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CMMB VISION HOLDINGS LIMITED
中國移動多媒體廣播控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 471)

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT**

Summary

- The Company has entered into the Supplemental Agreement with Chi Capital to amend and supplement the Sale and Purchase Agreement to include the LA Station as part of the subject matter of the Acquisition.
- Los Angeles is the second largest city and the city with the largest ethnic population in the US with approximately 17 million of population.
- Total consideration for the Acquisition will be US\$77.48 million, which is expected to be at a discount to the valuation of the Television Stations (including the LA Station) conducted by the independent professional valuer engaged by the Company for the purpose of the Acquisition.
- The Acquisition, if consummated, and together with the Group's current New York network, will allow the Group to have a strategically important wireless spectrum network covering the top 8 cities and approximately 30% TV households in the US, the world's largest media market.
- The network is expected to initially operate as a free-to-air TV broadcasting network and eventually be transformed into a next generation mobile multimedia network, which will adapt to and cross-operate with the Company's proposed satellite-terrestrial convergent mobile technology platform and ecosystem being developed in China as announced by the Company on 10 September 2014.

- The Acquisition will serve as an integral part of the company’s international spectrum acquisition strategy in developing a global and universal mobile network to provide multimedia and data services anytime anywhere to consumers, starting with China, Asia, the US, and eventually globally through unified satellite and terrestrial network infrastructure.

The completion of the Sale and Purchase Agreement is subject to the fulfilment of various conditions precedents and may or may not proceed to the completion. Accordingly, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the announcements (the “**Announcements**”) of the Company dated 23 May 2014, 26 May 2014, 23 June 2014, 31 July 2014, 15 September 2014 in relation to a proposed very substantial acquisition by the Group. Unless otherwise stated in this announcement, terms defined in the Announcements shall have the same meanings when used in this announcement

The Board is pleased to announce that on 14 October 2014, the Company has entered into a supplemental agreement (the “**Supplemental Agreement**”) with Chi Capital to amend and supplement the Sale and Purchase Agreement to include the LA Station as part of the subject matter of the Acquisition.

BACKGROUND

Reference is also made to the announcement of the Company dated 13 January 2014 regarding a memorandum of understanding (the “**LA MOU**”) entered into between the Group and NYBB in respect of the potential acquisition of the television station in Los Angeles, California, the United States, with the station call name KVHD-LD (the “**LA Station**”).

In July 2014 2014, NYBB assigned all its rights and obligations under the LA MOU to Chi Vision and transferred the relevant assets relating to the acquisitions contemplated under the LA MOU to Chi Vision in consideration for Chi Capital sharing 30% of the return on the LA Convertible Notes with NY Spectrum, if and when such economic benefit is realized by Chi Capital by way of disposal of the LA Convertible Notes or exercise of the conversion right attached to the LA Convertible Notes within a term of five years from the completion of the Acquisition. In addition, NYBB is expected to benefit from the increase in value in Chi Vision as a result of the assignment through its 20% interest in Chi Vision as disclosed in the Announcement.

Save as disclosed above, all other material terms and conditions of the LA MOU are identical to that of the MOUs, and the terms and conditions of the abovementioned assignment of the LA MOU are identical to that of the assignment of the MOUs by NYBB to Chi Vision.

On 30 July 2014, Chi Vision entered into a lease agreement (the “**LA Lease Agreement**”) with NYBB and NY Spectrum to acquire the spectrum capacity and other assets of the LA Station, with a 25-year leasing term renewable at the option of Chi Vision for a further term of 10 years upon each expiration. Under the lease agreement, Chi Vision would make monthly lease payment of a small nominal amount with the right to renew the lease on the same terms and conditions. Such nominal amount of lease payment is substantially below the market rate, representing a theoretical total lease value of US\$1,440,000 per annum for all of the channels of the LA Station. Save as disclosed above, the material terms and conditions of the LA Lease Agreement are identical to the lease agreement in respect of the lease of the Television Stations entered into among Chi Vision, NYBB and NY Spectrum as disclosed in the Announcements.

