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HKT

HKT Trust

(a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by HKT Management Limited)

and

HKT Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6823)

**CONTINUING CONNECTED TRANSACTIONS
WITH THE PCCW GROUP**

The HKT Limited Group entered into various transactions with the PCCW Group for operational needs as described in the Prospectus which constituted continuing connected transactions of the Company under the Listing Rules. Such transactions and their respective annual caps will expire on December 31, 2013. It is anticipated that the existing continuing connected transactions with the PCCW Group will continue beyond December 31, 2013. The Directors propose to renew these continuing connected transactions and enter into new continuing connected transaction and set new Annual Caps as described in this announcement for the three financial years ending December 31, 2014 to 2016.

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

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the relevant Annual Caps, in each case (or on an aggregated basis, as described below), of the continuing connected transactions, which are categorised according to the providers of the relevant service, exceed 0.1% but are less than 5%, the continuing connected transactions are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

BACKGROUND

The HKT Limited Group entered into various transactions with the PCCW Group for operational needs as described in the Prospectus which constituted continuing connected transactions of the Company under the Listing Rules. Such transactions and their respective annual caps will expire on December 31, 2013. It is anticipated that the existing continuing connected transactions with the PCCW Group will continue beyond December 31, 2013. The Directors propose to renew these continuing connected transactions and enter into new continuing connected transaction and set new Annual Caps as described in this announcement for the three financial years ending December 31, 2014 to 2016.

PRINCIPAL TERMS OF THE RENEWAL OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS AND THE ENTERING INTO OF THE NEW CONTINUING CONNECTED TRANSACTION WHICH ARE EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Services and floor space supplied by the HKT Limited Group to the Media Group

(1) The provision of carriage services

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Media

Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW Media entered into a carriage services agreement, pursuant to which HK Telecom has agreed to provide or procure the provision of carriage services to the Media Group to facilitate the Media Group's delivery of its pay television and other services to its customers.

The annual service fee has been determined on the basis of marginal cost charging. Under this mechanism, the incremental costs (i.e. incremental to the 'sunk' historic cost of the HKT Limited Group's existing network) of the various services needed to deliver the overall carriage service have been determined, in some cases, on the basis of comparing transaction charges with those of broadly comparable independent companies and, in other cases, on a cost-plus methodology. From these various components, an annual service fee has been calculated and agreed.

The agreement provides that the Media Group is entitled to enjoy the benefit of enhancements to the network, as made by the HKT Limited Group. Any addition in capacity or enhancement in network agreed by the Media Group, as might arise out of a proposed annual review process, would result in an increase in the annual service fee. The amount of the fee increase would depend upon the relevant aspect of the carriage service requiring to be enhanced. Thus, an increase in line or channel transmission capacity or enhancement in network would require the Media Group to contribute to the additional expenditure required; whereas a requested increase in field services would be calculated on an additional cost-plus basis.

In a similar vein, the agreement provides that the Media Group is entitled, out of the annual review process, to call for a capacity reduction. However no reduction is allowed for lines and/or channel transmission capacity. In this context, the annual service fee would be reduced to the extent that the relevant component of the service necessary to deliver the reduction was, in essence, a 'manpower' issue or one otherwise specifically identifiable to the Media Group's reduced needs (e.g. as to the budgeting of access into and exit from the HKT Limited Group network, so called server end links/local connectivity links). However, to the extent that the Media Group were to underutilize its agreed number of lines or channel capacity, the related element of the annual service fee would not be reduced.

The annual service fee is calculated based on the number of internet protocol multicast enabled broadband access lines installed for a maximum agreed capacity of up to 1.1 million lines. In cases where the capacity installed exceeds the maximum agreed capacity or if there is network enhancement, the Media Group is required to pay additional fees to reimburse HK Telecom for any incremental capital and/or other expenditure required to build the additional lines requested or for the enhanced services resulted from the upgraded work at a pre-agreed required rate of return on investment plus a fixed annual maintenance charge.

(2) The provision of marketing and sales services

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Media

Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW Media entered into a marketing and sales services agreement, pursuant to which HK Telecom has agreed to market and sell Media Group products and services through the HKT Limited Group's direct marketing staff, front-line (i.e. on the street) sales teams, shops and via its call centres; and to provide a unified call-centre support service.

