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PCCW Limited
電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

CONNECTED TRANSACTIONS
INVESTMENT IN HYPHEN GROUP AND BOLTTECH

HYPHEN INVESTMENT

On 14 October 2022 (after trading hours), PMIL (a wholly-owned subsidiary of the Company) entered into the Loan Note Purchase Agreement with Hyphen Group and Enterprise Innovation Holdings Limited, pursuant to which PMIL has agreed to subscribe for, and Hyphen Group has agreed to issue, certain fixed rate unsecured loan notes due 2027 for an aggregate principal amount of US\$11,400,000. Pursuant to the Loan Note Purchase Agreement, Hyphen Group has also agreed to grant 12,823,301 PMIL Warrants to PMIL at nil consideration. Completion of the subscription of the Loan Notes in the principal amount of US\$11,400,000 and 12,823,301 PMIL Warrants took place on 14 October 2022.

As part of the Hyphen Investment, on 14 October 2022 (after trading hours), PMIL entered into the Hyphen Subscription Agreement, pursuant to which PMIL has agreed to subscribe for, and Hyphen Group has agreed to issue, 2,058,932 PMIL Shares in consideration for PMIL entering into the Loan Note Purchase Agreement. Completion of the subscription of the PMIL Shares also took place on 14 October 2022.

BOLTTECH INVESTMENT

On 14 October 2022 (after trading hours), PAHL (a wholly-owned subsidiary of the Company) entered into the Bolttech Subscription Agreement with Bolttech and the other subscribers named therein, pursuant to which PAHL has agreed to subscribe for, and Bolttech has agreed to issue, 306,896 Series B Preference Shares at an aggregate consideration of US\$59,999,812.96.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Li is the Chairman and an executive Director of the Company and Mr. Li's associates are substantial shareholders of Hyphen Group. Therefore, according to Rule 14A.28 of the Listing Rules, the Hyphen Investment

constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, Mr. Li indirectly holds over 30% equity interest of Bolttech and accordingly Bolttech is a connected person of the Company, and the Bolttech Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the Hyphen Investment and the Bolttech Investment are required to be aggregated.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Hyphen Investment and the Bolttech Investment exceeds 0.1% but all of such applicable percentage ratios are lower than 5%, the Hyphen Investment and the Bolttech Investment are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. INTRODUCTION

On 14 October 2022 (after trading hours), PMIL (a wholly-owned subsidiary of the Company) entered into the Loan Note Purchase Agreement with Hyphen Group and Enterprise Innovation Holdings Limited, pursuant to which PMIL has agreed to subscribe for, and Hyphen Group has agreed to issue, certain fixed rate unsecured loan notes due 2027 for an aggregate principal amount of US\$11,400,000. Pursuant to the Loan Note Purchase Agreement, Hyphen Group has also agreed to grant 12,823,301 PMIL Warrants to PMIL at nil consideration. Completion of the subscription of the Loan Notes in the principal amount of US\$11,400,000 and 12,823,301 PMIL Warrants took place on 14 October 2022.

As part of the Hyphen Investment, on 14 October 2022 (after trading hours), PMIL entered into the Hyphen Subscription Agreement, pursuant to which PMIL has agreed to subscribe for, and Hyphen Group has agreed to issue, 2,058,932 PMIL Shares in consideration for PMIL entering into the Loan Note Purchase Agreement. Completion of the subscription of the PMIL Shares also took place on 14 October 2022.

On 14 October 2022 (after trading hours), PAHL (a wholly-owned subsidiary of the Company) entered into the Bolttech Subscription Agreement with Bolttech and the other subscribers named therein, pursuant to which PAHL has agreed to subscribe for, and Bolttech has agreed to issue, 306,896 Series B Preference Shares at an aggregate consideration of US\$59,999,812.96.

B. HYPHEN INVESTMENT

LOAN NOTE PURCHASE AGREEMENT

The principal terms of the Loan Note Purchase Agreement are as follows:

Date

14 October 2022 (after trading hours)

Parties

- (1) PMIL;
- (2) Hyphen Group; and
- (3) Enterprise Innovation Holdings Limited.

