



ZEE TELEFILMS LIMITED

Registered Office: 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

COURT CONVENED MEETING OF THE EQUITY SHAREHOLDERS

Day : Tuesday
Date : July 25, 2006
Time : 2.00 p.m.
Venue : Ravindra Natya Mandir,
P. L. Deshpande Maharashtra Kala Academy,
Sayani Road, Prabhadevi, Mumbai - 400 025.

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IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY APPLICATION NO. 666 OF 2006

In the matter of the Companies Act, 1956 (1 of 1956);

And

In the matter of Sections 391 to 394 read with Sections 78, 100 to 103 and other applicable provisions of the Companies Act, 1956;

And

In the matter of Scheme of Arrangement between Zee Telefilms Limited, Zee News Limited, Siti Cable Network Limited, Wire & Wireless (India) Limited and their respective shareholders.

ZEE TELEFILMS LIMITED,

a Company incorporated under the Companies Act, 1956]
having its registered office at 135, Continental Building,]
Dr. Annie Besant Road, Worli, Mumbai – 400 018.] Applicant Company

NOTICE CONVENING THE MEETING OF EQUITY SHAREHOLDERS OF ZEE TELEFILMS LIMITED

To,

The Equity Shareholders of **ZEE TELEFILMS LIMITED**, the Applicant Company:

- a. **TAKE NOTICE** that by an Order made on the 16th June, 2006, in the above Company Application, the Hon'ble High Court of Judicature at Bombay has directed that a meeting of the Equity Shareholders of Zee Telefilms Limited, the Applicant Company, be convened and held on Tuesday, the 25th July, 2006, at 2.00 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai - 400 025 for the purpose of considering and if thought fit, to approve, with or without modification(s) the arrangement embodied in the Scheme of Arrangement ("the Scheme") between Zee Telefilms Limited, Zee News Limited, Siti Cable Network Limited, Wire & Wireless (India) Limited and their respective shareholders.
- b. **TAKE FURTHER NOTICE** that in pursuance of the said Order and as directed therein, a meeting of the Equity Shareholders of Zee Telefilms Limited, the Applicant Company, will be held on Tuesday, the 25th July, 2006, at 2.00 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai - 400 025, at which place, day, date and time you are requested to attend.
- c. **TAKE FURTHER NOTICE** that you may attend and vote at the said meeting in person or by proxy provided that a proxy in the prescribed form, duly signed by you or your authorised representative, is deposited at the Registered Office of the Applicant Company at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018 not later than 48 hours before the date of the meeting.
- d. The Hon'ble High Court has appointed Mr. Subhash Chandra, Chairman of the Applicant Company, and failing him Mr. Ashok Kurien, Director of the Applicant Company, and failing him Mr. Punit Goenka, Whole-Time Director of the Applicant Company, to be the Chairman of the said Meeting.
- e. A copy of the Scheme of Arrangement, the Statement under Section 393 of the Companies Act, 1956, the Attendance Slip and Form of Proxy are enclosed herewith.

Dated this 26th day of June 2006

Subhash Chandra
Chairman appointed for the Meeting

Registered Office:

135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

Notes:

1. All alterations made in the Form of Proxy should be initialed.
2. Only registered shareholders of the Applicant Company may attend and vote (either in person or in proxy) at the shareholders' meeting.

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY APPLICATION NO. 666 OF 2006

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And

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ZEE TELEFILMS LIMITED,

a Company incorporated under the Companies Act, 1956]	
having its registered office at 135, Continental Building,]	
Dr. Annie Besant Road, Worli, Mumbai – 400 018.]	Applicant Company

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956

1. Pursuant to an Order dated 16th day of June 2006 passed by the Hon'ble High Court of Judicature at Bombay in the Company Application referred to hereinabove, a meeting of the Equity Shareholders of the Applicant Company, is directed to be convened, and held, on Tuesday, the 25th day of July, 2006, at 2.00 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai - 400 025 for the purpose of considering and, if thought fit, approving with or without modification(s), the arrangement embodied in the proposed Scheme of Arrangement (hereinafter referred to as 'the Scheme') between Zee Telefilms Limited, Zee News Limited, Siti Cable Network Limited, Wire & Wireless (India) Limited and their respective shareholders.
2. In this statement Zee Telefilms Limited is hereinafter refer to as "ZTL" or "the Applicant Company", Zee News Limited as "ZNL", Siti Cable Network Limited as "Siti Cable" and Wire & Wireless (India) Limited as "Wire & Wireless". The other definitions contained in the Scheme will apply to this Explanatory Statement also.
3. The proposed Scheme envisages demerger of the news business undertaking of ZTL into ZNL and demerger of the cable business undertaking of ZTL and cable business undertaking of Siti Cable into Wire & Wireless pursuant to the relevant provisions of the Companies Act, 1956.
4. A copy of the Scheme setting out the terms and conditions of the arrangement, which has been approved by the Board of Directors of the Applicant Company at its meeting held on March 29, 2006, ZNL, Siti Cable and Wire & Wireless at their respective meetings held on March 30, 2006 is forming part of this Explanatory Statement.
5. ZTL was incorporated on 25th day of November, 1982 under the provisions of the Companies Act, 1956 under the name and style of Empire Holdings Limited. Subsequently, the name of the Applicant Company was changed to Zee Telefilms Limited with effect from the 8th day of September, 1992. The Applicant Company is the flagship company of the Zee group and is India's first largest vertically integrated media and entertainment company, having various businesses like (i) Content and Broadcasting; (ii) News and Regional Channels; (iii) Cable Distribution; (iv) Direct Consumer Services Business and (v) Film Production and Distribution.
6. The Registered Office of the Applicant Company is situated at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018.
7. The main objects for which the Applicant Company has been established are set out in its Memorandum of Association.

8. The Share Capital of the Applicant Company as on March 31, 2005 was as under:

Authorised	Amount (Rs. in '000)
500,000,000 Equity Shares of Re. 1 each	500,000
2,500,000 Cumulative Redeemable Preference Shares of Re.100 each	250,000
Total	750,000
Issued, Subscribed and Paid-up	
412,505,012 Equity shares of Re. 1 each, fully paid	412,505
Less: Calls in arrears (others)	67
Total	412,438

The equity shares of ZTL are listed on the Bombay Stock Exchange Limited, the National Stock Exchange of India Limited and the Calcutta Stock Exchange Association Limited.

ZTL has issued 10,000 3.5% (YTM) Foreign Currency Convertible Bonds of US\$ 10,000 each aggregating to US\$ 100 million. These bonds are listed on the Singapore Stock Exchange.

Subsequent to March 31, 2005 ZTL has issued and allotted 2,042,320 equity shares of Re.1 each to Foreign Currency Convertible Bond Holders, who exercised the conversion right pursuant to the terms of the issue. Pursuant to such issue of further shares, the Issued and Subscribed equity share capital of ZTL as on date is Rs. 414,547,332 divided into 414,547,332 equity shares of Re. 1 each.

9. The summary of the audited financial statements of ZTL for 3 years ended March 31, 2005, March 31, 2004 and March 31, 2003 is enclosed as **Annexure 1A**. Further, the unaudited financial results for the year ended March 31, 2006 published by ZTL are enclosed as **Annexure 1B**.

10. The background of the Board of Directors of ZTL is as follows:

Sr. No.	Name of the Director (with personal address)	Designation	Age	Educational Qualification	Experience (No. of years)
1.	Mr. Subhash Chandra 11, Berkley Court, Glentooth Street, London, NW 15 NV, U.K.	Chairman	55	Undergraduate	38 years
2.	Mr. Laxmi Narain Goel Essel Farm House No.3, Village-Sultanpur, Mehrauli, New Delhi	Whole-time Director	53	Graduate	36 years
3.	Mr. Ashok Kurien 14, Ashutosh, 38A, Nepeansea Road, Mumbai	Director	56	B.A.	35 years
4.	Mr. Nemi Chand Jain 601, Sanskruti, Plot 21, Sector 42, Nerul (Navi Mumbai)	Director	67	Post Graduate in Accounts & Law	40 years
5.	Mr. B. K. Syngal LCG 801B – The Laburnum, Sector 28, Gurgaon – 122 002, Haryana	Director	66	B.Tech, M.Tech	40 years
6.	Mr. D. P. Naganand 2-B, Jayshree Point, 3-1/2, Ali Askar Road, Bangalore – 560 052	Director	56	B.Tech, MBA & AMP	30 years
7.	Mr. Punit Goenka Bungalow No.1, Jolly Maker Apts No.1, Cuffe Parade, Mumbai - 400 005	Whole-time Director	31	B.Com.	9 years

Sr. No.	Name of the Director (with personal address)	Designation	Age	Educational Qualification	Experience (No. of years)
8.	Mr. Rajan Jetley 51, Wood Stock Court, Byrnt Ash Hill, London U.K.	Director	56	B.A., MBA	33 years
9.	Sir Gulam Noon 2-3, The Polygon, 89 Avenue Road, London, NW86JB	Director	70	MBE	45 years
10.	Dr. M. Y. Khan 4 – Gopkar Road, Srinagar, Kashmir	Director	61	B.Sc. Phd. in Business Management	36 years

11. Siti Cable was incorporated on 25th day of March 1987 under the provisions of the Companies Act, 1956 under the name and style of KMK Machines (India) Private Limited. Subsequently, the name was changed to Siti Cable Network Private Limited with effect from the 19th day of June 1995. The name was further changed to Siti Cable Network Limited with effect from 6th day of March 1998. Siti Cable is currently engaged in the business of operating the cable distribution system in India.
12. The Registered Office of Siti Cable is situated at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018.
13. The main objects for which Siti Cable has been established are set out in its Memorandum of Association.
14. The Share Capital of Siti Cable as on March 31, 2005 was as under:

Authorised	Amount (Rs. in '000)
105,000,000 Equity Shares of Rs. 10 each	1,050,000
43,000,000 14% Non-Cumulative Redeemable Preference Shares of Rs.10 each	430,000
Total	1,480,000
Issued, Subscribed and Paid-up	
1,936,388 Equity Shares of Rs. 10 each, fully paid up	19,364
21,500,000 14% Non-Cumulative Redeemable Preference Shares of Rs.10 each fully paid up	215,000
Total	234,364

Subsequent to the March 31, 2005 there has been no change in the issued, subscribed and paid up capital of Siti Cable. Siti Cable is a wholly-owned subsidiary of ZTL, the Applicant Company.

Share application money received by Siti Cable from the Applicant Company as on March 31, 2006 was Rs. 338.65 crores.

