

(Press Release)

Application for approval in relation to shareholding changes in ATV

The Broadcasting Authority (“BA”) approved on 18 May 2007 the application of Asia Television Limited (“ATV”) for changes in its shareholding structure involving unqualified voting controllers (“UVCs”), i.e. voting controllers who do not meet the residence requirement¹ under the Broadcasting Ordinance (Cap. 562) (“BO”). The BA also granted a waiver to ATV under its domestic free and non-domestic television programme service licences to effect the shareholding changes.

The BA’s approval is subject to the condition that ATV shall continue to comply with all the relevant regulatory requirements applicable to it and be bound by the statements, representations, assurances and undertakings in its application, including the undertaking by the relevant new shareholders to uphold the editorial independence of ATV.

One of our broadcasting objectives is to encourage investment in the industry. As such, our regulatory regime allows foreign ownership of a licensee company, but in the case of domestic free television programme service licensee, there are certain restrictions on the residence requirements for persons and companies exercising voting control of a licensee to ensure that Hong Kong viewers’ taste and interests are safeguarded.

The proposed changes in shareholding involved the introduction of new shareholders China Light Group Limited (“China Light”), Panfair Holdings Limited (“Panfair”) and Alnery No. 112 Limited (“Alnery”), through acquisition

¹ Under section 1 to Schedule 1 of the BO, in the case of a corporation, a qualified voting controller has to be ordinarily resident in Hong Kong.

“Ordinarily resident in Hong Kong” means –

- (a) in relation to an individual, residence in Hong Kong for not less than 180 days in any calendar year, or residence in Hong Kong for not less than 300 days in any two consecutive calendar years;
- (b) in relation to a corporation, a corporation which satisfies the following –
 - (i) if the number of directors who actively participate in its direction –
 - (A) is 2, each is an individual;
 - (B) is more than 2, each of a majority of them is an individual, for the time being ordinarily resident in Hong Kong in accordance with paragraph (a) and has been so resident for at least one continuous period of not less than seven years; and
 - (ii) the control and management of the company is bona fide exercised in Hong Kong.

of shares from existing ATV shareholders and subscription to new shares of ATV. After the shareholding changes, the shareholding structure of ATV will be as follows –

- (a) Alnery – 47.58%%
- (b) Dragon Viceroy Limited – 26.85%
- (c) China Light – 14.81%
- (d) Panfair – 10.75%

Mr Payson Cha, being a shareholder of Panfair and to be appointed as a director and chairman of Alnery, will become the chairman of ATV upon completion of the shareholding change.

Since China Light (and its direct and indirect holding companies, namely Guoan Elstrong Limited, CITIC Guoan Group and CITIC Group) will acquire more than 2% of the total voting control of ATV, and that the directors of these companies are not ordinarily resident in Hong Kong and the control and management of the corporation are not bona fide exercised in Hong Kong, the companies do not satisfy the residence requirement of “qualified voting controller” under the BO and BA’s prior approval under section 20 of Schedule 1 to the BO is therefore required. The other new shareholders are “qualified voting controllers” as defined in the BO.

In considering ATV's UVC application, the BA has adopted a set of well-established criteria which the Authority has consistently adopted for assessing similar applications in the past. The BA’s assessment on ATV’s application in meeting these criteria are as follows –

- (a) **Financial ability of the UVCs and the financial position of the licensee** – Given the financial capacity of the CITIC Group and ATV’s commitment to invest more than HK\$400 million for the roll-out of digital terrestrial television, CITIC Group’s investment in ATV will provide robust financial support to ATV.
- (b) **Benefits from UVC to the licensee and the broadcasting scene** – To enhance its competitiveness, ATV could leverage on the strengths and resources of the CITIC Group through its programme and film library resources, as well as its cable TV network which spans 7 provinces in the

Mainland. All these, together with a financially strengthened ATV, will in turn benefit the broadcasting scene in terms of viewers' choice and competition in the broadcasting industry.

- (c) **UVC's long term commitment to Hong Kong and licensee's assurance to provide a service catering for the needs of the Hong Kong community** – The UVCs have submitted undertakings, which will form part of the Licensee's Proposal of ATV, to ensure that they will make long term commitments to provide a service catering for the needs of Hong Kong community. There are also provisions in the BO and conditions in ATV's licence designed to ensure the programmes of the licensee adequately cater to the interest and tastes of the local audience.
- (d) **Control and management of the licensee bona-fide exercised in Hong Kong** – Based on the submission of ATV and the undertakings of the UVCs, the BA is satisfied that the majority of the directors and principal officers of ATV, including the principal officer in charge of selection, production or scheduling of television programmes, after the shareholding change will be ordinarily resident in Hong Kong. The control and management of ATV will therefore continue to be bona fide exercised in Hong Kong.
- (e) **Freedom of expression and editorial independence of the licensee** – The UVCs have submitted undertakings to this effect, which will form part of ATV's Licensee's Proposal, to ensure that the freedom and expression and editorial independence of ATV will be upheld after the shareholding change.

Broadcasting Authority
Secretariat

5 June 2007