THE SUPPLEMENTAL AGREEMENT

On 14 October 2014, the Company has entered into a supplemental agreement (the “**Supplemental Agreement**”) with Chi Capital to amend and supplement the Sale and Purchase Agreement in the manners as set out below.

Pursuant to the Supplemental Agreement, the Television Stations to be acquired by the Company by way of the Acquisition will include the LA Station, being an additional television station, detailed as follows:

| | |
|---|--|
| Station call name: | KVHD-LD |
| Location: | Los Angeles, California |
| Spectrum Use: | 626 MHz — 632 MHz |
| Population coverage: | 17,206,901 |
| License grant date: | 6 April 1991 |
| License expiration date: | 1 December 2014 (application for renewal filed on 1 August 2014) |
| Date of transfer to NY Spectrum: | 12 August 2014 |
| Expiration date of lease agreement with NY Spectrum: | 30 July 2039 |

As at the date of this announcement, none of NY Spectrum, NYBB or Chi Vision is operating the LA Station to broadcast any programming and the LA Station has not generated any revenue or profit for NY Spectrum, NYBB or Chi Vision. Chi Vision is in the process of negotiating with prospective customers the terms of the relevant agreements for their programming to be broadcasted on the relevant channels of the LA Station now owned by Chi Vision.

As a result of the inclusion of the LA Station as part of the subject matter of the Acquisition, the consideration for the Acquisition has been increased by US\$9,480,000 from US\$68,000,000 under the original Sale and Purchase Agreement to US\$77,480,000 (the “**Consideration**”) pursuant to the Supplemental Agreement. The portion of the Consideration to be settled in cash has been changed from US\$30,000,000 to US\$34,180,000, which will be funded by the proceeds from the Company’s rights issue completed in July 2014. The balance of the increase in the Consideration of US\$5,300,000 shall be settled by the issue of convertible notes in the principal amount of US\$5,300,000 (the “**LA Convertible Notes**”) by the Company to Chi Capital upon Completion. The terms and conditions of the LA Convertible Notes are identical to that of the Convertible Notes, except that the LA Convertible Notes shall be convertible into Shares (the “**LA Conversion Shares**”) at the initial conversion price of HK\$0.473 per Share (the “**LA Conversion Price**”). The LA Conversion Price of HK\$0.473 represents (i) a premium of 10% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 14 October 2014; (ii) a discount of approximately 1.66% to an average closing price of HK\$0.481 per Share as quoted on the Stock Exchange for last five consecutive trading days up to and including 14 October 2014; and (iii) a premium of approximately 2.16% to the average closing price of HK\$0.463 per Share as quoted on the Stock Exchange for last ten consecutive trading days up to and including 14 October 2014.

Similar to the conversion restrictions on the Convertible Notes as disclosed in the Announcements, holder(s) of the LA Convertible Notes shall not be entitled to exercise the conversion right to convert any part of the outstanding principal amount of the LA Convertible Notes into new Shares if (i) such conversion will cause the Minimum Public Float; or (ii) the Aggregate Beneficial Interest to be held by the such holder(s) of the LA Convertible Notes in the Company as a result of such conversion to become equal to or exceed the Conversion Threshold following such conversion. If (i) the principal amount specified in the conversion notice given by holder(s) of the LA Convertible Notes to be converted into new Shares will effectively cause the public float of the Company to fall below the Minimum Public Float; or (ii) the Aggregate Beneficial Interest shall be equal to or exceed the Conversion Threshold as a result of any conversion of the relevant LA Convertible Notes triggering the obligation on the part of the holder of the LA Convertible Notes to make a mandatory

general offer pursuant to the Takeovers Code, the Company shall only be obliged to convert such principal amount of the LA Convertible Notes to the extent that such conversion will not result in (i) the public float of the Company to fall below the Minimum Public Float; or (ii) the Aggregate Beneficial Interest becoming equal to or exceeding the Conversion Threshold, respectively.