15. The Summary of the audited financial statements of Siti Cable for 3 years ended March 31, 2005, March 31, 2004 and March 31, 2003 is enclosed as **Annexure 2A**. Further, the unaudited financial statement for the year ended March 31, 2006 of Siti Cable is enclosed as **Annexure 2B**.
16. The Board of Directors of Siti Cable as on date is as follows:

Sr. No.	Name of the Director (with personal address)	Designation	Age	Educational Qualification	Experience (No. of years)
1.	Mr. Subhash Chand Garg B - 5/61, Sector – 4, Rohini, New Delhi – 110 085	Director	56	M.Com.	35 years
2.	Mr. Raj Kumar Agarwal 578, Sector – 19, Faridabad – 121 005	Director	45	B.Com.(H), CA. LLB	16 years
3.	Mr. Pushkar Dutt Bansal E- 20/199, Sector – 3, Rohini, New Delhi – 110 085	Director	46	Metric	23 years

17. ZNL was incorporated on 27th day of August 1999 under the provisions of the Companies Act, 1956 under the name and style of Zee Sports Limited. Subsequently, the name was changed from Zee Sports Limited to Zee News Limited with effect from the 27th day of May 2004. ZNL is currently engaged in the business of news gathering, editing, production and uplinking of news and current affairs programmes.
18. The Registered Office of ZNL is situated at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018.
19. The main objects for which ZNL has been established are set out in its Memorandum of Association.
20. The Share Capital of ZNL as on March 31, 2005 was as under:

Authorised	Amount (Rs. in '000)
2,000,000 Equity Shares of Rs. 10 each	20,000
Total	20,000
Issued, Subscribed and Paid-up	
1,000,070 Equity Shares of Rs. 10 each, fully paid up	10,000
Total	10,000

Post March 31, 2005 the authorized and issued share capital of ZNL has increased. Currently the authorized share capital is Rs. 200,000,000 (Rupees Twenty Crores Only) comprising of 20,000,000 (Two crores) equity shares of Rs. 10 (Rupees Ten only) each. The issued, subscribed and paid up share capital currently stands at Rs. 198,500,000 (Rupees Nineteen Crores Eighty Five Lacs only) being 19,850,000 (One Crore Ninety Eight Lacs Fifty Thousand) equity shares of Rs. 10 (Rupees Ten only) each. ZTL owns 33.12% in ZNL.

21. The Summary of the audited financial statements of ZNL for 3 years ended March 31, 2005, March 31, 2004 and March 31, 2003 is enclosed as **Annexure 3A**. Further, the unaudited financial statement for the year ended March 31, 2006 of ZNL is enclosed as **Annexure 3B**.
22. The Board of Directors of ZNL as on date is as follows:

Sr. No.	Name of the Director (with personal address)	Designation	Age	Educational Qualification	Experience (No. of years)
1.	Mr. Gaurav Goel B – 10, Lawrence Road, Industrial Area, New Delhi – 110 035	Director	26	Graduate (Bachelor of Science in Business Administration)	3 years
2.	Mr. Gagan Goel B – 10, Lawrence Road, Industrial Area, New Delhi – 110 035	Director	25	Graduate (Bachelor of International Business Administration)	3 years
3.	Mr. Veerendra Gupta 342, Pocket C – 8, Sector 8, Rohini, New Delhi – 110 085	Director	36	B.Com. & PGD in System Management	15 years

23. Wire & Wireless was incorporated on 24th day of March 2006 under the provisions of the Companies Act, 1956. Wire & Wireless is incorporated with the intention of taking over the cable business of ZTL and Siti Cable.
24. The Registered Office of Wire & Wireless is situated at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018.
25. The main objects for which Wire & Wireless has been established are set out in its Memorandum of Asscoation.
26. The Share Capital of Wire & Wireless as on the date of incorporation i.e. March 24, 2006 is as under:

Authorised	Amount (Rs. in '000)
50,000 Equity Shares of Rs.10 each	500
Total	500
Issued, Subscribed and Paid-up	
50,000 Equity Shares of Rs.10 each, fully paid up	500
Total	500

Subsequent to the date of incorporation there has been no change in the issued, subscribed and paid up capital of Wire & Wireless.

27. Hereto annexed and marked as **Annexure 4** is a copy of the Unaudited Statement of Accounts of Wire & Wireless for the period ended March 31, 2006.

28. The Board of Directors of Wire & Wireless as on date is as follows:

Sr. No.	Name of the Director (with personal address)	Designation	Age	Educational Qualification	Experience (No. of years)
1.	Mr. Rajiv Garg 403, Sibylle, Worli Hill Road, Worli, Mumbai – 400 018	Director	50	M.Sc. (Hons.), Masters in Management, PGD in International Management	29 years
2.	Mr. Himanshu Mody 1201 / B, Gardenia Building, Vasant Valley, Film City Road, Malad (W), Mumbai – 400 097	Director	28	BBA, MSc.	8 years
3.	Mr. Sanjay Agarwal C – 402, Lakshachandi Apartment, Gokuldham, Goregoan (E), Mumbai – 400 063	Director	36	B.Com, FCA & ACMA, London	13 years

29. The Applicant Company, Siti Cable, ZNL and Wire & Wireless are all part of the same Group. Each of the several businesses carried on by the Applicant Company either directly or through its subsidiaries / group companies, has significant potential for growth. The nature of technology, risk and competition involved in each of these businesses is distinct from each other and, in fact, rapidly divergent. Consequently each business or undertaking is capable of addressing independent business opportunities, deploying different technologies and attracting different sets of investors, strategic partners, lenders and other stakeholders. Further, each of the businesses has a different set of regulations to comply with, which include restrictions on the extent of foreign investment and management in a Company depending on the business activity carried on by it.

In view of the above, the management of the Group has considered it appropriate to demerge the News Business Undertaking of ZTL into ZNL and demerge the Cable Business Undertaking of ZTL and the Cable Business Undertaking of Siti Cable, into Wire & Wireless. The segregation proposed by the Scheme of Arrangement enables cost savings, optimum utilization of available resources which will enhance the management focus thereby not only leading to higher profitability but will also increase the shareholder's value.

30. Accordingly, the Board of Directors of the Applicant Company, in their Board Meeting held on 29th day of March 2006, approved the Scheme of Arrangement. The Scheme broadly envisages:

- a) Demerger of the News Business Undertaking of ZTL into ZNL; and
- b) Demerger of the Cable Business Undertaking of ZTL and the Cable Business Undertaking of Siti Cable into Wire & Wireless.

31. For determining the value of the news business of the Applicant Company and determining the share issue ratio for the purpose of the demerger of the News Business Undertaking of the Applicant Company, the companies had appointed M/s. Deloitte Haskins & Sells, Chartered Accountants, as independent valuers / experts.

32. The Scheme is subject to the sanction of the Hon'ble High Court of Judicature at Bombay, shareholders and other regulatory authorities such as the Ministry of Company Affairs.

33. The Scheme would be effective upon filing of the certified copy the Order sanctioning the Scheme of Arrangement with the Registrar of Companies, Maharashtra, Mumbai, for registration. The shares of ZNL and Wire & Wireless would be issued to the shareholders within a period of 8 to 12 weeks from the date of Scheme becoming effective.

34. The salient features of the Scheme are as follows:

- a) The Appointed Date for the Scheme will be 31st day of March, 2006 or such other date as may be approved by the High Court at Bombay.
- b) Upon the Scheme becoming effective and with effect from the Appointed Date, the entire News Business Undertaking of the Company (as defined in clause 1.10 of the Scheme) shall, pursuant to the provisions of Sections 391 to 394 and other relevant provisions of the Act without any further act, instrument or deed, be transferred to and vest in or be deemed to be transferred to and vested in ZNL, as a going concern, so as to vest in ZNL all the rights, title and interest of the Applicant Company therein, subject to subsisting charges and pledges, if any.
- c) On the Scheme becoming effective, the investments in the equity share capital of ZNL as appearing in the books of accounts of the Applicant Company shall stand cancelled.

- d) Upon coming into effect of the Scheme, and in consideration for the transfer of the News Business Undertaking in ZNL, ZNL shall, without any application or deed, issue and allot equity shares, credited as fully paid up, to the extent indicated below, to the members of the Applicant Company holding fully paid-up equity shares in the Applicant Company and whose names appear in the register of members of the Applicant Company on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Applicant Company as follows:
- “137 (One Hundred Thirty Seven Only) fully paid up equity shares of Re.1 each of ZNL shall be issued and allotted for every 100 (One Hundred) equity shares of Re. 1 each held in ZTL.”
- If on the Record Date the Foreign Institutional Investors (FIIs) hold more than 32% equity share capital in ZTL, than such class of FIIs holding more than 0.5% shareholding in ZTL or such other class of FIIs as the Board of ZTL deem fit, would be proportionately allotted Preference Shares in ZNL for such excess holding in lieu of their entitlement for equity shares as follows:
- “1,781 fully paid up preference shares of Re. 1 (Rupee One only) each of ZNL shall be issued and allotted for every 100 (One Hundred) equity shares of Re 1 each held in ZTL by the respective FIIs.”
- e) Upon the Scheme becoming effective, the fully paid-up equity share capital of ZNL after giving effect to the entitlement of shares as above shall be reduced as follows:
- “The reduction shall be effected by canceling 67 equity shares of Re. 1 each fully paid-up for every 100 equity shares of Re. 1 each fully paid-up held in ZNL.”
- f) The new Equity and Preference Shares of ZNL shall be listed on all the stock exchanges on which the shares of the Applicant Company are listed as on the Effective Date.
- g) Upon the Scheme becoming effective and with effect from the Appointed Date, the entire Cable Business Undertaking of the Company (as defined in clause 1.4 of the Scheme) and the entire Cable Business Undertaking of Siti Cable (as defined in clause 1.3 of the Scheme) shall, pursuant to the provisions of Sections 391 to 394 and other relevant provisions of the Act, without any further act, instrument or deed, be transferred to and vest in or be deemed to be transferred to and vested in Wire & Wireless, as a going concern, so as to vest in Wire & Wireless all the rights, title and interest of the Applicant Company and Siti Cable therein, subject to subsisting charges and pledges, if any.
- h) Upon coming into effect of the Scheme, and in consideration for the transfer of the Cable Business Undertakings of the Company and Siti Cable in Wire & Wireless, Wire & Wireless shall, without any application or deed, issue and allot shares, credited as fully paid up, to the extent indicated below, to the members of the Applicant Company and Siti Cable whose names appear in the register of members of the Applicant Company and Siti Cable, on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Applicant Company and Siti Cable in the following proportion viz.:
- (i) For equity shareholders of ZTL
- “1 (One) fully paid up equity share of Re. 1 (Rupee One only) each of Wire & Wireless shall be issued and allotted for every 2 (Two) equity shares of Re. 1 each held in ZTL”
- (ii) For equity shareholders of Siti Cable i.e. ZTL
- “1 (One) fully paid up preference share of Re. 1 each of Wire & Wireless shall be issued and allotted for every 1,000 (One Thousand) equity shares of Rs. 10 each held in Siti Cable.”
- (iii) For preference shareholders of Siti Cable i.e. ZTL
- “1 (One) fully paid up preference share of Re. 1 each of Wire & Wireless shall be issued and allotted for every 1,000 (One Thousand) preference shares of Rs. 10 each held in Siti Cable.”
- i) The new Equity Shares of Wire & Wireless shall be listed on all the stock exchanges on which the shares of the Applicant Company are listed as on the Effective Date.
- j) No coupons shall be issued in respect of fractional entitlements, if any, by ZNL and Wire & Wireless, to the members of ZTL at the time of issue and allotment of Equity and Preference Shares. The Board of Directors of ZNL and Wire & Wireless shall consolidate all fractional entitlements, if any, arising due to the demerger of the News and Cable Business Undertaking and allot Equity and Preference Shares in lieu thereof to a director or such other authorized representative(s) as the board of directors of ZNL and Wire & Wireless shall appoint in this behalf, who shall hold the Equity and Preference Shares issued in ZNL and Wire & Wireless, in trust on behalf of the members entitled to fractional entitlements with the express understanding that such director(s) or other authorized representative(s) shall sell the same in the market at such time or times and at such price or prices and to such person or persons, as it/he/they may deem fit, and pay to ZNL and Wire & Wireless, the net sale proceeds thereof, whereupon ZNL and Wire & Wireless, shall distribute net sale proceeds, subjects' to taxes, if any, to the members in proportion to their respective fractional entitlements. The Board of Directors of ZNL and Wire & Wireless, if it deems necessary, in the interests of allottees, approve such other method in this behalf as it may, in its absolute discretion, deem fit.
- k) As an integral element of the Scheme, investment made by Siti Cable in Aplab Limited would be transferred to the Applicant Company at the values appearing in the books of Siti Cable.
- l) On the Scheme becoming operative, all staff, workmen and employees relating to the Demerged Undertakings in service on the Effective Date shall be deemed to have become staff, workmen and employees of ZNL and Wire & Wireless, as the

