuer are Srinivas Bangalore Gangaiah and Hui Hon Hing, Susanna. The Issuer does not have any executive officers.

The Issuer is authorised to issue a maximum of 50,000 ordinary shares of U.S.\$1 par value each. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

The Issuer does not have any debt outstanding. The Issuer has no subsidiaries.

The Issuer has not audited or published, and does not propose to audit or publish, any of its accounts since it is not required to do so under the laws of the British Virgin Islands. However, the Issuer is required to keep such accounts and records as the directors consider necessary or desirable in order to reflect the financial position of the Issuer.

THE GUARANTOR

The Guarantor, a direct wholly-owned subsidiary of PCCW, was incorporated as a company with limited liability under the laws of the British Virgin Islands on 24 February 2004. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The directors of the Guarantor are Lim Beng Jin and Hume Yip Wai Hun.

The authorised share capital of the Guarantor is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1 par value each, of which 8 shares are issued and outstanding. No part of the equity securities of the Guarantor is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

DISTRIBUTION FROM THE HKT TRUST

The telecommunications business of the PCCW Group is separately listed on The Stock Exchange of Hong Kong Limited in the form of Share Stapled Units of the HKT Trust and HKT under the administration of the HKT Trust Deed. Neither the HKT Trust nor HKT is the issuer or the guarantor in respect of the Securities.

The HKT Trust Deed requires the HKT Trust to distribute 100% of its cash flows from dividends, other distributions and any other amounts received (in each case, net of applicable taxes and expenses) by the HKT Trust from the Group, after such cash flows have been applied to pay the operating expenses of the HKT Trust, including the Trustee-Manager's expenses.

The distributions received by the HKT Trust from the Group will come from the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year. The Group's Annual Adjusted Funds Flow is an amount derived from HKT's annual audited consolidated financial statements only. The HKT Trust Deed and HKT's amended and restated articles of association state that the current intention of HKT's directors is to declare and distribute 100% of the Group's Annual Adjusted Funds Flow, after adjusting for potential debt repayment, if required, for each financial year, to the HKT Trust to fund distributions in respect of the Share Stapled Units to be made by the HKT Trust.

It is the current intention of HKT's directors that the Group will declare and make distributions to the HKT Trust on a semi-annual basis, with the interim and final distributions in respect of a full financial year being equal, in aggregate, to 100% of the Group's Annual Adjusted Funds Flow in respect of the relevant financial year, after adjusting for potential debt repayment, if required, in respect of that financial year.

HKT may declare and make distributions to the HKT Trust out of HKT's available funds and not only out of accounting profits. Subsidiaries of HKT may upstream amounts, by a combination of distributions from distributable reserves and inter-company loans, to fund distributions by HKT. HKT may make distributions out of its distributable reserves (including share premium) to the HKT Trust which in turn is required under the HKT Trust Deed to make distributions to the registered holders of Share Stapled Units.

The Group's Adjusted Funds Flow for the year ended 31 December 2019 was HK\$5,329 million, an increase of 3% over the year ended 31 December 2018. The Group's Adjusted Funds Flow for the six months ended 30 June 2020 was upheld at HK\$2,280 million (30 June 2019: HK\$2,272 million).

DESCRIPTION OF THE PCCW GROUP

PCCW is neither the issuer nor the guarantor in respect of the Securities. Holders have no recourse against PCCW with respect to the payment of amounts due under the Securities.

OVERVIEW

PCCW, whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the U.S. (Ticker: PCCWY), is a global company headquartered in Hong Kong which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses. Employing over 22,800 staff as at 30 June 2020, the PCCW Group maintains a presence in Hong Kong, the PRC as well as other parts of the world.

The PCCW Group primarily operates through the following five business segments:

- **Telecommunications Business:** PCCW holds a majority interest of approximately 51.94% in the HKT Trust and HKT. The Group is Hong Kong's premier telecommunications service provider and leading operator of fixed-line, broadband, mobile communication and media entertainment services. The Group delivers end-to-end integrated solutions employing emerging technologies to assist enterprises in transforming their businesses. The Group has also built a digital ecosystem integrating its loyalty program, e-commerce, travel, insurance, FinTech and HealthTech services to deepen its relationship with customers.
- **Media Business:** PCCW owns a fully integrated multimedia and entertainment group in Hong Kong engaged in the provision of OTT video service locally and in other places in the region. Through HK Television Entertainment Company Limited, PCCW also operates a domestic free TV service in Hong Kong.
- **Solutions Business:** PCCW Solutions is wholly-owned by the PCCW Group and is a leading IT and business process outsourcing provider in Hong Kong, the PRC and Southeast Asia.
- **PCPD:** PCCW has a stake of approximately 40.03% in PCPD, which covers the PCCW Group's development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.
- **Other businesses:** primarily comprise corporate support functions.

CAPITALISATION AND EXTERNAL INDEBTEDNESS

CAPITALISATION AND EXTERNAL INDEBTEDNESS OF THE GUARANTOR

A reorganisation of the CAS Group was completed on 31 December 2020 (see “Description of the Group – Recent Developments” for further details). Accordingly, the unaudited consolidated financial information of the CAS Group as at 30 June 2020 below has been prepared for illustrative purposes only, to illustrate how the consolidated financial position of the CAS Group as at 30 June 2020 might have been affected as if the Reorganisation had occurred as of 30 June 2020. On this basis, the following table sets forth the consolidated capitalisation and external indebtedness of the CAS Group as at 30 June 2020, and as adjusted to give effect to (i) the Securities being offered; and (ii) the net drawdown of bank loans and other borrowings of HK\$2,681 million during the period from 1 July 2020 to 30 November 2020.

	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>As adjusted</u>		<u>As adjusted</u>	
	<u>(Guarantor – company level)</u>	<u>(Trustee- Manager – company level)</u>	<u>(The HKT Trust and HKT – consolidation level)</u>	<u>for the Reorganisation as if it had occurred as of 30 June 2020⁽³⁾</u>		<u>for the Securities offering and net drawdown of bank loans and other borrowings from 1 July 2020 to 30 November 2020</u>	
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(U.S.\$ million)⁽¹⁾</i>	<i>(HK\$ million)</i>	<i>(U.S.\$ million)⁽¹⁾</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short-term debt:							
Bank loans	–	–	2,256	2,256	291	3,924	507
Long-term debt:							
Bank loans	–	–	17,562	17,562	2,266	18,414	2,376
3.75% Guaranteed Notes due 2023	–	–	3,812	3,812	492	3,812	492
The Zero Coupon Guaranteed Notes due 2030	–	–	2,313	2,313	298	2,313	298
3.625% Guaranteed Notes due 2025	–	–	3,845	3,845	496	3,845	496
1.65% Guaranteed Notes due 2027	–	–	1,724	1,724	222	1,724	222
3.00% Guaranteed Notes due 2026	–	–	5,785	5,785	747	5,785	747
3.25% Guaranteed Notes due 2029	–	–	3,810	3,810	492	3,810	492
Other borrowings	–	–	1,306	1,306	169	1,467	189
Total debts	–	–	42,413	42,413	5,473	45,094	5,819
Capital and reserves	13,499	–	36,779	2,767	357	2,767	357
The Securities offered hereby ⁽²⁾	–	–	–	–	–	[●]	[●]
Total capitalisation and external indebtedness⁽⁴⁾	13,499	–	79,192	45,180	5,830	[●]	[●]

Notes:

- (1) A rate of HK\$7.7501 to U.S.\$1 (as at 30 June 2020) was adopted for the conversion of H.K. dollar to U.S. dollar.
- (2) Securities to be issued represent the aggregate principal amount of the Securities, without taking into account, and before deduction of, management and subscription commissions and other estimated transaction expenses payable.
- (3) The balances presented as adjusted for the Reorganisation include the following adjustments totalling to HK\$47,511 million:
 - elimination entries between the Guarantor, the Trustee-Manager and the HKT Trust and HKT;
 - reduction in reserves of the HKT Trust and HKT in relation to the elimination of the purchase price allocation adjustments including primarily goodwill attributable to internal reorganisations of businesses within the CAS Group taken place in prior years;
 - exclusion of reserves attributable to non-controlling interests of the HKT Trust and HKT;
 - elimination of the investment cost of Solution Business, Media Business and other businesses not related to the Telecommunications Business as at 30 June 2020;
 - inclusion of the reorganisation gain/loss at the consolidation level as at 30 June 2020 as if the Reorganisation had taken place on 30 June 2020; and
 - capitalisation of intercompany accounts in the Guarantor.
- (4) Total capitalisation and external indebtedness represents shareholder's equity plus total debts, excluding non-controlling interests.

Except as otherwise disclosed herein and amortisation of front-end expenses and issue premium/discount in relation thereto, there has been no material change in the external indebtedness of the Guarantor on a consolidated basis since 30 June 2020.

CAPITALISATION AND EXTERNAL INDEBTEDNESS OF THE ISSUER

As at the date of this Offering Circular, the Issuer had no outstanding debt and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of U.S.\$1 each, it currently has an issued and fully paid up share of par value U.S.\$1.

DESCRIPTION OF THE GROUP

OVERVIEW

The Share Stapled Units of the HKT Trust and HKT are listed on The Stock Exchange of Hong Kong Limited (stock code: 6823). Neither the HKT Trust nor HKT are the issuer or the guarantor in respect of the Securities.

The Group is Hong Kong's premier telecommunications service provider and a leading innovator. The Group's fixed-line, broadband, mobile communication and media entertainment services offer a unique quadruple-play experience. The Group provides a wide range of services, including local telephony, local data and broadband, international telecommunications, mobile, media entertainment, enterprise solutions and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres, to the Hong Kong public and local and international businesses.

The Group is the first local mobile operator to launch a true 5G network with differentiated services in Hong Kong. Backed by its substantial holding of 5G spectrum across all bands and a robust and extensive fibre backhaul infrastructure, the Group is committed to providing comprehensive 5G network coverage across the city.

The Group delivers end-to-end integrated solutions employing emerging technologies such as 5G, cloud computing, IoT and AI to accelerate the digital transformation of enterprises and contribute to Hong Kong's development into a smart city.

With its extensive and loyal customer base, the Group has also built a digital ecosystem integrating its loyalty program, e-commerce, travel, insurance, FinTech and HealthTech services. The ecosystem deepens the Group's relationship with its customers thereby enhancing customer retention and engagement.

The Group had over 15,900 employees as at 30 June 2020, located in 48 countries and cities. Approximately 69% of these employees work in Hong Kong and the others are based mainly in the PRC, the Philippines, the United Kingdom and the U.S..

