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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

CONTINUING CONNECTED TRANSACTION SUPPLY AGREEMENT WITH TVBC

The Board announces that on 28 December 2018, TVBO (an indirect wholly-owned subsidiary of the Company) entered into the Supply Agreement with TVBC, in relation to the supply of certain broadcasting and marketing materials relating to TVB dramas to TVBC to be used in the PRC.

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 Supply Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual cap for the Supply Agreement, upon aggregation with the Existing Licensing Agreements and the Existing Supply Agreements for the year ending 31 December 2018 (i.e. HK\$208,680,000 after aggregation), are more than 0.1% but less than 5%, the Supply Agreement is subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Announcement.

The Board announces that on 28 December 2018, TVBO (an indirect wholly-owned subsidiary of the Company) entered into the Supply Agreement with TVBC, principal terms of which are set out below.

SUPPLY AGREEMENT

Date

28 December 2018

Parties

- (i) TVBO, an indirect wholly-owned subsidiary of the Company
- (ii) TVBC, a connected subsidiary of the Company

Term

1 April 2018 to 31 December 2018 (both days inclusive)

Subject matter

TVBO has agreed to supply during the term of the Supply Agreement certain broadcasting and marketing materials relating to TVB dramas, including behind-the-scenes, stage photos, posters and trailers, to TVBC to be used in the PRC for marketing purpose.

Subject to the prior consent from TVBO, TVBC may pass the broadcasting and marketing materials to third parties for broadcasting in the PRC.

Consideration and payment terms

Pursuant to the Supply Agreement, TVBC shall pay a fee of HK\$6,800,000 to TVBO within 30 days after receipt of the invoice issued by TVBO in respect of the broadcasting and marketing materials provided.

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 production costs for the broadcasting and marketing materials, and a reasonable profit margin.

ANNUAL CAP FOR THE SUPPLY AGREEMENT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

Based on the fee payable by TVBC to TVBO under the Supply Agreement, the annual cap for the Supply Agreement for the financial year ending 31 December 2018 is HK\$6,800,000.

As of the date of this announcement, no fee has been paid by TVBC to TVBO under the Supply Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLY AGREEMENT

As disclosed in the Announcement, TVBC has a strong network, solid experience and high status across different platforms in the PRC media circle. The Board believes that supplying TVB programmes and the related broadcasting and marketing materials to TVBC for distribution in the PRC can further raise the fame and enhance the value of TVB programmes and artistes, thereby bringing financial benefits to the Group in the long run.

With a view to distributing and promoting TVB programmes in the PRC, the Group entered into the Existing Licensing Agreements and the Existing Supply Agreements with TVBC (or its wholly-owned subsidiary, TVB (Overseas)). However, the Existing Supply Agreements (in terms of both the marketing materials and the annual cap) are not sufficient to meet the increasing need and intensity of the marketing activities as driven by the growth of the Group's operation and viewership in the PRC. As such, TVBO and TVBC further negotiated (including the items of the additional broadcasting and marketing materials to be supplied and the fee payable this year) and entered into the Supply Agreement on 28 December 2018. In view of the encouraging results and benefits brought to the Group via distribution of TVB programmes and the related broadcasting and marketing materials across TVBC's media platforms in the PRC, the Board will continue to explore further collaboration possibilities and opportunities with TVBC (and/or its subsidiaries) in the future where appropriate.

The terms of the Supply Agreement have been determined after arm's length negotiations between the parties thereto. The Directors, including the independent non-executive Directors, consider that the Supply Agreement 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, TVBO AND TVBC

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.

TVBO is an indirect wholly-owned subsidiary of the Company incorporated in Bermuda and is principally engaged in provision of services for programme licensing.

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

CONNECTED RELATIONSHIP WITH TVBC

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 Supply Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the annual cap for the Supply Agreement, upon aggregation with the Existing Licensing Agreements and the Existing Supply Agreements for the year ending 31 December 2018 (i.e. HK\$208,680,000 after aggregation), are more than 0.1% but less than 5%, the Supply Agreement is subject to the reporting, annual review and announcement requirements but exempt from the 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 Supply Agreement and therefore has abstained from voting on the resolutions of the Board passed in connection with the agreement and the transactions contemplated thereunder. Saved as disclosed above, none of the Directors has any material interest in 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 the Supply Agreement 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:

“Announcement”	the announcement of the Company dated 21 March 2018 in relation to, among other things, the Existing Licensing Agreements and the Existing Supply Agreements
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors

“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)
“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
“Director(s)”	the director(s) of the Company
“Existing Licensing Agreements”	the agreement entered into between TVBI and TVB (Overseas) on 25 November 2015 (as supplemented on 31 December 2015) and the agreement entered into between TVBI and TVBC on 21 March 2018, in relation to, among other things, the supply of the Licensed Programmes and the grant of an exclusive licence by TVBI to TVB (Overseas) or TVBC (as the case may be) to broadcast the Licensed Programmes within the PRC, details of which were disclosed in the Announcement
“Existing Supply Agreements”	the agreement entered into between TVBO and TVB (Overseas) on 25 November 2015 and the agreement entered into between TVBO and TVBC on 21 March 2018, in relation to the supply by TVBO to TVB (Overseas) or TVBC (as the case may be) with the TV broadcasting and marketing materials relating to the Licensed Programmes, details of which were disclosed in the Announcement
“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
“Licensed Programmes”	the programmes licensed by TVBI to TVBC or TVB (Overseas) (as the case may be) subject to the terms and conditions of the Existing Licensing Agreements
“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 December 2018 entered into between TVBO and TVBC in relation to the supply of certain broadcasting and marketing materials relating to TVB dramas by TVBO to TVBC

“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 December 2018

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

Chairman and Non-executive Director

Dr. Charles CHAN Kwok Keung

Vice Chairman and Non-executive Director

LI Ruigang

Executive Directors

Mark LEE Po On Group Chief Executive Officer

CHEONG Shin Keong General Manager

Thomas HUI To

Non-executive Directors

Anthony LEE Hsien Pin

CHEN Wen Chi

Independent Non-executive Directors

Dr. Raymond OR Ching Fai SBS, JP

Dr. William LO Wing Yan JP

Professor Caroline WANG Chia-Ling

Dr. Allan ZEMAN GBM, GBS, JP

** For identification purposes only*