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## **Television Broadcasts Limited**

**電視廣播有限公司**

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

### **DISCLOSEABLE TRANSACTION**

#### **SUBSCRIPTION OF SHARES TO BE ISSUED BY ZTORE INVESTMENT LIMITED AND INVESTMENT IN A SPECIAL PURPOSE VEHICLE**

- TVB and Shaw Brothers Holdings Limited will invest in a newly established SPV, in which TVB will own a majority of shares and voting rights. The SPV will acquire approximately 75% of the issued share capital of Ztore which owns and operates two e-commerce platforms in Hong Kong, namely ztore.com and neigbuy.com.
- The total consideration for the acquisition is HK\$200,000,000 to be satisfied by HK\$70,000,000 in cash and a sum of HK\$130,000,000 represented by resources in relation to artistes, television commercial spots and other advertising products on TVB's free to air and digital platforms.
- The Transaction is subject to a number of conditions and will terminate if closing has not occurred on or before 30 September 2021.
- TVB has identified e-commerce as an important engine for future growth. It is expected that the Transaction will create significant positive synergistic effects for both TVB and Ztore.
- TVB is expected to expand the scale of its e-commerce business by over four times in terms of GMV immediately after this Transaction. The post-acquisition customer base for TVB's e-commerce business will be enlarged from the current level of 480,000 to over one million. TVB is also expected to benefit from an expanded product assortment and supply chain resources given Ztore's over 10,000 SKUs, which will further increase user activity and enhance customer experience. Additionally, substantial synergies are expected to be generated from the integration of warehouse management and order fulfilment systems as well as the integration of pickup points network which may form one of the largest in Hong Kong post Transaction. Furthermore, TVB will benefit from Ztore's e-commerce talent and managerial resources to support future growth.

- The Transaction will also accelerate customer acquisitions and GMV for Ztore with the increased promotion on TVB's channels and platforms.
- Under the Listing Rules of Hong Kong Stock Exchange, the Transaction constitutes a discloseable transaction for TVB but is exempt from shareholders' approval.

## **INTRODUCTION**

The Company is pleased to announce that on 19 August 2021, BBECGL (a wholly-owned subsidiary of the Company), SBPL and the SPV entered into the JV Subscription Agreement in relation to the investment in a special purpose vehicle, the SPV, in which BBECGL will hold 90.1% of the voting rights and 82.5% of the total issued shares, and SBPL will hold 9.9% of the voting rights and 17.5% of the total issued shares. The purpose of the SPV is to invest in Ztore, which owns and operates two e-commerce platforms in Hong Kong, namely ztore.com and neigbuy.com.

The Company further announces that on 19 August 2021, the SPV entered into the Ztore SPA with, among others, Ztore, pursuant to which the SPV will acquire and subscribe, and Ztore will issue, 116,716,110 Series D Preferred Shares in Ztore, representing approximately 75% of the issued share capital in Ztore on a fully-diluted basis for an aggregate consideration of HK\$200,000,000 to be satisfied by a sum of HK\$70,000,000 in cash and a sum of HK\$130,000,000 by provision of TVB Resource Packages.

## **THE ZTORE SPA**

**Date:** 19 August 2021

**Parties:** SPV

Ztore

Ztore HK Limited

Neigbuy Limited

Ztore E-Commerce (Shenzhen) Co., Ltd

the Founders

## **Subject matter**

Pursuant to the Ztore SPA, the SPV has conditionally agreed to subscribe for, and Ztore has conditionally agreed to issue, 116,716,110 Series D Preferred Shares, representing approximately 75% of the issued share capital in Ztore on a fully-diluted basis.

The principal terms of the Ztore SPA are set out below.

## **Consideration and payment**

The aggregate consideration for the subscription of 116,716,110 Series D Preferred Shares is HK\$200,000,000, to be satisfied as follows:

- a) the sum of HK\$70,000,000 is payable by or on behalf of the SPV to Ztore in cash at the closing; and
- b) the sum of HK\$130,000,000 will be satisfied by the agreement by the SPV to provide, or procure the provision of, TVB Resource Packages at the Company's usual rates with a value of HK\$130,000,000 by written confirmation from (or a party nominated by and on behalf of) the SPV to Ztore documenting the advertising services rendered to Ztore or its subsidiaries from a period of time as agreed by the aforementioned parties, where such rates are substantially comparable in the market in this relevant field and the arrangements entered into in connection with the TVB Resource Packages are provided on an arm's length basis.

