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Television Broadcasts Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF LICENSING AGREEMENT AND SUPPLY AGREEMENT WITH TVBC

The Board announces that in contemplation of the expiry of the Existing Licensing Agreement and the Existing Supply Agreement on 31 March 2020, TVBI (a direct wholly-owned subsidiary of the Company) entered into the Licensing Agreement and the Supply Agreement with TVBC, in relation to the supply of the Licensed Programmes and the related TV broadcasting and marketing materials in the PRC for the period from 1 April 2020 to 31 March 2023 (both days inclusive).

As at the date hereof, (i) TVBC is owned as to 70% by the Company and hence a non wholly-owned subsidiary of the Company and (ii) Mr. Li Ruigang, the vice chairman and a non-executive Director, can control more than 10% of the voting shares in TVBC. Accordingly, TVBC is a connected subsidiary of the Company and the entering into of the Licensing Agreement and the Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps for the Licensing Agreement and the Supply Agreement, upon aggregation with the Existing Licensing Agreement and the Existing Supply Agreement for the year ending 31 December 2020, and upon aggregation with each other for the years ending 31 December 2021 and 2022, are more than 0.1% but less than 5%, each of the Licensing Agreement and the Supply Agreement is subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that in contemplation of the expiry of the Existing Licensing Agreement and the Existing Supply Agreement on 31 March 2020, TVBI (a direct wholly-owned subsidiary of the Company) entered into the Licensing Agreement and the Supply Agreement with TVBC, principal terms of which are set out below.

LICENSING AGREEMENT

Date

28 February 2020

Parties

- (i) TVBI, a direct wholly-owned subsidiary of the Company
- (ii) TVBC, a connected subsidiary of the Company

Subject matter

TVBI has agreed to supply during the period from 1 April 2020 to 31 March 2023 (both days inclusive) (the “**Supply Period**”) TVBC with the Licensed Programmes as selected by TVBC and grant an exclusive licence to TVBC, among other things, (i) to broadcast and exhibit those selected Licensed Programmes on wireless TV, cable TV and satellite TV as well as all new media platforms, and (ii) to produce, distribute and sell the sound and video recordings of the Licensed Programmes (such as VCDs, DVDs and other storage media), within the PRC.

TVBC may sub-license any of the above rights to any third party (the “**Sub-Licensee**”) subject to the following conditions:

- (a) TVBC shall, prior to sub-licensing, furnish TVBI with the name of the Sub-Licensee, the sub-licensing period, the title(s) and the total hours of the Licensed Programmes to be sub-licensed as well as any other information reasonably requested by TVBI;
- (b) the Sub-Licensee shall not be engaged in any business in the PRC which is or may be in competition with TVBI, the Company, the owner(s) of the copyrights of the Licensed Programmes and/or their respective subsidiaries or associated companies, and TVBI shall be entitled to send written notice and request TVBC to terminate such sub-licence in the event that TVBI considers the Sub-Licensee’s business is or may be in competition with the above entities;

- (c) subject to TVBI's prior written consent, the Sub-Licensee shall be an Independent Third Party and TVBC shall promptly furnish the information related to the Sub-Licensee to TVBI upon TVBI's request;
- (d) TVBC shall procure the Sub-Licensee to comply with all the terms and conditions relating to broadcasting the Licensed Programmes under the Licensing Agreement and TVBC shall be liable for all losses and damages incurred by TVBI due to any breach of such terms and conditions by the Sub-Licensee; and
- (e) the Sub-Licensee shall not assign or further sub-license its rights under the Licensing Agreement to any other third party without the prior written consent of TVBI, and any assignment or sub-licensing of its rights under the Licensing Agreement shall be subject to any applicable requirements under the Listing Rules.

Subject to the actual circumstances, TVBI shall upon request cooperate with TVBC to conduct various marketing and advertising activities during the Supply Period.