case may be, with effect from the Appointed Date without any break in their service and on the basis of continuity of service, and the term and conditions of their employment with ZNL and Wire & Wireless, as the case may be, shall not be less favourable than those applicable to them with reference to ZTL and Siti Cable, as the case may be, immediately preceding the transfer.

The features set out above being only the salient features of the Scheme, the Members are requested to read the enclosed Scheme to get themselves acquainted with all the detailed provisions thereof.

35. No investigation proceedings have been instituted or are pending under Section 235 and 250A of the Companies Act, 1956 in respect of Applicant Company. However the Registrar of Companies, Mumbai has launched prosecution under Sections 217(5) (two cases), 212(9) (one case), 209(5) (one case), 307(7) (one case), and 211(7) (one case) before the Additional Metropolitan Magistrate Court, Mumbai and these cases are pending. The offences as contemplated in above cases being compoundable under section 621A of the Companies Act, 1956 have been compounded by the Regional Director under Regulation 40(1) of the Company Law Board Regulation, 1991 and Section 621A of the Act, vide its Order dated 2nd September 2004. Requisite Compounding Fees as directed vide aforesaid orders have been paid by the Applicant Company. However, ROC has not initiated process for withdrawal of these cases and the same are pending before the Additional Metropolitan Magistrate Court, Mumbai. The Applicant Company has learnt that the Registrar of Companies, Mumbai has also launched prosecution under 211(7) (5 cases) on June 15, 2002 and the said cases are pending. However, till date the Applicant Company and/or their officers/ Directors have not been served with any notice or summons or complaint in respect of the said 5 cases.
36. The Applicant Company has received no objection letters from the Bombay Stock Exchange and National Stock Exchange, where the shares of the Applicant Company are listed.
37. The rights and interests of the members and creditors of ZTL, ZNL, Siti Cable and Wire & Wireless will not be prejudicially affected by the Scheme.
38. Pursuant to the sanction of the Scheme, the equity shareholding pattern of the Applicant Company shall be as under:

	Category	Pre Scheme		Post Scheme	
		No. of Shares held	% of holding	No. of Shares held	% of holding
A.	Promoters' Holding				
1.	Promoters				
	– Indian Promoters	96,836,000	23.36%	96,836,000	23.36%
	– Foreign Promoters	93,933,402	22.66%	93,933,402	22.66%
2.	Persons acting in concert	–	–	–	–
	Sub-Total (1 + 2)	190,769,402	46.02%	190,769,402	46.02%
B.	Non- Promoters' Holding				
3.	Institutional Investors				
a.	Mutual Funds and UTI	45,648,527	11.01%	45,648,527	9.01%
b.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions, Non-Government Institutions)	30,191,558	7.28%	30,191,558	7.28%
c.	FII's	124,300,293	29.98%	124,300,293	29.98%
	Sub-Total (3a + b + c)	200,140,378	48.28%	200,140,378	48.28%
4.	Others				
a.	Private Corporate Bodies	8,779,743	2.12%	8,779,743	2.12%
b.	Indian Public	13,099,980	3.16%	13,099,980	3.16%
c.	NROs/ NRIs/ OCBs	1,757,829	0.42%	1,757,829	0.42%
d.	Any other (please specify)	–	–	–	–
	Sub-Total (4a + b + c + d)	23,637,552	5.07%	23,637,552	5.07%
	Grand Total	414,547,332	100.00%	414,547,332	100.00%

39. In the event of any of the sanctions and approvals not being obtained and / or the Scheme not being sanctioned by the High Court of Judicature at Bombay or such other competent authority and / or the order or orders not being passed as aforesaid before March 31, 2007 or such other date as the Board of Directors of the Applicant Company may determine, the Scheme shall become null and void, and the Applicant Company shall bear the entire cost, charges and expenses in connection with the Scheme unless otherwise mutually agreed.

40. The Directors of the Applicant Company, ZNL, Siti Cable and Wire & Wireless may be deemed to be concerned and / or interested in the proposed Composite Scheme to the extent of their shareholding in any of the above Companies or to the extent the said Directors are the partners, directors, members of the companies, firms, association of persons, bodies corporate and / or beneficiary of trust that hold shares in any of the above Companies.
41. The extent of shareholding of the Directors of the Applicant Company in ZNL, Siti Cable and Wire & Wireless either singly or jointly are as follows:

Name of the Director	No. of shares held in the Applicant Company	No. of shares held in ZNL	No. of shares held in Siti Cable	No. of shares held in Wire & Wireless
Mr. Subhash Chandra	NIL	NIL	NIL	NIL
Mr. Laxmi Narain Goel	1,750,000	NIL	NIL	NIL
Mr. Ashok Kurien	2,192,000	NIL	NIL	NIL
Mr. Nemi Chand Jain	70	NIL	NIL	NIL
Mr. B. K. Syngal	NIL	NIL	NIL	NIL
Mr. D.P. Naganand	NIL	NIL	NIL	NIL
Mr. Punit Goenka	NIL	NIL	NIL	NIL
Mr. Rajan Jetley	NIL	NIL	NIL	NIL
Sir Gulam Noon	NIL	NIL	NIL	NIL
Dr. M. Y. Khan	NIL	NIL	NIL	NIL

42. The extent of shareholding of the Directors of ZNL in the Applicant Company, ZNL, Siti Cable and Wire & Wireless either singly or jointly are as follows:

Name of the Director	No. of shares held in the Applicant Company	No. of shares held in ZNL	No. of shares held in Siti Cable	No. of shares held in Wire & Wireless
Mr. Gaurav Goel	NIL	NIL	NIL	NIL
Mr. Gagan Goel	NIL	NIL	NIL	NIL
Mr. Veerendra Gupta	NIL	NIL	NIL	NIL

43. The extent of shareholding of the Directors of Siti Cable in the Applicant Company, ZNL, Siti Cable and Wire & Wireless either singly or jointly are as follows:

Name of the Director	No. of shares held in the Applicant Company	No. of shares held in ZNL	No. of shares held in Siti Cable	No. of shares held in Wire & Wireless
Mr. Subhash Chand Garg	NIL	NIL	NIL	NIL
Mr. Raj Kumar Agarwal	5,000	NIL	NIL	NIL
Mr. Pushkar Dutt Bansal	NIL	NIL	NIL	NIL

44. The extent of shareholding of the Directors of Wire & Wireless in the Applicant Company, ZNL, Siti Cable and Wire & Wireless either singly or jointly are as follows:

Name of the Director	No. of shares held in the Applicant Company	No. of shares held in ZNL	No. of shares held in Siti Cable	No. of shares held in Wire & Wireless
Mr. Rajiv Garg	10,000	NIL	NIL	16,655
Mr. Himanshu Mody	NIL	NIL	NIL	16,655
Mr. Sanjay Agarwal	NIL	NIL	NIL	16,650

45. Inspection of the following documents may be had at the Registered Office of the Applicant Company on any working day prior to the date of the meeting, between 11.00 a.m. to 4.00 p.m.

- a) Certified Copy of the Order dated 16th day of June, 2006 of the Hon'ble High Court of Judicature at Bombay, passed in Company Application No. 666 of 2006, directing the convening of the meeting of the Equity Shareholders of the Applicant Company.
- b) Scheme of Arrangement.
- c) Memorandum and Articles of Association of the Applicant Company, ZNL, Siti Cable & Wire & Wireless.
- d) The Audited Accounts of the Applicant Company, ZNL, Siti Cable for three previous financial years ended March 31, 2005, March 31, 2004 and March 31, 2003.
- e) Unaudited financial statement of Wire & Wireless as on March 31, 2006.
- f) Valuation Report of Deloitte Haskins & Sells, Chartered Accountants, on the share exchange ratio.
- g) Copies of no objection letters received from the Bombay Stock Exchange Limited and the National Stock Exchange Limited.

This statement may be treated as an Explanatory Statement under Section 173 of the Companies Act, 1956. A copy of the Scheme and Explanatory Statement may also be obtained from the Registered Office of the Applicant Company.