Although the Media Group has its own dedicated sales team, the marketing and sale of the Media Group's products and services by the HKT Limited Group's sales team and the provision of a unified call-centre support service, are seen by both parties as important in providing a one-stop shop to both groups' customers. Hence, there is a reciprocal marketing and sales services agreement as referred to in paragraph (6) below, on like terms, governing sales by the Media Group's dedicated sales staff of the HKT Limited Group's products and services.

The fees payable by the Media Group to the HKT Limited Group mainly include (i) the sales commission (i.e. the commission that the HKT Limited Group earns from the successful sale of the Media Group's products or services) at a market rate, based on attaining certain service levels and sales targets, as agreed annually in advance, which is capable of being benchmarked against the commissions offered by external sales agents; or (ii) fees charged on a cost plus basis in relation to call centre inbound and outbound telephone sales calls and customer and technical service calls made by the HKT Limited Group.

Pursuant to the marketing and sales services agreement between HK Telecom and the Media Group, the following service fees are chargeable and calculated:

- (a) Direct marketing and front-line sales team services are charged based on the number of sales orders achieved with certain pre-agreed price plan levels, at a market rate per order which is benchmarked against the commissions offered by external sales agents.
- (b) Retail shops sales team services are charged on a revenue-sharing basis, based on the total contract revenues cross-sold by the shop sales team during the year.
- (c) The unified call-centre support service is charged at a range of monthly rates which varies depending on the percentage of service levels attained as governed by the service level contract entered into between the HKT Limited Group and the Media Group.

(3) The provision of internal (specialist telecom) services

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Media

Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW Media entered into an internal (specialist telecom) services agreement, pursuant to which HK Telecom has agreed to procure that relevant members of the HKT Limited Group provide to the Media Group a range of specialized support services that are integral to the operation of the Media Group's business.

In summary these services principally comprise:

- the provision of international private leased circuit (“**IPLC**”);
- maintenance services in respect of the Media Group's PABX (telephone) and other technological office systems;
- the provision of business, mobile, data and fax lines;
- the provision of broadband lines; and
- the provision of development services for the Media Group's products and services.

The charges for these services are typically calculated based on the actual service usage (e.g. number of IPLCs rented from the HKT Limited Group, number of broadband lines used, number of technological office systems in place), charged at market rate or discounted list price. The services are provided by the HKT Limited Group in the ordinary course of its business given that it is a leading provider of such services in Hong Kong.

(4) Licensed access to floor space

Date : December 27, 2013

Parties : (a) HKTC and (b) PCCW Media

Term : January 1, 2014 to December 31, 2016

PCCW Media has been afforded certain limited access rights to floor space for it and members of the Media Group at a number of premises of HKTC (“**HKTC’s Premises**”). Pursuant to a licence agreement signed between HK Telecom and HKTC, HKTC granted to HK Telecom a licence to, among other things, install, store, operate and maintain equipment, machinery, chattels and installations at the HKTC’s Premises. HKTC continues to meet and defray all costs, expenses and outgoings of the HKTC’s Premises but HK Telecom is responsible for re-imbursing HKTC the outgoings on a periodic basis. HKTC is also required to pay the amount of any income or profit received or to be received by HKTC to HK Telecom in respect of the HKTC’s Premises. Accordingly, the licence fees paid by the Media Group are passed on by HKTC to HK Telecom pursuant to the aforesaid arrangement. In effect, therefore, these licensing arrangements are akin to direct arrangements between HK Telecom and the Media Group.

The license and related fees are charged based on the area occupied by the Media Group at various HKTC’s Premises, at a monthly rate per square foot which can be benchmarked against market rates.

Services supplied by the Media Group to the HKT Limited Group

(5) Service packaging arrangements

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Media

Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW Media entered into a service packaging agreement. The agreement comprises two aspects:

- a mutual commitment to package the HKT Limited Group’s products and services and the Media Group’s products and services from time to time, from which results a dynamic and ongoing series of promotional packages (e.g. certain channels tied to a particular broadband purchasing commitment); and
- a commitment by the Media Group to provide customers of the HKT Limited Group with certain content services and products, the composition of which is agreed between the parties from time to time (“**Service Premiums**”).

