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PCCW Limited
電訊盈科有限公司

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

DISCLOSEABLE TRANSACTION
STRATEGIC INVESTMENT BY CANAL+ IN VIU INTERNATIONAL
LIMITED AND PROPOSED GRANT OF CALL OPTION

On 21 June 2023, the Company's wholly-owned subsidiary, PCCW Media, and PCCW Media's wholly-owned subsidiary, Viu, entered into the Share Subscription Agreement with Canal+, pursuant to which Canal+ shall subscribe for Viu Shares for an aggregate amount of US\$300 million, subject to the satisfaction or waiver of certain conditions. As all of the Conditions in respect of Initial Subscription have been satisfied or waived, Initial Completion took place on the same date in accordance with the terms of the Share Subscription Agreement.

PCCW Media, Viu and Canal+ further entered into the Shareholders' Agreement, pursuant to which, subject to Canal+ having completed the Aggregate Equity Investment, Canal+ shall be entitled to exercise an option to acquire the relevant number of Viu Shares held by PCCW Media such that Canal+'s shareholding percentage in Viu's total issued share capital is equal to 51% on a fully diluted basis immediately following completion of such exercise.

BACKGROUND

The Company is pleased to announce that the Company's wholly-owned subsidiary, PCCW Media, and PCCW Media's wholly-owned subsidiary, Viu, entered into a Share Subscription Agreement with Canal+ on 21 June 2023, pursuant to which Canal+ shall subscribe for Viu Shares for an aggregate amount of US\$300 million (the "**Aggregate Equity Investment**"), with each subscription tranche being subject to the satisfaction or waiver of certain conditions. As all of the Conditions in respect of Initial Subscription have been satisfied or waived, the Company is pleased to announce that Initial Completion took place on the same date in accordance with the terms of the Share Subscription Agreement. An aggregate of 17,701,612 Viu Shares at an issue price of approximately US\$11.30 per Viu Share have been allotted and issued to Canal+ as consideration for the payment of US\$200 million in respect of Initial Subscription. Upon Initial Completion, the Company indirectly (through PCCW Media) holds an approximately 73.9% interest in Viu; and (ii) Canal+ directly holds an approximately 26.1% interest in Viu.

In addition, PCCW Media, Viu and Canal+ entered into the Shareholders' Agreement. Pursuant to the Shareholders' Agreement, subject to Canal+ having completed the Aggregate Equity Investment, Canal+ shall be entitled to exercise an option to acquire the relevant number of Viu Shares held by PCCW Media such that Canal+'s shareholding percentage in Viu's total issued share capital is equal to 51% on a fully diluted basis immediately following completion of such exercise (the "**Call Option**"). The Company has also agreed to give a guarantee in respect of PCCW Media and Viu's financial obligations, commitments and undertakings under or pursuant to the Share Subscription Agreement and Shareholders' Agreement.

SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENT

Parties : PCCW Media, Viu and Canal+

Date : 21 June 2023

Subject matter : The Share Subscription Agreement provides for the subscription by Canal+ of new Viu Shares.

Consideration : The total consideration payable under the Share Subscription Agreement is equal to the Aggregate Equity Investment, being US\$300 million, which shall be payable in cash. As at the date of this announcement, US\$200 million has been paid in cash in respect of Initial Subscription.

The Aggregate Equity Investment was determined after arm's length negotiations between the Company and Canal+. The Aggregate Equity Investment of US\$300 million is intended to cover Viu's financing needs until it is profitable.

Payment terms : The Aggregate Equity Investment comprises the following subscription amounts, with each subscription being subject to the satisfaction or waiver of certain conditions: (i) US\$200 million (the "**Initial Subscription**"); (ii) US\$30 million ("**Tranche 1**"); and (iii) US\$70 million ("**Tranche 2**").

Shareholding percentages : The number of new Viu Shares issued or to be issued to Canal+ in respect of each of Initial Subscription, Tranche 1 and Tranche 2 has been or will be determined based on an implied enterprise value of Viu, calculated by reference to the consolidated revenue of Viu in accordance with an agreed formula ("**Agreed Reference Consolidated Revenue**") for FY2022 (in the case of Initial Subscription and Tranche 1) or FY2023 (in the case of Tranche 2).

Following Initial Completion, Canal+'s equity interest in Viu is approximately 26.1% (which is subject to adjustment by a further issuance of Viu Shares to Canal+ or a repurchase of Viu Shares by Viu with reference to the audited annual accounts of Viu for FY2022 once they are available).

