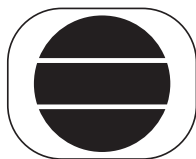


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# **Television Broadcasts Limited**

*(Incorporated in Hong Kong with limited liability)*

**Stock Code: 511**

## **CONTINUING CONNECTED TRANSACTIONS**

On 4 April 2007, TVBI entered into a binding Agreement with MBNS pursuant to which TVBI agrees to (i) supply to MBNS the Programmes for transmission and exhibition by MBNS in the Cantonese language by means of VOD and NVOD on an exclusive basis in the Territory; (ii) provide marketing and consultancy services to MBNS; and (iii) provide facilities services to MBNS, during the Term with a right to early terminate the Agreement by either TVBI or MBNS. The licence fees for the supply of Programmes payable by MBNS to TVBI consist of a fixed amount and a variable amount calculated based on the revenue derived from the Programmes. The fees for the provision of services are fixed.

As MBNS is a connected person to the Company, the Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the percentage ratios (other than the profit ratio) calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Agreement is less than 2.5% on an aggregate annual basis, the transactions fall under Rule 14A.34(1) of the Listing Rules and hence is only subject to the reporting and announcement requirements.

The aggregate annual caps for the transactions under the Agreement for the financial years ending 31 December 2007, 2008, 2009, 2010 and 2011 are HK\$53,154,000, HK\$53,154,000, HK\$64,930,000, HK\$88,316,000 and HK\$98,436,000 respectively.

Details of the Agreement will be included in the next published annual report and accounts of the Company during the continuance of the Agreement.

### **DETAILS OF THE AGREEMENT**

On 4 April 2007, TVBI entered into the Agreement with MBNS pursuant to which TVBI agrees during the Term to (i) supply to MBNS the Programmes for transmission and exhibition by MBNS in the Cantonese language by means of VOD and NVOD on an exclusive basis in the Territory; (ii) provide to MBNS marketing and consultancy services in relation to the marketing of the Programmes and operation of VOD and NVOD services of MBNS; and (iii) procure TVBO Facilities Limited, a wholly-owned subsidiary of the Company, to provide to MBNS facilities services in relation to the supply of materials of the Programmes for the VOD/NVOD services of MBNS. The licence period during which MBNS is entitled to transmit and exhibit each episode of the Programmes is the period commencing from the first transmission of each episode of the Programmes and ending on the earlier of 12 months after first transmission or 30 April 2012.

Under the terms of the Agreement, either TVBI or MBNS is entitled to early terminate the Agreement with effect on 1 January 2010 by giving no less than 4 months written notice to the other party. Further it is agreed that if the Agreement is terminated early, MBNS is entitled to

make available to Subscribers in the Territory by means of VOD and NVOD the Programmes which licence period has not expired at the date of early termination for a period up to 30 April 2010 or to the end of the licence period of those Programmes, whichever is the shorter period.

The licence fees for the Programmes consist of a fixed amount plus a variable amount based on a sharing percentage on a progressive scale of the revenue derived by MBNS from the Programmes. The licence fees are subject to withholding tax at the current rate of 10%. The fixed fees shall be payable by MBNS in equal monthly instalments in arrears within 60 days (for the first 2 calendar years of the Term) and within 45 days (for the remainder of the Term) after receipt of invoice from TVBI end of the relevant month during the Term whereas the share of revenue shall be payable in arrears within 30 days of receipt of invoice from TVBI after the end of each period of 12 months of the Term. The aggregate amount of fixed licence fee and fees payable by MBNS for the various services to be provided by TVBI or member of the Group for each year of the Term is RM\$21,667,000 for 2007, RM\$21,667,000 for 2008, RM\$21,667,000 for 2009, RM\$26,000,000 for 2010 and RM\$26,000,000 for 2011.

The terms of the Agreement were negotiated on an arm's length basis between the parties and were determined on normal commercial terms taking into account an upturn projection in the economy in the Territory. The fixed fees are based on the projected number of Subscribers and the video rental market subscribers in the Territory for each year of the Term and the projection of manpower and facilities required for the provision of the services to MBNS. The variable fee is based on the projected potential increase of Subscribers to give the Group an upside share of revenue derived by MBNS from the MBNS's VOD and NVOD services. Since MBNS is the first provider of VOD and NVOD services in the Territory, and with its experience in the pay TV market and the support of the services provided by the Group, it is expected that the number of Subscribers will grow during the Term.

The parties will negotiate and execute a long form agreement to fully reflect the terms of the Agreement and to include other terms that are customary for arrangements of this nature such as warranties, indemnities and right of termination for breach etc. Further announcement will be made should there be any material change to the terms of the Agreement.

#### **CAP AMOUNT**

Based on the fixed fees receivable under the Agreement and the estimated share of revenue, the aggregate annual caps receivable by the Company under the Agreement for the financial years ending 31 December 2007, 2008, 2009, 2010 and 2011 are HK\$53,154,000, HK\$53,154,000, HK\$64,930,000, HK\$88,316,000 and HK\$98,436,000 respectively.

