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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

PROPOSED ISSUE OF CONVERTIBLE BOND PURSUANT TO GENERAL MANDATE

SUBSCRIPTION OF THE CONVERTIBLE BONDS

The Board is pleased to announce that on 16 August 2023, the Company entered into a Subscription Agreement with Cardy Oval Limited, a company controlled by Mr. Goodwin Gaw (such company, the “Investor”), pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$156 million at an initial Conversion Price of HK\$4.45 per Conversion Share.

Based on the initial Conversion Price, a total of 35,056,164 Conversion Shares will be allotted and issued upon exercise in full of the conversion right attached to the Convertible Bonds, representing (i) approximately 8.00% of the existing issued share capital of the Company as of the date of this announcement; and (ii) approximately 7.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming that no other Shares are allotted and issued.

The Conversion Shares will be allotted and issued under the General Mandate. The net proceeds from the Subscription, being approximately HK\$155.2 million, will be used for general corporate purposes.

Following the HK\$700 million unsecured loan facility that the Company recently obtained from CMC Inc. and Young Lion Holdings Limited on 13 August 2023, on terms which are more favourable to the Company than its existing facilities, the Board believes that this subscription of the Convertible Bonds by a seasoned and highly reputable third-party investor such as Mr. Goodwin Gaw is another validation of the Company's future prospects, and a welcome further diversification of its sources of capital.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. As the transaction envisaged under the Subscription Agreement may or may not be completed, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed.

Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 16 August 2023, the Company entered into a Subscription Agreement with the Investor, pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for Convertible Bonds in an aggregate principal amount of HK\$156 million at an initial Conversion Price of HK\$4.45 per Conversion Share.

Details of the Subscription Agreement and the key terms and conditions of the Convertible Bonds are set out below.

THE SUBSCRIPTION AGREEMENT

Date

16 August 2023

Parties

- (1) the Company, as issuer; and
- (2) the Investor as subscriber.

Principal Amount of the Convertible Bonds

Pursuant to the Subscription Agreement and subject to the satisfaction or waiver of conditions precedent as set out below, the Investor will subscribe for the Convertible Bonds in the aggregate principal amount of HK\$156 million.

Conditions Precedent

Completion of the Subscription Agreement shall be subject to and conditional upon the following Conditions Precedent being satisfied, or as the case may be, waived:

- (1) the Company having obtained all necessary consents and approvals for issuing the Convertible Bonds and the Conversion Shares (other than in relation to the Conversion Condition) and the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Conversion Shares, and such approval remaining valid and effective;
- (2) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to Completion (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting the Subscription or any transactions contemplated by the Transaction Documents;
- (3) there having been no material breach of any Warranty by the Company on or since the date of the Subscription Agreement that remains unremedied; and
- (4) there having been no material breach of any Warranty by the Investor on or since the date of the Subscription Agreement that remains unremedied.

The Condition Precedent in paragraph (3) above may be waived by the Investor. The Condition Precedent in paragraph (4) above may be waived by the Company. No other Condition Precedent may be waived unless the Company and the Investor otherwise agree in writing.

In the event that all the Conditions Precedent have not been fulfilled, or waived in accordance with the Subscription Agreement, by the Long Stop Date, either the Company or the Investor may by notice in writing terminate the Subscription Agreement whereupon the Subscription Agreement shall lapse immediately thereafter and be of no further effect, but all rights and liabilities of the parties to the Subscription Agreement which have accrued before termination shall continue to exist.