The unaudited consolidated net loss before and after taxation of Ztore and its subsidiaries in the two financial years ended 31 March 2020 and 31 March 2021 was approximately HK\$85 million and HK\$59 million, respectively. The unaudited consolidated net liabilities position of Ztore and its subsidiaries as at 31 March 2021 as set out in the consolidated management accounts was approximately HK\$66 million.

The consideration under the Ztore SPA was reached through arm's length negotiations, on normal commercial terms and in the ordinary and usual course of business of the Group. The consideration was determined with reference to various factors including, among other things, financial and operational metrics of Ztore and the benefits of and reasons for the Transaction as described below.

## **Conditions Precedent**

The closing of the transaction contemplated under the Ztore SPA is conditional upon the satisfaction of the conditions precedent set out in the Ztore SPA, which include, among other things, the execution of the Ztore Shareholders Agreement and the rectification of various issues identified during due diligence.

## **Closing**

Closing under the Ztore SPA will take place on the 5th Business Day after the date on which the last of the conditions precedent is satisfied or waived, or such other date as may be mutually agreed between the parties.

## **Termination**

The Ztore SPA will automatically terminate if closing has not occurred on or before 30 September 2021.

## **Further Injection**

Following the date of the closing of the Ztore SPA, the SPV is entitled, but not obliged, to exercise its right to subscribe for such additional number of Series D Preferred Shares, in one or more tranches, as has an aggregate value of up to HK\$150,000,000, whereby 35% of such amount will be in cash, and the remaining 65% of such monetary value will be satisfied by the agreement by the SPV to provide, or procure the provision of, TVB Resource Packages at the Company's usual rates, where such rates are substantially comparable in the market in this relevant field and the arrangements entered into in connection with the TVB Resource Packages are provided on an arm's length basis.

## **THE ZTORE SHAREHOLDERS AGREEMENT**

**Date:** to be entered into on the day of closing of the Ztore SPA

**Parties:** SPV

Ztore

Ztore HK Limited

Neigbuy Limited

Ztore E-Commerce (Shenzhen) Co., Ltd

existing shareholders of Ztore

## **Subject matter**

The Ztore Shareholders Agreement sets out the terms on which Ztore will be owned, controlled, managed, and financed. The principal terms of the Ztore Shareholders Agreement are set out below.

## **Board composition**

The board of directors of Ztore will consist of five directors, two of which will be appointed by two of the Founders (namely Leung Tsz Ki and Shum Tik Chan, with one director appointed by each) and three of which will be appointed by the SPV.

## **Protective provisions**

Certain matters will require the approval from holders of more than 50% of the voting power of the issued and outstanding preferred shares. Such matters include, among others: 1) alteration of rights, preferences or privileges of preferred shares in a way that adversely affects those rights, preferences or privileges; 2) any change to the size of the board; and 3) any amendment to Ztore's memorandum and articles of association.

## **Restriction on transfers**

The Ztore Shareholders Agreement contains certain restrictions on the transfer of shares in Ztore.

For a period of five years following closing of the Ztore SPA, the Founders may not sell any ordinary share held by them without the approval of the board of directors of Ztore.

For a period of five years following closing of the Ztore SPA, no shareholder may transfer any share of Ztore held by such shareholder without the approval of board of directors of Ztore except with respect to transfers pursuant to the drag-along provisions or certain exempted transfers (such as transfers to Affiliates).

If any shareholder of Ztore other than the SPV proposes to transfer any shares in Ztore, the SPV will have a right of first refusal over such transfer in accordance with the terms of the Ztore Shareholders Agreement. If the SPV does not exercise the right of first refusal, the SPV has a right of co-sale with the transferring shareholder which may be exercised in accordance with the relevant procedures under the Ztore Shareholders Agreement.

The SPV has drag-along rights over all other shareholders of Ztore if it wishes to sell its shares to a third party, provided that the implied valuation of Ztore is no less than the value for exercise of the call option or put option described below.

The rights of first refusal and the co-sale right does not apply to transfers of shares to Affiliates.