Enterprise Innovation Holdings Limited is indirectly controlled by Mr. Li and therefore a connected person of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Mr. Li's associates who are substantial shareholders of Hyphen Group, Hyphen Group is a third party independent of the Company and connected persons of the Company.

Subject Matter

Pursuant to the Loan Note Purchase Agreement, among other things, PMIL has agreed to subscribe for, and Hyphen Group has agreed to issue, certain fixed rate unsecured loan notes due 2027 for an aggregate principal amount of US\$11,400,000.

Completion of the Loan Note Purchase Agreement will take place in two tranches. At the first closing, PMIL will subscribe for, and Hyphen Group will issue to PMIL, Loan Notes in the principal amount of US\$11,400,000 and 12,823,301 PMIL Warrants. The principal amount shall be paid by PMIL to Hyphen Group by way of wire transfer of funds in accordance with the Loan Note Purchase Agreement. The first closing of the Loan Note Purchase Agreement took place on 14 October 2022. At the second closing (which will take place on or before 30 November 2022 or such other date as may be agreed between Hyphen Group and PMIL), other purchasers may purchase additional Loan Notes provided that the aggregate principal amount of all the Loan Notes issued pursuant to the Loan Note Purchase Agreement will not exceed US\$20,000,000. At the second closing, Hyphen Group will also issue Warrants to the purchasers at nil consideration. At the signing of the Loan Note Purchase Agreement, Enterprise Innovation Holdings Limited has committed to participate in the second closing and purchase additional Loan Notes in the principal amount of US\$5,000,000 and 6,527,295 Warrants at nil consideration. As at the date of this announcement, it is contemplated that PMIL may, at its sole discretion, elect to participate in the second closing to subscribe for additional Loan Notes in the principal amount of up to US\$3,600,000 and 4,699,653 additional PMIL Warrants at nil consideration.

The Loan Notes carry an interest rate of 25.00% per annum payable annually by way of issuance of PIK notes (with a principal value that equals to the amount of interest payable in the corresponding interest period) to the holders of the Loan Notes. The PIK notes have an interest rate of 25.00% per annum, which is also payable annually by way of further issuance of PIK notes to the holders of the Loan Notes.

The Warrants (including the PMIL Warrants) are exercisable for a period of five (5) years from the date of issue at the exercise price of US\$0.0001 per Warrant. Exercise of the Warrants (including the PMIL Warrants) is subject to the obtaining of the requisite

regulatory approval. The Warrants are exercisable for Class C Ordinary Shares at a one-to-one ratio. The Warrants cannot be assigned or transferred without the prior written consent of Hyphen Group, unless such Warrants are assigned or transferred (i) together with any equity securities in Hyphen Group held by the warrant holder in accordance with the terms of the Hyphen Shareholders Agreement; or (ii) otherwise to an affiliate of such warrant holder that is a permitted transferee in accordance with the terms of the Hyphen Shareholders Agreement.

The consideration under the Loan Note Purchase Agreement was determined based on arm's length negotiations between the Company and Hyphen Group, with reference to the recent conditions in the financing market as well as the benefits of the Hyphen Investment as set out in the section headed "*Reasons for and Benefits of the Hyphen Investment and the Bolttech Investment*".

HYPHEN SUBSCRIPTION AGREEMENT

The principal terms of the Hyphen Subscription Agreement are as follows:

Date

14 October 2022 (after trading hours)

Parties

- (1) PMIL; and
- (2) Hyphen Group.

Subject Matter

Pursuant to the Hyphen Subscription Agreement, PMIL has agreed to subscribe for, and Hyphen Group has agreed to issue, 2,058,932 PMIL Shares.

The Hyphen Subscription Agreement is entered into as part of the Hyphen Investment, and the issuance of 2,058,932 PMIL Shares by Hyphen Group to PMIL is in consideration for PMIL entering into the Loan Note Purchase Agreement. The consideration was determined based on arm's length negotiations between the Company and Hyphen Group with reference to the benefits of the Hyphen Investment as set out in the section headed "*Reasons for and Benefits of the Hyphen Investment and the Bolttech Investment*".