RECENT DEVELOPMENTS

Despite a highly competitive market and adverse impacts due to the COVID-19 pandemic during the first half of 2020, total revenue for the Group remained relatively steady year-on-year, decreasing slightly by 3% to HK\$14,606 million for the six months ended 30 June 2020 as compared to HK\$15,109 million for the six months ended 30 June 2019. Global travel restrictions implemented by governments to contain the spread of COVID-19 had a significant impact on the Group's roaming revenue and the Group's prepaid and mobile virtual network operator revenues for the six months ended 30 June 2020, which in turn led to a decrease in Mobile services revenue. Such decrease was offset by the increase in revenue of the Telecommunications Services ("TSS") segment, which benefitted from the upsurge in bandwidth requirements following travel restrictions and the work from home arrangements. TSS EBITDA for the period remained stable due to cost efficiency improvements by the Group to counter the impact of the slowdown in ICT projects in the private sector and downsizing and closures in sectors that have been severely impacted by the COVID-19 pandemic. In response to the ongoing COVID-19 pandemic, the Group has also implemented necessary precautionary measures to protect the Group's employees and customers while ensuring business continuity, including implementing remote working arrangements and increasing digital engagement with customers. For further details on the risk factors relating to and the impact of COVID-19 on the Group, see "Risk Factors – The Group's ability to introduce new technologies to successfully respond to technological developments and to adapt existing technologies may be limited", "Risk Factors – A recurrence of natural disasters, acts of God, occurrence of epidemics and pandemics, acts of war and other disasters in the PRC, Hong Kong or other countries may adversely affect the Group's businesses, results of operations and financial condition", "Risk Factors – An economic downturn could adversely affect the Group's results of operations" and other sections in "Description of the Group".

To increase synergies and bring about the creation of Hong Kong's sole genuine quadruple-play services provider, an enriched product offering, enhanced cross-selling of services within the Group and improved operating efficiencies, after market close on 6 August 2020, PCCW Interactive Media Holdings Limited, an indirect wholly-owned subsidiary of PCCW, entered into a share purchase agreement with HKT Interactive Media Holdings Limited, an indirect wholly-owned subsidiary of HKT, in relation to the sale by PCCW Interactive Media Holdings Limited to HKT Interactive Media Holdings Limited of the entire issued share capital of PCCW Media for a consideration of U.S.\$250 million (or HK\$1,950 million based on an agreed exchange rate). The PCCW Media Group operates the "Now TV" business, which is the leading pay TV service provider in Hong Kong, offering a wide range of local and international content through linear TV channels, on-demand and via applications. The transaction was completed on 30 September 2020. To ensure the continued and uninterrupted operations of PCCW Media, as part of the Group after the completion of the transaction, and the PCCW Media Holdings Group, on 30 September 2020, relevant members of the Group and the PCCW Group entered into a series of service agreements in relation to certain technical, support and marketing services.

In preparation for the offering of the Securities, a group reorganisation of the CAS Group was completed on 31 December 2020 (the "**Reorganisation**"), by which CAS No. 1 transferred its interest in the following entities to Top Supreme:

- (i) entire issued share capital of Esencia Investments Limited, the holding company of the Media Business, and thereby its subsidiaries and associate;
- (ii) entire issued share capital of Great Epoch Holdings Limited, the holding company of the Solutions Business, and thereby its subsidiaries; and
- (iii) entire issued share capital of the holding companies of other businesses not related to the Telecommunications Business and thereby their respective subsidiaries.

Upon completion of the Reorganisation, the CAS Group discontinued its involvement in the Media Business, the Solutions Business as well as other businesses not related to the Telecommunications Business. The Reorganisation has also had the effect of ring-fencing the Group's Adjusted Funds Flow distribution cash flow from other businesses of the PCCW Group. For further details on and the risk factor relating to the financial information of the HKT Trust and HKT and CAS Group, see "Risk Factors – The financial information of the HKT Trust and HKT may not necessarily be indicative of the consolidated financial information of the CAS Group" and "Capitalisation and External Indebtedness of the Guarantor".

BUSINESS OF THE GROUP

Telecommunications Business

The Telecommunications Business of the Group comprises four business segments: telecommunications services, mobile, pay TV and other businesses, as further described below.

Telecommunications services

The telecommunications services segment provides four core areas of telecommunications products and services, being local telephony services, local data services, international telecommunications services and other services.

- ***Local telephony services***

The Group's local telephony services consist of fixed-line local telecommunications services, multimedia services and wholesale interconnection services provided to other telecommunications carriers and service providers. The Group's fixed-line service provides local and international call services for its residential and business users. eye Smart Communications Service ("**eye**") is a comprehensive service including audio and video call functionality and access to more than 100 educational and infotainment applications which are suitable for all family members. The Group has a leadership position in the fixed-line telecommunications market in Hong Kong. The Group's local telephony services had approximately 2.564 million fixed lines in service as at 30 June 2020.

- ***Local data services***

The Group's local data and broadband services consist primarily of data transmission services such as private or virtual private IP network services for private and public sector organisations, and

business and residential broadband Internet services through the Group's multi-brand service approach of "HKT Premier", "NETVIGATOR" and "LiKE100". The broadband services provide users with a choice of Internet access speeds up to 10 Gbps and additional value-added services such as Home Wi-Fi and Smart Living to meet the Group's customers' smart living needs. As at 30 June 2020, the Group's FTTH service is available for delivery within four days of receiving a service order to approximately 89% of homes. There were approximately 1.622 million broadband access lines as at 30 June 2020. Of these broadband access lines, there were approximately 863,000 FTTH access lines. In addition, the Group's Home Wi-Fi solutions continued to grow to a total of approximately 294,000 customers, representing approximately 20% of the Group's total consumer broadband base.

Smart Living is an innovative service offered by the Group based on its customised home broadband network and automation systems enabling users to control home settings such as lighting, curtains, home entertainment products and home surveillance systems, etc. through the Group's eye device at home or via a Smartphone or a tablet when users are on the move. The Group provides one-stop service including on-site professional advice on layout and recommendations on equipment, overall set up, and after-sales service, and partner with property developers to embed smart living solutions in new residential properties.

HKT education offers stable and advanced one-stop eLearning solutions facilitated by reliable provision of high-speed broadband to schools, as well as cloud storage and Wi-Fi technology, covering all needs before, during and after class. HKT education focuses on pedagogy and content, as well as the development of technology platforms, providing learning and teaching materials in accordance with curriculum guidelines from the Education Bureau of Hong Kong for primary and junior secondary schools.

Apart from a broad portfolio of data connectivity services, the Group also offers extensive ICT products and solutions to enterprise customers including cross-border connectivity, network facility management, cloud-based applications and emerging technologies such as cloud computing, IoT and AI to accelerate their digital transformation.

- ***International telecommunications services***

The Group's international telecommunications services consist primarily of wholesale and retail international services to multinational enterprises and telecommunications service providers which include: IP solutions (IPv6-enabled), IP MPLS VPN services, fibre and satellite transmission solutions, voice, data and video services and managed network services and software-defined transmission solutions as well as CDNs for content delivery. With offices around the world and other business partnerships and network interconnection relationships, the Group's network currently provides connectivity in more than 3,000 cities and 160 countries and serves enterprises and wholesale markets in Europe, the Americas, Africa, the Middle East and Asia.

- ***Other services***

Other services primarily comprise the sales of network equipment and customer premises equipment (including the sale of telecommunications equipment and systems and other computers and related products to consumers and enterprises), provision of technical and maintenance subcontracting services and contact centre services ("**Teleservices**"). In addition, the Group designs and provides individualised telecommunications systems that integrate voice and data-switching equipment from various suppliers and supplies and installs local and wide area data network equipment.

Mobile

The Group currently offers 2G, 3G, 4G and 5G mobile services marketed under the “1010”, “csl” and “SUN Mobile” brands and Wi-Fi services marketed under the “csl Wi-Fi” brand. In late 2017, the network was upgraded to support 4x4 MIMO (Multi-input, Multi-output) and Four Component Carrier (4CC) Aggregation technology to introduce Hong Kong’s first 1 Gbps IP-RAN-based mobile network. As at 30 June 2020, the Group had approximately 3.250 million post-paid customers. The Group provides support for a broad spectrum of Smartphones and has implemented tariff plans to drive continued growth of its mobile service customer base and hence mobile data revenue. The Group also provides fixed-to-mobile integration technology for its commercial customers to serve their communications needs.

On 1 April 2020, the Group became the first local mobile operator in Hong Kong to launch a true 5G network with differentiated services. The Group’s 5G network is backed by its substantial holding of 5G spectrum across all bands and a robust and extensive fibre backhaul infrastructure. The Group has introduced a variety of content and applications that bring out the best in 5G for consumers. These include exclusive Korean VR entertainment content in 4K, 4K soccer broadcast, exclusive online games, 24-bit music, as well as an AR lens application through which customers may spot and obtain special offers from participating shops and restaurants. There were approximately 100,000 5G customers as of July 2020.

Pay TV

The Group operates the “Now TV” business, which is the leading pay TV service provider in Hong Kong, offering a wide range of local and international content through linear TV channels, on demand and via applications. Now TV’s digital service, Now E, is a subscription OTT service offering premium, exclusive dramas, movies and sports content to meet the needs of millennial viewers. Now E has continued to penetrate into non-TV users via its enhanced user interface and self-subscription model. As at 30 June 2020, Now TV had an installed base of approximately 1.356 million supported by the growing adoption of the Now E service.

Other businesses

The other businesses of the Group primarily comprise new business areas such as The Club and HKT Financial Services and corporate support functions. Tap & Go is an innovative and secure mobile payment service that is available to mobile users. It is Hong Kong’s first mobile wallet to incorporate both MasterCard® and UnionPay card schemes to support payments online and around the globe. Tap & Go had approximately 2.6 million accounts in service as at 30 June 2020. The Club is a loyalty and reward program which offers members numerous benefits and privileges on its online platform, including merchandise items and events. Club Travel offers airline and hotel booking services since August 2018. As at 30 June 2020, The Club had over 3 million members.

In July 2020, the Group launched DrGo – an innovative HealthTech platform in Hong Kong which provides convenient telemedicine services. DrGo is an app-based platform connecting users in Hong Kong with doctors who provide medical consultation and advice via video consultation. Prescribed medicine will be delivered to the patient’s designated address.

Other investments in associates and joint ventures

Smart Charge is a joint venture between the Group and the CLP Holdings Limited group, and offers total solution for the charging of electric vehicles in Hong Kong. The one-stop service includes advice on site layout, plus equipment and installation recommendations, as well as after-sales service, to save customers time and hassle.

HKT, PCCW, Standard Chartered Bank (Hong Kong) Limited and Ctrip Financial Management (Hong Kong) Co., Limited formed Mox Bank Limited (formerly known as SC Digital Solutions Limited), a joint venture which was granted a virtual bank licence by the Hong Kong Monetary Authority in March 2019 and launched in September 2020. The joint venture provides retail banking services entirely digitally over its application, integrating banking into service offerings to customer bases of the Group and the Group’s partners.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths are as follows:

The leading telecommunications service provider in Hong Kong with a stable business that generates strong recurring cash flow

The Group is a leading integrated telecommunications service provider in Hong Kong with extensive network coverage. The Group's telecommunications network is the most extensive fibre-based digital network in Hong Kong by total number of exchange lines. As at 30 June 2020, the Group had in service approximately 2.564 million exchange lines and approximately 1.622 million broadband access lines, including approximately 863,000 FTTH access lines.

This leading position is attributed to the Group's long and established track record for high quality customer service, extensive coverage and advanced technology offerings to customers in Hong Kong. As at 30 June 2020, the Group's FTTH service is available for delivery within four days of receiving a service order to approximately 89% of homes. Such services continue to attract new customers and existing customers for service upgrade. The growing fibre customer base of the Group continues to create future upgrade opportunities to higher speed, higher price service plans and digital services.