Dated this 26th day of June, 2006

Subhash Chandra
Chairman appointed for the Meeting

Registered Office:

135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

**SCHEME OF ARRANGEMENT
UNDER SECTIONS 391 TO 394 READ WITH SECTIONS 78, 100 AND
OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 1956
BETWEEN
ZEE TELEFILMS LIMITED
AND
ZEE NEWS LIMITED
AND
SITI CABLE NETWORK LIMITED
AND
WIRE & WIRELESS (INDIA) LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS**

A. Background and rationale for the Scheme of Arrangement:

- (a) Zee Telefilms Limited ('ZTL') is the flagship company of the Zee group and is India's first largest vertically integrated media and entertainment company.
- (b) ZTL alongwith Siti Cable Network Limited ('Siti Cable') operates the largest cable distribution system in India. Siti Cable has contracted with more than 6,000 cable operators across the country to distribute television channel signals received from various satellites.
- (c) ZTL was a pioneer of the cable TV industry in India. Among many other firsts, it pioneered India's first 24 hour Hindi news channel, Zee News, which remains a leading Hindi news channel today. To comply with the guidelines of Ministry of Information and Broadcasting, Government of India, the business relating to news gathering, editing, production and uplinking of news and current affairs programmes was transferred to Zee News Limited ('ZNL'). ZTL also broadcasts a bouquet of regional channels spread across languages such as Hindi, English, Marathi, Bangla, Punjabi, Telugu and Gujarati which also have news capsules and other news and current affairs related programmes.
- (d) Each of the several businesses carried on by ZTL either directly or through its subsidiaries / group companies, has significant potential for growth. The nature of technology, risk and competition involved in each of these businesses is distinct from each other and, in fact, rapidly divergent. Consequently each business or undertaking is capable of addressing independent business opportunities, deploying different technologies and attracting different sets of investors, strategic partners, lenders and other stakeholders. Further, each of the businesses has a different set of regulations to comply with, which include restrictions on the extent of foreign investment and management in a Company depending on the business activity carried on by it. For example, as per the Ministry of Information & Broadcasting Guidelines, Foreign Direct Investment (including the Foreign Institutional Investors' stake) is restricted to 26% in companies engaged in the news and current affairs business. Whereas, as per the Foreign Exchange Management Regulations, Foreign Direct Investment upto 49% is permitted in companies engaged in the cable business. On the other hand, news gathering and uplinking business requires a minimum holding of 51% by a single block of resident Indian shareholders.
- (e) ZTL therefore proposes to re-organize and segregate, by way of demerger, its business and undertakings engaged in:
 - (i) News Business – Comprising of News and Regional Channels (hereinafter referred to as 'News Business Undertaking'); and
 - (ii) Cable Business – Comprising of cable distribution business within ZTL and Siti Cable (hereinafter referred to as 'Cable Business Undertaking').

B. Parts of the Scheme:

This Scheme of Arrangement is divided into the following parts:

- (i) **PART I** deals with the definitions and related aspects;
- (ii) **PART II** deals with the restructuring of the News Business Undertaking;
- (iii) **PART III** deals with the restructuring of the Cable Business Undertaking;
- (iv) **PART IV** which deals with general clauses that will be applicable to the entire Scheme of Arrangement; and
- (v) **PART V** which deals with general terms and conditions applicable to this Scheme of Arrangement.

PART I
DEFINITIONS

1. DEFINITIONS

In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meaning:

- 1.1 **"Act"** means the Companies Act, 1956 and includes any statutory re-enactment or modification thereof, or amendment thereto, from time to time.
- 1.2 **"Appointed Date"** means 31st day of March 2006 or such other date as may be approved by the High Court.
- 1.3 **"Cable Business Undertaking of Siti Cable"** means the cable business of Siti Cable including all related programme and movie rights, intellectual property rights, contracts, engagements, arrangements of all kind, brands, domain names and on a going concern basis and include without limitation:

- (i) All assets wherever situated, whether movable or immovable, tangible or intangible, including plant and machinery, furniture, office equipments, appliances, accessories together with all present and future liabilities (including contingent liabilities) appertaining or relatable thereto.
- (ii) Without prejudice to the provisions of sub-clause 1.3 (i) above, the Cable Business Undertaking of Siti Cable shall include all the debts, liabilities, duties and obligations and also including, without limitation, all properties and assets in connection with or pertaining or relatable to the Cable Business Undertaking of Siti Cable such as licenses, permits, quotas, approvals, registrations, lease, tenancy rights in relation to office and residential properties, permissions, buildings, vehicles, incentives if any, and all other rights, title, interests, copyrights, patents, trademarks, trade names and other industrial or intellectual property rights of any nature whatsoever, consent, approvals or powers of every kind nature and description whatsoever in connection with or pertaining or relatable to the Cable Business Undertaking of Siti Cable and all deposits and or moneys paid or received by Siti Cable in connection with or pertaining or relatable to the Cable Business Undertaking of Siti Cable and all statutory licences, permissions, approvals or consents to carry on the operations of the Cable Business Undertaking of Siti Cable.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Cable Business Undertaking of Siti Cable include:

- (a) The liabilities, which arise out of the activities or operations of the Cable Business Undertaking of Siti Cable.
- (b) Specific loans and borrowings raised, incurred and utilized solely for the activities or operation of the Cable Business Undertaking of Siti Cable.
- (c) Liabilities other than those referred to in Sub-Clauses (a) and (b) above and not directly relatable to the remaining business of Siti Cable, being the amounts of general or multipurpose borrowings of Siti Cable shall be allocated to the Cable Business Undertaking of Siti Cable in the same proportion which the value of the assets transferred under this Clause bears to the total value of the assets of Siti Cable immediately before giving effect to this Scheme.
- (iii) All permanent employees of Siti Cable employed in and / or relatable to the Cable Business Undertaking of Siti Cable as on the Effective Date; and
- (iv) Any question that may arise as to whether a specified asset or liability pertains or does not pertain to the Cable Business Undertaking of Siti Cable or whether it arises out of the activities or operations of the Cable Business Undertaking of Siti Cable shall be decided by mutual agreement between the Board of Directors of Siti Cable and Wire & Wireless.
- 1.4 **"Cable Business Undertaking of ZTL"** means the cable business of ZTL including all related programme and movie rights, intellectual property rights, telecasting and broadcasting rights through cable, contracts, engagements, arrangements of all kind, brands, domain names and on a going concern basis and include without limitation:
- (i) All assets wherever situated, whether movable or immovable, tangible or intangible, including plant and machinery, furniture, office equipments, appliances, accessories together with all present and future liabilities (including contingent liabilities) appertaining or relatable thereto.
- (ii) Without prejudice to the provisions of Sub-Clause 1.4 (i) above, the Cable Business Undertaking of ZTL shall include all the debts, liabilities, duties and obligations and also including, without limitation, all properties and assets in connection with or pertaining or relatable to the Cable Business Undertaking of ZTL such as licenses, permits, quotas, approvals, registrations, lease, tenancy rights in relation to office and residential properties, permissions, buildings, vehicles, incentives if any, and all other rights, title, interests, copyrights, patents, trademarks, trade names and other industrial or intellectual property rights of any nature whatsoever, consent, approvals or powers of every kind nature and description whatsoever in connection with or pertaining or relatable to the Cable Business Undertaking of ZTL and all deposits and or moneys paid or received by ZTL in connection

with or pertaining or relatable to the Cable Business Undertaking of ZTL, all statutory licences, permissions, approvals or consents to carry on the operations of the Cable Business Undertaking of ZTL.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Cable Business Undertaking of ZTL include:

- (a) The liabilities, which arise out of the activities or operations of the Cable Business Undertaking of ZTL.
 - (b) Specific loans and borrowings raised, incurred and utilized for the activities or operation of the Cable Business Undertaking of ZTL.
 - (c) Liabilities other than those referred to in Sub-Clauses (a) and (b) above and not directly relatable to the remaining business of ZTL, being the amounts of general or multipurpose borrowings of ZTL shall be allocated to the Cable Business Undertaking of ZTL in the same proportion which the value of the assets transferred under this Clause bears to the total value of the assets of ZTL immediately before giving effect to this Scheme.
- (iii) All permanent employees of ZTL employed in and / or relatable to the Cable Business Undertaking of ZTL as on the Effective Date; and
- (iv) Any question that may arise as to whether a specified asset or liability pertains or does not pertain to the Cable Business Undertaking of ZTL or whether it arises out of the activities or operations of the Cable Business Undertaking of ZTL shall be decided by mutual agreement between the Board of Directors of ZTL and Wire & Wireless.
- 1.5 **"Cable Business Demerged Undertakings"** means collectively, the cable business undertakings of ZTL and Siti Cable.
- 1.6 **"Court"** or **"High Court"** means the High Court of Judicature at Bombay and shall include the National Company Law Tribunal, if applicable.
- 1.7 **"Demerged Undertakings"** means, (i) News Business Undertaking of ZTL; and (ii) Cable Business Demerged Undertakings, collectively.
- 1.8 **"Effective Date"** means the date on which the certified copy of the Order of the High Court of Judicature at Bombay sanctioning the Scheme is filed with the Registrar of Companies, Mumbai, Maharashtra.
- 1.9 **"Wire & Wireless"** means Wire & Wireless (India) Limited, having its registered office at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai - 400 018.
- 1.10 **"News Business Undertaking"** means the News and Regional Channel business of ZTL including ZTL's investments in ZNL and all its programme rights, intellectual property rights, telecasting and broadcasting rights, contracts, engagements, arrangements of all kind, brands, domain names and on a going concern basis and include without limitation:
- (i) All assets wherever situated, whether movable or immovable, tangible or intangible, including plant and machinery, furniture, office equipments, appliances, accessories together with all present and future liabilities (including contingent liabilities) appertaining or relatable thereto.
 - (ii) Without prejudice to the provisions of Sub-Clause 1.10 (i) above, the News Business Undertaking of ZTL shall include all the debts, liabilities, duties and obligations and also including, without limitation, all properties and assets in connection with or pertaining or relatable to the News Business Undertaking of ZTL such as licenses, permits, quotas, approvals, registrations, lease, tenancy rights in relation to office and residential properties, permissions, buildings, plant and machinery, office equipments, vehicles, incentives if any, and all other rights, title, interests, copyrights, patents, trademarks, trade names and other industrial or intellectual property rights of any nature whatsoever, consent, approvals or powers of every kind nature and description whatsoever in connection with or pertaining or relatable to the News Undertaking of ZTL and all deposits and or moneys paid or received by ZTL in connection with or pertaining or relatable to the News Business Undertaking of ZTL and all statutory licences, permissions, approvals or consents to carry on the operations of the News Business Undertaking of ZTL.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the News Business Undertaking of ZTL include:

- (a) The liabilities, which arise out of the activities or operations of the News Business Undertaking of ZTL.
- (b) Specific loans and borrowings raised, incurred and utilized solely for the activities or operation of the News Business Undertaking of ZTL.
- (c) Liabilities other than those referred to in Sub-Clauses (a) and (b) above and not directly relatable to the remaining business of ZTL, being the amounts of general or multipurpose borrowings of ZTL shall be allocated to the News Business Undertaking of ZTL in the same proportion which the value of the assets transferred under this Clause bears to the total value of the assets of ZTL immediately before giving effect to this Scheme.