No listing of the LA Convertible Notes will be sought on the Stock Exchange or any other stock exchanges. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the LA Conversion Shares to be allotted and issued upon the conversion of the LA Convertible Notes. The Company will seek the grant of the Specific Mandate from the Shareholders to allot and issue the LA Conversion Shares upon conversion of the LA Convertible Notes, which form part of the consideration for the Acquisition, in addition to the Conversion Shares.

The increase in the Consideration was determined by the parties to the Sale and Purchase Agreement based on arm's length negotiation taking into account primarily assets in the market comparable to the LA Station. In particular, for the purpose of determining the increase in the Consideration, the Board has taken into account (i) the valuation of the intangible assets, being television spectrum user rights, owned by CMMB Vision (USA) Inc., a non-wholly owned subsidiary of the Company which owns four UHF television stations totaling 24 MHz in spectrum bandwidth capable of broadcasting 24 digital channels with a population coverage of 8,175,133 covering New York City of US\$23.69 million as at 30 June 2014; (ii) the range of prices of television spectrum per MHz per population covered (i.e. number of people) among the purchases and sales of comparable television spectrum licenses and air-wave in the US market as selected by the independent valuer engaged by the Company as comparable transactions for the purpose of providing its opinion on the valuation of the spectrum user rights owned by Chi Vision, which took place during the period from January 2012 to November 2013, from US\$0.34 to US\$0.63 per MHz per population covered; (iii) and the value created by the addition of the LA Station to the network of the television stations owned by Chi Vision. The additional consideration for the acquisition of the LA Station pursuant to the Supplemental Agreement, on a per MHz per population basis, lies on the higher end of the aforementioned price range of television spectrum because the profitability of a television station in the Los Angeles market is expected to be above average in the U.S. due to the ethnic diversity and the relatively high level of media consumption in the Los Angeles market.

Pursuant to the Supplemental Agreement, if the license of the LA Station which is due for renewal in December 2014 is not renewed by the US Federal Communications Commission as a result of failure on the part of NY Spectrum and/or NYBB in complying with relevant regulatory requirements, the Company will be entitled to cancel (i) such principal amount of the LA Convertible Notes held by Chi Capital equivalent to the value of the intangible asset attributable to the LA Station as reported in the valuation report to be issued in connection with the Acquisition, which is to be contained in the Circular, up to US\$5,300,000; and (ii) such principal amount of the Convertible Notes representing the amount of the intangible asset attributable to the LA Station as reported in the valuation report in excess of US\$5,300,000 (in addition to any reduction to the principal amount of the Convertible Notes pursuant to the Sale and Purchase Agreement as a result of failure of renewal of the license(s) of any of the other Television Stations).

In addition, as disclosed in the circular and prospectus of the Company dated 16 June 2014 and 10 July 2014, respectively, in relation to the rights issue (the “**Rights Issue**”) and bonus issue (the “**Bonus Issue**”) conducted by the Company in July 2014, the Rights Issue and the Bonus Issue would give rise to an adjustment to the conversion price of the Convertible Notes. As a result of the completion of the Rights Issue and Bonus Issue in July 2014, the conversion price of the Convertible Notes will be adjusted from HK\$0.15 to HK\$0.10 per Share upon issue, assuming that there are no other adjustments to the conversion price of the Convertible Notes.

Save as disclosed above, the other key terms of the Sale and Purchase Agreement and the Acquisition as set out in the Announcement remain unchanged.

