



ZEE NEWS LIMITED

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

Tel Nos.: +91 22 6697 1234 Fax No. : +91 22 2490 0302

Website: www.zeenews.com

COURT CONVENED MEETING OF THE EQUITY SHAREHOLDERS	
Day	: Tuesday
Date	: December 29, 2009
Time	: 11.00 a.m.
Venue	: Nehru Centre, Nehru Auditorium, Dr Annie Besant Road, Worli, Mumbai 400 018

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**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY APPLICATION NO. 1231 OF 2009**

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

AND

In the matter of Sections 391 to 394 of the Companies Act, 1956;

AND

In the matter of Scheme of Arrangement between Zee News Limited ('ZNL' or 'the Transferor Company') and Zee Entertainment Enterprises Limited ('ZEEL' or 'the Transferee Company') and their respective Shareholders and Creditors

ZEE NEWS LIMITED, a Company incorporated under the)
provisions of Companies Act, 1956 having its Registered Office)
at Continental Building, 135, Dr. Annie Besant Road, Worli,)
Mumbai - 400 018)

Applicant Company

NOTICE CONVENING THE MEETING OF EQUITY SHAREHOLDERS OF ZEE NEWS LIMITED, THE APPLICANT COMPANY

To,

The Equity Shareholders of **Zee News Limited** ("the Applicant Company"),

TAKE NOTICE that by an Order made on the 27th day of November, 2009, 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 News Limited, the Applicant Company, be convened and held at Nehru Centre, Nehru Auditorium, Dr Annie Besant Road, Worli, Mumbai 400 018 on Tuesday, 29th day of December, 2009 at 11.00 a.m., for the purpose of considering and, if thought fit, approving with or without modification(s), the proposed arrangement embodied in the Scheme of Arrangement between Zee News Limited and Zee Entertainment Enterprises Limited and their respective Shareholders and Creditors.

TAKE FURTHER NOTICE that in pursuance of the said Order and as directed therein, a meeting of the Equity Shareholders of Zee News Limited, the Applicant Company, will be held at Nehru Centre, Nehru Auditorium, Dr Annie Besant Road, Worli, Mumbai 400 018 on Tuesday, 29th day of December, 2009 at 11.00 a.m., at which place, day, date and time you are requested to attend.

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 authorized representative, is deposited at the Registered Office of the Applicant Company at Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai - 400 018, not later than 48 hours before the said meeting.

The Hon'ble High Court has appointed Mr. Subhash Chandra, Chairman of the Board of Directors of the Applicant Company, and failing him, Mr. Laxmi N Goel, Managing Director of the Applicant Company, and failing him, Mr. Punit Goenka, Director of the Applicant Company to be the Chairman of the said meeting.

A copy of the Statement under Section 393 of the Companies Act, 1956, Scheme of Arrangement, Attendance Slip and Form of Proxy are enclosed.

Dated this 30th day of November, 2009

Subhash Chandra
Chairman appointed for the meeting

Registered office:
Continental Building,
135, 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 by proxy or by Authorised Representative under Section 187 of the Companies Act, 1956) at the Equity Shareholders' meeting. The representative of a body corporate which is a registered Equity Shareholder of the Applicant Company may attend and vote at the Equity Shareholders meeting provided a certified true copy of the resolution of the Board of Directors or other governing body of the body corporate is deposited at the registered office of the Applicant Company not later than 48 hours before the meeting authorizing such representative to attend and vote at the Equity Shareholders' meeting.

2. To buy, sell, procure, commission, films, entertainment, information, News, current affairs, software (Programme) for their exhibition, distribution and dissemination on TV channels, be it satellite TV or terrestrial TV channels or channels or cable channels or through DTH or through Pay channels using existing and/or emerging technologies, including distribution via Internet or web casting or exhibition in cinema and/or video theatres in all forms, be it as analogue signals or digital signals or through sale of physical materials like cassettes including audio cassettes, video cassettes, digital video discs, CD ROM's etc. as also sale of tickets/sponsorship of all events or programmes organised.

The business relating to broadcasting and uplinking of News and Current affairs contents shall be in compliance with the rules, regulations and guidelines issued by Ministry of Information and Broadcasting, Government of India (MIB) as amended from time to time.

- (f) The Applicant Company is presently engaged in the business of broadcasting of news, current affairs and regional entertainment satellite television channels. It also generates revenue through sale of television softwares and films right.

4.2 Zee Entertainment Enterprises Limited:

(a) Zee Entertainment Enterprises Limited (hereinafter referred to as "ZEEL" or "the Transferee Company") 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 Company was changed to 'Zee Telefilms Limited' with effect from the 8th day of September 1992. Further, name of the Company was changed to its present name 'Zee Entertainment Enterprises Limited' with effect from 10th January 2007.

(b) The Registered Office of ZEEL is situated at Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

(c) The authorized, issued, subscribed and paid-up share capital of ZEEL as on March 31, 2009 is as under:

Share Capital	Amount in Rs.
Authorized Share Capital	
500,000,000 Equity Shares of Re. 1 each	500,000,000
2,500,000 Cumulative Redeemable Preference Shares of Rs. 100 each	250,000,000
TOTAL	750,000,000
Issued, Subscribed and Paid-up Share Capital	
434,007,111 Equity Shares of Re. 1 each	434,007,111
TOTAL	434,007,111

Post March 31, 2009, the Authorised Preference Share capital of Rs. 250,000,000 has been reclassified into 250,000,000 equity shares of Re. 1 each. Further, ZEEL has granted 43,40,000 stock options to its Employees / Directors, which upon exercise will increase the issued, subscribed and paid up equity share capital of ZEEL.

(d) The Equity Shares of ZEEL are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

(e) The main objects specified in the Memorandum of Association of ZEEL are, inter alia, as follows:

"III. The objects for which the Company is established are:

(A) THE MAIN OBJECTS OF THE COMPANY TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION:

1. To invest the capital and other moneys of the Company in the purchase or upon the Security of shares, stocks, debentures, debentures stock, bonds, mortgages obligations, estates, buildings, land business, manufacturing concerns and securities carrying on business in shares, stocks, debentures, debenture stocks, bonds, mortgages, obligations, estates, building, land, business, manufacturing concerns and securities carrying on business in shares, stocks, debenture stocks, bonds, mortgages, obligations and other securities of Commissioners, Trust, Municipal or Local Authority, Government, corporation, companies and to carry on business of Underwriters, film financing, hire purchase financing, and to carry on business of financing industrial enterprises, trade and business to carry on the business of leasing Company.