HK Telecom is required, depending upon the Service Premiums sought, to pay to the Media Group (or procure payment of) an agreed lump sum or a minimum guaranteed amount and/or a per subscriber fee, in each case, capable of being benchmarked against the monthly rate which the Media Group charges its own retail subscribers to view the 'now TV' services, including set-top-box rental plus channel subscription fees, and is open for review annually.

(6) The provision of marketing and sales services

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Media

Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW Media entered into a marketing and sales services agreement. This agreement represents the reciprocal arrangement to that provided for in the agreement described in paragraph (2) above. By this agreement, PCCW Media agrees to procure that relevant members of the Media Group will market the products and services of the HKT Limited Group. The fees payable by HK Telecom to the Media Group mainly include a percentage share of revenues, based on market rates from the cross-sale by its front-line (i.e. on the street) sales team of telecommunications products and services, again subject to the same market rate credits and rebates on attaining or failing to obtain agreed targets or service levels.

(7) Content provision arrangements

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Media

Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW Media entered into a content services agreement, pursuant to which PCCW Media has a first right of supply and agreed to supply, procure to supply or provide content management and production support services to the HKT Limited Group for distribution through its **eye** and mobile platforms.

The Media Group supplies or procures the supply of various categories of content, and provides related content management and production support services to the HKT Limited Group for distribution through the **eye** platform and the mobile platform, so that the HKT Limited Group can offer the same to its customers. The content comprises:

- self-produced content by the Media Group;
- third party produced content for which the Media Group has multiplatform distribution rights;

- third party produced content for which the Media Group applies for specific distribution rights for the **eye** and/or mobile platforms;
- ‘MOOV’ music and music video content services for distribution on the **eye** and/or mobile platforms; and
- content management and production support services for distribution on the **eye** platform and mobile platform.

The Media Group supplies various categories of content to the HKT Limited Group for distribution through the **eye** platform and the mobile platform, and recharges the HKT Limited Group based on the actual content and content production costs incurred for the content supplied, at a cost-sharing ratio with reference to the proportion of the number of subscribers with content-viewing rights on the **eye** platform and the mobile platform over total Media Group’s subscriber base.

(8) Directories publishing arrangements

Date : December 27, 2013
 Parties : (a) HK Telecom and (b) PCCW Media
 Term : January 1, 2014 to December 31, 2016

PCCW Media and HK Telecom entered into a directories publishing agreement. As the overall operator of the directories businesses, the Media Group has been granted an exclusive right and licence, amongst other things, to produce and publish the White Pages Business directory and the Fax directory in print and electronic format.

The Media Group charges the HKT Limited Group on a cost basis, based on the number of directories printed, the number of delivery locations requested and the development and maintenance of electronic directories.

(9) Pay TV set-top-box access agreement

Date : December 27, 2013
 Parties : (a) HK Telecom and (b) PCCW Media
 Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW Media entered into an agreement pursuant to which the HKT Limited Group pays the Media Group a monthly charge for the provision of ‘user access’ to certain services that are capable of being provided via the Media Group’s set-top-boxes to customers subscribing for such services from the HKT Limited Group. The Media Group charges a market rate for such user-access rights.

Services and floor space supplied by the HKT Limited Group to the Solutions Group

(10) Provision of managed services and other telecommunications related services

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Solutions

Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW Solutions entered into a managed wavelength service agreement whereby HK Telecom has agreed to provide certain connectivity services to PCCW Solutions, linking the Solutions Group's data centre(s) in Hong Kong and certain designated sites based on an agreed bandwidth capacity and in accordance with other agreed services levels.

HK Telecom and PCCW Solutions also entered into a telecommunications and other miscellaneous services agreement whereby HK Telecom and its specified affiliates in the HKT Limited Group have agreed to provide certain agreed telecommunications and related services to the Solutions Group on normal commercial terms. The HKT Limited Group charges the Solutions Group on market rate.

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

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

(11) Licensed access to floor space

Date : December 27, 2013

Parties : (a) HKTC and (b) PCCW Solutions

Term : January 1, 2014 to December 31, 2016

PCCW Solutions has been afforded certain limited access rights to floor space for it and members of the Solutions Group at a number of HKTC's Premises. Pursuant to a licence agreement signed between HK Telecom and HKTC, HKTC granted to HK Telecom a licence to, among other things, install, store, operate and maintain equipment, machinery, chattels and installations at the HKTC's Premises. HKTC continues to meet and defray all costs, expenses and outgoings of the HKTC's Premises but HK Telecom is responsible for re-imbursing HKTC the outgoings on a periodic basis. HKTC is also required to pay the amount of any income or profit received or to be received by HKTC to HK Telecom in respect of the HKTC's Premises. Accordingly, the licence fees paid by the Solutions Group are passed on by HKTC to HK Telecom pursuant to the aforesaid arrangement. In effect, therefore, these licensing arrangements are akin to direct arrangements between HK Telecom and the Solutions Group.