- (iii) All permanent employees of ZTL employed in and / or relatable to the News Business Undertaking of ZTL as on the Effective Date; and
- (iv) Any question that may arise as to whether a specified asset or liability pertains or does not pertain to the News Business Undertaking of ZTL or whether it arises out of the activities or operations of the News Business Undertaking of ZTL shall be decided by mutual agreement between the Board of Directors of ZTL and ZNL.
- 1.11 **"Record Date"** means the date to be fixed by the Board of Directors of ZTL and Siti Cable for the purpose of reckoning names of the equity shareholders of ZTL and equity and preference shareholders of Siti Cable, who shall be entitled to receive shares of Wire & Wireless and ZNL, as the case may be, upon coming into effect of this Scheme.
- 1.12 **"Resulting Companies"** means Wire & Wireless and ZNL collectively.
- 1.13 **"Siti Cable"** means Siti Cable Network Limited having its registered office at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai - 400 018.
- 1.14 **"Scheme"** or **"Scheme of Arrangement"** means this Composite Scheme of Arrangement in its present form or with any modification(s) made under Clause 18 of this Scheme.
- 1.15 **"ZNL"** means Zee News Limited having its registered office at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai - 400 018.
- 1.16 **"ZTL"** means Zee Telefilms Limited having its registered office at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

2. SHARE CAPITAL

- 2.1 The share capital structure of ZTL as on March 31, 2005 is as under:

Authorised	Amount (Rs. in '000)
500,000,000 Equity Shares of Re. 1 each	500,000
2,500,000 Cumulative Redeemable Preference Shares of Rs.100 each	250,000
Total	750,000
Issued, Subscribed and Paid-up	
412,505,012 Equity shares of Re. 1 each, fully paid	412,505
Less: Calls in arrears (others)	67
Total	412,438

The equity shares of ZTL are listed on The Bombay Stock Exchange Limited, The National Stock Exchange of India Limited and the Calcutta Stock Exchange Association Limited.

ZTL has issued 10,000 3.5% (YTM) Foreign Currency Convertible Bonds of US\$ 10,000 each aggregating to US\$ 100 million.

- 2.2 The share capital structure of Siti Cable as on March 31, 2005 is as under:

Authorised	Amount (Rs. in '000)
105,000,000 Equity Shares of Rs. 10 each	1,050,000
43,000,000 14% Non-Cumulative Redeemable Preference Shares of Rs.10 each	430,000
Total	1,480,000
Issued, Subscribed and Paid-up	
1,936,388 Equity Shares of Rs. 10 each, fully paid up	19,364
21,500,000 14% Non-Cumulative Redeemable Preference Shares of Rs.10 each fully paid up	215,000
Total	234,364

Siti Cable is a wholly-owned subsidiary of ZTL.

2.3 The share capital structure of ZNL as on March 31, 2005 is as under:

Authorised	Amount (Rs.)
2,000,000 Equity Shares of Rs. 10 each	20,000,000
Total	20,000,000
Issued, Subscribed and Paid-up	
1,000,070 Equity Shares of Rs. 10 each, fully paid up	10,000,700
Total	10,000,700

Post March 31, 2005 the authorized and issued share capital of ZNL has increased. Currently the authorized share capital is Rs. 200,000,000 (Rupees Twenty Crores Only) comprising of 20,000,000 (Two crores) equity shares of Rs. 10 (Rupees Ten only) each. The issued, subscribed and paid up share capital currently stands at Rs. 198,500,000 (Rupees Nineteen Crores Eighty Five Lacs only) being 19,850,000 (One Crore Ninety Eight Lacs Fifty Thousand) equity shares of Rs. 10 (Rupees Ten only) each. ZTL owns 33.12% in ZNL.

2.4 The share capital structure of Wire & Wireless as on March 29, 2006 is as under:

Authorised	Amount (Rs.)
50,000 Equity Shares of Rs.10 each	500,000
Total	500,000
Issued, Subscribed and Paid-up	
50,000 Equity Shares of Rs.10 each, fully paid up	500,000
Total	500,000

3. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the High Court of Judicature at Bombay, shall be effective from the Appointed Date but shall be operative from the Effective Date.

PART II

RESTRUCTURING OF NEWS BUSINESS UNDERTAKING AND CAPITAL REORGANISATION OF ZNL

4. VESTING OF THE NEWS BUSINESS UNDERTAKING

4.1 Upon the coming into effect of this Scheme and with effect from the Appointed Date and subject to the provisions of this Scheme, the entire News Business Undertaking shall, pursuant to the provisions of Sections 391 to 394 and other relevant provisions of the Act, without any further act, instrument or deed, be transferred to and vest in or be deemed to be transferred to and vested in ZNL, as a going concern, so as to vest in ZNL all the rights, title and interest of ZTL therein, subject to subsisting charges and pledges, if any.

This Part II of the Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the Income-tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said Section at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of the said Section of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with Section 2(19AA) of the Income-tax Act, 1961. Such modification will however not affect the other parts of the Scheme.

4.2 On the Scheme becoming effective, the investments in the equity share capital of ZNL as appearing in the books of accounts of ZTL shall stand cancelled. The cancellation which amounts to reduction of share capital of ZNL, shall be effected as an integral part of the Scheme itself and as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital, and the Order of the Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act confirming such reduction.

5. CAPITAL REORGANISATION OF ZNL AND DISCHARGE OF CONSIDERATION BY ZNL

5.1 Split of Equity Share Capital of ZNL

- 5.1.1 The current paid-up share capital of ZNL is Rs. 19,85,00,000 divided into 1,98,50,000 Equity Shares of Rs.10 each.
- 5.1.2 Upon or before the Scheme becoming operative, the paid-up capital of ZNL shall be reorganized to Rs. 19,85,00,000 divided into 19,85,00,000 Equity Shares of Re. 1 each fully paid-up.

5.2 Entitlement of shares in ZNL

- 5.2.1 Upon coming into effect of the Scheme, and in consideration for the transfer of the News Business Undertaking in ZNL, the members of ZTL holding fully paid-up equity shares in ZTL and whose names appear in the register of members of ZTL, on the Record Date would be entitled to equity shares in ZNL as follows:

“137 (One Hundred Thirty Seven Only) fully paid up equity shares of Re.1 each of ZNL for every 100 (One Hundred) equity shares of Re. 1 each held in ZTL.”

- 5.2.2 If on the Record Date the Foreign Institutional Investors (FIIs) hold more than 32% equity share capital in ZTL, than such class of FIIs holding more than 0.5% shareholding in ZTL or such other class of FIIs as the Board of ZTL deem fit, would be proportionately allotted Preference Shares in ZNL for such excess holding in lieu of their entitlement for equity shares as follows:

“1,781 fully paid up preference shares of Re. 1 (Rupee One only) each of ZNL shall be issued and allotted for every 100 (One Hundred) equity shares of Re. 1 each held in ZTL by the respective FIIs (hereinafter referred to as “Preference Shares”).

The terms of Preference Shares to be issued by ZNL are annexed herewith as Schedule I.

5.3 Capital Reduction in ZNL

- 5.3.1 Upon the Scheme becoming effective, the fully paid-up equity share capital of ZNL after giving effect to the cancellation of investments as per clause 4.2 and the entitlement of shares as per clause 5.2.1, shall be reduced as follows:

“The reduction shall be effected by cancelling 67 equity shares of Re 1 each fully paid-up for every 100 equity shares of Re. 1 each fully paid-up held in ZNL.”

- 5.3.2 Such reduction of equity share capital of ZNL as provided in this Clause shall be effected as a part of the Scheme, as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital, and the Order of the Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act confirming such reduction of equity share capital of ZNL.

5.4 Issuance of Equity Shares

ZNL shall without any application or deed, issue and allot equity shares, credited as fully paid-up to the members of ZTL holding fully paid-up equity shares in ZTL and whose names appear in the register of members of ZTL on the Record Date or such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of ZTL, as per the entitlement in clause 5.2 and as reduced by the capital reduction detailed in clause 5.3. which shall be as under:

“45.2 fully paid equity share of Re.1 each of ZNL for every 100 equity shares of Re.1 each held in ZTL.”

- 5.5 No coupons shall be issued in respect of fractional entitlements, if any, by ZNL, to the members of ZTL at the time of issue and allotment of Equity and Preference Shares under Clause 5.2 and 5.4. The Board of Directors of ZNL shall consolidate all fractional entitlements, if any, arising due to the demerger of the News Business Undertaking and allot Equity and Preference Shares in lieu thereof to a director or such other authorized representative(s) as the board of directors of ZNL shall appoint in this behalf, who shall hold the Equity and Preference Shares issued in ZNL, in trust on behalf of the members entitled to fractional entitlements with the express understanding that such director(s) or other authorized representative(s) shall sell the same in the market at such time or times and at such price or prices and to such person or persons, as it / he / they may deem fit, and pay to ZNL, the net sale proceeds thereof, whereupon ZNL shall distribute such net sale proceeds, subject to taxes, if any, to the members in proportion to their respective fractional entitlements. The Board of Directors of ZNL, if it deems necessary, in the interests of allottees, approve such other method in this behalf as it may, in its absolute discretion, deem fit.
- 5.6 The Equity Shares to be issued to the members of ZTL as above shall be subject to the Memorandum and Articles of Association of ZNL and shall rank *pari passu* with the existing equity shares of ZNL in all respects including dividends.

- 5.7 The Equity and Preference Shares shall be issued in dematerialized form to those shareholders who hold shares of ZTL in dematerialized form, in to the account in which ZTL shares are held or such other account as is intimated by the shareholders to ZTL and / or its Registrar before the Record Date. All those shareholders who hold shares of ZTL in physical form shall also have the option to receive the Equity and Preference Shares, as the case may be, in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to ZTL and / or its Registrar before the Record Date. Otherwise, they would be issued Equity and Preference Shares as the case may be, in physical form.
- 5.8 ZNL shall, if and to the extent required, apply for and obtain any approvals from concerned regulatory authorities for the issue and allotment of Equity and Preference Shares to the members of ZTL under the Scheme.
- 5.9 The new Equity and Preference Shares of ZNL shall be listed on all the stock exchanges on which the shares of ZTL are listed as on the Effective Date.
- 5.10 In the event of their being any pending share transfer, whether lodged or outstanding, of any shareholder of ZTL, the Board of Directors or any committee thereof of ZTL shall be empowered even subsequent to the Effective Date, to effectuate such transfer as if such changes in the registered holder were operative from the Effective Date, in order to remove any difficulties arising to the transfer of shares after the Scheme becomes effective.
- 5.11 The issue and allotment of Equity and Preference Shares to the members of ZTL, as provided in this Scheme, shall be deemed to be made in compliance with the procedure laid down under Section 81(1A) and any other provisions of the Act.
- 5.12 As a part of this Composite Scheme and to comply with the regulatory requirements, Foreign Promoters of ZTL will transfer their appropriate holdings in ZNL to the Indian Promoters. Subject to obtaining the requisite approvals, the above transfer will be effected after the Record Date but before the listing of the equity shares issued by ZNL pursuant to the Scheme.

6. ACCOUNTING TREATMENT

6.1 In the books of ZNL

- 6.1.1 ZNL shall, upon the arrangement in Part II of this Scheme becoming operative, record all the assets and liabilities of the News Business Undertaking, vested in it pursuant to this Scheme, at their respective book values.
- 6.1.2 The inter-corporate deposits / loans and advances outstanding between ZNL and the News Business Undertaking of ZTL will stand cancelled and there shall be no further obligation / outstanding in that behalf.
- 6.1.3 The value of net assets of the News Business Undertaking of ZTL transferred to ZNL under Part II of this Scheme, as adjusted against the face value of the Equity and Preference shares issued under Clause 5.2 and 5.4 above and the face value of the equity shares of ZNL cancelled pursuant to clause 4.2 and 5.3 above shall be adjusted in the Profit & Loss account of ZNL.