Details of the Licensed Programmes

The Licensed Programmes include TVB dramas, Cantonese variety programmes, sitcoms, infotainment programmes and entertainment news programmes which will first be broadcasted via the Company's TV channels in Hong Kong during the Supply Period and are permitted to be broadcasted and distributed in the PRC and/or permitted to be premiered and distributed overseas, and which are in stock.

Pursuant to the Licensing Agreement, each year TVBI shall supply a total of 490 episodes of new dramas and sitcoms, and not less than 1,000 episodes of new and in-stock variety programmes to TVBC. During the Supply Period, TVBI shall supply, in aggregate, 9,000 hours in-stock programmes to TVBC.

Consideration and payment terms

Pursuant to the Licensing Agreement, TVBC shall pay an annual fee of HK\$203,040,810 to TVBI for each of the periods from 1 April 2020 to 31 March 2021, from 1 April 2021 to 31 March 2022, and from 1 April 2022 to 31 March 2023. 50% of this annual fee shall be paid within 14 business days after expiry of every 6-month period.

Basis for consideration

The fee payable by TVBC under the Licensing Agreement was determined after arm's length negotiations between the parties thereto and with reference to, among other things, the historical transaction amounts under the 2015 Licensing Agreement and the Existing Licensing Agreement (i.e. HK\$184,164,000, HK\$191,070,150 and HK\$48,343,050 for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, respectively), the

relative competitiveness and the expected popularity of the Licensed Programmes in the PRC as well as the potential inflation during the Supply Period.

Right to renewal

TVBC shall have priority over other third parties to renew the Licensing Agreement on same or similar terms upon expiry of the Supply Period, subject to the relevant requirements under the Listing Rules.

SUPPLY AGREEMENT

Date

28 February 2020

Parties

- (i) TVBI, a direct wholly-owned subsidiary of the Company
- (ii) TVBC, a connected subsidiary of the Company

Subject matter

TVBI has agreed to supply during the Supply Period TVBC with the TV broadcasting and marketing materials relating to the Licensed Programmes as selected by TVBC under the Licensing Agreement.

TVBC shall be entitled to use those TV broadcasting and marketing materials within the PRC so long as TVBC has been granted with a licence to broadcast and exhibit the relevant Licensed Programmes under the Licensing Agreement.

Subject to the prior consent from the owner(s) of the copyrights of the Licensed Programmes and prior written notification to TVBI, TVBC may pass the TV broadcasting and marketing materials to its nominees for broadcasting, provided that (i) TVBC shall provide the relevant broadcasting records to TVBI upon request, (ii) TVBC shall procure its nominees to comply with all the terms and conditions under the Supply Agreement, and (iii) TVBC shall be liable for all losses and damages incurred by TVBI due to any breach of such terms and conditions by its nominees.

Consideration and payment terms

Pursuant to the Supply Agreement, TVBC shall pay an annual fee of HK\$19,531,890 to TVBI for each of the periods from 1 April 2020 to 31 March 2021, from 1 April 2021 to 31 March

2022, and from 1 April 2022 to 31 March 2023. 50% of this annual fee shall be paid within 14 business days after expiry of every 6-month period.

Basis for consideration

The fee payable by TVBC under the Supply Agreement was determined after arm's length negotiations between the parties thereto and with reference to, among other things, the historical transaction amounts under the 2015 Supply Agreement and the Existing Supply Agreement (i.e. HK\$17,716,000, HK\$18,380,350 and HK\$4,650,450 for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, respectively) and the potential inflation during the Supply Period.

Right to renewal

Subject to TVBC having been granted with a licence to broadcast and exhibit the relevant Licensed Programmes in the PRC and the relevant requirements under the Listing Rules, TVBC shall have priority over other third parties to renew the Supply Agreement on same or similar terms upon expiry.