The license and related fees are charged based on the area occupied by the Solutions Group at various HKTC's Premises, at a monthly rate per square foot which can be benchmarked against market rates.

Services supplied by the Solutions Group to the HKT Limited Group

(12) Solutions services

The Solutions Group provides the following customized solutions to the HKT Limited Group pursuant to the following agreements:

(a) Data Centre and Managed Services ("DCMS")

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Solutions

Term : January 1, 2014 to December 31, 2016

Pursuant to a bureau services agreement, PCCW Solutions provides certain bureau services to HK Telecom and its designated affiliates. These services include help desk services, problem management, change management, system and database support, information technology security services, data centre services, backup management, service level management, disaster recovery and technical platform services.

(b) Information Technology Systems Integration (“ITSI”)

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW Solutions

Term : January 1, 2014 to December 31, 2016

PCCW Solutions provides the following services to HK Telecom and its designated affiliates:

- certain application management services (such as application support and maintenance, production acceptance testing and application release management); and
- certain system development services (such as information technology system design, development and implementation).

(c) Business Process and Logistics Operation (“BPLO”)

Date : December 27, 2013

Parties : (a) HK Telecom and (b) Power Logistics Limited

Term : January 1, 2014 to December 31, 2016

Power Logistics Limited (“**Power Logistics**”), a company in the Solutions Group, provides a range of different business processing, order fulfillment and logistical services to the HKT Limited Group. These services include warehouse and stock management, logistics services, transportation services, printing and lettershopping services, delivery, mass distribution, document imaging and data entry services.

The basis of charging is the actual usage of the services, such as the number of application and support servers installed and the number of support staff required during the construction process and maintenance period, as well as the current market price and adjusted by the Consumer Price Index annual growth factor forecasted by Bloomberg.

(13) Sub-contracting agreement

Date : December 27, 2013

Parties : (a) PCCW-HKT Technical Services Limited and (b) PCCW (Macau), Limitada

Term : January 1, 2014 to December 31, 2016

PCCW (Macau), Limitada (“**PCCW Macau**”), a company within the HKT Limited Group, and PCCW-HKT Technical Services Limited (“**TSL**”), an indirect wholly-owned subsidiary of PCCW, entered into a sub-contracting agreement. PCCW Macau has contracted with various third parties for the provision of solutions services with various operators in Macau such as information technology related systems within hotels and casinos. Rather than performing the work itself, PCCW Macau has sub-contracted the work to TSL. Accordingly, the work is carried out by TSL and all fees received in respect of the work are passed on by PCCW Macau to TSL after PCCW Macau has deducted sub-contracting fees.

Going forward, PCCW Macau anticipates earning gross fee of approximately HK\$150 million, HK\$150 million and HK\$100 million for the years ending December 31, 2014, December 31, 2015 and December 31, 2016 respectively, which amounts have been set as the annual caps on the services costs payable to TSL. This is based on existing contracts entered into by PCCW Macau and its expectation for pipeline projects. The pipeline expectation is due to the growth in the Projection and Display System and the Extra Low Voltage System (ELV System) for Macau hotels and casinos expansion. These fees will be passed on to TSL, as sub-contractor, net of sub-contracting fees earned by PCCW Macau, estimated at an average rate of 5% of the gross fees, equating to estimated annual amounts paid by TSL to PCCW Macau for the right to perform the sub-contracting work, to be treated as the annual caps on the sub-contracting fees payable to PCCW Macau.

(14) The provision of corporate shared services

Date : December 27, 2013

Parties : (a) HKT Services Limited and (b) PCCW Services Limited

Term : January 1, 2014 to December 31, 2016

HKT Services Limited (“**HKT Services**”), a company within the HKT Limited Group and PCCW Services Limited (“**PCCW Services**”), a direct wholly-owned subsidiary of PCCW, entered into a corporate shared services agreement, pursuant to which HKT Services and its affiliates have agreed to provide certain members of the PCCW Group a range of corporate support services that are integral to the operation of both groups, including managerial support. The charges for these services are actual direct and indirect cost incurred in the supply and procuring of the supply of the services, including overheads, human and/or other resources and/or units and other deliverables.