2. To borrow, advance, deposit or lend moneys, securities and property from, to or with such persons and on such terms as may seem expedient, to discount, buy, sell and deal in bills, notes, warrants, coupons, import entitlements and other negotiable or transferable securities or documents, to guarantee or become liable for the payment of money or for the performance of obligations, and generally to transact guarantees and/or Trust business, provided the Company shall not carry on Banking business as defined by Banking Regulation Act, 1949 and subject to the provisions of the Act and directives of Reserve Bank of India.

2(A) To manufacture, buy, sell, import, export, hire, take on lease, to exhibit, distribute and to deal in any other manner in films both of our manufacture or other manufacture Indian or Foreign, in India or elsewhere outside India and also to engage agents or representatives for the above or any other purposes of the company and to remunerate such agents, representatives and cinematographic films and pictures and to engage Directors, Dialogue and Scenerian writer, Films Editors, Story writers and other persons, Technicians, Engineers, Sound Experts, Camera man, Musicians, Art Directors, Artists, Painters, Carpenters and other experts necessary for conducting the business of the Company and to pay and remunerate persons so engaged.

(B) To undertake, manage and otherwise engage in the business of Telecommunication, Telecasting, Broadcasting through Satellite, Terrestrial, Cable, Airborne, by hiring, taking on lease, purchase of transponders, Transmitters, microwaves, time slots or such modern means in India and abroad.

(i) To buy, sell, procure, commission films and entertainment software (programmes) for their exhibition, distribution and dissemination on TV channels, be it satellite TV channels or terrestrial TV channels or cable channels or through DTH through Pay channels using existing and/or emerging technologies, including distribution via internet, or webcasting or exhibition in cinema and/or video theatres in all forms, be it as analogue signals or digital signals or through sale of physical material like cassettes including audio cassettes, video cassettes, digital video discs, CD ROM's etc.

- (f) ZEEL is presently engaged in the business of (a) broadcasting of Satellite Television Channels, (b) advertisement canvassing agent for other television channels, (c) sale of programs including films and program feeds mainly to its subsidiaries for broadcasting on their satellite television channels all over the world, (d) production and distribution of Films etc.
5. The Applicant Company is now proposing a Scheme of Arrangement for demerger of its Regional General Entertainment Channel Business Undertaking and transfer / vesting of the said undertaking into ZEEL through a Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956.
6. The above arrangement has been proposed considering the following:
- The News Business of ZEEL comprising of News & Current Affairs Channels and Regional General Entertainment Channels having news bulletins / capsule, was, *inter alia*, demerged and vested in Zee News Limited with effect from 31st March 2006 on a going concern basis pursuant to a Scheme of Arrangement approved by the Hon'ble Bombay High Court on 17th November, 2006. The said demerger was carried out essentially to facilitate compliance with the regulatory framework applicable to news and current affairs segment.
 - ZNL endeavors to create 24x7 news channels in prominent Indian regional languages. During the last three years, ZNL has added four regional news channels to its repertoire namely 24 Ghante, 24 Taas, 24 Ghantalu and Zee UP News to portfolio of its news channels. Consequently, the news bulletins / capsules in Marathi, Bangla and Telugu on the respective Regional General Entertainment Channel, which were demerged in the Company, have been discontinued. The news content in Zee Kannada will be discontinued prior to Appointed Date. Accordingly, these channels have/will become pure Regional Entertainment Channels with no news content in it.
 - Both News and the Regional General Entertainment Channel broadcasting Business face different regulatory environment, competition & industry structure and require different skill sets. Both the businesses have potential to attract different set of investors, require different kind of investments and need to pursue different business strategies.
 - As the Applicant Company's prime focus is to create 24x7 news channels in prominent Indian Regional languages, it is considered appropriate to separate the Regional General Entertainment Channel Business from the News Business.
 - Post demerger, ZNL would be able to channelise all its business efforts to its core business viz. Broadcasting of Television Channels having News & Current Affairs content therein.
7. The proposed arrangement was placed before the Board of Directors of the Applicant Company and the Transferee Company on 29th day of October 2009, whereat the Valuation Report of M/s Grant Thornton, Chartered Accountants, an Independent Valuer was also placed before the Boards. The Valuation Report of M/s Grant Thornton recommended the following share exchange ratio:
- "4 (Four) fully paid Equity Shares of Re. 1 (Rupee One) each of ZEEL shall be issued and allotted for every 19 (Nineteen) Equity Shares of Re. 1 (Rupee One) each held in ZNL."**
8. M/s. Kotak Mahindra Capital Company Limited, a category I Merchant Banker has independently vetted the valuation and have furnished a 'Fairness Opinion' on the the share exchange ratio recommended in the Valuation Report of M/s. Grant Thornton from a financial point of view.
9. The Boards of Directors of ZNL and ZEEL, based on and relying upon the aforesaid valuation report, fairness opinion, and on the basis of their independent evaluation and judgment, came to the conclusion that the proposed share exchange ratio is fair and reasonable and decided to incorporate the same in the Scheme which was approved by them at their respective meetings on 29th day of October 2009.
10. The salient features of the Scheme are as follows:
- The Scheme envisages the demerger of the Regional General Entertainment Channel Business Undertaking from ZNL into ZEEL pursuant to Sections 391 to 394 and other relevant provisions of the Act on a going concern basis in the manner provided for in the Scheme.
 - Appointed Date for the Scheme will be 1st January, 2010 or such other date as may be fixed or approved by the High Court of Judicature at Bombay.
 - Effective Date for the Scheme shall be the last of the dates on which the certified true copies of the Order of the High Court of Judicature at Bombay sanctioning the Scheme is filed by ZNL and ZEEL with the Registrar of Companies, Mumbai, Maharashtra.
 - Regional General Entertainment Channel Business Undertaking means the broadcasting business of ZNL comprising of six television channels namely Zee Marathi, Zee Talkies, Zee Bangla, Zee Telugu, Zee Kannada & Zee Cinemalu (broadcasting yet to commence), assets of Zee Gujarati, a discontinued television channel and all its programme rights, intellectual property rights, telecasting and broadcasting rights, contracts, engagements, arrangements of all kind, brands, domain names relating to these television channels.
 - Upon the coming into effect of this Scheme and with effect from the Appointed Date the whole of the undertaking, assets, properties and liabilities of the Regional General Entertainment Channel Business Undertaking as defined under Clause 1.6 of the Scheme shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act and without any further act or deed shall stand transferred to and vested in and / or be deemed to be transferred to and vested in ZEEL so as to vest in ZEEL all rights, title and interest pertaining to the Regional General Entertainment Channel Business Undertaking.
 - Upon coming into effect of the Scheme and in consideration for the transfer and vesting of the Regional General Entertainment Channel Business Undertaking in ZEEL, ZEEL shall, without any further application or deed, issue and allot equity shares, credited as fully paid up, to the extent indicated below, to the members of ZNL whose name appears in the Register of Members of ZNL as on the Record Date or to their respective heirs, executors, administrators or other legal representatives or the successors-in-title, as the case may be, in the following manner:

“4 (Four) fully paid Equity Shares of Re. 1 (Rupee One) each of ZEEL shall be issued and allotted for every 19 (Nineteen) Equity Shares of Re. 1 (Rupee One) each held in ZNL.”