ANNUAL CAPS FOR THE LICENSING AGREEMENT AND THE SUPPLY AGREEMENT

Based on the terms of the Licensing Agreement and the Supply Agreement, the respective and the aggregated annual caps thereunder for the financial years ending 31 December 2020, 2021, 2022 and 2023 are as follows:-

Annual Cap	Year ending 31 December			
	2020 (From 1 April 2020 to 31 December 2020)	2021 (From 1 January 2021 to 31 December 2021)	2022 (From 1 January 2022 to 31 December 2022)	2023 (From 1 January 2023 to 31 March 2023)
Licensing Agreement	HK\$152,280,608	HK\$203,040,810	HK\$203,040,810	HK\$50,760,202
Supply Agreement	HK\$14,648,918	HK\$19,531,890	HK\$19,531,890	HK\$4,882,972
Total	HK\$166,929,526	HK\$222,572,700	HK\$222,572,700	HK\$55,643,174

The above annual caps for the Licensing Agreement and the Supply Agreement were determined based on the respective fees payable by TVBC to TVBI under the agreements for the relevant financial year.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LICENSING AGREEMENT AND THE SUPPLY AGREEMENT

As disclosed in the Company's announcement dated 21 March 2018, TVBI and TVBO first entered into the licensing and supply agreements with TVB (Overseas), a wholly-owned subsidiary of TVBC, in 2012, which were subsequently renewed in 2015 by entering into the 2015 Licensing Agreement and the 2015 Supply Agreement which ran from 1 January 2016 to 31 March 2018, and further renewed in 2018 by entering into the Existing Licensing Agreement and the Existing Supply Agreement which ran from 1 April 2018 to 31 March 2020.

The Board believes that TVBC's strong network, solid experience and high status in the PRC media circle can enhance the value and expand the distribution of the Licensed Programmes across different media platforms in the PRC and further raise the fame and enhance the value of the Company's programmes and artistes, thereby bringing financial benefits to the Group in the long run.

In contemplation of the expiry of the Existing Licensing Agreement and the Existing Supply Agreement by the end of March 2020, and with a view to continuing the current supply of the Licensed Programmes and the TV broadcasting and marketing materials in the PRC to TVBC, TVBI entered into the Licensing Agreement and the Supply Agreement with TVBC for another three years from 1 April 2020 to 31 March 2023.

The terms of each of the Licensing Agreement and the Supply Agreement have been determined after arm's length negotiations between the respective parties thereto. The Directors, including the independent non-executive Directors, consider that each of the above agreements was entered into in the ordinary and usual course of business of the Company and on normal commercial terms which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

INFORMATION RELATING TO THE GROUP, TVBI AND TVBC

The Group is principally engaged in terrestrial television broadcasting with programme production, digital new media business, programme licensing and distribution, overseas pay TV operations and channel operations.

TVBI is a direct wholly-owned subsidiary of the Company incorporated in Hong Kong and is principally engaged in programme production, investment holding and programme licensing business.

TVBC is a company incorporated in the PRC and is principally engaged in provision of services on television programmes, film rights, advertisements, and management services.