Completion of Initial Subscription : Completion of the Initial Subscription ("**Initial Completion**") took place on 21 June 2023, following the entering into and pursuant to the terms of the Share Subscription Agreement.

Completion of Tranche 1 and Tranche 2 : Completion of Tranche 1 ("**Tranche 1 Completion**") and Tranche 2 ("**Tranche 2 Completion**") is conditional on the achievement of certain agreed financial targets for Viu in FY2023 or FY2024. Canal+ has the right to complete Tranche 1 and Tranche 2 even if these financial targets are not met.

Completion of Tranche 1 and Tranche 2 is also subject to certain customary conditions, including regulatory approvals and clearances (if required), subject in each case to a long-stop date that is four months after certain trigger events, which may be extended in certain circumstances.

SUMMARY OF THE PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT

Parties : PCCW Media, Viu and Canal+

Date : 21 June 2023

Subject matter : The Shareholders' Agreement sets out the terms on which the management and affairs of Viu will be governed, covering matters customarily seen in shareholders' agreements, and provides for the grant of a call option by PCCW Media to Canal+.

Governance : Each shareholder holding not less than 5% in Viu is entitled to appoint directors to the board of Viu, and the shareholder of Viu holding the largest proportion of Viu Shares shall be entitled to appoint a majority of the directors of Viu.

Restriction on transfers : Subject to customary exceptions, no transfer of Viu Shares may take place during the period commencing on Initial Completion and ending 12 months from the date of the earlier of completion or expiry of the Call Option.

Call Option : Subject to Canal+ having completed the Aggregate Equity Investment, Canal+ shall be entitled to exercise an option to acquire the relevant number of Viu Shares held by PCCW Media such that Canal+'s shareholding percentage in Viu's total issued share capital is equal to 51% on a fully diluted basis immediately after completion of such option exercise.

Following Initial Completion and subject to Canal+ having completed the Aggregate Equity Investment, Canal+ may exercise the Call Option subject to certain customary conditions including regulatory approvals and clearances (if required), in three-month periods (i) after the issuance of the FY2023, FY2024 and FY2025 audited accounts of Viu; or (ii) during FY2026 (subject to delay in certain limited circumstances).

The exercise price of the Call Option shall be the lower of (i) US\$930 million less the Aggregate Equity Investment; and (ii) the amount paid or payable by Canal+ for its shareholding percentage in Viu's total issued share capital to be equal to 51%, based on the Agreed Reference Consolidated Revenue for the financial year immediately preceding the date of proposed transfer of the Call Option shares. Based on current estimates, the aggregate of (i) the Aggregate Equity Investment; and (ii) the Call Option exercise price will be less than US\$930 million.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Partnering with Canal+ as an important strategic investor is a recognition of Viu's leading position in the video streaming markets spanning Asia, the Middle East and South Africa and the significant growth opportunities ahead. With over 66 million in MAU and 12 million paid subscribers¹, Viu has been consistently ranked as the top video streaming platform in terms of MAU, among the top three in terms of subscribers and second in terms of streaming minutes amongst both global and regional players in Southeast Asia². Having established a robust dual model of subscription video on demand and advertisement-based video on demand, Viu offers premium regional and local content including series and lifestyle programming in different genres from top content providers with language localisation, as well as premium original productions under the brand "Viu Original". Apart from a strong offering of Korean content, Viu Originals produced in Thailand, Indonesia, Malaysia and other Viu markets have ranked amongst the top in their respective markets.

¹ As at December 2022.

² According to Media Partners Asia's AMPD research across the five markets of Indonesia, Malaysia, Philippines, Singapore and Thailand, excluding YouTube and TikTok.

The new strategic partnership will enable the further growth of Viu, leveraging the global strength and expertise of Canal+ through various initiatives including collaboration on premium productions and content creation, expansion of global market reach for Viu, and continual user experience improvement. The partnership will allow Canal+ to take a major step in developing Asia as its next growth engine.

USE OF PROCEEDS AND FINANCIAL EFFECTS OF THE TRANSACTION

The proceeds from the Transaction will be deployed to create shareholder value through various uses, including but not limited to developing and procuring content to enhance our content offering, expanding our user and subscriber base and supporting general operations and technology enhancement.

Upon Initial Completion, Tranche 1 Completion, Tranche 2 Completion and prior to the Call Option becoming exercisable, (i) the financial results of Viu will continue to be consolidated in the consolidated financial statements of the Group; (ii) Viu will remain as an indirect subsidiary of the Company; and (iii) the Aggregate Equity Investment by Canal+ will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the consolidated income statement of the Group.