Completion of the subscription of the PMIL Shares took place on 14 October 2022.

PMIL has entered into the Hyphen Shareholders Agreement, which provides for, amongst other things, customary pre-emption rights, tag-along rights, drag-along rights, rights of first refusal and certain transfer restrictions on shareholders' ability to transfer their shares in Hyphen Group to competitors of Hyphen Group without the prior written

consent of Hyphen Group. Pursuant to the Hyphen Shareholders Agreement, within three (3) years following the date of the second closing under the Loan Note Purchase Agreement, PMIL shall also have the right (but not the obligation) to subscribe for additional loan notes from Hyphen Group for an aggregate purchase price of up to US\$5,000,000, together with warrants to subscribe for Class C Ordinary Shares (at the ratio of 3.253 warrants per US\$2.4916 of the loan notes purchased), which may be exercised in full or in part by PMIL, and may be assigned by PMIL to a third party with the prior written consent of Hyphen Group.

SHAREHOLDING PERCENTAGES

Upon completion of the Hyphen Subscription Agreement and the first closing of the Loan Note Purchase Agreement (pursuant to which PMIL will subscribe for the Loan Notes in the principal amount of US\$11,400,000), the Company (through PMIL) holds 2,058,932 PMIL Shares and 12,823,301 PMIL Warrants. Assuming the PMIL Warrants are not exercised, the Company (through PMIL) will hold (i) approximately 10.19% of the issued share capital of Hyphen Group on an as-converted basis, and (ii) approximately 3.88% of the issued share capital of Hyphen Group on a fully-diluted and as-converted basis.

Upon completion of the Hyphen Subscription Agreement and the second closing of the Loan Note Purchase Agreement and on the assumption that the aggregate principal amount of the Loan Notes issued pursuant to the Loan Note Purchase Agreement in the first closing and the second closing is US\$20,000,000 (comprising the aggregate principal amount of US\$15,000,000 to be issued to PMIL at the first closing and second closing and the US\$5,000,000 to be issued to Enterprise Innovation Holdings Limited at the second closing), the Company (through PMIL) will hold 2,058,932 PMIL Shares and 17,522,954 PMIL Warrants. Assuming the PMIL Warrants are not exercised, the Company (through PMIL) will hold approximately 3.20% of the issued share capital of Hyphen Group on a fully-diluted and as-converted basis. Assuming the PMIL Warrants are exercised in full, the Company (through PMIL) will hold approximately 30.44% of the issued share capital of Hyphen Group on a fully-diluted and as-converted basis.

Upon completion of the Hyphen Subscription Agreement and the second closing of the Loan Note Purchase Agreement and on the assumption that the aggregate principal amount of the Loan Notes issued pursuant to the Loan Note Purchase Agreement in the first closing and the second closing is US\$16,400,000 (comprising the US\$11,400,000 to be issued to PMIL at the first closing and the US\$5,000,000 to be issued to Enterprise Innovation Holdings Limited at the second closing), the Company (through PMIL) will hold 2,058,932 PMIL Shares and 12,823,301 PMIL Warrants. Assuming the PMIL Warrants are not exercised, the Company (through PMIL) will hold approximately 3.45% of the issued share capital of Hyphen Group on a fully-diluted and as-converted basis. Assuming the PMIL Warrants are exercised in full, the Company (through PMIL) will hold approximately 24.96% of the issued share capital of Hyphen Group on a fully-diluted and as-converted basis.

C. BOLTTECH INVESTMENT

BOLTTECH SUBSCRIPTION AGREEMENT

The principal terms of the Bolttech Subscription Agreement are as follows:

Date

14 October 2022 (after trading hours)

Parties

- (1) PAHL;
- (2) Bolttech; and
- (3) other subscribers.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the other subscribers of the Bolttech Subscription Agreement and their respective ultimate beneficial owner(s) is a third party independent of the Company and connected persons of the Company.