6.2 In the books of ZTL

- 6.2.1 The deficit arising on account of transfer of net assets of the News Business Undertaking to ZNL and on account of the cancellation of investments, inter corporate deposits / loans and advances in ZNL will be adjusted against the Securities Premium Account of ZTL.
- 6.2.2 The application and reduction of the securities premium account, as per Clause 6.2.1 above, shall be effected as an integral part of the Scheme itself as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital and the order of the Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act confirming the reduction.

PART III

CAPITAL REORGANISATION OF WIRE & WIRELESS AND RESTRUCTURING OF CABLE BUSINESS DEMERGED UNDERTAKING

7. REORGANISATION OF EQUITY SHARE CAPITAL OF WIRE & WIRELESS

- 7.1 The paid-up capital of Wire & Wireless is Rs. 500,000 divided into 50,000 Equity Shares of Rs.10 each.
- 7.2 Upon or before the Scheme becoming operative, the existing paid-up capital of Wire & Wireless shall be reorganized to Rs.500,000 divided into 500,000 Equity Shares of Re. 1 each fully paid-up.

8. VESTING OF THE CABLE BUSINESS DEMERGED UNDERTAKINGS

Upon the coming into effect of this Scheme and with effect from the Appointed Date and subject to the provisions of this Scheme, the entire Cable Business Demerged Undertakings shall, pursuant to the provisions of Sections 391 to 394 and other relevant provisions of the Act, without any further act, instrument or deed, be transferred to and vest in or be deemed to be transferred to and vested in Wire & Wireless, as a going concern, so as to vest in Wire & Wireless all the rights, title and interest of ZTL and Siti Cable therein, subject to subsisting charges and pledges, if any.

This Part III of the Scheme has been drawn up to comply with the conditions relating to “Demerger” as specified under Section 2(19AA) of the Income-tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said Section at a later date including resulting from an amendment of law or for any other reason whatsoever, the provisions of the said Section of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with Section 2(19AA) of the Income-tax Act, 1961. Such modification will however not affect the other parts of the Scheme.

9. CONSIDERATION

9.1 Upon coming into effect of the Scheme, and in consideration for the transfer of the Cable Business Demerged Undertakings in Wire & Wireless, Wire & Wireless shall, without any application or deed, issue and allot shares, credited as fully paid up, to the extent indicated below, to the members of ZTL and Siti Cable whose names appear in the register of members of ZTL and Siti Cable, on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of ZTL and Siti Cable in the following proportion viz.:

(a) For equity shareholders of ZTL

“1 (One) fully paid up equity share of Re. 1 (Rupee One only) each of Wire & Wireless shall be issued and allotted for every 2 (Two) equity shares of Re. 1 each held in ZTL (hereinafter referred to as “Equity Shares”).”

(b) For equity shareholders of Siti Cable i.e. ZTL

“1 (One) fully paid up preference share of Re. 1 each of Wire & Wireless shall be issued and allotted for every 1,000 (One Thousand) equity shares of Rs. 10 each held in Siti Cable.”

(c) For preference shareholders of Siti Cable i.e. ZTL

“1 (One) fully paid up preference share of Re. 1 each of Wire & Wireless shall be issued and allotted for every 1,000 (One Thousand) preference shares of Rs. 10 each held in Siti Cable.”

The terms of Preference Shares to be issued by Wire & Wireless are annexed herewith as Schedule II.

9.2 No coupons shall be issued in respect of fractional entitlements, if any, by Wire & Wireless, to the members of ZTL and Siti Cable at the time of issue and allotment of Equity and Preference Shares under Clause 9.1. The Board of Directors of Wire & Wireless shall consolidate all fractional entitlements, if any, arising due to the demerger of the Cable Business Demerged Undertakings and allot Equity and Preference Shares and in lieu thereof to a director or such other authorized representative(s) as the board of directors of Wire & Wireless shall appoint in this behalf, who shall hold the Equity and Preference Shares issued in Wire & Wireless, in trust on behalf of the members entitled to fractional entitlements with the express understanding that such director(s) or other authorized representative(s) shall sell the same in the market at such time or times and at such price or prices and to such person or persons, as it / he / they may deem fit, and pay to Wire & Wireless, the net sale proceeds thereof, whereupon Wire & Wireless shall distribute such net sale proceeds, subject to taxes, if any, to the members in proportion to their respective fractional entitlements. The Board of Directors of Wire & Wireless, if it deems necessary, in the interests of allottees, approve such other method in this behalf as it may, in its absolute discretion, deem fit.

9.3 The Equity and Preference Shares to be issued to the members of ZTL and Siti Cable under Clause 9.1 shall be subject to the Memorandum and Articles of Association of Wire & Wireless and shall rank *pari passu* with the existing shares of Wire & Wireless in all respects including dividends.

9.4 The Equity and Preference Shares shall be issued in dematerialized form to those shareholders who hold shares of ZTL and Siti Cable in dematerialized form, in to the account in which ZTL and Siti Cable shares are held or such other account as is intimated by the shareholders to ZTL and / or its Registrar and to Siti Cable before the Record Date. All those shareholders who hold shares of ZTL and Siti Cable in physical form shall also have the option to receive the Equity and Preference Shares in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to ZTL and / or the Registrar and to Siti Cable before the Record Date. Otherwise, they would be issued Equity and Preference Shares in physical form.

9.5 Wire & Wireless shall, if and to the extent required, apply for and obtain any approvals from concerned regulatory authorities for the issue and allotment of Equity and Preference Shares to the members of ZTL and Siti Cable under the Scheme.

- 9.6 The new Equity Shares of Wire & Wireless shall be listed on all the stock exchanges on which the shares of ZTL are listed as on the Effective Date.
- 9.7 In the event of their being any pending share transfer, whether lodged or outstanding, of any shareholder of ZTL, the Board of Directors or any committee thereof of ZTL shall be empowered even subsequent to the Effective Date, to effectuate such transfer as if such changes in the registered holder were operative from the Effective Date, in order to remove any difficulties arising to the transfer of shares after the Scheme becomes effective.
- 9.8 The issue and allotment of Equity and Preference Shares to the members of ZTL and Siti Cable, as provided in this Scheme, shall be deemed to be made in compliance with the procedure laid down under Section 81(1A) and any other provisions of the Act.
- 9.9 As a part of this Composite Scheme and to comply with the regulatory requirements, the Foreign Promoters of ZTL will transfer their appropriate part of their holdings in Wire & Wireless to the Indian Promoters. Subject to obtaining of requisite approvals, the above transfer will be effected after the Record Date but before the listing of the equity shares issued by Wire & Wireless pursuant to the Scheme.

10. ACCOUNTING TREATMENT

10.1 In the Books of Wire & Wireless

- 10.1.1 Wire & Wireless shall, upon the arrangement in Part III of this Scheme becoming operative, record all the assets and liabilities of the Cable Business Demerged Undertakings, vested in it pursuant to this Scheme, at their respective book values.
- 10.1.2 The value of net assets of the Cable Business Demerged Undertakings of ZTL and Siti Cable transferred to Wire & Wireless under Part III of this Scheme, as adjusted against the face value of the Equity and Preference Shares issued under Clause 9.1 above shall be adjusted in the Profit & Loss Account of Wire & Wireless.

10.2 In the Books of Siti Cable

- 10.2.1 As a part of this Composite Scheme of Arrangement and pursuant to issuance of Preference Shares of Wire and Wireless as per Clause 9.1 above, the Preference Shares of Siti Cable will get cancelled.
- 10.2.2 The deficit arising on transfer of the net assets of the Cable Business Undertaking of Siti Cable to Wire & Wireless, shall be adjusted against the credit arising on account of cancellation of Preference Shares, balance lying in Share Application Money Account and balance, if any, shall be debited / credited to the Profit and Loss Account of Siti Cable.
- 10.2.3 The reduction in the Preference Share Capital, as per Clause 10.2.1 above, shall be effected as an integral part of the Scheme itself as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital and the order of the Court sanctioning the Scheme shall be deemed to be an Order under Section 102 of the Act confirming the reduction.

10.3 In the Books of ZTL

- 10.3.1 The deficit arising on transfer of the net assets of the Cable Business Undertaking of ZTL to Wire & Wireless and after adjusting the appreciation and / or diminution, if and to the extent considered necessary by the Board of Directors of ZTL, in the value of certain of its assets whether fixed or current or investments, as on the Appointed Date in the books of ZTL, shall be adjusted against the Securities Premium Account of ZTL.
- 10.3.2 The application and reduction of the Securities Premium Account, as per Clause 10.3.1 above, shall be effected as an integral part of the Scheme itself as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital and the order of the Court sanctioning the Scheme shall be deemed to be an order under Section 102 of the Act confirming the reduction.

11. TRANSFER OF INVESTMENTS IN APLAB FROM SITI CABLE TO ZTL

- 11.1 As an integral element of Part III of the Scheme, investments made by Siti Cable in Aplab Limited would be transferred to ZTL at the values appearing in the books of Siti Cable.
- 11.2 As a consideration for the above transfer, the amount of advances outstanding from ZTL to Siti Cable will get adjusted to the extent of consideration.

PART IV
GENERAL CLAUSES

12. TRANSACTIONS BETWEEN THE APPOINTED DATE AND EFFECTIVE DATE

12.1 During the period between the Appointed Date and the Effective Date:

- i) ZTL and Siti Cable shall be deemed to have held and stood possessed of, and shall hold and stand possessed of, the assets and liabilities of the respective Demerged Undertakings for and on account of, and in trust for, ZNL and Wire & Wireless, as the case may be;
- ii) All the profits or income accruing or arising to ZTL and Siti Cable, including dividends, or expenditure or losses arising or incurred by ZTL and Siti Cable on account of the respective Demerged Undertakings, shall for all purposes be treated and deemed to accrue as the profits or income or expenditure or losses (as the case may be) of ZNL and Wire & Wireless, as the case may be; and
- iii) ZTL and Siti Cable shall not utilize the profits or income, if any, relating to the respective Demerged Undertakings for the purpose of declaring or paying any dividend or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of ZNL and Wire & Wireless, as the case may be.

12.2 As and from the date of acceptance of this Scheme by the Board of Directors of ZTL and Siti Cable and the Board of Directors of ZNL and Wire & Wireless and till the Effective Date, ZTL and Siti Cable shall not alienate, charge, mortgage, encumber or otherwise deal with the assets of the respective Demerged Undertakings or any part thereof without the prior written concurrence of the Board of Directors of ZNL and Wire & Wireless, as the case may be.

13. STAFF, WORKMEN & EMPLOYEES

13.1 On the Scheme becoming operative, all staff, workmen and employees relatable to the Demerged Undertakings in service on the Effective Date shall be deemed to have become staff, workmen and employees of ZNL and Wire & Wireless, as the case may be, with effect from the Appointed Date without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with ZNL and Wire & Wireless, as the case may be, shall not be less favourable than those applicable to them with reference to ZTL and Siti Cable, as the case may be, immediately preceding the transfer.