In addition, the existing businesses with an extensive network of approximately 2.564 million exchange lines and approximately 1.622 million broadband access lines generate a very stable cash flow stream for the Group, which is reflected in its stable revenue and EBITDA margins.

With its leading position in Hong Kong, the Group believes that it is well-positioned to leverage its scale and deploy new services across Hong Kong quickly, giving customers access to a wide selection of telecommunications and broadband service offerings.

Attractive growth prospects for the Group's mobile and broadband services and growth potential driven by HKT Enterprise Solutions and complementary new business lines

The Group believes that it has long-term growth prospects given the strong growth and the continuous development expected of the mobile telecommunications and broadband market. Consumers today are not only seeking basic connectivity at home or the office for e-mail and Internet browsing but are also seeking faster Internet access speeds and uninterrupted mobile data connectivity. The shift in Internet usage is brought about by the increased data usage requirements of Internet based services such as music or video streaming as well as websites and online applications that deliver rich high-definition content. Increasing affordability and availability of handheld portable devices, such as Smartphones and tablets and growing consumer confidence in accessing online services via mobile devices have also led to an increase in mobile subscribers and data usage, and increased data traffic being carried over the Group's network.

The Group believes that it is well positioned to capture the strong growth in the mobile and broadband data markets by providing increasingly high speed and stable mobile connectivity to meet customer needs. The Group currently offers an extensive selection of speeds and mobility options to its customers. The Group is Hong Kong's largest broadband service provider with territory-wide fibre network covering approximately 89% of homes. The Group meets customers' different needs through the HKT Premier, NETVIGATOR and LiKE100 brands. The Group's fixed broadband service, NETVIGATOR, offers the most extensive FTTH coverage and a broad spectrum of services with different functionalities and speeds to meet the varying needs in a home. Specifically, it offers ADSL, VDSL, and FTTH technologies to support speeds ranging from 1.5 Mbps to 10 Gbps. As at 30 June 2020, there were approximately 863,000 FTTH subscribers which represented a net increase of approximately 62,000 or 8% growth from the previous year. As smart networking and smart home features become increasingly popular, the Group is continuously elevating its service level to meet customers' evolving needs at home for entertainment, gaming, security, health and wellness, and other smart living installations. For the more discerning customers, HKT Premier offers a first-class experience with personalised customer care and support, and tailor-made one-stop solutions from dedicated relationship account managers. For the value-seeking segment, LiKE100 offers high-speed broadband services at affordable price levels.

The Group's mobile service operates through three brands – 1010, csl and SUN Mobile – to cater for different customer segments from premium, business, travellers, gamers to families. csl provides mobile service that enables customers to enjoy unlimited voice calls, value-added services and Smartphone workshops. 1010 provides a mobile lifestyle experience to meet the needs of discerning customers requiring service excellence. SUN Mobile offers mobile voice and data services at affordable prices.

The Group continues to deepen its engagement with mobile customers by offering attractive and affordable value-added services. The Group's roaming and travel passes, data plans for the Greater China area, Now E one-stop media entertainment platform, handset protection service, etc. have been well received by customers.

Emerging technologies like AI, IoT, big data analytics, AR, cloud computing and robotics are bringing dramatic changes to the market. Commercial enterprises and public organisations are cognisant of the need to accelerate digital transformation to achieve cost savings, improve productivity and understand customers better. Given the Group's long-standing relationship with corporate customers, as well as its leading fixed and mobile networks, carrier-grade cloud platform and solid solution ecosystem including partners, the Group is ideally positioned to serve customers' needs with versatility and increased speed-to-market. The arrival of 5G is expected to create new business opportunities as its key characteristics – ultra-high speed, ultra-low latency and massive connectivity – make it a super enabler of the emerging technologies. The adoption of these technologies, particularly in sectors such as medical, property, construction, transport, logistics and retail, will generate additional growth momentum in the 5G arena.

Going beyond connectivity services, the Group is deploying the latest technologies and digital solutions to assist enterprises in transforming their businesses. Powered by its fixed and mobile networks, the Group's end-to-end integrated Enterprise Solutions enable companies to gain business insights and enhance operational efficiency.

In November 2018, the Group applied IoT technologies in a collaboration with a large shopping mall in Hong Kong to present Hong Kong's first e-parking service for the mall. Visitors can remotely reserve a parking space, locate it and pay for the parking fee conveniently via an application.

The Group also took part in the Smart Airport initiatives of the Airport Authority of Hong Kong by providing two critical network infrastructure projects: (i) a private LTE radio network to support critical communication applications; and (ii) a cable management system involving cable route discovery and the design and implementation of the new cable management system at the airport.

In May 2019, the Group was awarded significant contracts by the Transport Department of the Government of Hong Kong (the “**Transport Department**”) for the design, deployment and management of the new generation of the parking meter system in Hong Kong. The system is a key smart mobility initiative of the Hong Kong Government's Smart City Blueprint, aiming to provide a smart on-street parking experience for motorists and to enhance the effectiveness of city management. Through a mobile application, motorists can obtain real-time information regarding parking vacancy, pay parking fees with multiple payment means and top up remotely and easily.

The Group is delivering Hong Kong's largest IoT-powered PropTech deployment for a global real estate services firm. More than 4,000 IoT sensors will be installed at over 200 properties for data capture, big data analysis and process re-engineering and automation to optimise operations and enhance occupant experiences.

In September 2020, the Group also won a second smart city project with the Transport Department. This project encompasses procurement cum management, operation and maintenance of a real-time arrival information system service for green minibuses. Once the system is established, passengers are able to access the real-time arrival information of the next three incoming green minibuses through the Transport Department's mobile application “HKeMobility” to facilitate the users of the application to plan for the most appropriate travel arrangements.

In a landmark development supporting digital transformation in the healthcare sector, the Group launched DrGo in July 2020. Telemedicine serves a growing need in the community as it offers ease and convenience, and is particularly helpful at a time like the COVID-19 pandemic.

In recent years, the Group has sown seeds in a number of new businesses to broaden its revenue streams. The Club is the Group's loyalty program, and one of the largest of its kind in Hong Kong with over 3 million members as at 30 June 2020. It offers members numerous benefits and privileges on its online platform, including merchandise items and events. Not only does it help retain customers, but it also provides the Group with insights to personalise offerings to its members. This unique asset of the Group is evolving to become an ecosystem of its own, continuously amalgamating merchant partners to enrich its offerings, with over 860 coalition and redemption partners as of June 2020. As a service extension to members, The Club commenced an airline and hotel booking and tour service for consumer and corporate customers under the brand Club Travel. An online shopping platform, Club Shopping, was launched in October 2020, unifying the e-businesses of Club Like, 1010, csl, NETVIGATOR and HKT Smart Living. This unified online shopping platform enhances customer experience by centralising all products offered by the Group onto one platform.

As to the Group's mobile payment service, Tap & Go is Hong Kong's first mobile wallet to incorporate both MasterCard[®] and UnionPay card schemes to enable secure, reliable and instant mobile payment anywhere in the world and online. As at 30 June 2020, there were approximately 2.6 million Tap & Go accounts in service, an increase of 26% from approximately 2.1 million in the previous year.

In addition, the Group offers local merchants a variety of mobile payment solutions under the HKT Merchant Services brand. HKT Merchant Services provides merchants with one-stop retail and payment solutions which currently comprise in-app, online and QR code payment options, as well as a Smart POS facility. All these payment solutions help merchants to streamline operations and facilitate digital transformation.

Comprehensive delivery platforms

The Group offers services that can be delivered and accessed through four complementary delivery platforms: fixed-line, broadband, mobile and IPTV. The Group believes that its quadruple-play delivery platforms help increase customer stickiness and effectively enable the Group to retain its subscriber base and be highly resilient to competition. The Group believes that it is also less susceptible to pricing pressures across its businesses due to its quadruple-play delivery platforms.

Strong brand recognition and a reputation for quality and reliability

The Group believes that its products and services have a reputation for high quality and reliability and a high level of brand recognition among its customers. The Group's extensive set of high-quality services, its strong brands and customer affinity across its telecommunications business allow the Group to achieve continued growth. The Group's investment in advanced network services and products have supported Hong Kong's development as one of the leading telecommunications centres in Asia. Quality and reliability are especially important to multinational corporations, banks and other corporate customers needing the Group's services to support their critical operations.

Extensive telecommunications network and infrastructure

The Group's extensive telecommunications network and associated infrastructure provide a robust platform from which the Group delivers its comprehensive portfolio of products and services to customers. Based on the demands of its customers, the Group also continually invests in new or emerging technologies and in upgrading its existing technologies to differentiate its services and product offerings from those of its competitors. This allows the Group to provide high quality and extensive network coverage as well as introduce innovative products in its core markets in Hong Kong.

The Group provides access to its broadband network at multiple speeds of 1.5 Mbps to 10 Gbps using multiple technologies such as ADSL, VDSL and FTTH. The Group has the most extensive fibre network in Hong Kong with fibre infrastructure installed and ready for service within four days (FTTH) accounting for approximately 89% of homes in Hong Kong as at 30 June 2020. All premises that are within the Group's FTTH coverage will have the opportunity to enjoy the ultra-speed 10 Gbps passive optical

network (“**PON**”) because of the investments that the Group has made in the past in building a dense, fibre-rich network to handle both technological evolutions and high levels of market demands. High-speed fibre connection and technology advancement are reshaping the lifestyle of Hong Kong people. Services such as the Smart Living service of the Group uses the latest technologies to enhance the quality of daily life by providing home automation and networking services as well as end-to-end smart home creation solutions tailor-made by technical consultants and interior designers.

The Group’s superior mobile network is premised currently on its wide network coverage, abundant spectrum and extensive fibre backhaul. The unparalleled fibre asset in Hong Kong enables the Group to provide high quality and super-fast fixed and mobile broadband services to customers of the Group. With the acquisition of CSL Holdings in May 2014 and the integration of the Group’s two mobile networks to release the synergies due to the acquisition, customers’ mobile experience is enhanced. Integration of the radio cell sites was completed in December 2015, while the integration of the core mobile network was completed in 2016, enabling the Group to offer even more advanced services and roaming coverage. As of 30 June 2020, the Group’s network was optimised to approximately 3,000 cell sites with enhanced coverage.

The Group’s telecommunications network currently includes 2G, 3G, 4G and 5G mobile networks. After the acquisition of CSL Holdings, the Group has combined its existing network with that of the CSL Group and now operates the widest range of mobile spectrum in Hong Kong to meet the data needs of its customers. The combined networks of the Group and the CSL Group enable customers to enjoy the best possible coverage both indoors and outdoors, allowing customers to access the Internet at any time and also to enjoy attractive content on their mobile devices made available through the Group’s quadruple-play delivery platforms.

In June 2018, the Group successfully conducted trials for the commercial deployment of 5G mobile technology, and in November 2018, the Group was contracted to build Hong Kong’s first 5G all-fibre shared digital indoor system on a new Mass Transit Railway (“**MTR**”) line (Shatin to Central Link). In March 2019, the Group completed the renewal of 60 MHz of its original holding of spectrum in the 900 MHz and 1800 MHz bands (whose assignment period expires in 2020 or 2021) which it had retained by exercising its “right of first refusal” in September 2018 and participating in the Hong Kong Government spectrum auction in December 2018.