Subject Matter

Pursuant to the Bolttech Subscription Agreement, PAHL has agreed to subscribe for, and Bolttech has agreed to issue, 306,896 Series B Preference Shares at an aggregate consideration of US\$59,999,812.96.

Closing of the transactions contemplated under the Bolttech Subscription Agreement is not subject to any conditions, and will take place shortly after signing.

Immediately after the closing of the transactions contemplated under the Bolttech Subscription Agreement, the Company (through PAHL) will hold (i) approximately 4.33% of the issued share capital of Bolttech on an as-converted basis, and (ii) approximately 3.97% of the issued share capital of Bolttech on a fully-diluted and as-converted basis.

The consideration under the Bolttech Subscription Agreement was determined based on arm's length negotiations between the Company and Bolttech with reference to the financial and operational performance of Bolttech, the current market conditions and the benefits of the Bolttech Investment as set out in the section headed "*Reasons for and Benefits of the Hyphen Investment and the Bolttech Investment*".

PAHL has entered into a shareholders' agreement with Bolttech and the other shareholders of Bolttech, which provides for, amongst other things, customary pre-emption rights, tag-along rights, drag-along rights, rights of first offer and certain

transfer restrictions on the ability of the non-controlling shareholders to transfer their shares in Bolttech without the prior written consent of Bolttech (subject to limited exceptions including transfers to affiliates).

D. INFORMATION ON THE COMPANY, PMIL, HYPHEN GROUP, PAHL AND BOLTTECH

The Company

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

The principal activity of the Company is investment holding, and the principal activities of the Group are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, FinTech, HealthTech, e-commerce, big data analytics, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres and the provision of interactive pay-TV services, multimedia businesses including over-the-top digital media entertainment services and the development of content, talent and events in Hong Kong, the Asia Pacific region, and other parts of the world; and investments in, and development of, systems integration, network engineering, and information technology-related businesses. Through HK Television Entertainment Company Limited, PCCW also operates a domestic free television service in Hong Kong. The Group also has an interest in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments through its interest in Pacific Century Premium Developments Limited.

PMIL

PMIL is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability. The principal activity of PMIL is investment holding.

Hyphen Group

Hyphen Group is an exempted company with limited liability incorporated in the Cayman Islands, and is principally engaged in the development and operations of a financial comparison website that offers comprehensive comparison and management tools for insurance, credit cards, personal loans and other financial products, with a major customer base in Asia. As at the date of this announcement, Hyphen Group does not have an ultimate beneficial owner.

PAHL

PAHL is a direct wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability. The principal activity of PAHL is investment holding.

Bolttech

Bolttech is an exempted company with limited liability incorporated in the Cayman Islands, and is principally engaged in the sale and distribution of insurance products manufactured or underwritten by Bolttech and its subsidiaries and other insurers. As at the date of this announcement, Bolttech is indirectly controlled by Mr. Li.

E. FINANCIAL INFORMATION OF HYPHEN GROUP AND BOLTTECH

Based on the consolidated financial statements of Hyphen Group, the unaudited total assets and net assets of Hyphen Group as at 31 December 2021 were approximately US\$55 million and US\$8 million, respectively. The unaudited net loss of Hyphen Group before tax for the two years ended 31 December 2020 and 31 December 2021 is approximately US\$10 million and US\$23 million respectively, and after tax is approximately US\$10 million and US\$23 million respectively.

Based on the consolidated financial statements of Bolttech, the audited total assets and net assets of Bolttech as at 31 December 2021 were approximately US\$652 million and US\$445 million, respectively. The audited net loss of Bolttech before tax for the two years ended 31 December 2020 and 31 December 2021 is approximately US\$75 million and US\$166 million respectively, and after tax is approximately US\$74 million and US\$165 million respectively.

