

**Recent Developments in Taiwan, Republic of China**  
– CLEARANCE GRANTED TO COMBINATION BETWEEN WANT CHUNG  
MEDIA AND ANSHUN/BOKANG WITH ELEVEN CONDITIONS

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At its April 27, 2011 commissioners' meeting, the Fair Trade Commission ("FTC") conditionally approved the proposed combination of Want Chung Media Co., Ltd. ("Want Chung"), Anshun, Bokan (collectively "Holdco") and Holdco's subsidiaries, including CNS Network Co., Ltd ("CNS"), Global Digital Media Co. Ltd. ("GDM") and 11 cable system operators ("SOs").

CNS is a Taiwanese multiple cable system operator (MSO) of which MBK Partners, through the Holdco, is the major shareholder. CNS itself and other subsidiaries of Holdco have invested in a total of 11 SOs. Meanwhile, another of MBK Partners' indirect subsidiary, GDM, is in the business of channels distribution/agency service. The subject transaction involves Want Chung's acquisition of Holdco and then CNS, GDM and the 11 SOs.

Having reviewed Want Chung's shareholding structure, the FTC found that Want Chung's shareholders are also in the same businesses as the target companies, which are: distribution/agency of TV shopping programs (Eastern Media International Corporation), cable system operation (Net Wave Cable Systems Co., Ltd., Hsin Yeong An Cable TV Co., Ltd., and Power Full Cable Television Co., Ltd.), and TV content provider (CTI Television Incorporation). In this connection, such combination should be defined as a mixture of horizontal, vertical and conglomerate combination, according to the FTC.

In terms of the transaction structure, the FTC opined that the disadvantage arising from the combination does not outweigh the overall economic benefits for the following two reasons: (a) there is no violation of the 1/3 nationwide market share limit (i.e., 1/3 of the total cable television subscribers), and (b) there is no violation of the 1/4 limit on an SO's cross-over engagement in the channel supply business (i.e., the number of channels supplied by an SO and its affiliates cannot exceed 1/4 of the total number of channels available on its system).

However, there is still some anti-competition concern in the cable system operation market, analogue channel distribution/agency market, and TV shopping market. This is because after the amendments to the Taiwan Cable TV Act come into effect, the operation region of each SO will be divided by municipality. In this regard, since some of the participating parties which act as SOs are located in the same region as Want Chung's shareholders, potential competition exists among them. Meanwhile, concerted action is possible if Want Chung's shareholders obtain access to the participating parties' business secrets by improperly exercising their shareholders' rights.

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Moreover, it is likely that the participating parties will abuse their market power in the cable system operation market and analogue channel distribution/agency market by refusing to transact without justification, discriminating against counterparties, and staging boycotts, which may affect the trade order of cable television business and satellite broadcasting program supply business. Also, the FTC found that through the incumbent directors/supervisors of the participating parties and Want Chung's shareholders in the TV shopping program-related business, the participating parties are capable of forcing other enterprises running TV shopping programs out of the market by rejecting them from, or demanding unfavorable transaction terms in relation to the use of advertising channels.

Given the above, after considering various factors, including the current laws, regulations and legal framework, relevant market structure and competition, opinions from relevant industries, trends in technology development and the maintenance of market competition after the combination, the FTC concluded that the overall economic benefit due to this transaction would outweigh the disadvantages of stifled competition. Consequently, it permitted the subject transaction in accordance with Article 12 of the Fair Trade Act ("FTA"), subject to the following 11 conditions:

1. Without prior approval from the FTC, no directors, supervisors or managers of Want Chung, companies controlling it, and companies being controlled by it (collectively the "Want Chung Group") can simultaneously serve as a director, supervisor or manager of Easter Media International Corporation, CTI Television Incorporation, Net Wave Cable Systems Co., Ltd., Hsin Yeong An Cable TV Co., Ltd. and Power Full Cable Television Co., Ltd., and *vice versa*.
2. Without prior approval from the FTC, no directors, supervisors or managers of Want Chung Group can simultaneously serve as a director, supervisor or manager in a Taiwan SO (other than that within Want Chung Group as a result of the combination), companies controlling such SO, or companies being controlled by such SO.
3. Without prior approval from the FTC, Want Chung Group cannot increase the number of analogue channels being produced or distributed by its group companies.
4. Without prior approval from the FTC, Want Chung Group cannot produce or act as agent for TV shopping programs.
5. When a shareholder of Want Chung Group plans to transfer its shares, Want Chung Group should use its best endeavors to facilitate transfer of such shares to other existing shareholders or to buy back such shares, in order to maintain the simplicity of the shareholding structure.
6. For channels produced or distributed by Want Chung Group, the Want Chung Group can neither, without reasonable grounds, refuse to license other SOs, DTH (direct-to-home) operators, multimedia content service providers, or other competitors operating fixed-line or wireless network transmission of channel services to broadcast such channels nor discriminate against them.
7. For channels produced or distributed by Want Chung Group, the Want Chung Group cannot, without reasonable grounds, license other SOs, DTH operators, multimedia content service providers, or other competitors operating fixed-line or wireless network transmission of channel services with different licensing fees or with conditions other than fees.

8. Want Chung Group cannot, without reasonable grounds, refuse transactions with or discriminate against advertisers or TV shopping channel providers when it comes to the broadcast of their product advertisements or TV shopping channels; nor can Want Chung Group, along with a party that does not belong to Want Chung Group, boycott advertisers or TV shopping channel providers.
9. Want Chung Group must take the following actions immediately after implementation of the combination:
  - (i) actively complete digitalization of cable televisions and two-way network constructions;
  - (ii) actively complete implementing the Digital Convergence Plan announced by the Executive Yuan on 8 July 2010;
  - (iii) actively obtain a license from program providers for broadcasting through IPTV and reasonably re-license IPTV operators such rights on fair and reasonable basis;
  - (iv) assist in the development of HD contents and channels to facilitate the development of cultural and creative industries and actively promote HD programs in the SOs to encourage domestic channel providers to produce more digital programs;
  - (v) actively provide diversified digital service options to protect the right of low-income households to access digital media and to provide them with digital programs at favorable prices; and
  - (vi) actively promote the use of advertisement channels by multiple advertisers and TV shopping channel providers for broadcasting advertisements and TV shopping channels.
10. Want Chung must submit the following information to the FTC by July 1 each year for the next five years from the date of the implementation of the combination:
  - (i) names of the channels and the distribution/agent agreements for the channels being produced or distributed by Want Chung Group;
  - (ii) information related to the pricing, contract prices, agreements and other transaction information relating to the product advertisements or TV shopping channels placed by each of the advertisers and TV shopping product providers on the advertisement channels of Want Chung Group; and
  - (iii) a report on how the combination benefits the general public (including but not limited the benefits from Want Chung's fulfillment of the 9th condition mentioned above).
11. Within the next five years of the date of the implementation of the combination, Want Chung must submit any changes to the directors, supervisors, managers or articles of incorporation of each Want Chung Group company to the FTC.

The FTC further pointed out that the proposed transaction involves not only competition issues but also issues related to media integration, speech diversity, and sources of investment capital. Therefore, the proposed transaction can be closed only after all other relevant authorities, including the National Communication Commission, the Investment Commission, and the Financial Supervisory Commission, have given the green light.