In April 2019, the Government of Hong Kong allocated to the Group 400 MHz of spectrum on the 28 GHz frequency band for 5G use. One month later, the Group became the first Hong Kong mobile operator to conduct 5G application demo on the 28 GHz band. The demo achieved an end-to-end latency below 10 milliseconds and peak downlink speed of 2.6 Gbps in use cases including 4K camera live streaming, 4K video streaming and file download. Although the 28 GHz spectrum does not provide extensive coverage, it can provide ultra high-speed and massive connectivity within the coverage area such as hotspots at busy districts, a large compound, campus or exhibition arena. Spectrum in the 3.3GHz, 3.5GHz and 4.9 GHz bands were auctioned in October/November 2019 with the Group successfully bidding for 30MHz, 50 MHz and 40 MHz of the respective bands. On 1 April 2020, the Group became the first local mobile operator in Hong Kong to launch a true 5G network with differentiated services. The Group’s 5G coverage has reached approximately 90% of Hong Kong as of October 2020. The Group was also the first to provide 5G coverage in the MTR along six major lines, with full coverage throughout the rest of the MTR network expected by the end of 2020. The Group expects 5G to provide additional momentum for the Group’s commercial business, as the medical, property, construction and other sectors will recognise 5G as a super enabler of solutions and applications that will improve their operational efficiencies and effectiveness.

The Group’s local network is extended by PCCW Global, which connects more than 3,000 cities and 160 countries. PCCW Global has considerable experience in designing, building and maintaining submarine cables around the world. The Group maintains extensive coverage in the Intra-Asia region with systems such as Reach North Asia loop (connecting Hong Kong, Korea, Japan and Taiwan) and the Intra Asia Cable System (connecting Hong Kong, Singapore and Japan with additional connections to the Philippines and Vietnam). PCCW Global has also added inventory for key routes such as JUPITER (connecting Japan with the U.S., which became operational in 2020), in addition to Faster (connecting Taiwan, Japan and West

Coast of the U.S., which is currently in operation). Along the Europe-Asia route, PCCW Global is a founding member of AAE-1, which connects Southeast Asia to Europe through the Middle East and Africa. Another system, PEACE (Pakistan & East Africa Connecting Europe) cable, is expected to be completed in 2021, which will offer the shortest routes from China to Europe and Africa to address growing data demands in the “Belt and Road” countries.

The Group’s network enables it to continually deliver the highest-quality digital experience for both its consumer and enterprise customers, locally and globally, and positions it for the 5G era, which requires a highly capillary network infrastructure.

Experienced management team

The Group’s management team has a track record in both the development and delivery of telecommunications services, as well as in the execution of its business strategies. The management team has successfully maintained the Group’s market share and expanded its offering of products and services in one of Asia’s most deregulated telecommunications markets. The Group believes that the synergies created by the management experience and technical expertise of the management team and the Group’s advanced technology should enable the Group to move quickly to identify, adopt, acquire, develop and exploit emerging technologies. The Group also believes that the management and operational expertise of the management team will make the Group a preferred partner for other telecommunications companies in Asia and elsewhere.

KEY STRATEGIES

The Group offers a unique integrated quadruple-play experience in Hong Kong delivering media content on its fixed-line, broadband Internet access and mobile platforms. The Group’s strategy for generating and preserving unitholder value is to invest prudently in its technology and service platforms to ensure that its fixed-line business remains the market leader, its broadband offering delivers increasingly fast connectivity and its mobile network coverage and speed continuously improve – and overall to invest in its people to continuously improve the quality of service that the Group provides to its customers. The Group generates and preserves value by investing in these businesses and pursuing growth opportunities. Its strategy is to continue to be the market leader via innovation and broadening its service offerings in the telecommunications and ancillary businesses.

The Group believes that the outlook of the telecommunications industry in Hong Kong is positive and therefore will provide the Group with the opportunity to increase the profitability of the telecommunications business through a combination of the following strategies:

Increase revenue for the Group’s services

The Group intends to capitalise on its leading telecommunications network infrastructure and unique combination of “quadruple-play” delivery platforms to provide customers a wide, appealing and innovative range of services, to increase its ARPU and market shares for broadband, fixed-line, mobile and media entertainment services as well as to increase efficiencies in its overall field and operations workforce. The Group intends to enhance sales and marketing efforts to retain its subscriber base, promote service plan upgrades and sign up new customers. The Group also intends to provide customers with attractive, high quality, customisable packages and offerings to increase overall demand.

The Group has successfully transformed from a pure telecommunications service provider to one which provides many forms of content, applications and digital services.

NETVIGATOR offers customers a broad spectrum of services with different functionalities and speeds, including a unique service which enables a household to have the benefit of four individual circuits of 1 Gbps speed each via a single fibre. As at 30 June 2020, approximately 294,000 households in Hong Kong, representing approximately 20% of the Group’s total consumer broadband base, now enjoy the Group’s Home Wi-Fi solutions as a service enhancement to the Group’s high speed broadband connectivity. Consumers today not only seek basic Internet connectivity, but also seek higher access speeds and uninterrupted mobile data connectivity to enjoy a wide range of Internet-based services. The proliferation of the use of Internet-based services through handheld portable devices has also led to an increase in mobile subscribers and data usage, and increased data traffic carried over the Group’s network.

The growing need for online study and remote working underscores the importance of a resilient, high-quality fibre network. The Group recorded a surge in connectivity and bandwidth demand from both households and business customers in the first half of 2020, reflecting the Group's leading position in the market. In particular, the need for high speed broadband and Home Wi-Fi solutions helped drive NETVIGATOR residential customer acquisitions and upgrades. While many businesses, especially small and medium-sized enterprises ("SME") in the hospitality sector, have been severely negatively impacted by the COVID-19 pandemic, including experiencing financial difficulties, and in some cases, have ceased operations, the Group recorded an overall net gain in broadband customers in the first half of 2020.

As such, the Group will seek to continue to capture the strong growth in the mobile and broadband data markets by providing increasingly high speed and stable mobile connectivity to meet customer needs.

For enterprises, the Group is a trusted partner in terms of not only connectivity services, but also the deployment of technologies and digital solutions to enhance operational efficiency, gain business insights and enhance product delivery and customer service. With the deployment of the latest technologies such as AI, IoT, data analytics and cloud services, the Group will continue to assist customers in their digital transformation journey.

The Group has been working to expand its cooperation with overseas operators to enhance its connectivity capability and actively expanded its MPLS and Ethernet networks with interconnection agreements and other forms of cooperation with partners in other parts of the world including the rapidly growing Middle East market. The Group is implementing the next generation of software-defined network capabilities, enabling customers to have a web and application program interface ("API") based self-service window for addressing their data transport, process and storage needs through a much more automated process. PCCW Global's Console Connect, introduced in May 2018, is the industry's first software defined interconnect platform powered by a leading Tier 1 global IP network available in more than 3,000 cities and 160 countries, providing enterprises and service providers with easy on-demand access to cloud-based, business critical applications.

Broaden the range of products and services offered

The Group plans to continue to innovate and broaden its existing high quality product offering by focusing on data-related products and value-added services with the objective of increasing customer loyalty and stickiness and increasing ARPU. This includes:

- expanding the coverage of its FTTH service supporting speeds of 30 Mbps to over 10 Gbps across Hong Kong, thus providing customers with multiple technologies and speeds to meet their broadband access needs as well as to facilitate the migration of standard and high definition television to 4K/8K definition, 3D and VR/AR immersive experience;
- delivering content to various devices such as tablets and Smartphones, continuing to develop client applications for user interface which provide enhanced navigation, search and recommendation functionality, enhancing functionality of devices such as tablets to be more useful and complementary to the television viewing experience, developing systems to streamline the provisioning, delivery and management of the multimedia services to better serve customers with multi-devices as well as to enhance the operations and management of the services provided by the Group;
- expanding home networking and digital living for its customers and continue to strengthen applications available via Smart Living;
- enriching FinTech offerings by expanding the range of financial services of the Group;

- continuing to enhance mobile payment experience for customers and merchants, such as introducing HKT Flexi, an application-based micro lending service in May 2020, in addition to Tap & Go mobile payment and smart POS merchant solutions. The Group is also a joint venture partner in Mox Bank Limited, one of the first virtual banks licensed to operate in Hong Kong. Mox Bank Limited represents the next generation of banking, a cloud-based bank with secure and resilient infrastructure and services, as well as rapid and cost-efficient development cycles;
- exploring B2B (business to business) opportunities of HealthTech for applications in hospitals, clinics and universities such as telemedicine, remote mentoring, remote clinical training and smart hospitals. The Group is capable of enabling the technologies of 5G, IoT and AI for big data analytics, which will enhance medical research, disease prevention and diagnosis, and will therefore be of significant benefit to the community. For instance, the high bandwidth and low latency of 5G enables an immersive experience with 4K camera video and radiology imaging for real-time diagnostics at remote locations; and
- enhancing customer retention and engagement through the offering of benefits and privileges of The Club, and gaining insights to personalise offerings to its members. This unique asset of the Group is evolving to become an ecosystem of its own, continuously amalgamating merchant partners to enrich the Group's offerings, with over 860 coalition and redemption partners as of June 2020. As a service extension to members, The Club commenced an airline and hotel booking and tour service for consumer and corporate customers under the brand Club Travel. An online shopping platform, Club Shopping, was also launched, such that members and non-members can make purchases with Clubpoints and in cash.

Maintain the Group's leading network infrastructure

The Group will continue to invest and to add value to its broad array of connectivity services, to improve the delivery of its own content and applications and those of its partners and to maintain its leading network infrastructure to provide customers with extensive coverage and a broad range of high-quality telecommunications services. The Group will also continue to adopt a demand-generated investment strategy to develop its networks and systems so as to maintain its premium brand positioning and to maintain pricing. The Group intends to continue to:

- fully utilise its state-of-the-art IP-based network infrastructure;
- expand higher-speed broadband services to more homes and businesses through the rollout of the Group's optical network and existing global backbone;
- provide multiple access technologies to meet the lifestyle of users;
- strengthen the Group's digital channels and deploy data analytics to enhance the offering of personalised products and services to customers as consumer behaviours continue to evolve;
- leverage on its large amount of radio spectrum to build a technically superior network and derive a competitive edge in the market – particularly with support from the Group's extensive optical-fibre backhaul and Wi-Fi network;
- invest in security, performance monitoring and preventative maintenance management network with an aim to achieve world class key performance indicators;
- support the continued growth of 5G mobile technology in Hong Kong as an enabler of smart city initiatives, in anticipation of which the Group has already embarked on a number of related projects on smart energy, smart parking meters, smart kiosk, smart recycling and smart mobility;

- support the adoption of 5G by consumers and enterprises as the 5G handset ecosystem continues to evolve; and
- continue to drive digital transformation with emerging technologies for different industries.

Focus on cost control and efficiency measures

The Group has benefited from significant cost savings and improved operational efficiency following the integration of the network of the CSL Group. The Group will continue to focus on reducing costs, optimising efficiency and increasing productivity across its businesses through automation and digitalisation of business processes. For example, the Group will continue to look for areas where cost efficiencies can be gained, such as stringent cost control measures on publicity and promotion as well as travel and entertainment expenses.