F. REASONS FOR AND BENEFITS OF THE HYPHEN INVESTMENT AND THE BOLTTECH INVESTMENT

Hyphen Group and Bolttech are high growth companies that provide innovative products and services in the fintech industry. The Board considers that each of the Hyphen Investment and the Bolttech Investment can help the Group expand its business in these fast growing areas and provide synergies by complementing the Group's existing telecommunications business and digital ecosystem which already offers online financial services. The investments are also being made at attractive terms and may provide a potential higher return than currently being earned on the Group's cash balances.

Accordingly, the Directors (including the independent non-executive Directors) considered that the Hyphen Investment and the Bolttech Investment are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, the terms and conditions thereof are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

G. LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Li is the Chairman and an executive Director of the Company and Mr. Li's associates are substantial shareholders of Hyphen Group. Therefore, according to Rule 14A.28 of the Listing Rules, the Hyphen Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, Mr. Li indirectly holds over 30% equity

interest of Bolttech and accordingly Bolttech is a connected person of the Company, and the Bolttech Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the Hyphen Investment and the Bolttech Investment are required to be aggregated.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Hyphen Investment and the Bolttech Investment exceeds 0.1% but all of such applicable percentage ratios are lower than 5%, the Hyphen Investment and the Bolttech Investment are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li has a material interest in the Hyphen Investment and the Bolttech Investment and abstained from voting on the Board resolutions approving the Hyphen Investment and the Bolttech Investment. Save for Mr. Li, no other Director has a material interest in the Hyphen Investment and the Bolttech Investment.

H. DEFINITIONS

“Board”	the board of Directors
“Bolttech”	bolttech Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands
“Bolttech Investment”	the subscription of 306,896 Series B Preference Shares by PAHL as contemplated under the Bolttech Subscription Agreement
“Bolttech Subscription Agreement”	the series B preference share purchase agreement dated 14 October 2022 entered into between PAHL, Bolttech and the other subscribers named therein
“Class B Ordinary Shares”	the class B ordinary shares of Hyphen Group
“Class C Ordinary Shares”	the class C ordinary shares of Hyphen Group
“Company” or “PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (ticker: PCCWY)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	PCCW and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hyphen Group”	CompareAsia Group Capital Limited, an exempted company with limited liability incorporated in the Cayman Islands, which trades under the Hyphen Group brand
“Hyphen Investment”	the purchase of the Loan Notes and the subscription of PMIL Warrants and PMIL Shares by PMIL as contemplated under the Loan Note Purchase Agreement and the Hyphen Subscription Agreement
“Hyphen Shareholders Agreement”	the amended and restated shareholders agreement in respect of Hyphen Group entered into between Hyphen Group, PMIL and the other shareholders of Hyphen Group upon completion of the Hyphen Subscription Agreement
“Hyphen Subscription Agreement”	the subscription agreement dated 14 October 2022 entered into between PMIL and Hyphen Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Note Purchase Agreement”	the loan note purchase agreement dated 14 October 2022 entered into between PMIL, Hyphen Group and Enterprise Innovation Holdings Limited
“Loan Notes”	the fixed rate unsecured loan notes due 2027 to be issued by Hyphen Group pursuant to the Loan Note Purchase Agreement
“Mr. Li”	Mr. Li Tzar Kai, Richard, the Chairman and an Executive Director of the Company and has interests in the shares of the Company as disclosed under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“PAHL”	PCCW Asset Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“PMIL”	PCCW Media International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“PMIL Shares”	the Class B Ordinary Shares issued by Hyphen Group to PMIL pursuant to the Hyphen Subscription Agreement
“PMIL Warrants”	the Warrants issued by Hyphen Group to PMIL pursuant to the Loan Note Purchase Agreement at nil consideration
“Series B Preference Shares”	the series B preference shares of Bolttech
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“US\$”	US dollars, the lawful currency of the United States of America
“Warrants”	the detached warrants to be issued by Hyphen Group pursuant to the Loan Note Purchase Agreement at nil consideration
“%”	per cent

On behalf of the Board
PCCW Limited
Cheung Hok Chee, Vanessa
Group General Counsel and Company Secretary

Hong Kong, 14 October 2022

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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