The shareholding structures of the Company before and after the completion of the Acquisition and conversion of the Convertible Notes and the LA Convertible Notes in full (assuming no other issue or repurchase of Shares) are as follows:

| Shareholder | Before completion of the Acquisition | | After completion of the acquisition and full conversion of the Convertible Notes and the LA Convertible Notes² | |
|--------------------------|---|---------------|--|---------------|
| | <i>Number of shares</i> | <i>%</i> | <i>Number of shares</i> | <i>%</i> |
| Chi Capital ¹ | 1,103,431,352 | 29.95% | 4,139,182,726 | 61.59% |
| Public | <u>2,581,412,224</u> | <u>70.05%</u> | <u>2,581,412,224</u> | <u>38.41%</u> |
| Total | <u>3,684,843,576</u> | <u>100.0%</u> | <u>6,720,594,950</u> | <u>100.0%</u> |

Note:

1. Chi Capital is also interested in Hong Kong dollar denominated convertible notes in the principal amount of HK\$45,785,596 issued by the Company to Chi Capital convertible into 167,100,715 Shares (subject to adjustment) upon conversion in full.
2. For illustrative purpose only.

For illustration purpose only, in the event that the Convertible Notes and the LA Convertible Notes were fully converted, the Conversion Shares and the LA Conversion Shares will represent approximately 82.38% of the entire issued share capital of the Company as at the date of this announcement, and approximately 45.17% of the entire issued share capital of the Company as enlarged by the issuance of the Conversion Shares and the LA Conversion Shares on a fully diluted basis. Nevertheless, pursuant to the terms of the Sale and Purchase Agreement and the Supplemental Agreement, Chi Capital will only be able to convert the Convertible Notes and/or the LA Convertible Notes to the extent that (i) the public float of the Company would not fall below the Minimum Public Float and (ii) the Aggregate Beneficial Interest will not be equal to or exceed the Conversion Threshold as a result of any conversion of the relevant Convertible Notes triggering the obligation on the part of the holder of the Convertible Notes to make a mandatory general offer pursuant to the Takeovers Code.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

Los Angeles is the second largest city and the city with the largest ethnic population in the US. The inclusion of the LA Station to the Group's portfolio of television stations will enlarge the coverage of the Group's television network and enhance the diversity for service, thereby greatly enhance the value of the Group's network of television stations in the US as a whole. The parties originally intended to include the LA Station when the original Sales and Purchase Agreement was entered into. As additional time was required for the procedures of transferring the licenses of the LA Station to NY Spectrum, which was completed in August 2014, the parties entered into the Supplemental Agreement to implement the acquisition of the LA Station by the Group after such transfer has been completed.

The Board (excluding the independent non-executive Directors whose views will be expressed after considering the advice from the independent financial adviser) consider that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FURTHER INFORMATION ON CHI VISION

Taking into account the prices of television spectra transacted in the US in year 2013 that are comparable to those owned by CMMB Vision (USA) Inc. on a per MHz per population basis, the fair value of the intangible asset, being television spectrum user rights, owned by CMMB Vision (USA) Inc. of US\$23.8 million as at 31 December 2013, and the additional value that would be created by having a the network of the seven Television Stations, including the LA Station, the Company estimated that the fair value of Chi Vision is approximately US\$98 million, comprising primarily the intangible asset of the spectrum user rights of the Television Stations and the LA Station at US\$12 million and approximately US\$50,000 in cash and bank balances.

As disclosed in the Announcements, the expiry dates for the television spectrum licenses of KQHO-LD located in Houston and KVFW-LD located in Dallas were 1 August 2014, and applications for renewal of these licenses have been filed on 26 March 2014. As at the date of this announcement, the said applications for renewal are still being processed by the relevant authorities.

For the two years ended 31 December 2013, the net profits before taxation and extraordinary items attributable to the assets of Chi Vision, including the LA Station, are nil and nil, respectively, and the net profit after taxation and extraordinary items are nil and nil, respectively.

INFORMATION ON CHI CAPITAL

Chi Capital is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Wong Chau Chi, the chief executive officer of the Group, the executive Director and the chairman of the Board. The principal business of Chi Capital is investment holdings.