BUSINESS SEGMENTS

The segment revenue and EBITDA for each of the Group's business segments for the six months ended 30 June 2019 and 2020 and the years ended 31 December 2017, 2018 and 2019 were as follows:

Segments Revenue and EBITDA

	For the six months ended 30 June			For the year ended 31 December		
	2019	2020	Better/ (worse)	2017	2018	2019
	(HK\$ million)			(HK\$ million)		
Revenue						
TSS	10,209	10,386	2%	21,524	21,774	21,953
Mobile	5,222	4,543	(13)%	12,238	14,009	11,814
Other Businesses	103	106	3%	155	240	236
Eliminations	(425)	(429)	(1)%	(850)	(836)	(900)
Total	<u>15,109</u>	<u>14,606</u>	(3)%	<u>33,067</u>	<u>35,187</u>	<u>33,103</u>
EBITDA						
TSS	3,828	3,801	(1)%	8,060	8,204	8,360
Mobile	2,206	2,050	(7)%	4,816	4,959	5,068
Other Businesses	(301)	(305)	(1)%	(591)	(605)	(611)
Total	<u>5,733</u>	<u>5,546</u>	(3)%	<u>12,285</u>	<u>12,558</u>	<u>12,817</u>
Total EBITDA margin . . .	38%	38%		37%	36%	39%

Telecommunications Services

	For the six months ended 30 June			For the year ended 31 December		
	2019	2020	Better/ (worse)	2017	2018	2019
	(HK\$ million)			(HK\$ million)		
TSS Revenue						
Local Telephony						
Services	1,612	1,532	(5)%	3,385	3,340	3,260
Local Data Services	3,619	3,696	2%	7,127	7,372	7,787
International						
Telecommunications						
Services	3,440	3,764	9%	7,476	7,476	7,346
Other Services	1,538	1,394	(9)%	3,536	3,586	3,560
Total TSS Revenue	10,209	10,386	2%	21,524	21,774	21,953
Cost of sales	(4,864)	(5,346)	(10)%	(10,290)	(10,657)	(10,839)
Operating costs before depreciation and amortisation	(1,517)	(1,239)	18%	(3,174)	(2,913)	(2,754)
Total TSS EBITDA	3,828	3,801	(1)%	8,060	8,204	8,360
TSS EBITDA margin. . . .	37%	37%		37%	38%	38%

TSS continued to benefit from its business resilience and diversity during the first half of 2020, with revenue increasing by 2% year-on-year to HK\$10,386 million, as compared to HK\$10,209 million for the six months ended 30 June 2019.

Local Telephony Services. Local telephony services revenue was HK\$1,532 million for the six months ended 30 June 2020, as compared to HK\$1,612 million for the six months ended 30 June 2019, reflecting the compound impact of residential migration to broadband and mobile as well as the reduction in business lines due to SME closures and downsizing during the period. Total fixed lines in service as at 30 June 2020 were approximately 2.564 million, as compared to approximately 2.616 million as at 30 June 2019.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 2% year-on-year to HK\$3,696 million for the six months ended 30 June 2020.

Broadband network business sustained its revenue growth, with a 2% year-on-year improvement during the first half of 2020, reflecting continuing customer demand for a resilient, high quality broadband network. This growth stems from the Group's strategy of offering territory-wide FTTH service, providing multi-brand customised services through "HKT Premier", "NETVIGATOR" and "LiKE100", and cross-selling a range of service offerings and value-added solutions such as Home Wi-Fi and Smart Living solutions. Despite intense price competition, the business recorded an overall net gain in broadband customers during the period, with the total number of broadband access lines as at 30 June 2020 growing to approximately 1.622 million from approximately 1.615 million as at 30 June 2019. This net gain reflected the increased demand from customers for a high quality broadband service to accommodate the need for work and entertainment at home as customers spend more time at home. Of these broadband access lines, there were approximately 863,000 FTTH access lines which represented a net increase of approximately 62,000 or 8% growth from a year earlier. In addition, penetration of the Group's Home Wi-Fi solutions continued to grow during the six months ended 30 June 2020 with the total number of customers increasing by 2% year-on-year to approximately 294,000, representing approximately 20% of the Group's total consumer broadband base.

On the enterprise side, the Group continues to leverage its leading network and technology capabilities to provide unmatched total solution offerings for enterprise customers undergoing digital transformation. Despite the economy being significantly adversely impacted by the ongoing COVID-19 pandemic, the Group saw local data revenue increase by 3% year-on-year during the first half of 2020 as businesses focused on ensuring operational continuity and responded to the upsurge in bandwidth requirements following travel restrictions and staff being advised to work from home.

International Telecommunications Services. International telecommunications services revenue for the six months ended 30 June 2020 increased by 9% year-on-year to HK\$3,764 million, as compared to HK\$3,440 million for the six months ended 30 June 2019. This performance was mainly attributable to higher revenue from the international voice wholesale business, together with the demand for international connectivity services given the increased reliance on digital connectivity due to lockdown and social distancing requirements imposed by local governments globally to contain the spread of COVID-19.

Other Services. Other services revenue primarily comprises revenue from the sales of network equipment and customer premises equipment, provision of technical and maintenance subcontracting services and Teleservices. Other services revenue for the six months ended 30 June 2020 decreased by 9% year-on-year to HK\$1,394 million as a result of lower customer premises equipment sales and delay in project deployments due to the general slowdown in business activities.

During the first half of 2020, TSS EBITDA decreased by 1% year-on-year to HK\$3,801 million due to a shift in the mix of revenue moderated by further operating efficiencies and strong cost control measures implemented during the period. The TSS EBITDA margin for the six months ended 30 June 2020 was steady at 37%.

Mobile

	For the six months ended 30 June			For the year ended 31 December		
	2019	2020	Better/ (worse)	2017	2018	2019
	(HK\$ million)			(HK\$ million)		
Mobile Revenue						
Mobile Services	3,881	3,573	(8)%	8,088	8,252	8,414
Mobile Product Sales . . .	1,341	970	(28)%	4,150	5,757	3,400
Total Mobile Revenue . .	5,222	4,543	(13)%	12,238	14,009	11,814
Mobile EBITDA						
Mobile Services	2,222	2,057	(7)%	4,897	5,034	5,101
Mobile Product Sales . . .	(16)	(7)	56%	(81)	(75)	(33)
Total Mobile EBITDA . .	2,206	2,050	(7)%	4,816	4,959	5,068
Mobile EBITDA margin	42%	45%		39%	35%	43%
Mobile Services EBITDA margin	57%	58%		61%	61%	61%

During the first half of 2020, the Mobile business maintained a stable post-paid customer base at approximately 3.250 million despite a highly competitive market and adverse impacts due to the COVID-19 pandemic. The churn rate for post-paid customers further improved to 0.9% during the period. Following the commercial launch of the Group's 5G services in April 2020, the initial uptake of approximately 78,000 5G customers as at 30 June 2020 was encouraging despite the subdued sentiment and immature handset ecosystem. As consumer applications mature and 5G handsets become prevalent, the Group expects the rate of 5G adoption to accelerate.

However, the global travel restrictions implemented by governments to contain the spread of COVID-19 not only had a significant impact on the Group's roaming revenue but also decreased the prepaid and mobile virtual network operator revenues. Consequently, Mobile services revenue decreased by 8% year-on-year to HK\$3,573 million for the six month ended 30 June 2020, as compared to HK\$3,881 million for the six month ended 30 June 2019. Despite this, the core local component of Mobile services revenue remained relatively steady during the period, reflecting the benefits of customers upgrading to 5G plans which offset the continued price competition in the low-end segment of the market as well as reduced corporate spending due to the slowdown in business activities.

The post-paid exit ARPU as at 30 June 2020 was HK\$181, as compared to HK\$198 as at 30 June 2019. Excluding the impact on roaming revenue, the post-paid ARPU remained steady during the period.

Subdued consumer sentiment and limited handset availability also drove down Mobile product sales to HK\$970 million for the six months ended 30 June 2020, as compared to HK\$1,341 million for the six months ended 30 June 2019.

Mobile services EBITDA for the six months ended 30 June 2020 decreased by 7% year-on-year to HK\$2,057 million with the Mobile Services EBITDA margin improving to 58%, benefiting from an 18% savings in operating expenses arising from retail shop rationalisation as well as cautious spending, including lower publicity and promotion expenses. Total Mobile EBITDA for the six months ended 30 June 2020 decreased by 7% year-on-year to HK\$2,050 million from HK\$2,206 million for the six months ended 30 June 2019. However, the Mobile EBITDA margin improved to 45% for the six months ended 30 June 2020 from 42% for the six months ended 30 June 2019, reflecting a lower contribution from Mobile product sales.

Pay TV

The unaudited pro forma consolidated EBITDA of the PCCW Media Group for the years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020 were HK\$527 million, HK\$513 million and HK\$230 million, respectively.

Other Businesses

Other Businesses primarily comprises new business areas such as The Club and HKT Financial Services, and corporate support functions. Revenue from Other Businesses increased by 3% year-on-year to HK\$106 million for the six months ended 30 June 2020, mainly driven by the growth of these new business units. As at 30 June 2020, The Club had over 3 million members, an increase of 7% from 2.8 million as at 30 June 2019. Tap & Go had approximately 2.6 million accounts in service as at 30 June 2020, an increase of 26% from approximately 2.1 million as at 30 June 2019.

Eliminations

Eliminations were HK\$429 million for the six months ended 30 June 2020, as compared to HK\$425 million for the six months ended 30 June 2019. This reflects the continued collaboration amongst the Group's various business segments to seamlessly integrate the Group's capabilities and offer comprehensive products and services to consumer and enterprise customers.

Cost of Sales

Cost of sales was stable at HK\$6,941 million for the six months ended 30 June 2020. This reflected the lower cost for Mobile product sales which was offset by higher cost of sales associated with international voice revenue during the period.

General and Administrative Expenses

In response to the challenging market conditions, the Group continued to focus on improving efficiencies through automation and digitalisation of business processes across all of its business operations in the first half of 2020. Stringent cost control measures on publicity and promotion as well as travel and entertainment expenses were implemented during the period to counteract the challenging economic and operating environment. As such, the Group achieved 13% savings in the operating costs before depreciation, amortisation, and gain/(loss) on disposal of property, plant and equipment, net, (“**operating costs**”) to HK\$2,119 million for the six months ended 30 June 2020, as compared to HK\$2,426 million for the six months ended 30 June 2019. Overall operating costs to revenue ratio, therefore, improved to 14.5% for the six months ended 30 June 2020, as compared to 16.1% for the six months ended 30 June 2019.

For the six months ended 30 June 2020, depreciation expenses increased by 2% year-on-year, while amortisation expenses increased by 9% due to the amortisation of 5G spectrum following the launch of 5G services in April 2020 and continued investments in business-enabling platforms to enhance the customer experience. As a result, total depreciation and amortisation expenses increased by 5% year-on-year to HK\$2,491 million for the six months ended 30 June 2020.

General and administrative expenses, therefore, decreased by 4% to HK\$4,608 million for the six months ended 30 June 2020, as compared to HK\$4,796 million for the six months ended 30 June 2019.

