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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

**TRANSACTIONS IN RELATION TO  
IMAGINE HOLDING COMPANY LLC  
AND IMAGINE TIGER TELEVISION LLC:**

**(1) DISCLOSEABLE TRANSACTION  
SUBSCRIPTION OF CLASS C UNITS IN IMAGINE**

**(2) CONNECTED TRANSACTION  
DISPOSAL OF SALE NOTE AND ITT CLASS A UNITS**

**(1) DISCLOSEABLE TRANSACTION IN RELATION TO  
SUBSCRIPTION OF CLASS C UNITS IN IMAGINE**

The Board announces that on 21 December 2022 (US time), TVB Venture has entered into a Subscription Agreement with Imagine, pursuant to which TVB Venture shall subscribe for, and Imagine will issue 2,621,148 non-voting Class C Units in Imagine, for the consideration of US\$20.0 million (equivalent to approximately HK\$156.0 million) using a portion of a capital return of US\$35.0 million to be made by ITT to TVB Venture. Since the payment will be made directly by ITT to Imagine on TVB Venture's behalf, TVB Venture will incur no cash outlay as a result of the Subscription.

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

## **(2) CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF SALE NOTE AND ITT CLASS A UNITS**

Reference is made to the ITT Announcement.

As disclosed in the ITT Announcement, on 26 July 2017, TVB Venture and Imagine entered into the ITT LLC Agreement in relation to the formation of a joint venture company, ITT, on a 50:50 basis between TVB Venture and Imagine, pursuant to which TVB Venture has contributed to the capital of ITT as to 50% of the equity interests in ITT and has provided a loan to ITT in the form of the Promissory Note.

The Board announces that on 22 December 2022 (after trading hours), the Company and the Purchaser have agreed to enter into the Disposal Agreement, pursuant to which the Purchaser agrees to purchase, and the Company agrees to procure TVB Venture to sell 10% of TVB Venture's interest in ITT, being (i) the Sale Note in the principal amount together with the accrued but unpaid interest of approximately US\$10.0 million out of the Promissory Note; and (ii) 10 ITT Class A Units, representing approximately 5% of the entire issued share capital in ITT on a fully-diluted basis, for the consideration of approximately US\$10.0 million (equivalent to approximately HK\$78.0 million).

As at the date hereof, Mr. Li Ruigang, a non-executive Director, controls the Purchaser. Accordingly, the Purchaser is a connected person of the Company, and the entering into of the Disposal Agreement constitutes a 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 Disposal Agreement are more than 0.1% but less than 5%, the Disposal Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As a result of the transactions above, the Group shall obtain the following:

1. less than 5% direct equity interest in Imagine; and
2. approximately US\$25.0 million (equivalent to approximately HK\$195.0 million) of cash proceeds.

# **1. SUBSCRIPTION OF CLASS C UNITS IN IMAGINE**

## **INTRODUCTION**

The Board announces that on 21 December 2022 (US time), the Group entered into the Subscription Agreement, principal terms of which are set out below.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

21 December 2022 (US time)

### **Parties**

- (i) TVB Venture
- (ii) Imagine

### **Subject matter**

Pursuant to the Subscription Agreement, TVB Venture has agreed to subscribe for, and Imagine has agreed to issue, 2,621,148 non-voting Class C Units in Imagine, representing approximately 99.2% of the total Class C Units in issue and less than 5% of the entire issued share capital in Imagine on a fully-diluted basis.

### **Consideration and payment terms**

The consideration for the Subscription is US\$20.0 million (equivalent to approximately HK\$156.0 million), to be paid on the date of the Subscription Agreement using a portion of a capital return of US\$35.0 million to be made by ITT to TVB Venture. Since the payment will be made directly by ITT to Imagine on TVB Venture's behalf, TVB Venture will incur no cash outlay as a result of the Subscription. The consideration was determined through arm's length negotiations between the parties with reference to various factors including, among other things, financial and operational metrics of Imagine and the benefits of and reasons for the Subscription as described below.