(15) The provision of marketing and promotion services

Date : December 27, 2013

Parties : (a) HK Telecom and (b) PCCW-HKT Limited

Term : January 1, 2014 to December 31, 2016

HK Telecom and PCCW-HKT Limited (“**HKTL**”), an indirect wholly-owned subsidiary of PCCW, entered into a marketing and promotion services agreement, pursuant to which HK Telecom has agreed to provide publicity, promotion and branding services to HKTL, including producing “i.Shop”, a magazine produced each month to advertise the products and services of the PCCW Group, and other promotional activities. The services are charged on a cost basis.

(16) Licensing agreement (PCCW Tower)

Date : December 27, 2013

Parties : (a) PCCW Services and (b) HKT Services

Term : January 1, 2014 to December 31, 2016

PCCW Services is the tenant in respect of certain spaces located at PCCW Tower, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong, which it leases from an independent third party pursuant to a lease dated October 31, 2008. The lease expires on December 31, 2014 with the subsequent extension of 3 years until December 31, 2017. Under and subject to the terms of the lease, PCCW Services is afforded the right to share the premises with its related companies, which include members of the HKT Limited Group. PCCW Services and HKT Services entered into an agreement dated December 27, 2013 pursuant to which HKT Services has been granted a licence to occupy certain floor space for office use for an aggregate amount (inclusive of licence fees, rates, management fees and other charges) estimated at HK\$11 million per month, equating to HK\$132 million per annum. The charging is based on occupied floor areas and current rental per square unit.

(17) Licensing of leased floor spaces (Telecom House)

Date : December 27, 2013

Parties : (a) HK Telecom; (b) PCCW Global Limited and (c) PCCW Media

Term : January 1, 2014 to December 31, 2016

PCCW Global Limited (“**PCCW Global**”), an indirect wholly-owned subsidiary of the Company, is a tenant in respect of certain spaces located at Telecom House, 3 Gloucester Road, Wanchai, Hong Kong (“**Telecom House**”), which is leased from Reach Networks Hong Kong Limited pursuant to a tenancy agreement dated February 28, 2011 (supplemented by two supplemental agreements dated September 9, 2011 and December 19, 2013 respectively). The tenancy agreement expires on February 27, 2016.

HK Telecom is also a tenant in respect of certain spaces located at Telecom House, which is leased from Reach Networks Hong Kong Limited pursuant to a lease dated May 25, 2012. The tenancy agreement expires on February 29, 2016.

On December 27, 2013, PCCW Media entered into an agreement with PCCW Global and HK Telecom pursuant to which PCCW Media has been granted a licence to occupy certain floor space at Telecom House for office use for an aggregate amount (inclusive of license fees, rates, management fees and other charges) estimated at HK\$1.53 million per month, equating to HK\$18.4 million per annum.

The charging is based on current market price and adjusted by the property price index annual growth provided by independent source.

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

Set forth below are the approximate historical aggregate values for the respective periods set out below, the existing annual caps for the year ending December 31, 2013, if applicable and the Annual Caps for the next three financial years ending December 31, 2014 to 2016:

(A) Historical transaction amounts and existing annual caps

<u>Agreement / service description</u>	<u>Aggregate values for the period from November 29, 2011 to December 31, 2011 (HK\$ million)</u>	<u>Aggregate values for the financial year ended December 31, 2012 (HK\$ million)</u>	<u>Aggregate values for the period from January 1, 2013 to September 30, 2013 (HK\$ million)</u>	<u>Existing annual caps for the financial year ending December 31, 2013 (HK\$ million)</u>
<u>Services and floor space supplied by the HKT Limited Group to the Media Group</u>				
(1) The provision of carriage services	11.9	200.1	104.6	296.7
(2) The provision of marketing and sales services	12.6	162.2	141.6	206.6
(3) The provision of internal (specialist telecom) services	2.6	14.5	15.2	33.3
(4) Licensed access to floor space	1.0	13.2	0.9	23.7
<u>Services supplied by the Media Group to the HKT Limited Group</u>				
(5) Service packaging arrangements	52.2	545.5	422.1	591.7
(6) The provision of marketing and sales services	1.2	16.6	13.1	18.1
(7) Content provision arrangements	27.2	305.7	222.2	456.3
(8) Directories publishing arrangements	-	-	-	2.1
(9) Pay TV set-top-box access agreement	0.1	0.8	0.6	0.9
<u>Services and floor space supplied by the HKT Limited Group to the Solutions Group</u>				
(10) Provision of managed services and other telecommunications related services	3.4	75.9	83.4	119.9
(11) Licensed access to floor space	1.1	11.5	7.4	30.6