EBITDA

Total EBITDA decreased by 3% year-on-year to HK\$5,546 million for the six months ended 30 June 2020, with the overall EBITDA margin stable at 38%, reflecting the stringent cost measures implemented during the period to counteract the challenging operating and economic conditions. Excluding Mobile product sales, the EBITDA margin remained steady at 41%.

SALES AND MARKETING

The Group’s sales and marketing function is carried out by: a Hong Kong consumer sales and marketing group, a Hong Kong commercial sales and marketing group, and a global sales and marketing group. The three groups are respectively dedicated to the local consumer, commercial and global customer groups.

Various customer relationship management systems and databases are employed by the Group’s sales and marketing function to market the telecommunications business services across its different customer groups, and to market new products and services to different customer groups.

The Group considers customer service a key to success. By improving overall customer service standards, the Group strives to deliver first-class service quality to provide a positive customer experience. The Group believes that excellent customer service is a foundation on which it can further grow its business.

To capture the higher-end customers, a HKT Premier team of relationship specialists and customer support and service staff was set up to serve their most exacting requirements – not only of broadband service, but also other quadruple-play offerings of the Group. The HKT Premier team is tasked to accommodate service requests from customers who expect only the highest service standards. This segmentation is common in many successful corporations in various industries such as airline and banking.

The Club continues to provide its members with a variety of exclusive services and benefits. As at 30 June 2020, The Club had over 3 million members.

COMPETITION

The implementation of the Hong Kong Government’s policy to liberalise the telecommunications industry has resulted in intense competition in the markets for local and international services. The arrival and development of 5G mobile technology together with other emerging technologies, the introduction of new types of licences and the potential entry of new competitors may further intensify competition in the market.

The markets for local telecommunications services and IDD services originating in Hong Kong are expected to remain extremely competitive. In addition, mobile telecommunications prices have declined sufficiently so that customers are now more likely to substitute residential local exchange services for mobile telecommunications services. This has affected and continues to affect the Group's market position in the telecommunications market in Hong Kong.

The Group is required in certain situations to provide telecommunications services (including interconnection) to service providers that compete directly with its operations. In Hong Kong, the main competitors of the Group are Hong Kong Cable Television Limited, China Mobile Hong Kong Company Limited, Hong Kong Broadband Network Limited, HKBN Enterprise Solutions HK Limited and group companies, SmarTone Mobile Communications Limited, HGC Holdings Limited and Hutchison Telephone Company Limited.

The Group competes effectively in all of its lines of business by providing:

- a unique combination of “quadruple-play” delivery platforms through its established telecommunications infrastructure;
- an innovative and broad range of smart home and smart business solutions focused on data related products and value-added services for its individual and enterprise customers;
- dedicated sales units to address the needs of its global business, Hong Kong corporate and consumer customer market segments;
- leadership in overall service quality within the telecommunications market;
- new businesses such as Tap & Go mobile payment services; and
- customer retention through offering of benefits and privileges of The Club and using The Club platform to explore different verticals including travel, insurance and virtual banking.

The Group's established telecommunications infrastructure enables it to be price competitive across all of its lines of business. The Group continues to strive to provide customers with best quality and price competitive offerings and services.

REGULATION

The Telecommunications Ordinance (Chapter 106) of Hong Kong (the “**Telecommunications Ordinance**”) and the Broadcasting Ordinance (Chapter 562) of Hong Kong (the “**Broadcasting Ordinance**”) provide the legislative framework for the provision of telecommunications services and facilities and regulation of the broadcasting industry in Hong Kong.

The telecommunications and broadcasting industries in Hong Kong were previously regulated by the Telecommunications Authority and the BA, which were merged into a single entity, the CA as from 1 April 2012. The CA will continue to regulate the industries under the existing laws, licences, regulations and policies. The Broadcasting Ordinance and certain provisions of the Telecommunications Ordinance have recently undergone a review and the resulting changes to the ordinances have been passed by the Legislative Council in Hong Kong and are expected to come into force shortly. The remaining provisions of the Telecommunications Ordinance are currently undergoing a review subject to a consultation process. The changes to the Broadcasting Ordinance and the Telecommunications Ordinance, both those about to come into force and those proposed are not substantial for the Group's business. Telecommunications and broadcasting service providers will continue to operate under their existing licences granted pursuant to the Telecommunications Ordinance and the Broadcasting Ordinance.

FINANCING

The Group's outstanding external debt as at 31 December 2019 and 30 June 2020 was HK\$40,358 million and HK\$41,107 million (including short-term debt of HK\$2,256 million), respectively, and its net debt, which is calculated as outstanding external debt net of short-term deposits and cash and cash equivalents, was HK\$37,455 million and HK\$38,776 million, respectively.

Set forth below are the aggregate amounts, as at 31 December 2019 and 30 June 2020, of the Group's future debt service obligations under its borrowings (including total estimated interest payable under the remaining term of the borrowings).

	<u>As at</u> <u>31 December 2019</u>	<u>As at</u> <u>30 June 2020</u>
	(HK\$ million)	
Principal repayable after one year		
over one year, but not exceeding two years	5,202	335
over two years, but not exceeding five years	17,619	24,884
over five years	17,537	13,632
	<u>40,358</u>	<u>38,851</u>
Sum of estimated future interest as at 31 December 2019 and 30 June 2020 ⁽¹⁾	<u>9,247</u>	<u>8,047</u>
	<u>49,605</u>	<u>46,898</u>

Note:

(1) For floating rate debt, this represents total future interest payable estimated based on the outstanding principal amounts and their respective interest rate fixed as at 31 December 2019 and 30 June 2020.

For fixed rate debt, this represents total future interest payable estimated based on the outstanding principal amounts and their respective committed interest rate as at 31 December 2019 and 30 June 2020.

The major borrowings are summarised as follows:

(i) *Existing loan facilities of the Group*

Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of HKT, entered into various bilateral revolving facilities with a group of banks for general corporate purposes. These facilities are unsecured and are guaranteed by HKTGH.

As at 31 December 2019 and 30 June 2020, the aggregate amount of bank loan facilities was HK\$28,348 million and HK\$28,448 million of which HK\$9,190 million and HK\$8,478 million remained undrawn, respectively.

(ii) *U.S.\$500 million 3.75% guaranteed notes due 2023*

On 8 March 2013, PCCW-HKT Capital No.5 Limited, an indirect wholly-owned subsidiary of HKT, issued U.S.\$500 million 3.75% guaranteed notes due 2023, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(iii) *U.S.\$300 million zero coupon guaranteed notes due 2030*

On 15 January 2015, HKT Capital No. 1 Limited, an indirect wholly-owned subsidiary of HKT, issued U.S.\$300 million zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(iv) U.S.\$500 million 3.625% guaranteed notes due 2025

On 2 April 2015, HKT Capital No. 2 Limited, an indirect wholly-owned subsidiary of HKT, issued U.S.\$500 million 3.625% guaranteed notes due 2025, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(v) €200 million 1.65% guaranteed notes due 2027

On 10 April 2015, HKT Capital No. 3 Limited, an indirect wholly-owned subsidiary of HKT, issued €200 million 1.65% guaranteed notes due 2027, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(vi) U.S.\$750 million 3.00% guaranteed notes due 2026

On 14 July 2016, HKT Capital No. 4 Limited, an indirect wholly-owned subsidiary of HKT, issued U.S.\$750 million 3.00% guaranteed notes due 2026, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

(vii) U.S.\$500 million 3.25% guaranteed notes due 2029

On 30 September 2019, HKT Capital No. 5 Limited, an indirect wholly-owned subsidiary of HKT, issued U.S.\$500 million 3.25% guaranteed notes due 2029, which are listed on the SGX-ST. The notes are irrevocably and unconditionally guaranteed by HKTGH and Hong Kong Telecommunications (HKT) Limited and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of HKTGH and Hong Kong Telecommunications (HKT) Limited.

Capital Expenditure

Capital expenditure including capitalised interest for the six months ended 30 June 2020 was HK\$1,198 million (30 June 2019: HK\$1,332 million). Capital expenditure relative to revenue was 8.2% for the six months ended 30 June 2020 (30 June 2019: 8.8%).

Capital expenditure for the Group's Mobile business remained steady in the first half of 2020 as the spending on the 5G rollout and critical infrastructure enhancements substituted for the spending on the 4G network in the comparable period in 2019. Requirements for TSS capital expenditure decreased during the period, reflecting the maturity of fibre backbone investments already made and the general slowdown in enterprise projects.

The Group will continue to invest in building digital capabilities to support its existing businesses and enable its growth in new areas and prudently invest in building a 5G network taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

Property, Plant and Equipment

The Group's property, plant and equipment primarily consist of transmission plants and exchange equipment (including switches, computer hardware, back-up power, plant etc.) and connecting lines (including cable ducting, copper and fibre optic cabling and poles). Hong Kong Telecommunications (HKT) Limited has been granted limited licences relating to the storage and access of network equipment in certain leasehold land and buildings owned by another member of the PCCW Group, which are principally permitted to be used as telephone exchanges, and in certain cases include engineering facilities, ancillary offices and technical centres. Nearly all such leases are private treaty grants from the Hong Kong Government, which contain restrictions on their use for specific purposes and on their transfer. The vast majority of these leases do not expire before 2025.

The net book values of the Group's property, plant and equipment as at 31 December 2019 and 30 June 2020 were as follows:

	Net Book Value	
	As at 31 December 2019	As at 30 June 2020
	(HK\$ million)	
Property, Plant and Equipment:		
Buildings	647	633
Exchange equipment	5,377	5,694
Transmission plant	9,951	10,665
Other plant and equipment	3,861	3,939
Projects under construction	2,341	1,799
Total	<u>22,177</u>	<u>22,730</u>

INSURANCE

The Group has insurance policies providing coverage for its assets and operations including loss of or damage to its properties and assets, loss of profit and additional costs of working arising from loss or damage to its properties or assets, public liability, contractual liability, employment liability, errors and omissions, amongst others.

The Group believes that its properties are covered with adequate insurance provided through a combination of its own captive insurance company and direct insurance or reinsurance policies with reputable insurance companies and with commercially prudent deductibles and limits on coverage. Notwithstanding the Group's insurance provisions, the Group could nevertheless experience a material loss as a result of an unforeseeable series of catastrophic events, systemic adverse circumstances, or other adverse occurrences not currently foreseeable and/or not commercially insurable.

EMPLOYEES

The Group's future success will depend, in large part, on its ability to continue to attract, train, retain and motivate highly qualified technical and management personnel.

The Group had over 15,900 employees as at 30 June 2020 (30 June 2019: 17,300 employees) located in 48 countries and cities. Approximately 69% of these employees work in Hong Kong and the others are based mainly in the PRC, the Philippines, the United Kingdom and the U.S.. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

INTELLECTUAL PROPERTY

The Group relies on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect its brand name and logos, marketing designs and Internet domain names. Over 120 registered trademarks are used and owned by the Group. The Group is not critically dependent upon any third-party patents or licences.