## **FINANCIAL INFORMATION ON IMAGINE**

According to the audited consolidated financial statements (prepared in accordance with the generally accepted accounting principles in the US), the audited consolidated net income (before and after taxation) attributable to Imagine in the two financial years ended 31 December 2020 and 2021 were equivalent to approximately HK\$77.2 million and HK\$124.8 million respectively. The unaudited total assets as at 31 October 2022 of Imagine and its subsidiaries as set out in the consolidated management accounts were equivalent to approximately HK\$2,680.9 million.

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

The Subscription provides the Group with a shareholding of a successful player in the US film and TV industry, with whom the Group already has an important partnership in the form of ITT, and from whom the Group expects to gain valuable insights into the future development of the TV industry globally.

The terms of the Subscription have been determined after arm's length negotiations between the parties thereto. The Directors are of the view that the terms of the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON TVB VENTURE AND IMAGINE**

TVB Venture is a company incorporated in the US with limited liability and indirectly wholly owned by the Company. It is principally engaged in investment holding.

Imagine is a company incorporated in the US with limited liability and an independent content studio based in California, US, specialising in development and production of films, scripted and unscripted television, documentaries and other screen media. As at the date of this announcement and based on the information available to the Company, Imagine's beneficial owners include the Raine Group LLC. Immediately prior to the Subscription, the Group holds no interests in Imagine.

As at the date of this announcement and based on the information available to the Company, the Purchaser indirectly holds beneficial interest of less than 5% in Imagine with no governance right in Imagine. Mr. Li Ruigang, a non-executive Director, controls the Purchaser and thus the Purchaser is a connected person of the Company. Save for the Purchaser's indirect interest in Imagine as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Imagine and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

As at the date of this announcement, each of TVB Venture and Imagine holds an equal share of equity interests in ITT. As the Class C units in Imagine are non-voting rights in nature, TVB Venture will not gain indirect voting right in ITT as a result of the Subscription.

## **IMPLICATIONS UNDER THE LISTING RULES**

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

## **2. DISPOSAL OF SALE NOTE AND ITT CLASS A UNITS**

### **INTRODUCTION**

Reference is made to the ITT Announcement.

As disclosed in the ITT Announcement, on 26 July 2017, TVB Venture and Imagine entered into the ITT LLC Agreement in relation to the formation of a joint venture company, ITT, on a 50:50 basis between TVB Venture and Imagine, pursuant to which TVB Venture has contributed to the capital of ITT as to 50% of the equity interests in ITT and has provided a loan to ITT in the form of the Promissory Note.

The Board announces that on 22 December 2022 (after trading hours), the Group and the Purchaser have agreed to enter into the Disposal Agreement in relation to the Disposal, principal terms of which are set out below.

## **THE DISPOSAL AGREEMENT**

### **Parties**

- (i) The Company
- (ii) Purchaser

### **Subject matter**

Pursuant to the Disposal Agreement, the Purchaser agrees to purchase, and the Company agrees to procure TVB Venture to sell, 10% of TVB Venture's interest in ITT, being (i) the Sale Note in the principal amount together with the accrued but unpaid interest of approximately US\$10.0 million out of the Promissory Note; and (ii) 10 ITT Class A Units, representing approximately 5% of the entire issued share capital in ITT.

### **Consideration and payment terms**

The consideration for the Disposal is approximately US\$10.0 million (equivalent to approximately HK\$78.0 million), comprising approximately US\$10.0 million for the Sale Note and US\$1 for the 10 ITT Class A Units, payable by the Purchaser in cash by wire transfer in immediately available funds within three days from the date of the Disposal Agreement.

The consideration was determined through arm's length negotiations between the parties with reference to various factors including, among other things, the outstanding principal amount of the Sale Note and interest accruing thereon, financial and operational metrics of ITT and the benefits of and reasons for the Disposal as described below.