## **Call option**

The SPV has a call option to purchase all of the shares held by any and all the existing shareholders of Ztore on certain terms and conditions, where the right to exercise such call option is linked to the GMV and the Contribution Margin percentage of the GMV per financial quarter.

## **Put Option**

Provided that the call option has not previously been exercised, the existing shareholders shall be granted a joint put option to sell all of the shares held in Ztore to the SPV on certain terms and conditions, where the right to exercise such put option is linked to the GMV and the Contribution Margin percentage of the GMV per financial quarter. The existing shareholders may exercise the put option at the price of HK\$140,000,000 depending on the certain threshold of GMV and Contribution Margin percentage of the GMV per financial quarter being met.

## **Termination**

The Ztore Shareholders Agreement will automatically terminate upon the consummation of Ztore's initial public offering, except for provisions that by their nature are intended to survive termination.

## **THE JV SUBSCRIPTION AGREEMENT**

**Date:** 19 August 2021

**Parties:** SPV

BBECGL

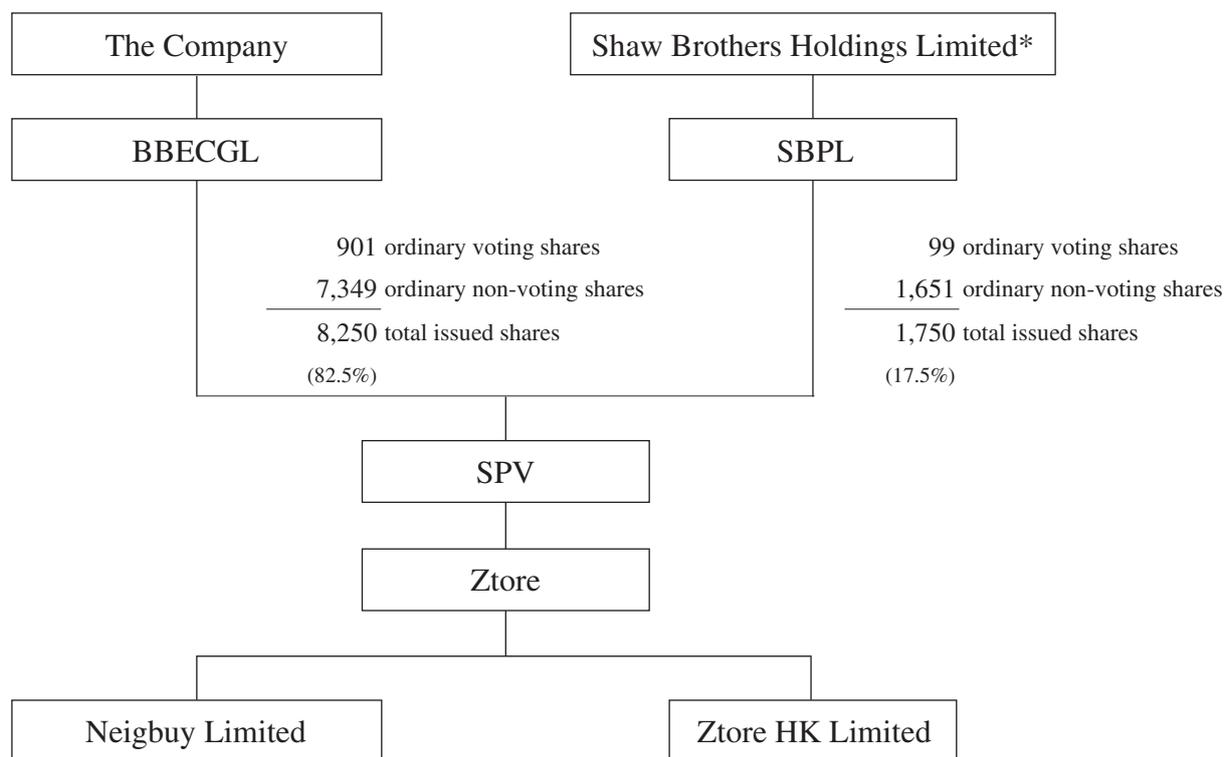
SBPL

### **Subject matter**

Pursuant to the JV Subscription Agreement, each of BBECGL and SBPL has conditionally agreed to subscribe for, and the SPV has conditionally agreed to issue to them, the following respective numbers of shares:

- a) BBECGL: 900 ordinary voting shares and 7,349 ordinary non-voting shares; and
- b) SBPL: 99 ordinary voting shares and 1,651 ordinary non-voting shares.