- (g) No coupons shall be issued in respect of fractional entitlements, if any, by ZEEL, to the members of ZNL at the time of issue and allotment of Equity Shares under Clause 5.1 of the Scheme. The Board of Directors of ZEEL shall consolidate all fractional entitlements, if any, arising due to the demerger of the Regional General Entertainment Channel business undertaking and allot Equity Shares in lieu thereof to a Director or such other authorized representative(s) as the Board of Directors of ZEEL shall appoint in this behalf, who shall hold the Equity Shares issued in ZEEL, 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 ZEEL, the net sale proceeds thereof, whereupon ZEEL shall distribute such net sale proceeds, to the members in proportion to their respective fractional entitlements. The Board of Directors of ZEEL, 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.
- (h) The Equity Shares to be issued to the members of ZNL as above shall be subject to the Memorandum and Articles of Association of ZEEL and shall rank *pari passu* with the existing equity shares of ZEEL in all respects including dividends.
- (i) ZNL will account for the demerger of Regional General Entertainment Channel Business Undertaking into ZEEL in its books as follows:
- i. ZNL shall reduce the book value of assets and liabilities pertaining to the Regional General Entertainment Channel Business Undertaking.
 - ii. The difference, being the excess of the book value of assets transferred over the book value of liabilities transferred shall be adjusted in the Capital Reserve Account of ZNL and the balance, if any, shall be adjusted against the General Reserve Account of ZNL.
- (j) On the Scheme becoming effective, all employees of the Regional General Entertainment Channel Business Undertaking in service on the Effective Date, shall be deemed to have become employees of ZEEL with effect from the Appointed Date or their respective joining date, whichever is later, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with ZEEL shall not be less favorable than those applicable to them with reference to the Regional General Entertainment Channel Business Undertaking on the Effective Date.
- (k) ZEEL shall apply to the relevant Stock Exchange(s) or the concerned Government authorities for listing of its equity shares, which will be allotted in pursuance of this Scheme.
- (l) All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) arising out of, or incurred in carrying out and implementing the Scheme and matters incidental thereto, shall be borne as mutually agreed by the Board of Directors of ZNL and ZEEL.
- (m) The Scheme is conditional upon and subject to:
- 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 Scheme being approved by the requisite majorities in number and value of such classes of persons including the respective members and/or creditors of ZNL and ZEEL as may be directed by the Hon'ble High Court of Judicature at Bombay or any other competent authority, as may be applicable.
 - iii) The Scheme being sanctioned by the High Court of Judicature at Bombay or any other authority under Sections 391 to 394 of the Act.
 - iv) Certified copy of the Order of the High Court sanctioning the Scheme being filed with the Registrar of Companies, Maharashtra, at Mumbai by both the companies.

The features set out above being only the salient features of the Scheme of Arrangement; the Members are requested to read the entire text of the Scheme of Arrangement annexed hereto to get fully acquainted with the provisions thereof.

11. The pre and post demerger (expected) shareholding pattern of the Applicant Company i.e. ZNL based on shareholding pattern as on September 30 ,2009 is 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	129,817,043	54.14	129,817,043	54.14
	- Foreign Promoters	-	-	-	-
2	Persons acting in concert	-	-	-	-
	Sub- Total (1+ 2)	129,817,043	54.14	129,817,043	54.14
B	Non- Promoters' Holding				
3	Institutional Investors				
a	Mutual Funds and UTI	52,598,103	21.94	52,598,103	21.94

b	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions, Non- Government Institutions)	8,316,906	3.47	8,316,906	3.47
c	FIIIs	8,064,063	3.36	8,064,063	3.36
	Sub- Total 3(a+b+c)	68,979,072	28.77	68,979,072	28.77
4	Others				
a	Private Corporate Bodies	17,106,257	7.13	17,106,257	7.13
b	Indian Public	21,547,723	8.99	21,547,723	8.99
c	NRIIs/ OCBs / Foreign national	2,303,902	0.97	2,303,902	0.97
d	Any other (trusts)	9,959	0.00	9,959	0.00
	Sub- Total 4(a+b+c+d)	40,967,841	17.09	40,967,841	17.09
	Grand Total	239,763,956	100.00	239,763,956	100.00

12. The pre and post-demerger (expected) shareholding pattern of the Transferee Company i.e. ZEEL, based on shareholding as on September 30, 2009, is 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	93,968,966	21.65	121,298,870	25.04
	- Foreign Promoters	86,133,402	19.85	86,133,402	17.78
2	Persons acting in concert	-	-	-	-
	Sub- Total (1+ 2)	180,102,368	41.50	207,432,272	42.82
B	Non- Promoters' Holding				
3	Institutional Investors				
a	Mutual Funds / UTI	62,330,965	14.36	73,404,250	15.15
b	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions, Non- Government Institutions)	45,884,780	10.57	47,635,708	9.83
c	FIIIs	111,994,286	25.81	113,691,983	23.47
	Sub- Total 3(a+b+c)	220,210,031	50.74	234,731,941	48.45
4	Others				
a	Private Corporate Bodies	19,225,490	4.43	22,826,807	4.71
b	Indian Public	12,176,908	2.81	16,713,271	3.45
c	NRIIs/ OCBs / Foreign entities	2,282,698	0.52	2,767,730	0.57
d	Any other (trusts)	9,616	0.00	11,713	0.00
	Sub- Total 4(a+b+c+d)	33,694,712	7.76	42,319,521	8.73
	Grand Total	434,007,111	100.00	484,483,733	100.00

13. The Directors of the Applicant Company and the Transferee Company may be deemed to be concerned and/or interested in the Scheme only to the extent of their shareholding in the respective companies or in their capacity as option holders of Stock Options issued / to be issued to them under the employee stock option scheme(s) of the respective companies, as applicable, or to the extent the said directors are common directors in the 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 companies or to the extent they may be allotted shares in ZEEL as a result of the Scheme. Save as aforesaid, none of the Directors of the company have any material interest in the proposed Scheme of Arrangement.