The above Hong Kong dollars amounts are based on the exchange rate (as of 30 January 2007) of RM1 = HK\$2.2302.

#### **INDEPENDENT FINANCIAL ADVICE**

The Agreement is of a duration longer than three years. Pursuant to Rule 14A.35 of the Listing Rules, the period for an agreement in relation to continuing connected transaction, except in special circumstances, must not exceed three years. The Company has therefore appointed First Shanghai Capital Limited as the independent financial adviser to comment on the duration of the Agreement.

First Shanghai Capital Limited confirmed to the Board that, having considered the facts and circumstances in relation to the entering into of the Agreement, the duration of the Agreement is within the range of duration of contracts of similar type entered into between the Group and other parties and the termination clause allowing the Group and MBNS to terminate the Agreement three years after commencement of the term, they are of the opinion that it is normal business practice of contracts of this type to have a duration of more than three years.

## **REASONS FOR THE AGREEMENT**

As MBNS is the dominant player with extensive experience in content distribution in the Territory, the entry into the Agreement will further strengthen the market position of the Group. Further, the Programmes supplied under the Agreement are programmes of the Company or programmes co-produced by the Company for worldwide distribution, hence, the subject transaction will enable the Group to expand its audience reach and generate additional revenue with minimal increase in the overheads. The services to be provided by the Group to MBNS will also utilize existing resources within the Group.

## **PRINCIPAL ACTIVITIES OF THE GROUP, TVBI AND MBNS**

The Group is principally engaged in television broadcasting, programme licensing and production, channels operation, magazine publishing and other broadcasting related activities. TVBI is a direct wholly-owned subsidiary of the Company and principally engaged in programme licensing.

MBNS is the sole licensed provider of digital direct-to-home satellite multi-channel television services in Malaysia under the Astro brand name. MBNS has licensed one of its affiliates for distribution of the multi-channel television service in Brunei.

## **IMPLICATIONS UNDER THE LISTING RULES**

MBNS is a wholly owned indirect subsidiary of Astro All Asia Networks, plc. which has indirect shareholding interests in three indirect owned subsidiaries of the Company, being approximately 26.3% of the issued share capital of TVB Publishing Holding Ltd. and its wholly owned subsidiaries namely Art Ltd. and TVB Publications Ltd. while the Company has indirect shareholding interests of approximately 73.7% of the issued share capital in TVB Publishing Holding Limited and its two subsidiaries. MBNS is accordingly a connected person of the Company and the entry into the Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the percentage ratios (other than profit ratio) calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Agreement is less than 2.5% on aggregate annual basis, the transactions fall under Rule 14A.34(1) of the Listing Rules and hence are only subject to the reporting and announcement requirements. Details of the Agreement will be included in the next published annual report and accounts of the Company during the continuance of the Agreement.

The directors of the Company, including the independent non-executive directors, consider that the terms of the Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and the Agreement was entered into in the ordinary and usual course of business.

## **DEFINITIONS**

“Agreement”	means the binding deal memorandum dated 4 April 2007 entered into between TVBI and MBNS
“Company”	means Television Broadcasts Limited, a company incorporated under the laws of Hong Kong with limited liability the shares of which are listed on the Main Board of the Stock Exchange
“Group”	means the Company and its subsidiaries
“Hong Kong”	means Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“MBNS”	means MEASAT Broadcast Network Systems Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability

“NVOD”	is the abbreviation for Near Video-on-Demand and means the transmission of identical programming content on a number of television channels at staggered intervals providing convenience to viewers who can watch the programming content at different scheduled time for a charge on a pay per view basis
“Programmes”	means in each year of the Term 600 hours of television programmes produced or co-produced by the Company
“RM”	means Malaysia Ringgit
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscribers”	means paying subscriber to the VOD and/or NVOD services of MBNS in the Territory
“Term”	means the period from 1 January 2007 to 31 December 2011
“Territory”	means Malaysia and Brunei
“TVBI”	means TVBI Company Ltd., a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“VOD”	is the abbreviation for Video-on-Demand and means the transmission of programming content for reception on television receivers where a charge is made to viewers to view the programming content at a time selected by the viewers

*As at the date hereof, the Directors of the Company are: Sir Run Run Shaw, G.B.M. (EXECUTIVE CHAIRMAN), Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P. (EXECUTIVE DEPUTY CHAIRMAN), Mona Fong (DEPUTY CHAIRPERSON AND ACTING MANAGING DIRECTOR), Edward Cheng Wai Sun, J.P.\*, Dr. Chow Yei Ching, G.B.S., Ho Ting Kwan, Chien Lee\*, Christina Lee Look Ngan Kwan, Dr. Li Dak Sum, DSSc. (Hon.), J.P.\*, Kevin Lo Chung Ping, Robert Sze Tsai To\*, Anthony Hsien Pin Lee (alternate director to Christina Lee Look Ngan Kwan).*

*\* Independent non-executive directors*

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

4 April 2007, Hong Kong

“Please also refer to the published version of this announcement in The Standard.”