Agreement / service description	Aggregate values for the period from November 29, 2011 to December 31, 2011 (HK\$ million)	Aggregate values for the financial year ended December 31, 2012 (HK\$ million)	Aggregate values for the period from January 1, 2013 to September 30, 2013 (HK\$ million)	Existing annual caps for the financial year ending December 31, 2013 (HK\$ million)
<u>Services supplied by the Solutions Group to the HKT Limited Group</u>				
(12) Solutions services				
Bureau services agreement	110.3	324.5	200.2	588.0
Outsourcing and Managed Services Total¹	110.3	324.5	200.2	588.0
Application management services	7.9	70.0	47.0	73.2
System development services	5.0	45.0	33.1	47.0
Systems Solutions Development and Integration Total²	12.9	115.0	80.1	120.2
Agreement between Power Logistics and HK Telecom regarding mobile products ³	0.5	8.5	5.7	8.9
Agreement between Power Logistics and HK Telecom for computer equipment ³	0.2	2.3	0.0	2.5
Agreement between Power Logistics and HK Telecom regarding transportation services ³	0.4	2.4	1.7	2.6
Agreement between Power Logistics and HK Telecom regarding printing and lettershopping services ³	0.1	1.7	1.4	1.7
Agreement between Power Logistics and HKT Services regarding back-up tape delivery services ³	0.0	0.0	0.0	0.0
Agreement between Power Logistics and HK Telecom for service-premium delivery services ³	0.0	0.0	0.0	0.0
Agreement between Power Logistics and HK Telecom for logistics services ³	9.9	113.5	89.2	118.7
Agreement between Power Logistics and HK Telecom regarding mass distribution of printed telephone directories ³	-	-	-	0.0

¹ This category will be renamed as DCMS starting from 2014.

² This category will be renamed as ITSI starting from 2014.

³ The nine agreements were consolidated into one namely, business processing and logistics services agreement and this category will be renamed as BPLO starting from 2014.

<u>Agreement / service description</u>	<u>Aggregate values for the period from November 29, 2011 to December 31, 2011 (HK\$ million)</u>	<u>Aggregate values for the financial year ended December 31, 2012 (HK\$ million)</u>	<u>Aggregate values for the period from January 1, 2013 to September 30, 2013 (HK\$ million)</u>	<u>Existing annual caps for the financial year ending December 31, 2013 (HK\$ million)</u>
Agreement between Power Logistics and HK Telecom regarding document imaging and data entry services ³	0.0	0.1	0.1	0.1
BPO and Logistics Total³	<u>11.1</u>	<u>128.5</u>	<u>98.1</u>	<u>134.5</u>
Solutions Group Total	<u>134.3</u>	<u>568.0</u>	<u>378.4</u>	<u>842.7</u>
(13) Sub-contracting agreement				
(a) Contracted service cost from PCCW Macau to TSL	0.4	49.9	2.6	77.3
(b) Sub-contracting fees from TSL to PCCW Macau	0.0	1.4	0.1	3.9
(14) The provision of corporate shared services	3.6	80.9	58.6	171.4
(15) The provision of marketing and promotion services	3.8	43.0	37.6	52.4
(16) Licensing agreement (PCCW Tower)	8.6	117.8	95.0	128.5
(17) Licensing of leased floor spaces (Telecom House) ⁴	-	4.2	9.5	n/a

⁴ De minimis transaction for years 2012 and 2013.