14. (a) The extent of the shareholding of the Directors of ZNL in ZNL and ZEEL either singly or jointly or as nominee as on September 30, 2009 is as under:

Sr No	Name of the director	Designation	Equity shares in ZNL	Equity shares in ZEEL
1	Subhash Chandra	Non-Executive Chairman	-	-
2	Laxmi Narain Goel	Managing Director	802,175	1,753,000
3	K U Rao	Director	-	-
4	Naresh Kumar Bajaj	Director	-	-
5	Vinod Bakshi	Director	-	-
6	Punit Goenka	Director	-	-

(b) The extent of the shareholding of the Directors of ZEEL in ZEEL and ZNL either singly or jointly or as nominee as on September 30, 2009 is as under:

Sr No	Name of the director	Designation	Equity shares in ZEEL	Equity shares in ZNL
1	Subhash Chandra	Non-Executive Chairman	-	-
2	Laxmi Narain Goel	Director	1,753,000	802,175
3	Ashok Kurien	Director	2,042,000	923,188
4	Brijendra K Syngal	Director	-	-
5	Nemichand S Jain	Director	-	-
6	Rajan Jetley	Director	-	-
7	Sir Gulam K Noon	Director	-	-
8	Dr Mohammed Y Khan	Director	-	-
9	Prof. R Vaidyanathan	Director	-	-
10	Punit Goenka	Whole-time Director & CEO	-	-

15. The Applicant Company has obtained the approval to the Scheme of Arrangement in the terms of Clause 24(f) of the Listing Agreements of Bombay Stock Exchange Limited and National Stock Exchange of India Limited vide their letters dated November 12, 2009 and November 13, 2009, respectively.
16. The financial position of the Applicant Company will not be adversely affected by the Scheme of Arrangement. Further, the rights and interests of the creditors (if any) of the Applicant Company will not be prejudicially affected by the Scheme as the Applicant Company, post arrangement will be able to meet its liabilities as they arise in the ordinary course of business. Further, the rights and interests of the shareholders and creditors of the Applicant Company will not be prejudicially affected by the Scheme as no sacrifice or waiver is, at all, called from them nor are their rights sought to be modified in any manner.
17. No investigation proceedings are pending or are likely to be pending under Sections 235 to 251 of the Companies Act, 1956 in respect of the Applicant Company.
18. In the event of any of the sanctions and approvals enumerated in the Scheme not being obtained and / or the Scheme not being sanctioned by the High Court and / or the order or orders not being passed as aforesaid before September 30, 2010 or such other date as may be agreed by the respective Board of Directors of ZNL and ZEEL, the Scheme shall become null and void, and each party shall bear and pay their respective costs, charges and expenses in connection with the Scheme.
19. Inspection of the following documents may be had by the Equity Shareholders of the Applicant Company at the Registered Office of the Applicant Company up to one day prior to the date of the meeting between 11 a.m. and 1 p.m. on all working days (except Saturdays, Sundays and public holidays).
 - (a) Copy of the Order dated 27th day of November, 2009 of the High Court of Judicature at Bombay passed in Company Application No. 1231 of 2009 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 and the Transferee Company.
 - (d) The Audited Financial Statements of the Applicant Company and the Transferee Company for last three financial years ended March 31, 2009, March 31, 2008 and March 31, 2007.
 - (e) The Unaudited Financial Statements of the Applicant Company and the Transferee Company as on September 30, 2009.
 - (f) Valuation Report of M/s Grant Thornton, Chartered Accountants, on Share exchange ratio.
 - (g) Fairness opinion issued by Category I Merchant Banker M/s. Kotak Mahindra Capital Company Ltd.
 - (h) Copy of No Objection letters to the Scheme received from Bombay Stock Exchange Limited and the National Stock Exchange of India Limited dated November 12, 2009 and November 13, 2009 respectively.

This statement may be treated as an Explanatory Statement under Section 173 of the Companies Act, 1956. A copy of the Scheme, Explanatory Statement and Form of Proxy may be obtained from the Registered Office of the Applicant Company and/or at the office of the Advocates M/S RAJESH SHAH & Co., 16, Oriental Building, 30, Nagindas Master Road, Flora Fountain, Mumbai 400 001.

Dated this 30th day of November, 2009

Subhash Chandra
Chairman appointed for the meeting

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

**SCHEME OF ARRANGEMENT
BETWEEN
ZEE NEWS LIMITED ...THE TRANSFEROR COMPANY
AND
ZEE ENTERTAINMENT ENTERPRISES LIMITED ...THE TRANSFEREE COMPANY
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

(A) PREAMBLE

This Scheme of Arrangement is presented under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 for demerger of the Regional General Entertainment Channel Business Undertaking (as defined hereinafter) of Zee News Limited ("the Transferor Company" or "ZNL") in Zee Entertainment Enterprises Limited ("the Transferee Company" or "ZEEL"), pursuant to the relevant provisions of the Companies Act, 1956. This Scheme also provides for various other matters consequential or otherwise integrally connected therewith.

(B) RATIONALE FOR THE SCHEME

1. The News Business of Zee Telefilms Limited (currently known as 'Zee Entertainment Enterprises Limited') comprising of News & Current Affairs Channels and Regional General Entertainment Channels having news bulletins / capsule, was, *inter alia*, demerged and vested in Zee News Limited with effect from 31st March 2006 on a going concern basis pursuant to a Scheme of Arrangement approved by the Hon'ble Bombay High Court on 17th November, 2006. The said demerger was carried out essentially to facilitate compliance with the regulatory framework applicable to news and current affairs segment.
2. ZNL endeavors to create 24x7 news channels in prominent Indian regional languages. During the last three years, ZNL has added four regional news channels to its repertoire namely 24 Ghante, 24 Taas, 24 Ghantalu and Zee UP News to portfolio of its news channels. Consequently, the news bulletins / capsules in Marathi, Bangla and Telugu on the respective Regional General Entertainment Channel, which were demerged in the Company, have been discontinued. The news content in Zee Kannada will be discontinued prior to Appointed Date. Accordingly, these channels have/will become pure Regional Entertainment Channels with no news content in it.
3. Both News and the Regional General Entertainment Channel broadcasting Business face different regulatory environment, competition & industry structure and require different skill sets. Both the businesses have potential to attract different set of investors, require different kind of investments and need to pursue different business strategies.
4. As the Transferor Company's prime focus is to create 24x7 news channels in prominent Indian Regional languages, it is considered appropriate to separate the Regional General Entertainment Channel Business from the news business.
5. The demerger of the Regional General Entertainment Channel Business Undertaking from ZNL into ZEEL would, inter alia, have the following benefits:
 - (a) Post demerger, ZNL would be able to channelise all its business efforts for its core business viz. the news business
 - (b) Regional General Entertainment Channel Business would add regional flavour to General Entertainment Channel bouquet of ZEEL
 - (c) Library contents of ZEEL can be dubbed in Hindi or other languages resulting in utilisation of content of ZEEL more effectively
 - (d) Cross selling of channel possible with the increase in cluster size
 - (e) Synergies expected to bring in cost savings in the selling and distribution expenses of ZEEL
 - (f) Redundancies would be eliminated and resultant cost savings would give further boost to operating profits of ZEEL.