### **Completion and termination**

Completion of the Disposal shall take place by 30 June 2023, or such other date as may be agreed between the Company and the Purchaser. If completion of the Disposal does not occur by 30 June 2023, or such other date as may be agreed between the parties, the Company may at any time thereafter terminate the Disposal Agreement with immediate effect by giving notice to the Purchaser, and, if the Company so terminates the Disposal Agreement, it shall refund to the Purchaser in full any amount of the consideration which the Purchaser had paid to the Company.

## **INFORMATION ON ITT AND THE PROMISSORY NOTE**

ITT is a company incorporated in the US with limited liability. It is a joint venture which is owned as to 50% by TVB Ventures and 50% by Imagine. The principal business of ITT is to finance the production of television programmes, including drama series and documentaries, for the US and international markets.

The audited net loss (before and after taxation) of ITT in the two financial years ended 31 December 2020 and 2021 were approximately US\$22.7 million (equivalent to approximately HK\$177.1 million) and approximately US\$14.1 million (equivalent to approximately HK\$110.0 million), respectively. Based on the unaudited management accounts of ITT, as at 30 June 2022, the net liabilities position of ITT was approximately US\$74.2 million (equivalent to approximately HK\$578.8 million).

As disclosed in the Company's 2021 annual report, the Promissory Note is unsecured and bears an interest rate of 12% per annum payable annually. The Promissory Note shall mature on the fifteenth anniversary from the date of issue. ITT may repay the outstanding principal under the Promissory Note in whole or in part from time to time, provided that any repayment during the period of four years from the date of the ITT LLC Agreement shall be subject to the prior approval of the board of directors of ITT. With effect from 1 July 2019, a conversion of the Group's equity contribution of approximately US\$7.7 million into a loan to ITT was executed, which accumulated the Promissory Note to ITT with a principal amount of approximately US\$74.4 million remained outstanding as at 30 June 2022.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Subject to final audit, it is expected that the Group will record no gain or loss from the Disposal and no change in net assets of the Group, which is calculated by comparing the proceeds with the carrying amount of the assets disposed of.

After the Disposal, TVB Venture will continue to hold 90 ITT Class A Units, representing approximately 90% of the total ITT Class A Units in issue and 45% of the entire issued share capital in ITT. The remaining balance of the Promissory Note (including its principal amount and accrued but unpaid interest) of approximately US\$90.0 million will continue to be held by TVB Venture.

The Group intends to use the net proceeds from the Disposal as its working capital.

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

As disclosed above, the Sale Note is not listed nor marketable securities with a relatively long maturity date, the Disposal allows the Group to realise the Sale Note prior to its maturity date and reduce part of its current investment exposure to ITT. The cash proceeds can be used to strengthen the Group liquidity position, whilst continuing to collaborate with Imagine in television projects through maintaining 90% of the total ITT Class A Units in issue and 45% of the entire issued share capital in ITT. With the Subscription and the Group's continued collaboration with Imagine through ITT, the Group expects its partnership with Imagine will be deepened in the future.

The terms of the Disposal Agreement have been determined after arm's length negotiations between the parties thereto. The Directors, including the independent non-executive Directors, consider that the terms of the Disposal Agreement are fair and reasonable, and the Disposal is on normal commercial terms and in the interests of the Company and Shareholders as a whole.

## **INFORMATION RELATING TO THE GROUP AND THE PURCHASER**

The Group is principally engaged in terrestrial television broadcasting with programme production, OTT streaming (including operations of myTV SUPER OTT service and website portals), e-Commerce business (including operation of e-Commerce platforms namely Ztore and Neigbuy), programme licensing and distribution, overseas pay TV and TVB Anywhere, and other activities.

The Purchaser is a company incorporated in the Cayman Islands with limited liability, and is engaged in the principal businesses of media and entertainment, film and television dramas, games, variety shows, information media, lifestyle and consumption, etc. As at the date hereof, Mr. Li Ruigang is the ultimate controlling shareholder of the Purchaser as well as a senior executive officer of the Purchaser.