The organisation chart of the SPV after the closing of the JV Subscription Agreement will be as follows:



\* *Shaw Brothers Holdings Limited is a 29.94% associate of Shine Investment Limited, in which the Company holds 40% economic interest.*

The principal terms of the JV Subscription Agreement are set out below.

### Consideration and payment

The aggregate consideration in respect of the shares to be subscribed by BBECGL is HK\$165,000,000, comprising of (i) the sum of an aggregate of HK\$35,000,000 to be satisfied in cash and (ii) the sum of HK\$130,000,000 to be satisfied by BBECGL procuring the provision of TVB Resource Packages to Ztore or to such other person as Ztore may nominate with a value of HK\$130,000,000, where such arrangements entered into in connection with the TVB Resource Packages are provided on an arm's length basis.

The aggregate consideration in respect of the shares to be subscribed by SBPL is HK\$35,000,000, to be satisfied in cash.

The consideration under the JV Subscription Agreement was reached through arm's length negotiations, on normal commercial terms and in the ordinary and usual course of business of the Group. The consideration was determined with reference to various factors including, among other things, financial and operational metrics of Ztore (being the underlying target of the investment) and the benefits of and reasons for the Transaction as described below.

### **Conditions Precedent**

The closing of the transaction contemplated under the JV Subscription Agreement is conditional upon the satisfaction of the conditions precedent set out in the JV Subscription Agreement, which include, among other things, the closing of the Ztore SPA.

### **Closing**

Closing under the JV Subscription Agreement will take place on the 5th Business Day after the date on which the last of the conditions precedent is satisfied, or such other date as may be mutually agreed between the parties, provided that closing under the JV Subscription Agreement shall take place simultaneously with the closing under the Ztore SPA.

At closing, the SPV will allot and issue the relevant numbers of subscription shares to BBECGL and SBPL, and the JV Shareholders' Agreement will be entered into by the parties.

Upon closing, BBECGL will hold 82.5% of the issued share capital of the SPV, which indirectly holds the business of Ztore. The SPV and its financial results will be consolidated into the Group's financial statements.

### **Termination**

The JV Subscription Agreement will automatically terminate if closing has not occurred on or before 1 October 2021.

## **THE JV SHAREHOLDERS' AGREEMENT**

**Date:** to be entered into on the day of closing of the JV Subscription Agreement

**Parties:** SPV

BBECGL

SBPL

## **Subject matter**

The JV Shareholders' Agreement sets out the terms on which the SPV will be owned, controlled, managed and financed. The principal terms of the JV Shareholders' Agreement are set out below.

## **Business**

The business of the SPV is to acquire, hold, and dispose of interests in Ztore.

## **Board composition**

The board of directors of the SPV will consist of up to three directors, all of which will be appointed by BBECGL. SBPL has the right to appoint one non-voting board observer.

## **Reserved matters**

Certain matters will require the unanimous approval of the shareholders of the SPV. Such matters include 1) altering the articles of association or other constitutional documents of the SPV in a way that would be disproportionately prejudicial to a shareholder; 2) issuing any securities in or changing or varying the share capital of the SPV other than any issuance of new shares as provided in the JV Shareholders' Agreement or the articles of association of the SPV; and 3) any proposal to wind up the SPV or other similar proceedings.

## **Additional funding**

Following the closing of the JV Subscription Agreement, subject to the SPV's exercise of its rights of further injection under the Ztore SPA, each shareholder in the SPV may provide funding to the SPV in accordance with the terms of the JV Shareholders' Agreement.

## **Restriction on transfers**

The JV Shareholders' Agreement contain certain restrictions on the transfer of shares in the SPV.

Transfer of shares in the SPV require the prior written consent of all shareholders, unless 1) the transfer is made to an affiliate of the transferring shareholder; or 2) the transfer occurs after 60 months from the date of closing under the JV Subscription Agreement, is not to a competitor of BBECGL or SBPL (or their respective Affiliates), and is made in accordance with the customary transfer restrictions including the right of first refusal, a drag-along right for BBECGL and a tag-along right for SBPL.