(C) PARTS OF THE SCHEME:

This Scheme of Arrangement is divided into the following parts:

- i) **PART I** deals with the definitions and share capital;
- ii) **PART II** deals with the transfer and vesting of Regional General Entertainment Channel Business Undertaking of ZNL;
- iii) **PART III** which deals with general terms and conditions applicable to this the Scheme of Arrangement.

**PART I
DEFINITIONS AND SHARE CAPITAL**

1. DEFINITIONS

In this Scheme of Arrangement (as defined hereunder), unless inconsistent with the subject or context, the following expressions shall have the following meaning:

- 1.1 "**Act**" or "**The Act**" means the Companies Act, 1956, or any statutory modification or re-enactment thereof for the time being in force;
- 1.2 "**Appointed Date**" means the 1st day of January, 2010 or such other date as may be fixed or approved by the High Court of Judicature at Bombay.
- 1.3 "**Court**" or "**High Court**" means the High Court of Judicature at Bombay and shall include the National Company Law Tribunal, if and when applicable;
- 1.4 "**Effective Date**" means the last of the dates on which the certified copy of the Order of the High Court of Judicature at Bombay sanctioning the Scheme of Arrangement is filed by ZNL and ZEEL with the Registrar of Companies, Mumbai, Maharashtra.
- 1.5 "**Record Date**" means the date to be fixed by the Board of Directors of ZNL for the purpose of reckoning names of the equity shareholders of ZNL, who shall be entitled to receive shares of ZEEL, upon coming into effect of this Scheme.
- 1.6 "**Regional General Entertainment Channel Business Undertaking**" means the broadcasting business of ZNL comprising of six television channels namely Zee Marathi, Zee Talkies, Zee Bangla, Zee Telugu, Zee Kannada & Zee Cinemalu (broadcasting yet to commence), assets of Zee Gujarati, a discontinued television channel and all its programme rights, intellectual property rights, telecasting and broadcasting rights, contracts, engagements, arrangements of all kind, brands, domain names relating to these television channels on a going concern basis and shall without limitation include the following:
 - (i) All assets wherever situated, whether movable or immovable, tangible or intangible, including plant and machinery, furniture, office equipments, investments, inventories, receivables, cash and bank balance, loans and advances, appliances, accessories together with all present and future liabilities (including contingent liabilities) appertaining or relating thereto.
 - (ii) Without prejudice to the provisions of sub-clause 1.6 (i) above, the Regional General Entertainment Channel Business Undertaking of ZNL shall include all the debts, liabilities, duties and obligations and also include, without limitation, all properties and assets in connection with or pertaining or relating to the Regional General Entertainment Channel Business Undertaking of ZNL 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 relating to the Regional General Entertainment Channel Business Undertaking of ZNL and all deposits and or moneys paid or received by ZNL in connection with or pertaining or relating to the Regional General Entertainment Channel Business Undertaking of ZNL

and all statutory licences, permissions, approvals or consents to carry on the operations of the Regional General Entertainment Channel Business Undertaking of ZNL.

For the purpose of this Scheme, it is clarified that liabilities pertaining to the Regional General Entertainment Channel Business Undertaking of ZNL include:

- (a) The liabilities, which arise out of the activities or operations of the Regional General Entertainment Channel Business Undertaking of ZNL.
 - (b) Specific loans and borrowings raised, incurred and / or utilized solely for the activities or operation of the Regional General Entertainment Channel Business Undertaking of ZNL.
 - (c) Liabilities other than those referred to in Sub-Clauses (a) and (b) above and not directly relatable to the remaining business of ZNL, being the amounts of general or multipurpose borrowings of ZNL shall be allocated to the Regional General Entertainment Channel Business Undertaking of ZNL in the same proportion which the value of the assets transferred under this Clause bears to the total value of the assets of ZNL immediately before giving effect to this Scheme.
- (iii) All permanent employees of ZNL employed in and / or relatable to the Regional General Entertainment Channel Business Undertaking of ZNL 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 Regional General Entertainment Channel Business Undertaking of ZNL or whether it arises out of the activities or operations of the Regional General Entertainment Channel Business Undertaking of ZNL shall be decided by mutual agreement between the Board of Directors of ZNL and ZEEL.
- 1.7 **"Remaining Business of ZNL"** means all the undertakings, businesses, activities and operations of ZNL other than the Regional General Entertainment Channel Business Undertaking of ZNL and specifically including the news business;
- 1.8 **"Scheme" or "the Scheme" or "this Scheme"** means this Scheme of Arrangement in its present form as submitted to the Honorable High Court of Judicature at Bombay or this Scheme with such modification(s), if any made, as per Clause 14 of the Scheme;
- 1.9 **"ZEEL" or "the Transferee Company"** means Zee Entertainment Enterprises Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai – 400 018;
- 1.10 **"ZNL" or "the Transferor Company"** means Zee News Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Securities Contract Regulation Act, 1956, the Depositories Act, 1996 and other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof from time to time.

2. SHARE CAPITAL

- 2.1 The authorized, issued, subscribed and paid-up share capital of ZNL as on March 31, 2009 is as under:

Share Capital	Amount in Rs.
490,000,000 Equity Shares of Re. 1 each	490,000,000
10,000,000 Preference Shares of Re. 1 each	10,000,000
Total	500,000,000
Issued, Subscribed and Paid-up Share Capital	
239,763,956 Equity Shares of Re. 1 each	239,763,956
Total	239,763,956

There has been no change in the capital structure of ZNL post March 31, 2009.

- 2.2 The authorized, issued, subscribed and paid-up share capital of ZEEL as on March 31, 2009 is as under:

Share Capital	Amount in Rs.
Authorized Share Capital	
500,000,000 Equity Shares of Re. 1 each	500,000,000
2,500,000 Cumulative Redeemable Preference Shares of Rs. 100 each	250,000,000
Total	750,000,000
Issued, Subscribed and Paid-up Share Capital	
434,007,111 Equity Shares of Re. 1 each	434,007,111
TOTAL	434,007,111

Post March 31, 2009, the authorised Preference Share capital of Rs. 250,000,000 has been reclassified into 250,000,000 equity shares of Re. 1 each. Further, ZEEL has granted 43,40,000 stock options to its employees, which upon exercise will increase the issued, subscribed and paid up equity share capital of ZEEL.