Completion

Subject to fulfilment or waiver (as the case may be) of the Conditions Precedent, Completion shall take place on the fifth (5th) Business Day after the last Condition Precedent is satisfied or waived (as the case may be), or such other date as the Company and the Investor may agree in writing.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms and conditions of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$156 million
Maturity Date:	The fifth (5th) anniversary of the Completion Date
Interest rate:	Any amounts of the Convertible Bonds which remain outstanding shall carry interest at the rate of 3.5% per annum compounding annually. Any accrued but unpaid interest will be paid semi-annually in arrears in the sixth month after the Completion Date and in every sixth month thereafter to and including the earlier of (i) the due date for redemption of the Convertible Bonds and (ii) the Maturity Date.
Status and ranking:	The Convertible Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Company, and will at all times rank <i>pari passu</i> and without any preference or priority among the direct, unsubordinated, unconditional and unsecured obligations of the Company, with all other present and future direct, unsubordinated, unconditional and unsecured obligations of the Company (other than those preferred by applicable law).
Transferability:	The Convertible Bonds are not transferable and will not be listed.
Voting:	The Convertible Bonds do not confer its holders with the right to vote at any meetings of the Company.
Conversion:	Subject to the prior satisfaction of the Conversion Condition, the Investor shall have the right to convert any or all of the Convertible Bonds into fully paid Shares which shall rank <i>pari passu</i> in all respects with other Shares in issue and listed on the Stock Exchange at the prevailing Conversion Price (subject to adjustment) at any time before the Maturity Date.
Conversion price:	<p>The initial Conversion Price is HK\$4.45 per Share, which represents:</p> <p>(a) a premium of approximately 13.23% over the closing price of HK\$3.93 per Share as quoted on the Stock Exchange on 15 August 2023, being the trading day immediately prior to the date of the Subscription Agreement; and</p>

- (b) a premium of approximately 1.00% over the average closing price of HK\$4.406 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The initial Conversion Price of HK\$4.45 per Conversion Share was determined after arm's length negotiations between the Company and the Investor with reference to the prevailing market price of the Shares prior to the date of the announcement and the business performance of the Group. The Directors considered that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The initial Conversion Price is subject to adjustment option upon the occurrence of certain events, including (i) consolidation, subdivision or reclassification of Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) dividends; (v) rights issues of Shares or options over Shares; (vi) rights issues of other securities; (vii) issues at less than current market price; (viii) other issues at less than current market price; (ix) modification of rights of conversion; and (x) other offers to Shareholders, and other events as described in the terms and conditions of the Convertible Bonds.

Conversion Shares:

Based on the initial Conversion Price of HK\$4.45, a total of 35,056,164 Conversion Shares will be allotted and issued upon exercise in full of the conversion right attached to the Convertible Bonds, representing:

- (a) approximately 8.00% of the existing issued share capital of the Company as of the date of this announcement; and
- (b) approximately 7.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming that no other Shares are allotted and issued.

The Conversion Shares will be allotted and issued under the General Mandate. The Conversion Shares, when issued will rank *pari passu* and carry the same rights and privileges in all respects with the other Shares in issue and shall be entitled to all dividends and other distributions declared, paid or made thereon.

In view of the Investor being viewed as an “unqualified voting controller” from the perspective of the Broadcasting Ordinance upon being allotted and issued the Conversion Shares, the Company and the Investor shall, as soon as practicable after Completion, initiate the relevant approval application process with the Communications Authority for the Investor to hold over 5% of the shares of the Company upon conversion.

Redemption upon maturity:

Unless previously redeemed or converted and cancelled, the Company will redeem the Convertible Bonds at 100% of the principal amount together with the accrued and unpaid interest thereon on the Maturity Date.

Redemption upon Trigger Event:

Upon the occurrence of any Trigger Event (including (i) a Change of Control of the Company; (ii) a Delisting of the Company; (iii) the Shares being suspended from trading on the Stock Exchange for a period of 30 consecutive trading days; (iv) the occurrence of an Event of Default or (v) if there shall have been a breach of any covenant contained in the terms and conditions of the Convertible Bonds which has a material adverse effect on the Company), the Investor shall have the right to require the Company to redeem any or all of the outstanding Convertible Bonds at the aggregate principal amount together with (a) any accrued and unpaid interest as at the due date for redemption and (b) a simple interest of 10% per annum accrued from the Completion Date to the due date for redemption.