CONNECTED RELATIONSHIPS WITH TVBC AND IMPLICATIONS UNDER THE LISTING RULES

As at the date hereof, (i) TVBC is owned as to 70% by the Company and hence a non wholly-owned subsidiary of the Company, (ii) the remaining 30% shareholding in TVBC is owned by CMC, and (iii) Mr. Li Ruigang, the vice chairman and a non-executive Director, can control more than 10% of the voting shares in TVBC. Accordingly, TVBC is a connected subsidiary of the Company and the entering into of the Licensing Agreement and the Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps for the Licensing Agreement and the Supply Agreement, upon aggregation with the Existing Licensing Agreement and the Existing Supply Agreement for the year ending 31 December 2020, and upon aggregation with each other for the years ending 31 December 2021 and 2022, are more than 0.1% but less than 5%, each of the Licensing Agreement and the Supply Agreement is subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of Mr. Li Ruigang's interest in TVBC, Mr. Li Ruigang, the vice chairman and a non-executive Director, is considered as having a material interest in the Licensing Agreement and the Supply Agreement and therefore has abstained from voting on the resolutions of the Board passed in connection with those agreements and the transactions contemplated thereunder. Saved as disclosed above, none of the Directors has any material interest in the Licensing Agreement and the Supply Agreement and no Director (other than Mr. Li Ruigang) was required to abstain from voting on the resolutions of the Board passed in connection with those agreements and the transactions contemplated thereunder.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“2015 Licensing Agreement”	the agreement entered into between TVBI and TVB (Overseas) on 25 November 2015 (as supplemented on 31 December 2015), in relation to, among other things, the supply of the Company's programmes and the grant of an exclusive licence by TVBI to TVB (Overseas) to broadcast such programmes within the PRC, details of which were disclosed in the Company's announcement dated 21 March 2018
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“2015 Supply Agreement”	the agreement entered into between TVBO and TVB (Overseas) on 25 November 2015, in relation to the supply by TVBO to TVB (Overseas) with the TV broadcasting and marketing materials relating to the Company’s programmes as selected by TVB (Overseas) under the 2015 Licensing Agreement, details of which were disclosed in the Company’s announcement dated 21 March 2018
“Board”	the board of the Directors
“Company”	Television Broadcasts Limited, a company incorporated in Hong Kong, the Shares of which are listed on the main board of the Stock Exchange (stock code: 00511)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“connected subsidiary”	has the same meaning ascribed to it under the Listing Rules
“CMC”	华人文化有限责任公司, a company incorporated in the PRC
“Director(s)”	the director(s) of the Company
“Existing Licensing Agreement”	the agreement dated 21 March 2018 entered into between TVBI and TVBC in relation to, among other things, the supply of the Licensed Programmes and the grant of an exclusive licence by TVBI to TVBC to broadcast the Licensed Programmes within the PRC, details of which were disclosed in the Company’s announcement dated 21 March 2018
“Existing Supply Agreement”	the agreement dated 21 March 2018 entered into between TVBO and TVBC in relation to the supply by TVBO to TVBC with the TV broadcasting and marketing materials relating to the Licensed Programmes as selected by TVBC under the Existing Licensing Agreement, details of which were disclosed in the Company’s announcement dated 21 March 2018
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
“Licensed Programmes”	the programmes to be licensed by TVBI to TVBC subject to the terms and conditions of the Licensing Agreement or the Existing Licensing Agreement (as the case may be)
“Licensing Agreement”	the agreement dated 28 February 2020 entered into between TVBI and TVBC in relation to, among other things, the supply of the Licensed Programmes and the grant of an exclusive licence by TVBI to TVBC to broadcast the Licensed Programmes within the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	the ordinary shares of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the agreement dated 28 February 2020 entered into between TVBI and TVBC in relation to the supply by TVBI to TVBC with the TV broadcasting and marketing materials relating to the Licensed Programmes as selected by TVBC under the Licensing Agreement
“TVB (Overseas)”	TVB (Overseas) Holdings Limited, a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of TVBC and a connected subsidiary of the Company

“TVBC”	上海翡翠東方傳播有限公司 (Television Broadcasts China*), a company incorporated in the PRC and a connected subsidiary of the Company
“TVBI”	TVBI Company Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company
“TVBO”	TVBO Facilities Limited, a company incorporated in Bermuda and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 28 February 2020

As at the date of this announcement, the Board of the Company comprises:

Vice Chairman and Non-executive Director

LI Ruigang

Executive Directors

Mark LEE Po On Group Chief Executive Officer

Thomas HUI To

Non-executive Directors

Anthony LEE Hsien Pin

CHEN Wen Chi

Independent Non-executive Directors

Dr. William LO Wing Yan JP

Professor Caroline WANG Chia-Ling

Dr. Allan ZEMAN GBM, GBS, JP

Felix FONG Wo BBS, JP

Belinda WONG Ching Ying

** For identification purposes only*