LITIGATION

Neither the Issuer nor the Group is involved in any litigation or arbitration proceedings which are material in the context of the Securities nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

DIRECTORS AND SENIOR MANAGEMENT

The following individuals have been appointed to serve as the directors and senior management of the Group:

Name	Position
Srinivas Bangalore Gangaiah . . .	Non-Executive Director of HKT
Hui Hon Hing, Susanna	Group Managing Director and Executive Director of HKT
Wong Hong Kit, Evan	Chief Financial Officer of HKT
Paul Berriman	Group Chief Technology Officer, Technology Strategy and Development
Chan Chi-keung	Head of Group Communications
Chan Kee Sun, Tom	Managing Director, Commercial Group
C Marc Halbfinger	Chief Executive Officer, PCCW Global
Lam Kwok Shing, Bruce	Managing Director, Consumer Mobile
Lam Wing Chap, Peter	Managing Director, Engineering
Leung Hoi Yi, Monita	Head of Financial Services
Veronica Lockyer	Head of Group Regulatory Affairs
Bernadette Mak Lomas	Group General Counsel and Company Secretary
Ng Wing Ho, Ringo	Managing Director, Consumer Group
Shum Wai Ling, Hester	Group Chief Human Resources Officer
Wong Che Hin, Kenneth	Head of Business Technology Unit

Srinivas Bangalore Gangaiah (aka BG Srinivas)

Mr. Bangalore Gangaiah Srinivas, was appointed an Executive Director and Group Managing Director of PCCW effective from July 2014. He is a member of PCCW's Executive Committee and holds directorships in certain PCCW group companies. He is also a Non-Executive Director of HKT and the Trustee-Manager. He is also an Alternate Director of certain FWD group companies controlled by Mr. Li Tzar Kai, Richard, the Chairman of PCCW.

As part of the PCCW Group's responsibility, Mr. Srinivas is focused to ensure the PCCW Group maintains its leadership position in all its portfolio of business in Hong Kong while crafting strategies to expand each line of business. He has over 30 years of experience and has assisted enterprises in leveraging technology to transform businesses. Prior to joining PCCW, Mr. Srinivas had worked for the previous 15 years with Infosys Group, where his last role was the President and Whole-time Director of Infosys Limited. He played distinct role in crafting strategies and driving growth across several industry sectors for Infosys. Prior to that, Mr. Srinivas worked for 14 years with Asea Brown Boveri Group, where he held several leadership positions in process automation and power transmission divisions.

Mr. Srinivas has been on the panel of judges for the European Business Awards (EBA) for three consecutive years and is a frequent speaker at World Economic Forum, and academic institutions such as INSEAD and Yale University.

Mr. Srinivas holds a degree in mechanical engineering from Bangalore University, India, and has participated in executive programs at Wharton Business School, U.S., and Indian Institute of Management Ahmedabad (IIMA), India.

Hui Hon Hing, Susanna

Ms. Susanna Hui is the Group Managing Director of HKT and HKT Management Limited (Trustee-Manager), the Trustee-Manager of the HKT Trust, since September 2018. She has been an Executive Director of HKT and the Trustee-Manager since November 2011. She is a member of HKT's Executive Committee and holds directorships in various Group companies. She was the Group Chief Financial Officer of HKT from November 2011 to August 2018 primarily responsible for overseeing the financial matters of the Group. Ms. Hui is also the Group Chief Financial Officer and Executive Director of PCCW, a member of PCCW's Executive Committee, and an Executive Director of Pacific Century Premium Developments Limited (PCPD).

Ms. Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities in the past 21 years, including as Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms. Hui was also the Chief Financial Officer of PCPD from July 2009 to November 2011.

Prior to joining Cable & Wireless HKT Limited, Ms. Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

Ms. Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

Wong Hong Kit, Evan

Mr. Evan Wong has been the Chief Financial Officer of HKT since September 2018. He is primarily responsible for overseeing all the financial matters of the HKT Group. Prior to his appointment as the Chief Financial Officer of HKT, he was the Senior Vice President of Group Finance from August 2011 to October 2014 and the Director of Group Finance for the PCCW Group from November 2014 to August 2018 leading the Group Financial Accounting and Regulatory Accounting team.

As a certified accountant, Mr. Wong gained extensive experience in auditing, accounting and finance. He has held a number of management and executive positions for 17 years prior to joining the PCCW Group in 2011. He was the Group Financial Controller of Tom Group International Limited from 2005 to 2010, and the Associate Director, Corporate Finance for New World Mobile Holdings Limited between 2004 and 2005.

He also worked in PricewaterhouseCoopers for ten years and left the audit firm in June 2004 as a Senior Manager in the Capital Market Group.

Mr. Wong graduated with a bachelor's degree in Business Administration from the Chinese University of Hong Kong in 1994. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants for over 20 years.

Paul Berriman

Mr. Paul Berriman is the Group Chief Technology Officer, Technology Strategy and Development and is responsible for Technology Strategy and Development, a position which he held since May 2007, having joined PCCW in 2002. Mr. Berriman is primarily responsible for leading the HKT Group's product and technology roadmap and strategic development. Prior to his present appointment, he had held positions as Head of Strategic Market Development and SVP, Strategy and Marketing. Mr. Berriman has over 25 years of experience in telecommunications, media and convergence. In 2009 he was recognised by the IPTV World Forum with their Special Merit Award for Outstanding Industry Contribution. In 2008 he was listed as one of the Global Telecoms Business Magazine's top 100 "most influential persons in telecoms". Prior to joining PCCW in 2002, Mr. Berriman was the Managing Director of Arthur D. Little in Hong Kong, a management consultancy firm, and was involved in telecommunications consultancy projects globally. Previously he also held executive, technical, engineering and operations management roles in several major Hong Kong service providers including the Hong Kong Telephone Company and Hong Kong Telecom CSL. Mr. Berriman graduated with a Bachelor of Science degree in Electro-acoustics from the University of Salford in the United Kingdom in July 1979, and a Master of Business Administration degree from the University of Hong Kong in November 1985. He became a Chartered Engineer in June 1986 and is a full member of The Institution of Engineering and Technology. He is a board member of the Next Generation Mobile Networks Alliance (NGMN Ltd.), a member of TD-LTE Initiative (GTI) Steering Committee and an independent non-executive director of Spark New Zealand (f.k.a. Telecom Corporation of New Zealand) since December 2011. He is also a non-executive director of mobile operator, Rain Ltd., in South Africa. He was also a member of OFTA's Telecommunications Standards Advisory Committee for many years.

Chan Chi-keung

Mr. Chan Chi-keung is the Head of Group Communications. He is responsible for HKT's corporate communications, media relations, branding, community services, and publicity and sponsorship on a group level. Mr. Chan has many years of experience in journalism, community relations and corporate communications. Before joining PCCW in 2008 as Vice President, Corporate Communications, he was Head of Corporate Communications at the Hong Kong Securities and Futures Commission. Prior to that, he had worked as a journalist at the South China Morning Post. Mr. Chan is a holder of Bachelor of Social Sciences degree from the University of Hong Kong.

Chan Kee Sun, Tom

Mr. Tom Chan is the Managing Director, Commercial Group, responsible for the telecommunications business for the enterprise and wholesales sectors. He also oversees the teleservices business of HKT and the management of HKT's property portfolio. Before his present appointment, Mr. Chan had held various management and executive positions within PCCW in the areas of finance, regulatory affairs, operations, as well as sales and marketing. He was Managing Director of the Consumer Group from 2006 to January 2012. As a professional accountant, Mr. Chan was engaged in audit and financial analyst positions prior to joining the Hong Kong Telecommunications Limited group in 1988. Mr. Chan graduated from Cardiff University, United Kingdom with a Bachelor of Economics and Social Studies degree in July 1982. He is a fellow member of the Association of Chartered Certified Accountants since October 1990 and the Chartered Institute of Marketing in the United Kingdom since February 2001.

C Marc Halbfinger

Mr. Marc Halbfinger is the Chief Executive Officer, PCCW Global, a position which he held since July 2007. He is primarily responsible for the integrated global communication solutions business. He has spent the past 24 years in media and telecommunications services with experience in cable TV, directories, cellular, and international voice, video, data and Internet. Mr. Halbfinger joined PCCW in May 2000 as the Senior Vice President, Business Development of Pacific Convergence Corporation, Ltd. covering Europe and North America markets where he was involved in early commercial development of "now TV". In 2001, he helped found Beyond-The-Network, which later became part of PCCW Global, and was

initially appointed as the President for Europe, Middle East, and Africa. Prior to joining PCCW, Mr. Halbfinger was a Vice President at Teleglobe serving the Mediterranean and South Europe. Previously, he was a senior manager at Global One, Sprint International, and a subsidiary of Southwestern Bell Corporation. Among other academic achievements, Mr. Halbfinger earned a Master of Science (Econ.) in international relations from the London School of Economics and Political Science in August 1988.

Lam Kwok Shing, Bruce

Mr. Bruce Lam is the Managing Director, Consumer Mobile. He is responsible for marketing strategies, service plans, sales and market communications for the wireless businesses. Prior to joining HKT, Mr. Lam had worked for Nokia Hong Kong Limited for 18 years and had held several important positions in procurement and sales; his last role was General Manager for its Hong Kong and Macau markets where he had responsibility for sales and marketing, business development, communication, customer care, relationship management as well as retail strategies. Mr. Lam has a Bachelor's degree in Economics from the University of Windsor.

Lam Wing Chap, Peter

Mr. Peter Lam is Managing Director, Engineering. He is primarily responsible for the planning and operation of the fixed and wireless networks which support a wide range of quadruple-play telecommunications services including voice, data, broadband, interactive multimedia service, mobile and corporate customer projects in Hong Kong and overseas. Mr. Lam joined the Hong Kong Telephone Company in 1973. Over his four decades of service with the company, he held senior positions in various functions including engineering, sales, product, marketing and wholesale business. Before his present appointment, Mr. Lam was Senior Vice President of Field Services, Engineering and Senior Vice President of Wholesale Business. Mr. Lam graduated with a Higher Diploma in Electronic Engineering in 1982 from the Hong Kong Polytechnic (now Hong Kong Polytechnic University), and earned a Diploma in Management For Executive Development in 1991 from the Chinese University of Hong Kong. In 1993-1994, Mr. Lam received regulatory affairs training at the Cable & Wireless College in the United Kingdom and became a member of C&W Centre of Excellence. He also attended the C&W International Executive Development programme at INSEAD, France in 1997. He is currently the Chairman of the Joint Utilities Policy Group (JUPG), President of Fixed Network & Value Added Services Group of the Communications Association of Hong Kong (CAHK) and a member of the Telecommunications Regulatory Affairs Advisory Committee (TRAAC).

Leung Hoi Yi, Monita

Ms. Monita Leung was appointed as the Head of Financial Services of HKT in 2018, responsible for FinTech business development. Ms. Leung joined HKT in 2001 and led the broadband marketing of Consumer Group from 2005 to 2011, during which she played an integral part of the success of high speed FTTH service rollout in Hong Kong. She took the leading role in the operations, marketing and relationship management of HKT Premier in 2011, providing service excellence to affluent customers. Since 2014, she had been involved in the planning and implementation of Hong Kong's first mobile payment service Tap & Go.

Prior to joining HKT, Ms. Leung spent 10 years working in Chase and American Express, where she focused on consumer credit and payment card business in Hong Kong. Ms Leung graduated from The Hong Kong Polytechnics University, with a Professional Diploma (degree equivalent) in Business Management.