3. DATE OF TAKING EFFECT AND OPERATIVE DATE

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

PART II

TRANSFER AND VESTING OF REGIONAL GENERAL ENTERTAINMENT CHANNEL BUSINESS UNDERTAKING OF ZNL

4. VESTING OF REGIONAL GENERAL ENTERTAINMENT CHANNEL BUSINESS UNDERTAKING

- 4.1 Upon the coming into effect of this Scheme and with effect from the Appointed Date the whole of the undertaking, assets, properties and liabilities of the Regional General Entertainment Channel Business Undertaking as defined in Clause 1.6 shall pursuant to the provisions contained in Sections 391 to 394 and all other applicable provisions, if any, of the Act and without any further act or deed shall stand transferred to and vested in and / or be deemed to be transferred to and vested in ZEEL so as to vest in ZEEL all rights, title and interest pertaining to the Regional General Entertainment Channel Business Undertaking.
- 4.2 With effect from the Appointed Date, all debts, liabilities, contingent liabilities, duties and obligations of every kind, nature and description of ZNL relatable to the Regional General Entertainment Channel Business Undertaking shall also, under the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Act, and without any further act or deed, be transferred to or be deemed to be transferred to ZEEL, so as to become from the Appointed Date the debts, liabilities, contingent liabilities, duties and obligations of ZEEL and it shall not be necessary to obtain the consent of any third party or other person who is a party to any

- contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen in order to give effect to the provisions of this sub-clause.
- 4.3 With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents relating to and or held by ZNL required to carry on operations of the Regional General Entertainment Channel Business Undertaking shall stand vested in or transferred to ZEEL without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of ZEEL. The benefit of all statutory and regulatory permissions, registration or other licenses, and consents shall vest in and become available to ZEEL pursuant to the Scheme. In so far as the various incentives, subsidies, special status and other benefits or privileges granted by any Government body, local authority or by any other person, or enjoyed and availed of by ZNL relating to the Regional General Entertainment Channel Business Undertaking, are concerned, the same shall vest with and be available to ZEEL on the same terms and conditions.
 - 4.4 All the existing securities, mortgages, charges, encumbrances or liens, if any, as on the Appointed Date and created by ZNL after the Appointed Date, over the assets comprised in the Regional General Entertainment Channel Business Undertaking transferred to ZEEL by virtue of this Scheme and in so far as such securities, mortgages, charges, encumbrances or liens secure or relate to liabilities of the Regional General Entertainment Channel Business Undertaking, the same shall, after the Effective Date, continue to relate and attach to such assets or any part thereof to which they are related or attached prior to the Effective Date and as are transferred to ZEEL and such securities, mortgages, charges, encumbrances or liens shall not relate or attach to any of the other assets of ZEEL.
 - 4.5 Any existing encumbrances over the assets and properties of ZEEL or any part thereof which relate to the liabilities and obligations of ZEEL prior to the Effective Date shall continue to relate only to such assets and properties and shall not extend or attach to any of the assets and properties of the Regional General Entertainment Channel Business Undertaking transferred to and vested in ZEEL by virtue of this Scheme.
 - 4.6 This 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.

5. ISSUE OF SHARES BY TRANSFEREE COMPANY

- 5.1 Upon coming into effect of the Scheme and in consideration for the transfer and vesting of the Regional General Entertainment Channel Business Undertaking in ZEEL, ZEEL shall, without any further application or deed, issue and allot shares, credited as fully paid up, to the extent indicated below, to the members of ZNL whose name appears in the Register of Members of ZNL as on the Record Date or to their respective heirs, executors, administrators or other legal representatives or the successors-in-title, as the case may be, in the following manner:

"4 (Four) fully paid Equity Shares of Re. 1 (Rupee One) each of ZEEL shall be issued and allotted for every 19 (Nineteen) Equity Shares of Re. 1 (Rupee One) each held in ZNL."
- 5.2 No coupons shall be issued in respect of fractional entitlements, if any, by ZEEL, to the members of ZNL at the time of issue and allotment of Equity Shares under Clause 5.1. The Board of Directors of ZEEL shall consolidate all fractional entitlements, if any, arising due to the demerger of the Regional General Entertainment Channel Business Undertaking and allot Equity Shares in lieu thereof to a Director or such other authorized representative(s) as the board of directors of ZEEL shall appoint in this behalf, who shall hold the Equity Shares issued in ZEEL, 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 ZEEL, the net sale proceeds thereof, whereupon ZEEL shall distribute such net sale proceeds, to the members in proportion to their respective fractional entitlements. The Board of Directors of ZEEL, 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.
- 5.3 The Equity Shares to be issued to the members of ZNL as above shall be subject to the Memorandum and Articles of Association of ZEEL and shall rank pari passu with the existing equity shares of ZEEL in all respects including dividends.
- 5.4 The Equity Shares shall be issued in dematerialized form to those shareholders who hold shares of ZNL in dematerialized form, in to the account in which ZNL shares are held or such other account as is intimated by the shareholders to ZNL and / or its Registrar before the Record Date. All those shareholders who hold shares of ZNL in physical form shall also have the option to receive the Equity Shares, as the case may be, in dematerialized form provided the details of their account with the Depository Participant are intimated in writing to ZNL and / or its Registrar before the Record Date. Otherwise, they would be issued Equity Shares in physical form.
- 5.5 The Board of Directors of ZEEL shall, if and to the extent required, apply for and obtain any approvals from concerned Government / Regulatory authorities for the issue and allotment of equity shares to the members of ZNL pursuant to clause 5.1 of the Scheme.
- 5.6 The equity shares to be issued to the members of ZNL pursuant to clause 5.1 of this Scheme will be listed and/or admitted to trading on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, where the shares of ZEEL are listed and/or admitted to trading. ZEEL shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the said stock exchanges.
- 5.7 In the event of there being any pending share transfer, whether lodged or outstanding, of any shareholder of ZNL, the Board of Directors or any committee thereof of ZNL 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.
- 5.8 The equity shares to be issued by ZEEL to the members of ZNL pursuant to clause 5.1 of this Scheme, in respect of any shares in ZNL which are held in abeyance under the provisions of Section 206A of the Act or otherwise, pending allotment or settlement of dispute, by order of court or otherwise, be held in abeyance by ZEEL.
- 5.9 Approval of this Scheme by the shareholders of ZEEL shall be deemed to be the due compliance of the provisions of Section 81(1A) and the other relevant and applicable provisions of the Act for the issue and allotment of equity shares by ZEEL to the shareholders of ZNL, as provided in this Scheme.
- 5.10 The approval of this Scheme by the shareholders of both the companies under Sections 391 and 394 of the Act shall be deemed to have the approval under sections 16, 31 and other applicable provisions of the Act and any other consents and approvals required in this regard.