13.2 As far as the Provident Fund, Gratuity Fund, Superannuation Fund or any other special fund created or existing for the benefit of such permanent employees of the Demerged Undertakings are concerned, on and from the Effective Date, ZNL and Wire & Wireless, as the case may be, shall stand substituted for ZTL and Siti Cable, as the case may be, for all the purposes whatsoever related to administration or operation of such Funds in accordance with provisions of such Funds according to the terms provided in the respective trust deeds or other documents. It is clarified that the services of such permanent employees of the Demerged Undertakings will be treated as having been continuous and not interrupted for the purposes of such Funds.

14. LEGAL PROCEEDINGS

14.1 All legal proceedings of whatsoever nature by or against ZTL and Siti Cable pending and / or arising at the Appointed Date and relating to the Demerged Undertakings of ZTL and Siti Cable, as and from the Effective Date, shall be continued and enforced by or against ZNL or Wire & Wireless, as the case may be, in the manner and to the same extent as would or might have been continued and enforced by or against ZTL or Siti Cable, as the case may be.

14.2 After the Appointed Date, if any proceedings are taken against ZTL and Siti Cable in respect of the matters referred to in the Sub-Clause 14.1 above, they shall defend the same at the cost of ZNL or Wire & Wireless, as the case may be and ZNL or Wire & Wireless, as the case may be, shall reimburse and indemnify ZTL or Siti Cable, as the case may be, against all liabilities and obligations incurred by ZTL or Siti Cable in respect thereof.

14.3 ZNL and Wire & Wireless undertake to have all legal or other proceedings initiated by or against ZTL or Siti Cable, as the case may be, referred to in Sub-Clause 14.1 above, transferred into their respective names and to have the same continued, prosecuted and enforced by or against ZNL or Wire & Wireless, as the case may be, to the exclusion of ZTL and Siti Cable.

15. CONTRACTS, DEEDS, ETC.

Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature relating to the Demerged Undertakings and to which ZTL or Siti Cable are parties and subsisting or having effect on the Effective Date, shall be in full force and effect against or in favour of ZNL or Wire & Wireless, as the case may be, and may be enforced by or against ZNL or Wire & Wireless, as the case may be, as fully and effectually as if, instead of ZTL or Siti Cable, ZNL or Wire & Wireless had been a party thereto from inception. ZNL or Wire & Wireless shall enter into and / or issue and / or execute deeds, writings or confirmations or enter into any arrangements, confirmations or novations,

in order to give formal effect to the provisions of this Scheme. ZNL and Wire & Wireless shall be deemed to be authorised to execute any deeds, writings or confirmations on behalf of ZTL or Siti Cable, as the case may be, and to implement or carry out all formalities required on the part of ZTL or Siti Cable to give effect to the provisions of this Part IV of the Scheme.

16. SAVING OF CONCLUDED TRANSACTIONS & PROCEEDINGS

The transfer of and vesting of the Demerged Undertakings under Clause 4 and 8 above and the continuance of proceedings by or against ZNL or Wire & Wireless, as the case may be, under Clause 14 above shall not affect any transaction or proceedings already concluded by ZTL or Siti Cable in respect of the Demerged Undertakings on or after the Appointed Date till the Effective Date, to the end and intent that ZNL and Wire & Wireless, as the case may be, accepts and adopts all acts, deeds and things done and executed by ZTL or Siti Cable, as the case may be, in respect thereto as done and executed on behalf of itself.

PART V

GENERAL TERMS AND CONDITIONS

17. APPLICATION TO HIGH COURT OR SUCH OTHER COMPETENT AUTHORITY

ZTL, Siti Cable, ZNL and Wire & Wireless shall make applications / petitions under Sections 391 to 394 and other applicable provisions of the Act to the High Court of Judicature at Bombay or such other appropriate authority for sanction of this Scheme.

18. ENHANCEMENT OF BORROWING LIMITS

Upon the coming into effect of this Scheme, the borrowings limits of ZNL and Wire & Wireless, as the case may be, in terms of Section 293(1)(d) of the Act, shall without further act or deed stand enhanced by an amount equivalent to the authorised borrowing limits of ZTL or Siti Cable, as the case may be, such limits being incremental to the existing limits of ZNL and Wire & Wireless. These limits as enhanced may be increased from time to time by ZNL and Wire & Wireless, as the case may be, by obtaining the sanction of its shareholders in accordance with the provisions of the said Act.

19. MODIFICATION OR AMENDMENTS TO THE SCHEME

19.1 On behalf of the Demerged and Resulting Companies, the Board of Directors of respective companies, may consent, on behalf of all persons concerned, to any modifications or amendments of the Scheme and without prejudice to the generality of the foregoing, any modification to the Scheme involving withdrawal of any of the parties to the Scheme at any time and for any reason whatsoever, or to any conditions or limitations that the High Court or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them (i.e. the Board of Directors) and solve all difficulties that may arise for carrying out the Scheme and do all acts, deeds and things necessary for putting the Scheme into effect.

19.2 For the purpose of giving effect to this Scheme or to any modification thereof the Board of Directors of ZTL may give and are authorised to give such directions including directions for settling any question of doubt or difficulty that may arise.

20. SCHEME CONDITIONAL ON APPROVAL / SANCTIONS

The Scheme is conditional upon and subject to the following:

- (i) The requisite consent, approval or permission of the Central Government or any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme.
- (ii) The approval by the requisite majority of the members / creditors of ZTL, Siti Cable, ZNL and Wire & Wireless as may be directed by the High Court of Judicature at Bombay or any other appropriate authority.
- (iii) The approval / no objection to the Scheme by Stock Exchanges where the equity shares of ZTL are presently listed; and
- (iv) The certified copies of the Orders of the High Court of Judicature at Bombay under Section 391 and 394 of the Companies Act sanctioning the Scheme are filed with the Registrar of Companies, Maharashtra at Mumbai.

21. EFFECT OF NON-RECEIPT OF APPROVALS

In the event of any of the said sanctions and approvals referred to in the preceding Clause 20 not being obtained and / or the Scheme not being sanctioned by the High Court or such other competent authority and / or the order or orders not being passed as aforesaid before March 31, 2007 or such other date as the Board of Directors of ZTL may determine, the Scheme shall become null and void, and ZTL shall bear the entire cost, charges and expenses in connection with the Scheme unless otherwise mutually agreed.

22. COSTS, CHARGES & EXPENSES

All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of the Demerged and Resulting Companies arising out of or incurred in connection with and implementing this Scheme and matters incidental thereto, shall be respectively borne by each company incurring the cost.

SCHEDULE – I
TERMS AND CONDITIONS FOR ISSUE OF
ZNL'S NEW PREFERENCE SHARES

Issuer	ZNL
Instrument	Non-Cumulative Redeemable Preference Shares
Face value	Re. 1 per Preference Share
Coupon Rate	7.25% per annum Non-Cumulative
Redemption	To be redeemed at the end of 2 years from the date of allotment
Call Option	ZNL will have an option to redeem the Preference Shares at any time after the end of 1 year from the date of allotment. ZNL upon exercise of such option or on redemption will pay the amount of the face value of the Preference Shares along with dividend accrued up to that date. ZNL's liability to the Preference Shareholders shall stand extinguished from the date of dispatch of the cheques / pay order for the redemption amount along with dividend, if any.

SCHEDULE – II
TERMS AND CONDITIONS FOR ISSUE OF
WIRE & WIRELESS'S NEW PREFERENCE SHARES

Issuer	Wire & Wireless
Instrument	Non-Cumulative Redeemable Preference Shares
Face value	Re. 1 per Preference Share
Coupon Rate	7.25% per annum Non-Cumulative
Redemption	To be redeemed at the end of 2 years from the date of allotment
Call Option	Wire & Wireless will have an option to redeem the Preference Shares at any time after the end of 1 year from the date of allotment. Wire & Wireless, upon exercises of such option or on redemption, will pay the amount of the face value of the Preference Shares along with dividend accrued up to that date. Wire & Wireless' liability to the Preference Shareholders shall stand extinguished from the date of dispatch of the cheques / pay order for the redemption amount along with dividend, if any.

ANNEXURE 1A

SUMMARY OF AUDITED BALANCE SHEET OF ZEE TELEFILMS LIMITED FOR THE 3 YEARS ENDED

(Rs. in Thousands)

Particulars	March 31, 2005	March 31, 2004	March 31, 2003
SOURCES OF FUNDS			
Shareholder's Funds			
Equity Share Capital	412,438	412,438	412,438
Reserves and Surplus	20,955,168	20,053,175	38,654,446
Loan Funds			
Secured	832,915	1,547,781	2,641,343
Unsecured	4,388,000	1,201,344	1,402,227
Deferred Tax Liabilities	-	15,169	69,865
TOTAL	26,588,521	23,229,907	43,180,319
APPLICATION OF FUNDS			
Fixed Assets	1,792,365	1,482,592	1,304,496
Investments	15,475,672	15,171,701	34,356,390
Deferred Tax Assets	55,173	-	-
Net Current Assets	9,251,761	6,522,826	7,389,543
Miscellaneous Expenditure	13,550	52,788	129,890
TOTAL	26,588,521	23,229,907	43,180,319

SUMMARY OF AUDITED PROFIT & LOSS ACCOUNTS OF ZEE TELEFILMS LIMITED FOR THE 3 YEARS ENDED

(Rs. in Thousands)

Particulars	March 31, 2005	March 31, 2004	March 31, 2003
INCOME			
Sales & Services	6,472,507	5,371,050	4,795,616
Other Income	458,205	653,815	701,371
TOTAL	6,930,712	6,024,865	5,496,987
EXPENDITURE			
Cost of Goods	2,427,671	2,043,009	2,110,831
Personnel Cost	387,717	280,237	295,433
Administrative & Other Expenses	553,318	527,165	486,048
Selling & Distribution Expenses	722,386	841,654	502,285
TOTAL	4,091,092	3,692,065	3,394,597
OPERATING PROFIT	2,839,620	2,332,800	2,102,390
Financial Expenses	164,732	362,670	517,181
Depreciation / Amortisation	138,886	99,619	89,767
PROFIT BEFORE TAX AND EXCEPTIONAL ITEM	2,536,002	1,870,511	1,495,442
Less: Exceptional Item	53,277	-	15,870
Less: Provision for Taxation			
- Current	930,342	735,000	616,350
- Deferred	(70,342)	(14,573)	(84,164)
PROFIT AFTER TAX AND EXCEPTIONAL ITEM	1,622,725	1,150,084	947,386

SUMMARY OF AUDITED PROFIT & LOSS ACCOUNTS OF ZEE TELEFILMS LTD FOR THE 3 YEARS ENDED (Contd.)