## **CONNECTED RELATIONSHIP WITH THE PURCHASER AND IMPLICATIONS UNDER THE LISTING RULES**

As at the date hereof, Mr. Li Ruigang, a non-executive Director, controls the Purchaser. Accordingly, the Purchaser is a connected person of the Company, and the entering into of the Disposal Agreement constitutes a 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 Disposal Agreement are more than 0.1% but less than 5%, the Disposal Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.



As at the date hereof, Mr. Li is the ultimate controlling shareholder of the Purchaser as well as a senior executive officer of the Purchaser. In view of the above, Mr. Li is considered as having a material interest in the Disposal, and has abstained from voting on the resolutions of the Board passed in connection with the Disposal (including the Disposal Agreement). Besides, Mr. Thomas Hui To, the Chairman and a non-executive Director, is also a senior executive officer of the Purchaser. To avoid any potential conflict of interest, Mr. Thomas Hui To has voluntarily abstained from voting on the resolutions of the Board passed in connection with the Disposal (including the Disposal Agreement). In addition, Mr. Kenneth Hsu Kin, a non-executive Director, has voluntarily abstained from voting on the resolutions of the Board passed in connection with the Disposal (including the Disposal Agreement). Saved as disclosed above, none of the Directors (other than Mr. Li) has any material interest in the Disposal and no Director (other than Mr. Li, Mr. Hui and Mr. Hsu) was required to abstain from voting on the resolutions of the Board passed in connection with the Disposal and the Disposal Agreement.

## **TERMS USED IN THIS ANNOUNCEMENT**

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

“Board”	the board of the Directors
“Class C Units”	membership units designated as class C units issued by Imagine to TVB Venture, representing less than 5% of equity interests in Imagine on a fully-diluted basis
“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
“Disposal”	the disposal of the Sale Note and 10 ITT Class A Units from TVB Venture to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the ITT interest sale and purchase agreement to be entered into between the Company and the Purchaser in relation to the Disposal
“Director(s)”	the director(s) of the Company
“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
“Imagine”	Imagine Holding Company LLC, a company incorporated in the US with limited liability
“ITT”	Imagine Tiger Television, LLC, a company incorporated in the US with limited liability pursuant to the ITT LLC Agreement
“ITT Announcement”	the Company’s announcement dated 26 July 2017 in relation to, inter alia, the issuance of the Promissory Note by ITT to TVB Venture and the subscription of the ITT Class A Units by TVB Venture
“ITT Class A Units”	membership units designated as 100 class A units of US\$25,591,000 in ITT held by TVB Venture
“ITT LLC Agreement”	the limited liability company agreement dated 26 July 2017 entered into between TVB Venture and Imagine
“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
“Promissory Note”	the unsecured promissory note in the aggregate principal amount of US\$74.4 million bearing an interest rate of 12% per annum payable annually issued by ITT to TVB Venture
“Purchaser”	CMC Inc., a company incorporated in the Cayman Islands with limited liability
“Sale Note”	10% of the Promissory Note in the principal amount together with the accrued but unpaid interest of approximately US\$10.0 million to be sold by TVB Venture to the Purchaser
“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
“Subscription”	the subscription by TVB Venture of 2,621,148 Class C Units for a total consideration of US\$20.0 million (equivalent to approximately HK\$156.0 million) under the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between TVB Venture and Imagine on 21 December 2022 (US time) in relation to the Subscription
“TVB Venture”	TVB Venture Investment, LLC, a company incorporated in the US with limited liability and indirectly wholly owned by the Company
“US”	the United States of America
“US\$”	United States Dollars, the lawful currency of the US
“%”	per cent

In this announcement, amounts denominated in US\$ are converted into HK\$ at the rate of US\$1.00 = HK\$7.80. Such conversion rate is for illustration purpose only and should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

By order of the Board  
**Chan Shu Hung**  
Acting Company Secretary

Hong Kong, 22 December 2022

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