6. ACCOUNTING TREATMENT IN THE BOOKS OF ZNL AND ZEEL

6.1 IN THE BOOKS OF ZEEL

- 6.1.1 ZEEL shall record the assets and liabilities, pertaining to the Regional General Entertainment Channel Business Undertaking, at the respective book values as on the Appointed Date.
- 6.1.2 ZEEL shall credit to its share capital account, the aggregate face value of the Equity Shares issued by it pursuant to Clause 5.1

of this Scheme.

- 6.1.3 Loans and advances and other dues outstanding between ZEEL and the Regional General Entertainment Channel Business Undertaking of ZNL will stand cancelled and there shall be no further obligation / outstanding in that behalf.
- 6.1.4 Surplus, arising out of the excess of net assets of the Regional General Entertainment Channel Business Undertaking acquired and recorded by ZEEL in terms of clause 6.1.1 above, over the amount credited as share capital and after making adjustments referred to in clause 6.1.3 above, shall be credited to Securities Premium Account.
- 6.1.5 If considered appropriate for the purpose of application of uniform accounting methods and policies between ZNL and ZEEL, ZEEL may make suitable adjustments and adjust the effect thereof in the General Reserve of ZEEL.

6.2 IN THE BOOKS OF ZNL

- 6.2.1 Upon the Scheme becoming effective, ZNL shall reduce the book value of assets and liabilities pertaining to the Regional General Entertainment Channel Business Undertaking.
- 6.2.2 The difference, being the excess of the book value of assets transferred over the book value of liabilities transferred shall be adjusted in the Capital Reserve Account of ZNL and the balance, if any, shall be adjusted against the General Reserve Account of ZNL.

PART III GENERAL TERMS AND CONDITIONS

7. TRANSACTIONS UPTO THE EFFECTIVE DATE

- 7.1 With effect from the Appointed Date and up to and including the Effective Date:
 - (a) ZNL shall carry on and be deemed to have carried on the business and activities in relation to the Regional General Entertainment Channel Business Undertaking and shall stand possessed of their properties and assets relating to the Regional General Entertainment Channel Business Undertaking for and in trust for ZEEL and all the profits / losses accruing on account of the Regional General Entertainment Channel Business Undertaking shall for all purposes be treated as profits / losses of ZEEL.
 - (b) ZNL shall not without the prior written consent of the Board of Directors of ZEEL or pursuant to any pre-existing obligation, sell, transfer or otherwise alienate, charge, mortgage or encumber or otherwise deal with or dispose of the undertaking relating to the Regional General Entertainment Channel Business Undertaking or any part thereof except in the ordinary course of its business.
 - (c) ZNL shall not vary the terms and conditions of service of its permanent employees relating to the Regional General Entertainment Channel Business Undertaking except in the ordinary course of its business.
 - (d) ZEEL shall be entitled, pending sanction of the Scheme, to apply to the Central Government, State Government, Union Territories and all other concerned agencies, departments and authorities (statutory or otherwise) as are necessary under any law for such consents, approvals and sanctions, which ZEEL may require to carry on the business of Regional General Entertainment Channel Business Undertaking.
- 7.2 With effect from the date of approval to the Scheme by board of directors of both the companies until the Effective Date, ZNL shall carry on the business and activities of Regional General Entertainment Channel Business Undertaking with reasonable diligence and business prudence; further, both ZNL or ZEEL shall not engage in any corporate restructuring exercise including any merger and / or demerger, without the prior written consent of the other Company.

8. DECLARATION OF DIVIDEND, BONUS, ETC.

- 8.1 For the avoidance of doubt it is hereby clarified that nothing in this Scheme shall prevent ZEEL from declaring and paying dividends, whether interim or final, to its equity shareholders as on the respective record date for the purpose of dividend.
- 8.2 ZNL shall not utilize the profits or income, if any, relating to the Regional General Entertainment Channel Business Undertaking for the purpose of declaring or paying any dividend to its shareholders or for any other purpose in respect of the period falling on and after the Appointed Date, without the prior written consent of the Board of Directors of ZEEL.
- 8.3 Both ZEEL and ZNL shall not without the prior written consent of the other Company, issue or allot any further securities, either by way of rights or bonus shares.
- 8.4 Until the coming into effect of this Scheme, the holders of equity shares of ZNL and ZEEL shall, save as expressly provided otherwise in this Scheme continue to enjoy their existing respective rights under their respective Articles of Associations.
- 8.5 It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final, are enabling provisions only and shall not be deemed to confer any right on any member of ZNL and/or ZEEL to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the respective Boards of Directors of ZNL and ZEEL and subject, wherever necessary, to the approval of the shareholders of ZNL and ZEEL, respectively.

9. EMPLOYEES

- 9.1 On the Scheme becoming effective, all employees of the Regional General Entertainment Channel Business Undertaking in service on the Effective Date, shall be deemed to have become employees of ZEEL with effect from the Appointed Date or their respective joining date, whichever is later, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with ZEEL shall not be less favorable than those applicable to them with reference to the Regional General Entertainment Channel Business Undertaking on the Effective Date. Any question that may arise as to whether any employee belongs to or does not belong to the Regional General Entertainment Channel Business Undertaking, shall be decided by Board of Directors of ZNL.
- 9.2 It is expressly provided that, on the Scheme becoming effective, the provident fund, gratuity fund, superannuation fund or any other special fund or trusts created or existing for the benefit of the employees of the Regional General Entertainment Channel Business Undertaking shall be deemed to have been created by ZEEL in place of ZNL for all purposes whatsoever in relation to the administration or operation of such fund or funds or in relation to the obligation to make contributions to the said fund or funds in accordance with the provisions thereof as per the terms provided in the respective trust deeds, if any, to the end and intent that all rights, duties, powers and obligations of ZNL in relation to such fund or funds shall become those of ZEEL. It is clarified that the services of the employees of the Regional General Entertainment Channel Business Undertaking will be treated as having been continuous and not interrupted for the purpose of the said fund or funds.