(B) Annual Caps for each of the three financial years ending December 31, 2014 to 2016

<u>Agreement / service description</u>	<u>Annual Caps</u> <u>for the year ending December 31,</u>			<i>Notes</i>
	<u>2014</u> (HK\$ million)	<u>2015</u> (HK\$ million)	<u>2016</u> (HK\$ million)	
<u>Services and floor space supplied by the HKT Limited Group to the Media Group</u>				
(1) The provision of carriage services	280.2	389.5	506.6	a
(2) The provision of marketing and sales services	209.6	228.6	249.3	b
(3) The provision of internal (specialist telecom) services	21.0	22.9	24.8	c
(4) Licensed access to floor space	4.6	5.2	5.9	d
Aggregation of items (1) to (4) and (17)	533.8	666.1	808.2	
<u>Services supplied by the Media Group to the HKT Limited Group</u>				
(5) Service packaging arrangements	634.5	634.5	634.5	e
(6) The provision of marketing and sales services	23.8	24.3	24.8	e
(7) Content provision arrangements	371.0	374.5	378.0	e
(8) Directories publishing arrangements	0.0	0.0	0.0	e
(9) Pay TV set-top-box access agreement	1.1	1.1	1.1	e
Aggregation of items (5) to (9)	1,030.4	1,034.4	1,038.4	
<u>Services and floor space supplied by the HKT Limited Group to the Solutions Group</u>				
(10) Provision of managed services and other telecommunications related services	312.7	344.0	366.8	f
(11) Licensed access to floor space	13.5	14.8	16.3	g

Annual Caps
for the year ending December 31.

<u>Agreement / service description</u>	<u>2014</u> (HK\$ million)	<u>2015</u> (HK\$ million)	<u>2016</u> (HK\$ million)	<i>Notes</i>
<u>Services supplied by the Solutions Group to the HKT Limited Group</u>				
(12) Solutions services				
(a) DCMS ¹ - bureau services	350.0	398.3	435.0	h
(b) ITSI ² - application management services	81.3	90.2	100.1	h
ITSI ² - system development services	52.2	58.0	64.4	h
ITSI ² - Total	133.5	148.2	164.5	
(c) BPLO ³ - business process, order fulfillment & logistics services	152.2	162.9	174.3	h
Total	635.7	709.4	773.8	
(13) Sub-contracting agreement				
(a) Contracted service cost from PCCW Macau to TSL	150.0	150.0	100.0	i
(b) Sub-contracting fees from TSL to PCCW Macau	7.5	7.5	5.0	i
<i>Aggregation of items (10) to (11) and (13)(b)</i>	333.7	366.3	388.1	
<i>Aggregation of items (12) and (13)(a)</i>	785.7	859.4	873.8	
(14) The provision of corporate shared services	120.8	129.8	139.2	j
(15) The provision of marketing and promotion services	72.3	86.6	104.3	k
(16) Licensing agreement (PCCW Tower)	132.0	173.0	173.0	l
(17) Licensing of leased floor spaces (Telecom House)	18.4	19.9	21.6	m

¹ Formerly known as Outsourcing and Managed Services.

² Formerly known as Systems Solutions Development and Integration.

³ Formerly known as BPO and Logistics.

Notes:

The Annual Caps have been determined on the following bases:

- a. the estimated incremental costs (including the labour costs, the supply of telecommunications lines and exchange spaces) of the provision of relevant carriage services, and also reflects the expected increase in usage demand from the Media Group.
- b. (i) the historical figures for running the services for the Media Group; (ii) the estimated level of services required by the Media Group; and (iii) the proposed sales and marketing plan.
- c. (i) the historical figures for running the services for the Media Group; (ii) the estimated level of services required by the Media Group; and (iii) the staff and resources requirement for the services.
- d. benchmarking against market rates.
- e. (i) the historical figures for running the services by the Media Group; (ii) the estimated level of services required; and (iii) the staff and resources requirement for the services.
- f. (i) the historical figures for running the services; (ii) the estimated level of services required, which shows a substantial increase as compared to the historical amounts due to an expansion of new data centres in the coming three years which will increase connectivity and equipment and facilities charges; and (iii) the staff and resources requirement for the services.
- g. benchmarking against market rates.
- h. (i) the historical figures for running the services by the Solutions Group; (ii) the estimated level of services required, which shows a substantial increase as compared to the historical amounts due to an expansion of new data centres in the coming three years; and (iii) the staff and resources requirement for the services.
- i. existing contracts entered into by PCCW Macau and its expectation for pipeline projects in view of Macau hotels and casinos expansion.
- j. (i) the historical figures for running the services for the PCCW Group; (ii) the estimated level of services required for the PCCW Group; and (iii) the staff and resources requirement for the services.
- k. (i) the historical figures for running the services for the PCCW Group; (ii) the estimated level of services required by the PCCW Group; and (iii) the proposed marketing and promotion plan.
- l. the actual annual licence fee payable and estimates of related expenses such as rates, management fees and other charges.
- m. the actual annual licence fee payable and estimates of related expenses.