As at the date of this announcement, Chi Capital beneficially owned 1,103,431,352 Shares, representing approximately 29.95% of the issued share capital of the Company. Chi Capital also beneficially owned convertible notes (the “**Existing Convertible Notes**”) issued by the Company in the principal amount of HK\$45,785,596, convertible into a total 167,100,715 Shares (subject to adjustment) upon conversion in full. Mr. Wong Chau Chi, as the sole shareholder of Chi Capital, is deemed to be interested in the 1,103,431,352 Shares and the Existing Convertible Notes beneficially owned by Chi Capital under the provisions of Division 2 and 3 of Part XV of the SFO.

INFORMATION ON NY SPECTRUM AND NYBB

NY Spectrum has been approved by the Federal Communication Commission for buying and owning television spectrum assets in the US. NY Spectrum is primarily engaged in the business of buying, selling and leasing television spectra in the US. NY Spectrum is owned as to 15% by Chi Capital and 85% by US citizens who are third parties independent of the Company and its connected persons.

NYBB was set up by NY Spectrum to hold and manage the Television Stations (including the LA Station) for NY Spectrum. Other than carrying out tasks to ensure compliance with all the statutory requirements in respect of television spectrum owned by NY Spectrum, including filing, reporting, license renewal requirements administered by the US Federal Communication Commission, NYBB has no business operations.

INFORMATION ON THE GROUP

The principal business activity of the Group is the development and promotion of CMMB-based multimedia and interactive services. In China, the Group has been the principal developer for the CMMB and NGB-W technology and a value-added service provider in support of SARFT's CMMB services. Outside the PRC, the Group intends to provide turnkey solutions to develop and deploy CMMB-based system, network, business platform to international markets and participates in service operations through local partnerships so as to promote CMMB into an international standard and build a global CMMB franchise.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios of the Acquisition (pursuant to the Sale and Purchase Agreement as amended and supplemented by the Supplemental Agreement) exceed 100%, the Acquisition constitutes a very substantial acquisition of Chi Vision under Chapter 14 of the Listing Rules. Mr. Wong Chau Chi, being a Director, is a connected person of the Company, and hence Chi Capital, being an associate of Mr. Wong Chau Chi, is also a connected person of the Company under the Listing Rules. The Sale and Purchase Agreement and the Acquisition thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Accordingly, the Sale and Purchase Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated under it are subject to the reporting, announcement and the shareholders' approval requirements set out in Chapter 14 of the Listing Rules and the reporting, announcement and the Independent Shareholders' approval requirement under Chapter 14A the Listing Rules.

FURTHER DELAY IN DESPATCH OF CIRCULAR

As announced in the Announcements, the Circular was expected to be despatched to the Shareholders on or before 15 October 2014. As further time is required to finalise certain information to be included in the Circular, including the information on the LA Station, the valuation report on the Chi Vision, the financial information of Chi Vision, and the letter from Veda Capital, the Circular containing, among other matters, (i) further information on the Sale and Purchase Agreement and the Supplemental Agreement; (ii) further information on the proposed specific mandate to issue the Conversion Shares and the LA Conversion Shares; (iii) the notice of the EGM; (iv) the letter from Veda Capital to both the Independent Board Committee and the Independent Shareholders regarding the Sale and Purchase Agreement and the Supplemental Agreement and the transactions thereunder and the specific mandate; and (v) the recommendation of the Independent Board Committee to the Independent Shareholders in connection thereto, is currently expected to be despatched to the Shareholders on or before 15 November 2014.

The completion of the Sale and Purchase Agreement is subject to the fulfilment of various conditions precedents and may or may not proceed to the completion. Accordingly, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

By order of the Board
CMMB Vision Holdings Limited
Wong Chau Chi
Chairman

Hong Kong, 14 October 2014

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. WONG Chau Chi and Dr. Hui LIU; two non-executive Directors, namely Mr. CHOU Tsan-Hsiung and Mr. YANG Yi; and three independent non-executive Directors, namely Mr. WANG Wei-Lin, Mr. Shan LI and Dr. LI Jun.