(Rs. in Thousands)

Particulars	March 31, 2005	March 31, 2004	March 31, 2003
Add/(Less): Prior Period Adjustments (Net)	–	3,055	(3,962)
Add/(Less): Provision for Tax earlier years	–	30,600	(34)
NET PROFIT AFTER TAX	1,622,725	1,183,739	943,390
Less: Short Provision – Dividend (Earlier Year)	–	(35)	(41)
Add: Balance Brought Forward	4,221,567	3,917,535	3,489,050
Add: Transferred from Securities Premium	–	19,205,303	2,213,715
Less: Permanent diminution in value of investments	–	(19,205,303)	(612,183)
Less: Goodwill adjusted on Amalgamation	–	–	(1,601,532)
Less: Losses of amalgamated company	–	(88,054)	(33,955)
Add: Balance of Profit and Loss Account of amalgamated companies	–	(25,204)	75,038
AMOUNT AVAILABLE FOR APPROPRIATION	5,844,292	4,987,981	4,473,482
Less: Appropriations	770,359	766,414	555,947
BALANCE CARRIED TO BALANCE SHEET	5,073,933	4,221,567	3,917,535

ANNEXURE 1B

UNAUDITED FINANCIAL RESULTS OF ZEE TELEFILMS LIMITED FOR THE YEAR ENDED MARCH 31, 2006

(Rs. in Thousands)

Particulars	March 31, 2006
INCOME	
Sales	8,340,136
Other Income	504,786
EXPENDITURE	7,554,459
OPERATING PROFIT	1,290,463
Interest	151,248
Depreciation	151,996
PROFIT BEFORE TAX	987,218
Tax	266,193
PROFIT AFTER TAX	721,025
Extraordinary Items	18,997
NET PROFIT	740,022

ANNEXURE 2A
SUMMARY OF AUDITED BALANCE SHEET OF SITI CABLE NETWORK LIMITED FOR THE 3 YEARS ENDED

(Rs. in Thousands)

Particulars	March 31, 2005	March 31, 2004	March 31, 2003
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	234,364	234,364	1,215,911
Reserves and Surplus	—	—	509,091
Advance Against Share Application Money	3,056,000	—	—
Loan Funds			
Secured Loans	43,932	1,258,541	1,266,435
Unsecured Loans	241,388	995,681	219,269
TOTAL	3,575,684	2,488,586	3,210,706
APPLICATION OF FUNDS			
Fixed Assets	2,002,659	1,836,060	2,037,001
Investments	147,317	204,640	316,198
Net Current Assets	1,032,646	304,393	363,921
Miscellaneous Expenditure	—	—	33,804
Profit and Loss Account	393,062	143,493	459,782
TOTAL	3,575,684	2,488,586	3,210,706

SUMMARY OF AUDITED PROFIT & LOSS ACCOUNTS OF SITI CABLE NETWORK LIMITED FOR THE 3 YEARS ENDED

(Rs. in Thousands)

Particulars	March 31, 2005	March 31, 2004	March 31, 2003
INCOME			
Sales & Services	1,059,048	1,117,509	1,337,445
Other Income	67,639	16,360	1,381
TOTAL	1,126,687	1,133,869	1,338,826
EXPENDITURE			
Operational Expenses	838,091	943,829	1,157,279
Cost of Goods	24,086	28,012	—
Personnel Cost	55,915	53,152	63,182
Administrative and Other Expenses	358,293	170,248	251,991
Financial Expenses	12,750	111,513	69,164
Depreciation/Amortisation	112,109	109,964	102,039
TOTAL	1,401,244	1,416,718	1,643,655
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEM	(274,557)	(282,849)	(304,829)
Less : Exceptional Item (Net)	25,000	—	—
Profit/(Loss) Before Tax	(249,557)	(282,849)	(304,829)
Provision for Taxation			
- Current	(12)	(13)	(25)
- Deferred	—	—	(37,184)
Prior Period Adjustments	—	4,136	(5,193)
PROFIT/(LOSS) AFTER TAX	(249,569)	(278,726)	(347,231)
Balance Brought Forward	(143,493)	(459,782)	(112,551)
Add : Loss on financial restructuring	—	(895,623)	—
Less : Transfer from Equity Share Capital & Securities Premium Account on financial restructuring	—	(1,490,638)	—
BALANCE CARRIED TO BALANCE SHEET	(393,062)	(143,493)	(459,782)

ANNEXURE 2B

UNAUDITED FINANCIAL STATEMENT OF SITI CABLE NETWORK LIMITED FOR THE YEAR ENDED MARCH 31, 2006

(Rs. in Thousands)

Particulars	March 31, 2006
SOURCES OF FUNDS	
Shareholders Fund	
Share Capital	234,364
Advance against Share Application Money	3,386,500
Loan Funds	
Secured Loans	67,753
Unsecured Loans	312,033
TOTAL	4,000,650
APPLICATION OF FUNDS	
Fixed Assets	1,914,363
Investments	151,237
Net Current Assets	1,476,437
Profit and Loss Account	458,613
TOTAL	4,000,650

ANNEXURE 3A

SUMMARY OF AUDITED BALANCE SHEET OF ZEE NEWS LIMITED FOR THE 3 YEARS ENDED

(Rs. in Thousands)

Particulars	March 31, 2005	March 31, 2004	March 31, 2003
SOURCES OF FUNDS			
Shareholders Fund			
Share Capital	10,000	10,000	10,000
Advance against Share Application Money	8,500	—	—
Loan Funds			
Unsecured Loans	70,070	68,887	68,843
TOTAL	88,570	78,886	78,843
APPLICATION OF FUNDS			
Fixed Assets	21	—	204
Net Current Assets	5,720	(3,564)	(3,532)
Profit And Loss Account	82,829	82,451	82,171
TOTAL	88,570	78,886	78,843

SUMMARY OF AUDITED PROFIT & LOSS ACCOUNTS OF ZEE NEWS LTD FOR THE 3 YEARS ENDED

(Rs. in Thousands)

Particulars	March 31, 2005	March 31, 2004	March 31, 2003
INCOME			
Sales & Services	11,712	—	—
Other Income	31	—	—
TOTAL	11,743	—	—
EXPENDITURE			
Operational Expenses	4,080	—	—
Personnel Cost	5,376	—	—
Administrative and Other Expenses	2,662	270	148
Financial Expenses	—	—	3,760
Depreciation	3	10	19
TOTAL	12,122	280	3,927
Profit/(Loss) before sax	(379)	(280)	(3,927)
Provision for Taxation	—	—	—
Profit/(Loss) after Tax	(379)	(280)	(3,927)
Balance Brought Forward	(82,451)	(82,171)	(78,244)
BALANCE CARRIED TO BALANCE SHEET	(82,829)	(82,451)	(82,171)

ANNEXURE 3B**UNAUDITED FINANCIAL STATEMENT OF ZEE NEWS LIMITED FOR THE YEAR ENDED MARCH 31, 2006**

(Rs. in Thousands)

Particulars	March 31, 2006
SOURCES OF FUNDS	
Shareholders Fund	
Share Capital	198,500
Reserves and Surplus	76,500
Deferred Tax	11,670
Loan Funds	
Secured Loans	3,328
Unsecured Loans	1,270,221
TOTAL	1,560,219
APPLICATION OF FUNDS	
Fixed Assets	395,142
Investments	18,300
Net Current Assets	1,093,537
Profit and Loss Account	53,240
TOTAL	1,560,219

ANNEXURE 4**UNAUDITED STATEMENT OF ACCOUNTS OF WIRE & WIRELESS AS AT MARCH 31, 2006**

(Rs. in Thousands)

Particulars	March 31, 2006
SOURCES OF FUNDS	
Shareholders Fund	
Equity Share Capital	500
TOTAL	500
APPLICATION OF FUNDS	
Bank Balance	
IDBI Bank	480
Miscellaneous Expenditure	
Pre-operative Expenses	20
TOTAL	500

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY APPLICATION NO. 666 OF 2006**

In the matter of the Companies Act, 1956 (1 of 1956);
And

In the matter of Sections 391 to 394 read with
Sections 78, 100 to 103 and other applicable
provisions of the Companies Act, 1956;

And

In the matter of Scheme of Arrangement between
Zee Telefilms Limited, Zee News Limited, Siti Cable
Network Limited, Wire & Wireless (India) Limited and
their respective shareholders.

ZEE TELEFILMS LIMITED,

a Company incorporated under the Companies Act, 1956]
having its registered office at 135, Continental Building,]
Dr. Annie Besant Road, Worli, Mumbai – 400 018.] Applicant Company

FORM OF PROXY

I/ We _____, the undersigned,
being the Equity Shareholder(s) of Zee Telefilms Limited, the Applicant Company, do hereby appoint
Mr. / Ms. _____ of
_____ and failing him / her _____ of
_____ as my / our proxy, to act for me/us at the meeting of the Equity Shareholders
to be held on Tuesday, 25th July, 2006, at 2.00 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy,
Sayani Road, Prabhadevi, Mumbai - 400 025, for the purpose of considering and, if thought fit, approving, with or without
modification(s), the arrangement embodied in the proposed Scheme of Arrangement between Zee Telefilms Limited, Zee
News Limited, Siti Cable Network Limited, Wire & Wireless (India) Limited and their respective shareholders at such meeting
and any adjournment(s) thereof, to vote, for me/us and in my / our name(s) _____
(herein, if for insert 'FOR', if against insert 'AGAINST' and in the latter case strike out the words "either with or without
modification(s)" after the word "Arrangement") the said arrangement embodied in the Scheme of Arrangement either with or
without modification(s)* as my / our proxy may approve.

*Strike out what is not necessary

Dated this _____ day of _____, 2006

Signature : _____

Affix
Re. 1/
revenue
stamp

Name : _____

Address : _____

Reg. Folio No. _____

Client ID No. _____

DP ID No. _____

No. of shares _____

Signature of Shareholder(s): Sole/First Holder _____

Second Holder _____

Third Holder _____

Signature of Proxy: _____

- Notes:**
1. The Proxy must be deposited at the Registered Office of the Company at 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018 at least 48 hours before the time for holding the meeting. The proxyholder need not be a member of Zee Telefilms Limited.
 2. All alterations made in the form of Proxy should be initialled.
 3. In case of multiple proxies, the proxy later in time shall be accepted.



ZEE TELEFILMS LIMITED
Registered Office: 135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

I hereby record my presence at the Meeting of the Equity Shareholders of the Company, convened pursuant to the Order dated 16th June, 2006 of the Hon'ble High Court of Judicature of Bombay, at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai - 400 025 on Tuesday, the 25th July, 2006 at 2.00 p.m.

Name and Address of Equity Shareholder _____

(IN BLOCK LETTERS)

Signature : _____

Reg. Folio No. : _____

Client ID No. : _____

DP ID No. : _____

No. of Shares : _____

Name of the Proxy _____

(IN BLOCK LETTERS)

Signature : _____

NOTE : Shareholders attending the Meeting in person or by Proxy are requested to complete the Attendance Slip and hand it over at the entrance of the meeting hall.