Early Redemption Rights:

Upon the occurrence of a Takeover of the Company, the Company may redeem all of the outstanding Convertible Bonds at an amount equal to 110% of the aggregate principal amount together with any accrued but unpaid interest as at the due date for redemption.

The Investor shall have the right to require the Company to redeem all and not part of the outstanding Convertible Bonds at 110% of the aggregate principal amount together with any accrued but unpaid interest as at the due date for redemption by giving notice to the Company within five Business Days after the third (3rd) anniversary of the Completion Date.

Cancellation:

All Convertible Bonds which are redeemed or converted shall forthwith be cancelled.

GENERAL MANDATE

Upon exercise in full of the conversion right attached to the Convertible Bonds at the initial Conversion Price of HK\$4.45, a total of 35,056,164 Conversion Shares shall be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 31 May 2023, subject to the limit of up to 10% of the aggregate number of Shares in issue on that date, which is equivalent to 43,800,000 Shares. As of the date of this announcement, no portion of the General Mandate has been utilised.

APPLICATION FOR LISTING

The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The net proceeds from the issue of the Convertible Bonds, being approximately HK\$155.2 million, will be used for general corporate purposes. Upon the conversion of any of the Convertible Bonds, the Investor will become a Shareholder which shall result in the further strengthening and diversification of the Company's shareholder base.

Following the HK\$700 million unsecured loan facility¹ that the Company recently obtained from CMC Inc. and Young Lion Holdings Limited on 13 August 2023, on terms which are more favourable to the Company than its existing facilities, the Board believes that this subscription of the Convertible Bonds by a seasoned and highly reputable third-party investor such as Mr. Goodwin Gaw is another validation of the Company's future prospects, and a welcome further diversification of its sources of capital.

Taking into account the aforementioned factors, the Board considered that the Subscription Agreement, including the terms and conditions of the Convertible Bonds, the issue of the Convertible Bonds and conversion of the Convertible Bonds into the Conversion Shares are made on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PERIOD

There has not been any fund raising activity involving the issue of equity securities of the Company in the 12 months preceding the date of this announcement.

¹ Pursuant to the terms of this loan facility, the total funds available to the Company will be reduced by any new capital raised by the Company through an issuance of equity or equity-linked instruments. As a result of the issuance of the Convertible Bonds, the total funds available in the amount of HK\$700 million under this loan facility will be reduced by the aggregate principal amount of the Convertible Bonds.

POTENTIAL EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the initial Conversion Price of HK\$4.45, a total of 35,065,164 Conversion Shares will be allotted and issued upon exercise in full of the conversion right attached to the Convertible Bonds, representing (i) approximately 8.00% of the existing issued share capital of the Company as of the date of this announcement; and (ii) approximately 7.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming that no other Shares are allotted and issued.

To the best knowledge of the Directors and the Company, set out below is the shareholding structure of the Company (i) as of the date of this announcement; and (ii) immediately after the full conversion of Convertible Bonds at the initial Conversion Price of HK\$4.45, assuming that there is no change in the existing shareholding of the Company and no adjustment to the initial Conversion Price of HK\$4.45:

Major Shareholder	As of the date of this announcement		Immediately upon conversion of the Convertible Bonds at the initial Conversion Price	
	Number of shares held	Approx. % of issued shares ^(a)	Number of shares held	Approx. % of issued shares ^(a)
Shaw Brothers Limited ^(b)	96,817,527 ^{#(c)(e)}	22.09%	96,817,527	20.46%
Young Lion Acquisition Co. Limited	96,817,527 ^{#(c)(e)}	22.09%	96,817,527	20.46%
Young Lion Holdings Limited	96,817,527 ^{#(c)(e)}	22.09%	96,817,527	20.46%
Ever Port Limited	96,817,527 ^{#(c)(e)}	22.09%	96,817,527	20.46%
Brilliant Spark Holdings Limited	96,817,527 ^{#(d)}	22.09%	96,817,527	20.46%
CMC Group Corporation	96,817,527 ^{#(d)}	22.09%	96,817,527	20.46%
CMC M&E Holdings Limited	96,817,527 ^{#(d)}	22.09%	96,817,527	20.46%
CMC M&E Acquisition Co. Limited	96,817,527 ^{#(d)(e)}	22.09%	96,817,527	20.46%
Silchester International Investors LLP	53,577,200 ^(f)	12.23%	53,577,200	11.32%
Silchester International Investors International Value Equity Trust	25,827,100 ^(f)	5.89%	25,827,100	5.46%
The Investor	–	–	35,056,164	7.41% ^(a)

^(a) Based on 438,218,000 ordinary shares of the Company in issue as at the date of this announcement

^(b) Shaw Brothers Limited (“SBL”) is the registered shareholder of 96,817,527 shares of the Company.

^(c) SBL is a wholly-owned subsidiary of Young Lion Acquisition Co. Limited (“YLA”), which is in turn a wholly-owned subsidiary of Young Lion Holdings Limited (“YLH”). YLH was controlled by Ever Port Limited (“EPL”), which was in turn wholly-owned by Mr. Kenneth Hsu Kin, a Non-executive Director of the Company (“Mr. Hsu”). Therefore YLA, YLH and EPL are deemed to be interested in the same 96,817,527 shares held by SBL.

- ^(d) *CMC M&E Acquisition Co. Limited (“CMC M&E Acquisition”) was deemed to be interested in the same 96,817,527 shares held by SBL. Such interests were held through its interest in YLH. CMC M&E Acquisition is a wholly-owned subsidiary of CMC M&E Holdings Limited, which is in turn a wholly-owned subsidiary of CMC Group Corporation. CMC Group Corporation is wholly-owned by Brilliant Spark Holdings Limited, which is in turn wholly-owned and controlled by Mr. Li Ruigang.*
- ^(e) *Mr. Hsu, EPL, CMC M&E Acquisition, YLH, YLA and SBL are the parties of an agreement (the “Agreement”) to hold the interest in these 96,817,517 shares of the Company. The Agreement is an agreement to which Section 317 of the SFO applies.*
- ^(f) *Silchester International Investors LLP was deemed to be interested in the shares held by Silchester International Investors International Value Equity Trust and certain co-mingled funds, in the capacity of investment manager.*

INFORMATION OF THE GROUP AND THE INVESTOR

The Group

The Group is Hong Kong’s leading television broadcaster and content producer. It is principally engaged in the broadcasting and production of television content, including drama, variety, news and information. Other than its five terrestrial free-to-air channels in Hong Kong, the Group also operates OTT streaming platforms including the myTV SUPER service in Hong Kong and TVB Anywhere globally. Outside of Hong Kong, the Group has a major presence in mainland China where it supplies and licenses television content to TV streaming platforms, and also operates a direct-to-consumer streaming service and multi-channel networks (MCN) business. Around the world, the Group also licenses content and channels to TV platforms in Southeast Asia, North America and Australia. The Group also has a growing online and new media business, including Hong Kong e-commerce platforms Ztore and Neigbuy.

The Investor

Cardy Oval Limited is a company incorporated in the Cayman Islands and controlled by a Hong Kong based investor, Mr. Goodwin Gaw.