10. LEGAL PROCEEDINGS

- 10.1 All legal proceedings of whatsoever nature by or against ZNL pending and/or arising before the Effective Date and relating to the Regional General Entertainment Channel Business Undertaking, shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against ZEEL,

- as the case may be in the same manner and to the same extent as would or might have been continued and enforced by or against ZNL.
- 10.2 After the Appointed Date, if any proceedings are taken against ZNL in respect of the matters referred to in the sub-clause 10.1 above, they shall defend the same at the cost of ZEEL, and ZEEL shall reimburse and indemnify ZNL against all liabilities and obligations incurred by ZNL in respect thereof.
 - 10.3 ZEEL undertakes to have all legal or other proceedings initiated by or against ZNL referred to in Clauses 10.1 and 10.2 above transferred into its name and to have the same continued, prosecuted and enforced by or against ZEEL as the case may be, to the exclusion of ZNL.

11. CONTRACTS, DEEDS, ETC.

- 11.1 Notwithstanding anything to the contrary contained in the contract, deed, bond, agreement or any other instrument, but subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements and other instruments, if any, of whatsoever nature and subsisting or having effect on the Effective Date and relating to the Regional General Entertainment Channel Business Undertaking of ZNL, shall continue in full force and effect against or in favour of ZEEL, and may be enforced effectively by or against ZEEL as fully and effectually as if, instead of ZNL, ZEEL had been a party thereto from inception.
- 11.2 ZEEL may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, enter into, or issue or execute deeds, writings, confirmations, novations, declarations, or other documents with, or in favour of any party to any contract or arrangement to which ZNL is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions. ZEEL shall, be deemed to be authorised to execute any such writings on behalf of ZNL and to carry out or perform all such formalities or compliances required for the purposes referred to above on the part of ZNL.

12. SAVING OF CONCLUDED TRANSACTIONS

- 12.1 The transfer and vesting of the Regional General Entertainment Channel Business Undertaking as above and the continuance of proceedings by or against ZNL in relation to the Regional General Entertainment Channel Business Undertaking shall not affect any transaction or proceedings already concluded on or after the Appointed Date till the Effective Date, to the end and intent that ZEEL accepts and adopts all acts, deeds and things done and executed by ZNL in respect thereto as done and executed on behalf of ZEEL.

13. APPLICATION TO HIGH COURT

- 13.1 ZNL and ZEEL shall as may be required make applications and/or 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 and all matters ancillary or incidental thereto.

14. MODIFICATION OR AMENDMENTS TO THE SCHEME

- 14.1 On behalf of ZNL and ZEEL, 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.
- 14.2 For the purpose of giving effect to this Scheme or to any modification thereof the Board of Directors of ZNL and ZEEL may give and are authorised to give such directions including directions for settling any question of doubt or difficulty that may arise.

15. CONDITIONALITY OF THE SCHEME

This Scheme is and shall be conditional upon and subject to:

- 15.1 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.
- 15.2 The Scheme being approved by the requisite majorities in number and value of such classes of persons including the respective members and/or creditors of ZNL and ZEEL as may be directed by the Hon'ble High Court of Judicature at Bombay or any other competent authority, as may be applicable.
- 15.3 The Scheme being sanctioned by the High Court of Judicature at Bombay or any other authority under Sections 391 to 394 of the Act.
- 15.4 Certified copy of the Order of the High Court sanctioning the Scheme being filed with the Registrar of Companies, Maharashtra, at Mumbai by both the companies.

16. EFFECT OF NON-RECEIPT OF APPROVALS

- 16.1 In the event of any of the said sanctions and approvals referred to in the preceding Clause 15 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 September 30, 2010 or such other date as may be agreed by the respective Board of Directors of ZNL and ZEEL may determine, the Scheme shall become null and void, and each party shall bear and pay their respective costs, charges and expenses in connection with the Scheme.

17. COSTS, CHARGES & EXPENSES

- 17.1 All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) arising out of, or incurred in carrying out and implementing this Scheme and matters incidental thereto, shall be borne as mutually agreed by the Board of Directors of ZNL and ZEEL.

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMPANY APPLICATION NO. 1231 OF 2009**

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

AND

In the matter of Sections 391 to 394 of the Companies Act, 1956;

AND

In the matter of Scheme of Arrangement between Zee News Limited ('ZNL' or 'the Transferor Company') and Zee Entertainment Enterprises Limited ('ZEEL' or 'the Transferee Company') and their respective Shareholders and Creditors

ZEE NEWS LIMITED,

a company incorporated under the provisions of)
Companies Act, 1956 having its Registered Office at)
Continental Building, 135, Dr. Annie Besant Road, Worli,)
Mumbai – 400 018)

Applicant Company

FORM OF PROXY

I/ We _____, the undersigned, being the Equity Shareholder(s) of Zee News 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 at Nehru Centre, Nehru Auditorium, Dr Annie Besant Road, Worli, Mumbai 400 018 on Tuesday, 29th day of December, 2009 at 11.00 a.m. for the purpose of considering and, if thought fit, approving, with or without modification, the arrangement embodied in the proposed Scheme of Arrangement between Zee News Limited and Zee Entertainment Enterprises Limited and their respective Shareholders and Creditors and at such meeting, and any adjournment/ adjournments 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 modifications" after the word "Arrangement") the said arrangement embodied in the Scheme of Arrangement either with or without modifications as my/our proxy may approve.

*Strike out what is not necessary

Signature : _____



Dated this _____ day of _____, 2009

Name _____

Address _____

Reg. Folio No. _____

Client ID No. _____

DP ID No. _____

No. of shares _____

Signatures of

Shareholder(s) Sole / First Holder : _____

Second Holder : _____

Third Holder : _____

Signature of Proxy Proxy : _____

Notes:

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



ZEE NEWS LIMITED
Registered Office: Continental Building, 135, Dr. Annie Besant Road, Worli, Mumbai -400 018
Tel Nos.: +91 22 6697 1234 Fax No. : +91 22 2490 0302
Website: www.zeenews.com

ATTENDANCE SLIP

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

Joint shareholders may obtain additional Attendance Slip at the venue of the meeting.

I hereby record my presence at the Meeting of the Equity Shareholders of the Company, convened pursuant to the Order dated 27th November 2009 of the Hon'ble High Court of Judicature of Bombay, at Nehru Centre, Nehru Auditorium, Dr Annie Besant Road, Worli, Mumbai 400 018 on Tuesday, 29th day of December, 2009 at 11.00 a.m.

Name and Address of Equity Shareholder : _____
(IN BLOCK LETTERS) _____

Signature : _____

Reg.Folio No. : _____

Client ID : _____

D.P. I.D. : _____

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.

BOOK POST / U.C.P.

To,

If undelivered, please return to :

ZEE NEWS LIMITED
Registered Office: Continental Building,
135, Dr. Annie Besant Road, Worli, Mumbai -400 018
Tel Nos.: +91 22 6697 1234 Fax No. : +91 22 2490 0302
Website: www.zeenews.com