REASONS FOR RENEWING THE EXISTING CONTINUING CONNECTED TRANSACTIONS AND ENTERING INTO OF THE NEW CONTINUING CONNECTED TRANSACTION

The Directors believe that the renewal of the existing continuing connected transactions and the entering into of the new continuing connected transaction with the PCCW Group as referred to in this announcement will help to achieve business continuity and efficiency as well as to minimize any potential disruption to the daily operation of the HKT Limited Group. It is also considered that the various agreements relating to these continuing connected transactions are consistent with the commercial objectives of the HKT Limited Group and fall within the core business of

the HKT Limited Group. It is anticipated that the renewal of and the entering into of these transactions with the PCCW Group will further strengthen the HKT Limited Group's position as a premier telecommunications service provider in Hong Kong.

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

As no Director has any material interest in the aforesaid continuing connected transactions with the PCCW Group, none of the Directors have abstained from voting on the resolutions of the respective Boards approving them.

LISTING RULES IMPLICATIONS

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

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the relevant Annual Caps, in each case (or on an aggregated basis, as described above), of the continuing connected transactions, which are categorised according to the providers of the relevant service, exceed 0.1% but are less than 5%, the continuing connected transactions are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

GENERAL

The HKT Trust, a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by the Trustee-Manager, has been established as a fixed single investment trust, with its activities being limited to investing in the Company and anything necessary or desirable for or in connection with investing in the Company.

The principal activities of the HKT Limited Group are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, customer premises equipment sale, outsourcing, consulting and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

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

development of, infrastructure and properties in Hong Kong, mainland China and elsewhere in the Asia Pacific region.

DEFINITIONS

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

“Annual Caps”	the maximum aggregate annual values for each category of continuing connected transactions with the PCCW Group as referred to in this announcement for the three financial years ending December 31, 2014 to 2016
“Boards”	the boards of directors of the Company and the Trustee-Manager
“Company”	HKT Limited, a company incorporated in the Cayman Islands with limited liability, the share stapled units of the HKT Trust and the Company (the “Share Stapled Units”) are listed on the main board of the Stock Exchange (Stock Code: 6823)
“connected person”	has the meaning ascribed to it in the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company and the Trustee-Manager
“HK Telecom”	Hong Kong Telecommunications (HKT) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKT Limited Group”	the Company and its subsidiaries
“HKT Trust”	a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by the Trustee-Manager and having its Share Stapled Units jointly issued with the Company listed on the main board of the Stock Exchange (Stock Code: 6823)

“HKTC”	PCCW-HKT Telephone Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Media Group”	Media Holdings and its subsidiaries
“Media Holdings”	HKT Media Holdings Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of PCCW
“PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (Ticker: PCCWY), which is indirectly holding approximately 63.07% of the Share Stapled Units in issue as at the date of this announcement
“PCCW Group”	PCCW and its subsidiaries (excluding HKT Limited Group)
“PCCW Media”	PCCW Media Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW
“PCCW Solutions”	PCCW Solutions Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW
“Prospectus”	the prospectus dated November 16, 2011 for global offering of Share Stapled Units jointly issued by the HKT Trust and the Company

“Solutions Group”	Solutions Holdings and its subsidiaries
“Solutions Holdings”	HKT Solutions Holdings Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of PCCW
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trustee-Manager”	HKT Management Limited (a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PCCW), the trustee-manager of the HKT Trust

By order of the boards of
HKT Management Limited
and
HKT Limited
Philana WY Poon
Group General Counsel and Company Secretary

Hong Kong, December 27, 2013

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

Executive Directors:

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

Non-Executive Directors:

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

Independent Non-Executive Directors:

Professor Chang Hsin Kang, FREng, GBS, JP; Sir Rogerio (Roger) Hyndman Lobo, CBE, LLD, JP; The Hon Raymond George Hardenbergh Seitz and Sunil Varma