## **Termination**

The JV Shareholders' Agreement may be terminated by written agreement of all the parties. It will automatically terminate upon the occurrence of a voluntary or involuntary winding up of the SPV.

## **BENEFITS OF AND REASONS FOR THE TRANSACTION**

The Company is engaged in terrestrial TV broadcasting and programme production as its core businesses in Hong Kong and distributes content internationally targeting the Chinese speaking community. The Company has, in recent years, directed its efforts to monetise through direct-to-consumer businesses under paid video streaming services and e-commerce alongside traditional advertising services. In 2018, the Company started to operate e-commerce platform Big Big Shop under BBECGL which practises a “showing on TV and selling in Big Big Shop” model, turning viewers of TVB's Jade channel into its online customers. This business has been well-received in the market due to its uniqueness.

As a reported segment in TVB's annual report for the year ended 31 December 2020, Big Big Channel and e-commerce business reported a segment revenue from external customers of HK\$107 million and a reportable segment profit of HK\$53 million. This segment included, among other things, the results from operating TVB's social media platforms and e-commerce platform Big Big Shop. For the year ended 31 December 2020, Big Big Shop's GMV jumped from HK\$32 million to HK\$142 million, an increase of 350%. Driven by the trend to embrace a digital lifestyle which was accelerated by the COVID-19 pandemic, online shopping has become a norm and a vital part of everyday lives.

Riding on this growth, the Company together with its associate Shaw Brothers Holdings Limited are jointly investing in the SPV to acquire approximately 75% stake in Ztore, which owns and operates two growing e-commerce platforms ztore.com and neigbuy.com (“Targets”), with a combined GMV of over HK\$400 million during the year ended 31 March 2021 and registered customers of approximately 660,000 and 270,000 for the two platforms respectively as of 31 July 2021. These registered customers will be added to Big Big Shop's own registered customers of 480,000 in accordance with the applicable laws to form an enlarged pool for increased cross selling.

It is expected that the Transaction will create significant positive synergistic effect benefitting both the Company and Ztore. Not only will the Company expand the scale of its e-commerce business by over four times in term of GMV immediately after this Transaction, there are a number of longer term benefits for Big Big Shop as well as the combined platforms. The post-acquisition customer base for the Company's e-commerce business will be enlarged from the current level of 480,000 to over one million through cross-selling and other initiatives, which as a result will also improve sourcing capabilities and product diversification for the combined platforms. The Company is also expected to benefit from an expanded product assortment and supply chain resources given Ztore's over 10,000 SKUs, which will further increase user activity and enhance customer experience. Additionally, the Company sees substantial synergies from the integration of warehouse management and order fulfilment systems as well as the integration of pickup points network which may form one of the largest in Hong Kong post Transaction. Furthermore, the Company will benefit from Ztore's e-commerce talent and managerial resources to support future growth. Through this Transaction, the Company will be able to operate a more diversified e-commerce business model with a larger customer base, a wider product offering, and more scalable online and offline networks.

As part of the consideration for the Transaction will be in the form of TVB Resource Packages comprising of, among other things, television commercial spots on TVB's channels and platforms, the Targets can benefit from increased promotion of their services on Jade channel, further accelerating customer acquisitions and GMV growth.

Beyond the opportunities offered by prime time programmes to market and showcase products, the Company plans to roll out during 2021 live-streaming e-commerce (直播帶貨) using TVB artistes/KOL endorsements. This is expected to accelerate the on-going growth momentum of the Company's e-commerce platforms.

The Directors, having regard to the reasons and benefits of entering into the Transaction, consider that the terms of the Transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE COMPANY AND THE GROUP**

The Company is a company incorporated in Hong Kong with limited liability. The Group is principally engaged in television broadcasting with programme production, digital new media business, programme licensing and distribution, overseas pay TV operations and channel operations. Since 2018, the Group started to operate e-commerce platform Big Big Shop.

## **INFORMATION ON SBPL**

SBPL is a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of Shaw Brothers Holdings Limited, whose shares are listed on the main board of the Stock Exchange (stock code: 00953). Shaw Brothers Holdings Limited and its subsidiaries are principally engaged in investments in films, drama and non-drama, and artiste and event management.