Mr. Gaw has been the Chairman, Managing Principal and Co-Founder of Gaw Capital Partners, a global real estate private equity firm, since 2005. Mr. Gaw is also a member of the investment committee of Gaw Capital Partners. Mr. Gaw has over 25 years of real estate investment and management experience in the United States and Asia. Mr. Gaw has also served as the Vice Chairman of Pioneer Global Group (SEHK: 224), a company listed on the Stock Exchange since August 1996, and the President of Downtown Properties Holdings, a private real estate investment company with commercial property interests in the United States, since 1991. Mr. Gaw was awarded “Industry Figure of the Year” by Global PERE Awards in 2013, 2015 and 2018.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction or waiver of the Conditions Precedent set out in the Subscription Agreement. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Board”	the board of Directors of the Company
“Broadcasting Ordinance”	the Broadcasting Ordinance (Cap. 562 of the Laws of Hong Kong), as amended from time to time
“Business Day(s)”	a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remain hoisted in Hong Kong at any time between 9.00am and 5.00pm) on which commercial banks are open for general business in Hong Kong
“Change of Control”	Young Lion Holdings Limited (or its direct or indirect beneficial owners) ceases to be the single largest shareholder of the Company
“Company”	Television Broadcasts Limited, a company incorporated in Hong Kong, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 511)
“Completion”	completion of the Subscription Agreement
“Completion Date”	the fifth (5th) Business Day after the last Condition Precedent is satisfied or waived in accordance with the Subscription Agreement (other than any Condition Precedent which is expressed to be fulfilled on or as at the Completion Date, but subject to the fulfillment or waiver of such Condition Precedent), or such other date as the Parties may agree in writing
“Communications Authority”	the Communications Authority of Hong Kong

“Condition(s) Precedent”	the conditions precedent to Completion as set out in more detail in the section headed “The Subscription Agreement – Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Condition”	the obtaining of all necessary consents and approvals from the Communications Authority in accordance with the Broadcasting Ordinance, and under the terms of the Licence, and any other necessary regulatory approval, for the issuance of the Conversion Shares to the Investor
“Conversion Price”	the conversion price of the Convertible Bonds, initially being HK\$4.45 per Share (subject to any adjustment in accordance with the terms and conditions of the Convertible Bonds)
“Conversion Share(s)”	the Shares(s) to be issued upon conversion of the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$156 million to be issued by the Company to the Investor pursuant to the Subscription Agreement
“Delisting”	the Shares cease to be listed or admitted to trading on the Stock Exchange or if it is announced that the Shares will cease to be listed or admitted to trading on the Stock Exchange
“Director(s)”	the Director(s) of the Company
“Event(s) of Default”	the event(s) of default as specified in the terms and conditions of the Convertible Bonds, including but not limited to material breaches of the terms and conditions of the Convertible Bonds, cross-default by the Group and insolvency events
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 31 May 2023 to allot, issue and deal up to 10% of the then issued share capital of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Investor”	Cardy Oval Limited, a limited liability company incorporated in the Cayman Islands and controlled by a Hong Kong based investor, Mr. Goodwin Gaw
“Licence”	the Domestic Free Television Programme Service Licence issued by the Communications Authority to the Company under the Broadcasting Ordinance, as amended and/or renewed from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 September 2023 or such other date as the Company and the Investor may agree in writing
“Maturity Date”	the fifth (5th) anniversary of the Completion Date
“Shares”	the ordinary shares of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the issue of the Convertible Bonds by the Company and subscription of the Convertible Bonds by the Investor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 16 August 2023 entered into by the Company and the Investor in connection with the issue and subscription of the Convertible Bonds
“Takeover”	an event of change in control including but not limited to a privatisation of the Company by way of a scheme or offer. For the purpose of this definition, “control” shall have the meaning as specified in The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission from time to time

“Transaction Documents”	the Subscription Agreement, the Convertible Bonds and any other agreements, instruments, certificates executed or entered into pursuant to or in connection with any of the foregoing or any other documents designated as such by the Company and the Investor
“Warranties” or “Warranty”	the warranties given by the Company or the Investor in the Subscription Agreement
“%”	per cent.

By Order of the Board
CHAN Shu Hung
Acting Company Secretary

Hong Kong, 16 August 2023

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

Executive Chairman

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