The grant of the Call Option is classified under Rule 14.74(1) of the Listing Rules as if it had been exercised. When Canal+ decides to exercise the Call Option and with the satisfaction of the conditions, the Call Option shall become exercisable and Viu will no longer be consolidated into the consolidated financial statements of the Group and will cease to be an indirect subsidiary of the Company. It is estimated that the Group would recognise in its consolidated income statement an estimated accounting gain on deconsolidation of approximately US\$238 million (after the estimated transaction costs) in the event the Call Option becomes exercisable, as if the Call Option was exercised today, calculated with reference to (i) the unaudited consolidated net asset value of Viu as at 31 December 2022 (as adjusted by the capitalisation of shareholders' loans); and (ii) the implied enterprise value of Viu as at today. Any actual accounting gain or loss relating to the deconsolidation which will be calculated can only be ascertained in the event the Call Option becomes exercisable, and will be sensitive to a wide range of variables including but not limited to (i) the Agreed Reference Consolidated Revenue for the relevant financial year; and (ii) the results and cash flow of the operations of Viu. As at the date of this announcement, there is no certainty that Canal+ will exercise the Call Option should it become exercisable.

The Directors consider that the terms of the Share Subscription Agreement and the Shareholders' Agreement and the grant of the Call Option to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION IN RELATION TO THE COMPANY AND PCCW MEDIA

PCCW is a global company headquartered in Hong Kong which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses.

The principal activity of the Company is investment holding, and the principal activities of the Group are the provision of technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, digital ventures, healthtech services, and media entertainment 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.

PCCW Media is an indirect wholly-owned subsidiary of the Company and is an investment holding company.

INFORMATION IN RELATION TO CANAL+

The Canal+ group is a leading pay television operator with approximately 25.5 million subscribers worldwide as at the end of 2022. The Canal+ group is active in television broadcasting and distribution in France, Africa and Asia-Pacific as well as in Central and Eastern Europe and France overseas territories. The Canal+ group wholly owns and operates Studiocanal, which is a leading European studio producing and distributing top quality feature films and TV series worldwide. Studiocanal holds Europe's largest film library, and one of the world's largest, with more than 7000 titles.

Canal+ is an indirect wholly-owned subsidiary of Vivendi SE, a company listed on the Euronext Paris Stock Exchange (Euronext Paris Stock Code: VIV). The principal activity of Canal+ is investment holding. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Canal+ and its ultimate beneficial owners (being Vivendi SE) are third parties independent of the Company and its connected persons.

INFORMATION ON VIU

Viu is a leading pan-regional over-the-top video streaming service available in 16 markets across Asia, the Middle East and South Africa. The Viu service is available to consumers through a dual model with an ad-supported free tier and a premium subscription tier (consisting of different subscription options). Viu also offers users streaming and downloading features, and localised user interfaces across a myriad of connected devices. In addition, Viu International Limited, through its subsidiary Moov (Hong Kong) Limited, also operates MOOV, a popular digital music streaming and live music concerts service in Hong Kong.

As at the date of the Share Subscription Agreement, Viu is an indirect wholly-owned subsidiary of the Company. Based on the management accounts of Viu for FY2022, Viu recorded over US\$250 million in revenue, representing a growth of 36% year-over-year. During 2022, Viu's paid subscribers grew by 45% to reach 12.2 million and MAUs went up 13% to 66.4 million, driven by the high quality and locally relevant content, which was well received by viewers. Reflecting its operational leverage and prudent management of expenses, Viu achieved its first full year of positive EBITDA of US\$22 million in FY2022, compared to an EBITDA loss of US\$1 million in FY2021. The unaudited consolidated net loss of Viu for

the financial year ended 31 December 2022 was approximately US\$140 million before taxation, and US\$143 million after taxation, which was an improvement compared to the prior year. The audited consolidated net loss of Viu for the financial year ended 31 December 2021 was approximately US\$149 million before taxation, and US\$151 million after taxation. The unaudited consolidated net asset value of Viu as adjusted by the capitalisation of shareholders' loans was approximately US\$148 million as of 31 December 2022.