Veronica Lockyer

Ms. Veronica Lockyer was appointed as the Head of Group Regulatory Affairs in January 2018. She is responsible for facilitating the group companies to meet their business goals by interacting with relevant government entities, engaging with the Government on policy matters and ensuring compliance with applicable policies, regulations and laws. Prior to joining HKT in 2013 as Vice President, Regulatory Compliance, she spent 15 years working in international law firms in London, Brussels and Shanghai where she focused on competition, commercial, consumer and market regulatory issues. Ms. Lockyer graduated with a degree in Modern and Classical Chinese from the School of Oriental and African Studies, University of London and qualified as a lawyer in 2000.

Bernadette Mak Lomas

Ms. Bernadette Lomas was appointed the Group General Counsel and Company Secretary of HKT and the Trustee-Manager in August 2016. She is also the Group General Counsel and Company Secretary of PCCW. Ms. Lomas is qualified to practice law in Hong Kong and in the State of New York. She is experienced in corporate finance, mergers and acquisitions, securities, corporate governance, conflicts management and general corporate and commercial matters. She had previously been the Asia Pacific head of business selection and conflicts group for a U.S.-based international bank licensed in Hong Kong.

Ng Wing Ho, Ringo

Mr. Ringo Ng is the Managing Director, Consumer Group. He is responsible for product development, marketing and promotion, customer sales network, customer service and back office technical support. Mr. Ng has over 20 years of management experience in consumer business. Before his present appointment, he was the General Manager of Hilti China Limited. In his past career, he has managed several well-known brands of consumer products. In addition, he has multiple-market management experience across different industries throughout Asia Pacific and has a proven track record in expediting business performance particularly in Hong Kong and the PRC. Mr. Ng graduated with a Master's Degree in Business Administration, majoring in Marketing from York University, Toronto in 1992.

Shum Wai Ling, Hester

Ms. Hester Shum was appointed as the Group Chief Human Resources Officer in July 2019. She is responsible for all the talent agendas including talent management and acquisition, total reward as well as organisation and employee development of all the businesses under the Group in Hong Kong and all overseas markets.

Ms. Shum has over 30 years of experience in strategic human resources management gained in multiple industries across airline, trading and telecommunications. Her IT human resources leadership career spanned over numerous Fortune 500 companies including Intel, Cisco Systems and most recently Equinix. She also served at a Hong Kong listed trading company progressing as their Executive Vice President of Human Resource heading their global human resources organisations in more than 40 economies.

Ms. Shum holds a Bachelor's degree in Arts from Chinese University of Hong Kong, a Master of Management specialised in Human Resources Management from Macquarie Graduate School of Management, and attended progressive executive leadership program with Massachusetts Institute of Technology.

Wong Che Hin, Kenneth

Mr. Kenneth Wong is the Head of Business Technology Unit, a position which he has held since December 2015 when he re-joined HKT. Mr. Wong is responsible for product and application services development and the business IT systems for the Group. He has extensive experience in the broad spectrum of IT and digital media. Mr. Wong first joined HKT in 1995 as an IT system specialist and was promoted to various senior positions including the Senior Vice President of Integration Services, the Chief Technology Officer

of Advertising and Interactive Services, and Director of Business Development of IPTV Solutions. Prior to rejoining the Group, he was the Chief Operating Officer of TVB.COM Limited from 2012 to 2015, responsible for digital media development and operation including live News, TV VOD services and interactive-TV services.

Mr. Wong graduated with a degree in Computing Science from University of Essex, UK in 1983, a Master of Science in Analysis, Design and Management of Information Systems from London School of Economics and Political Science in 1984, a Master's Degree in Commerce from University of New South Wales in 1992, and a Master of Business Administration from the Deakin University in 2002. Mr. Wong serves as a member of the CIO Board of the Hong Kong Computer Society. He is also a Chartered IT Professional (CITP) of the British Computer Society and a member of Certified Practising Accountant (CPA) Australia.

USE OF PROCEEDS

The net proceeds from the offering of the Securities, after deducting fees, commissions and expenses are estimated to be approximately U.S.\$[●]. The Issuer will on-lend the net proceeds to PCCW for general corporate purposes of the PCCW Group, including repayment of existing indebtedness of the PCCW Group.

TAXATION

The following is a general description of certain tax considerations relating to the Securities. It is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Securities.

Prospective holders of Securities who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

BRITISH VIRGIN ISLANDS

As a company incorporated under the BVI Business Companies Act, 2004, each of the Issuer and the Guarantor is exempt from all provisions of the Income Tax Act of the British Virgin Islands (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the British Virgin Islands).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

Each of the Issuer and the Guarantor is required to pay an annual government fee which is determined by reference to the amount of shares the Issuer and the Guarantor, as the case may be, is authorised to issue.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Securities, or in respect of any capital gains arising from the sale of the Securities.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Securities is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Securities is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Chapter 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- (iv) interest on the Securities is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Securities may be deemed to be profits which will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Securities may be deemed to be profits which will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Securities will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Securities are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions and/or reliefs (such as concessionary tax rates) may be available to Hong Kong taxpayers. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions and/or reliefs to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the U.S. to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Securities (as described under “Terms and Conditions of the Securities – Further Issues”) that are not distinguishable from previously issued Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Securities, including the Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers, pursuant to which and subject to certain conditions contained therein, the Issuer agreed to sell to the Joint Lead Managers, and each of the Joint Lead Managers, agreed to subscribe for the aggregate principal amount of the Securities, and the Guarantor agreed, unconditionally and irrevocably, to guarantee the Securities at an issue price of [●]% of their principal amount set forth below:

	Principal Amount of Securities
Deutsche Bank AG, Hong Kong Branch	U.S.\$[●]
J.P. Morgan Securities plc	U.S.\$[●]
The Hongkong and Shanghai Banking Corporation Limited	U.S.\$[●]
Mizuho Securities Asia Limited	U.S.\$[●]
Standard Chartered Bank	U.S.\$[●]
UBS AG Hong Kong Branch	U.S.\$[●]
Total	U.S.\$[●]

The Subscription Agreement provides that each of the Issuer and the Guarantor will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

The Joint Lead Managers and certain of their respective affiliates may have performed certain investment banking and advisory services for the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Guarantor and/or its respective affiliates in the ordinary course of their business.

The Joint Lead Managers and certain of their respective affiliates may purchase the Securities and be allocated Securities (which may be material) for asset management and/or proprietary purposes and not with a view to distribution.

Each of the Joint Lead Managers or certain of their respective affiliates may purchase the Securities for its own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities). Furthermore, investors in the Securities may include entities affiliated with the PCCW Group.

The Issuer may pay a commission to certain private banks in connection with the distribution of the Securities to their clients. This commission (if paid) will be based on the principal amount of the Securities so distributed.

GENERAL

No action has been or will be taken in any jurisdiction by the Joint Lead Managers, the Issuer or the Guarantor that would, or is intended to, permit a public offering of the Securities, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Securities should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Securities should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer, the Guarantor and the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Securities and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Securities and the Guarantee (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the U.S. or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities and the Guarantee within the U.S. or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. The Securities and the Guarantee are being offered and sold outside of the U.S. to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities and Guarantee, an offer or sale of Securities and the Guarantee within the U.S. by any dealer that is not participating in the Offering may violate the registration requirements of the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area.

- (a) For the purposes of this provision the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

UNITED KINGDOM

Prohibition of Sales to UK Retail Investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the UK. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each of the Joint Lead Managers has represented and agreed that:

- (i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the UK.

HONG KONG

Each of the Joint Lead Managers has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “**professional investors**” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “**prospectus**” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “**professional investors**” as defined in the SFO and any rules made under the SFO.

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase, and will not offer or sell the Securities or cause the Securities to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in

Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

JAPAN

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

BRITISH VIRGIN ISLANDS

Each of the Joint Lead Managers has represented and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to offer or sell the Securities.

RATINGS

The Securities are expected to be rated “Ba2” by Moody’s and “BB” by S&P. A rating is not a recommendation to buy, sell or hold any Securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

GENERAL INFORMATION

1. CLEARING SYSTEMS

The Securities have been accepted for clearance through Euroclear and Clearstream under Common Code number [●]. The International Securities Identification Number for the Securities is XS[●].

2. LISTING OF SECURITIES

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of S\$200,000 or its equivalent in foreign currencies, for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Certificates in definitive form. In addition, in the event that the Global Certificate is exchanged for Certificates in definitive form, announcement of such exchange shall be made by the Issuer through the SGX-ST and such an announcement will include all material information with respect to the delivery of the Certificates in definitive form, including details of the paying agent in Singapore.

3. AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Securities. The issue of the Securities was authorised by resolutions of the Board of Directors of the Issuer passed on 31 December 2020. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the provision of the Guarantee and performance of its obligations under the Guarantee. The provision of the Guarantee was authorised by resolutions of the Board of Directors of the Guarantor on 31 December 2020.

4. NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the financial or trading position or prospect of the Issuer since its date of incorporation and the Group since 30 June 2020.

5. LITIGATION

Neither the Issuer nor the Group is involved in any litigation or arbitration proceedings which are material in the context of the Securities nor is the Issuer or either Guarantor aware that any such proceedings are pending or threatened.

6. AVAILABLE DOCUMENTS

The audited consolidated financial statements of the HKT Trust and HKT as at and for the years ended 31 December 2018 and 2019, the unaudited condensed consolidated interim financial information of the HKT Trust and HKT as at and for the six months ended 30 June 2020, as well as the Trust Deed and the Agency Agreement will be available for inspection, at HKT's place of business in Hong Kong at 39th Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong during normal business hours, so long as any of the Securities is outstanding.

7. AUDITOR

The audited consolidated financial statements of the HKT Trust and HKT as at and for the years ended 31 December 2018 and 2019, and the notes thereto, which are incorporated by reference in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their report incorporated by reference herein. The unaudited condensed consolidated interim financial information of the HKT Trust and HKT as at and for the six months ended 30 June 2020, and the notes thereto, which is incorporated by reference in this Offering Circular, has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, is the independent auditor of the HKT Trust and HKT.

8. LEI NUMBER

The Issuer's LEI number is 254900REJZW5L9QRTD85.

ISSUER

CAS Capital No. 1 Limited
Vistra Corporate Services Centre
Wickhams Cay II
Road Town, Tortola, VG1110
British Virgin Islands

GUARANTOR

CAS Holding No. 1 Limited
Vistra Corporate Services Centre
Wickhams Cay II
Road Town, Tortola, VG1110
British Virgin Islands

AUDITOR OF THE GUARANTOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central, Hong Kong

TRUSTEE

DB Trustees (Hong Kong) Limited
Level 60
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**PRINCIPAL PAYING AGENT, PAYING AGENT, TRANSFER AGENT, CALCULATION AGENT
AND REGISTRAR**

Deutsche Bank AG, Hong Kong Branch
Level 60
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

LEGAL ADVISERS

To the Issuer and the Guarantor as to British Virgin Islands law

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central Hong Kong

To the Issuer and the Guarantor as to English and Hong Kong law

Linklaters
11th Floor, Alexandra House
Chater Road
Central Hong Kong

To the Joint Lead Managers and the Trustee as to English law

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central Hong Kong