## **INFORMATION ON ZTORE**

Ztore is an investment holding company and holds two operating subsidiaries which own and operate e-commerce platforms [ztore.com](http://ztore.com) and [neigbuy.com](http://neigbuy.com). Established in 2015, [ztore.com](http://ztore.com) is an online shopping platform offering delivery and click-and-collect services for a wide range of products sourced worldwide, ranging from home essentials, general merchandise, beauty and cosmetics. Launched in 2018, [neigbuy.com](http://neigbuy.com) is an online shopping platform operating a “flash buying” model which offers free click-and-collect services for diversified categories of products.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from shareholders’ approval requirement under Chapter 14 of the Listing Rules.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Ztore, SBPL and each of the parties named in the Transaction and each of their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## TERMS USED IN THIS ANNOUNCEMENT

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

“Affiliates”	with respect to a person, any person that is not an individual, any other person that, directly or indirectly, controls, is controlled by or is under common control with such person
“BBECGL”	Big Big e-Commerce Group Limited, a company incorporated in Hong Kong with its registered office at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong, and a wholly-owned subsidiary of the Company
“Business Day”	any day (other than a Saturday, Sunday, legal holiday in Hong Kong or the British Virgin Islands or any day on which a tropical cyclone warning no.8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9.00am and 5.00pm) on which banks are open in the Hong Kong or the British Virgin Islands for general commercial business
“Company” or “TVB”	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)
“Contribution Margin”	the result of gross profit & commission minus variable cost (incl. warehouse operating cost, delivery cost and selling expenses) as defined in the management projection
“Director(s)”	the directors of the Company
“Founders”	each of (i) Shum Tik Chan of 19/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong, (ii) Leung Tsz Ki of 19/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong and (iii) Ling Clarence Chun Kit of 19/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong
“Group”	the Company, together with its subsidiaries
“GMV”	gross merchandise value

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“JV Shareholders’ Agreement”	the shareholders’ agreement in the form appended to the JV Subscription Agreement to be entered into among the SPV, BBECGL and SBPL as at the date of closing of the JV Subscription Agreement
“JV Subscription Agreement”	the subscription agreement in relation to the subscription of shares in the SPV dated 19 August 2021 and entered into among the SPV, BBECGL and SBPL
“KOL”	key opinion leader
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SBPL”	Shaw Brothers Pictures Limited, a company incorporated under the laws of the British Virgin Islands with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, a wholly-owned subsidiary of Shaw Brothers Holdings Limited, whose shares are listed on the main board of the Stock Exchange (stock code: 00953)
“SKU”	stock keeping unit
“SPV”	Sunrise Investments Global Limited, a company incorporated in the British Virgin Islands with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Targets”	the Ztore and Neigbuy e-commerce platforms operated by subsidiaries of Ztore (ztore.com and neigbuy.com)
“Transaction”	the formation of the SPV between BBECGL and SBPL and the subscription by the SPV of 116,716,110 Series D Preferred Shares in Ztore for a total consideration of HK\$200,000,000

“TVB Resource Packages”	resources in relation to artistes, television commercial spots and other advertising products on the Company’s free-to-air and digital platforms, product placement and content production of the Company and/or its Affiliates
“Ztore”	Ztore Investment Limited, an exempted company with limited liability incorporated in the British Virgin Islands, with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
“Ztore Shareholders Agreement”	the fifth amended and restated shareholders agreement in the form exhibited to the Ztore SPA, to be entered into among Ztore, Ztore HK Limited, Neigbuy Limited, Ztore E-Commerce (Shenzhen) Co., Ltd., the existing shareholders of Ztore and the SPV as at the day of closing of the Ztore SPA
“Ztore SPA”	the series D preferred share purchase agreement dated 19 August 2021 and entered into between the SPV, Ztore, Ztore HK Limited, Neigbuy Limited, Ztore E-Commerce (Shenzhen) Co., Ltd. and the Founders

By Order of the Board  
**Adrian Mak Yau Kee**  
*Company Secretary*

Hong Kong, 19 August 2021

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

**Chairman and Non-executive Director**

Thomas HUI To

**Non-executive Directors**

LI Ruigang

Anthony LEE Hsien Pin

Kenneth HSU Kin

**Independent Non-executive Directors**

Dr. William LO Wing Yan JP

Dr. Allan ZEMAN GBM, GBS, JP

Felix FONG Wo BBS, JP

Belinda WONG Ching Ying