LISTING RULES IMPLICATIONS

As the highest percentage ratio in respect of the Transaction (including the grant of the Call Option which, under Rule 14.74(1) of the Listing Rules, is classified as if it had been exercised) is more than 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Shareholders of the Company and potential investors should note that each Completion is subject to the relevant Conditions. Therefore, there is no assurance that the Transaction will be completed. Shareholders of the Company and potential investors should, accordingly, exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Aggregate Equity Investment”	has the meaning given to it in the section headed <i>“Background”</i> in this announcement
“Agreed Reference Consolidated Revenue”	has the meaning given to it in the section headed <i>“Shareholding percentages”</i> in the section headed <i>“Summary of the principal terms of the Share Subscription Agreement”</i> in this announcement
“Call Option”	has the meaning given to it in the section headed <i>“Background”</i> in this announcement
“Canal+”	Multimedia Investment Holding Pte. Ltd., a company incorporated in Singapore with limited liability
“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)

“Completion”	the Initial Completion, Tranche 1 Completion or Tranche 2 Completion (as applicable) in accordance with the provisions of the Share Subscription Agreement
“Conditions”	(i) in respect of Initial Subscription, conditions precedent described in the sub-section headed “ <i>Completion of Initial Subscription</i> ” and (ii) in respect of Tranche 1 and Tranche 2, conditions precedent described in the sub-section headed “ <i>Completion of Tranche 1 and Tranche 2</i> ”, in each case in the section headed “ <i>Summary of the principal terms of the Share Subscription Agreement</i> ” in this announcement
“Directors”	the directors of the Company
“EBITDA”	earnings before interest income, finance costs, income tax, depreciation and amortisation, gains or losses on disposal of property, plant and equipment and intangible assets, and net other gains or losses
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“FY2023”	the financial year ending 31 December 2023
“FY2024”	the financial year ending 31 December 2024
“FY2025”	the financial year ending 31 December 2025
“FY2026”	the financial year ending 31 December 2026
“Group”	PCCW and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Completion”	has the meaning given to it in the sub-section headed “ <i>Completion of Initial Subscription</i> ” in the section headed “ <i>Summary of the principal terms of the Share Subscription Agreement</i> ” in this announcement

“Initial Subscription”	has the meaning given to it in the section headed “Payment terms” in the section headed “ <i>Summary of the principal terms of the Share Subscription Agreement</i> ” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAU”	monthly active users
“Parties”	PCCW Media, Viu and Canal+
“PCCW Media”	PCCW Media Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands under registered number 209764 whose registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
“percentage ratios”	has the meaning given to it in the Listing Rules
“Shareholders’ Agreement”	the shareholders’ agreement dated 21 June 2023 between the Parties, relating to how the management and affairs of Viu will be governed and the grant of the Call Option, the principal terms of which are summarised in the section headed “ <i>Summary of the principal terms of the Shareholders’ Agreement</i> ” in this announcement
“Share Subscription Agreement”	the share subscription agreement dated 21 June 2023 between the Parties, relating to Canal+’s subscription of Viu Shares issued by Viu, the principal terms of which are summarised in the section headed “ <i>Summary of the principal terms of the Share Subscription Agreement</i> ” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tranche 1”	has the meaning given to it in the section headed “Payment terms” in the section headed “ <i>Summary of the principal terms of the Share Subscription Agreement</i> ” in this announcement

“Tranche 1 Completion”	has the meaning given to it in the sub-section headed “ <i>Completion of Tranche 1 and Tranche 2</i> ” in the section headed “ <i>Summary of the principal terms of the Share Subscription Agreement</i> ” in this announcement
“Tranche 2”	has the meaning given to it in the section headed “ <i>Payment terms</i> ” in the section headed “ <i>Summary of the principal terms of the Share Subscription Agreement</i> ” in this announcement
“Tranche 2 Completion”	has the meaning given to it in the sub-section headed “ <i>Completion of Tranche 1 and Tranche 2</i> ” in the section headed “ <i>Summary of the principal terms of the Share Subscription Agreement</i> ” in this announcement
“Transaction”	the subscription of Viu Shares by way of the Aggregate Equity Investment by Canal+ pursuant to the Share Subscription Agreement and the grant of the Call Option by PCCW Media to Canal+
“US\$”	United States dollars, the lawful currency of the United States of America
“Viu”	Viu International Limited, an exempted company incorporated under the laws of the Cayman Islands under registered number 315065 whose registered office is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands
“Viu Shares”	ordinary shares in the capital of Viu
“%”	per cent.

In this announcement, unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = HK\$7.80. Percentages and figures expressed in millions have been rounded.

By order of the board of
PCCW Limited
Cheung Hok Chee, Vanessa
Group General Counsel and Company Secretary

Hong Kong, 21 June 2023

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; David Christopher Chance; and Sharhan Mohamed Muhseen Mohamed