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SHAW BROTHERS HOLDINGS LIMITED

邵氏兄弟控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00953)

DISCLOSEABLE TRANSACTION

INVESTMENT IN A SPECIAL PURPOSE VEHICLE AND SUBSCRIPTION OF SHARES TO BE ISSUED BY ZTORE INVESTMENT LIMITED

- Shaw Brothers Holdings Limited and TVB will invest in a newly established SPV, in which the Company will own a minority of shares and voting rights. The SPV will acquire approximately 75% of the issued share capital of Ztore which owns and operates two e-commerce platforms in Hong Kong, namely ztore.com and neigbuy.com.
- The total consideration for the acquisition is HK\$200,000,000 to be satisfied by HK\$70,000,000 in cash and a sum of HK\$130,000,000 represented by resources in relation to artistes, television commercial spots and other advertising products on TVB's free to air and digital platforms.
- The Transaction is subject to a number of conditions and will terminate if closing has not occurred on or before 30 September 2021.

- The Transaction could help explore other sources of revenue such as livestreaming e-commerce (直播帶貨) using the Group's artistes and/or agency network and will expand and create synergy effect with the Group's existing business. The Directors further consider that the business of e-commerce platforms has shown growth potential and expect that the diversification of income stream will increase the Shareholders' value and benefit the Company and the Shareholders as a whole.
- Under the Listing Rules of Hong Kong Stock Exchange, the Transaction constitutes a discloseable transaction for the Company but is exempt from shareholders' approval.

INTRODUCTION

The Company is pleased to announce that on 19 August 2021, SBPL (a wholly-owned subsidiary of the Company), BBECGL and the SPV entered into the JV Subscription Agreement in relation to the investment in a special purpose vehicle, the SPV, in which SBPL will hold 9.9% of the voting rights and 17.5% of the total issued shares and BBECGL will hold 90.1% of the voting rights and 82.5% of the total issued shares. The purpose of the SPV is to invest in Ztore, which owns and operates two e-commerce platforms in Hong Kong, namely ztore.com and neigbuy.com.

The Company further announces that on 19 August 2021, the SPV entered into the Ztore SPA with, among others, Ztore, pursuant to which the SPV will acquire and subscribe, and Ztore will issue, 116,716,000 Series D Preferred Shares in Ztore, representing approximately 75% of the issued share capital in Ztore on a fully-diluted basis for an aggregate consideration of HK\$200,000,000 to be satisfied by a sum of HK\$70,000,000 in cash and a sum of HK\$130,000,000 by provision of TVB Resource Packages.

THE ZTORE SPA

Date: 19 August 2021

Parties: SPV

Ztore

Ztore HK Limited

Neigbuy Limited

Ztore E-Commerce (Shenzhen) Co., Ltd

the Founders

Subject matter

Pursuant to the Ztore SPA, the SPV has conditionally agreed to subscribe for, and Ztore has conditionally agreed to issue, 116,716,110 Series D Preferred Shares, representing approximately 75% of the issued share capital in Ztore on a fully-diluted basis.

The principal terms of the Ztore SPA are set out below.

Consideration and payment

The aggregate consideration for the subscription of 116,716,110 Series D Preferred Shares is HK\$200,000,000, to be satisfied as follows:

- a) the sum of HK\$70,000,000 is payable by or on behalf of the SPV to Ztore in cash at the closing; and

- b) the sum of HK\$130,000,000 will be satisfied by the agreement by the SPV to provide, or procure the provision of, TVB Resource Packages at TVB's usual rates with a value of HK\$130,000,000 by written confirmation from (or a party nominated by and on behalf of) the SPV to Ztore documenting the advertising services rendered to Ztore or its subsidiaries from a period of time as agreed by the aforementioned parties, where such rates are substantially comparable in the market in this relevant field and the arrangements entered into in connection with the TVB Resource Packages are provided on an arm's length basis.

The unaudited consolidated net loss before and after taxation of Ztore and its subsidiaries in the two financial years ended 31 March 2020 and 31 March 2021 was approximately HK\$85 million and HK\$59 million, respectively. The unaudited consolidated net liabilities position of Ztore and its subsidiaries as at 31 March 2021 as set out in the consolidated management accounts was approximately HK\$66 million.

The consideration under the Ztore SPA was reached through arm's length negotiations, on normal commercial terms and in the ordinary and usual course of business of the Group. The consideration was determined with reference to various factors including, among other things, financial and operational metrics of Ztore and the benefits of and reasons for the Transaction as described below.

Conditions Precedent

The closing of the transaction contemplated under the Ztore SPA is conditional upon the satisfaction of the conditions precedent set out in the Ztore SPA, which include, among other things, the execution of the Ztore Shareholders Agreement and the rectification of various issues identified during due diligence.

Closing

Closing under the Ztore SPA will take place on the 5th Business Day after the date on which the last of the conditions precedent is satisfied or waived, or such other date as may be mutually agreed between the parties.

Termination

The Ztore SPA will automatically terminate if closing has not occurred on or before 30 September 2021.

Further Injection

Following the date of the closing of the Ztore SPA, the SPV is entitled, but not obliged, to exercise its right to subscribe for such additional number of Series D Preferred Shares, in one or more tranches, as has an aggregate value of up to HK\$150,000,000, whereby 35% of such amount will be in cash, and the remaining 65% of such monetary value will be satisfied by the agreement by the SPV to provide, or procure the provision of, TVB Resource Packages at TVB's usual rates, where such rates are substantially comparable in the market in this relevant field and the arrangements entered into in connection with the TVB Resource Packages are provided on an arm's length basis.

THE ZTORE SHAREHOLDERS AGREEMENT

Date: to be entered into on the day of closing of the Ztore SPA

Parties: SPV

Ztore

Ztore HK Limited

Neigbuy Limited

Ztore E-Commerce (Shenzhen) Co., Ltd

existing shareholders of Ztore

Subject matter

The Ztore Shareholders Agreement sets out the terms on which Ztore will be owned, controlled, managed, and financed. The principal terms of the Ztore Shareholders Agreement are set out below.

Board composition

The board of directors of Ztore will consist of five directors, two of which will be appointed by two of the Founders (namely Leung Tsz Ki and Shum Tik Chan, with one director appointed by each) and three of which will be appointed by the SPV.

Protective provisions

Certain matters will require the approval from holders of more than 50% of the voting power of the issued and outstanding preferred shares. Such matters include, among others: 1) alteration of rights, preferences or privileges of preferred shares in a way that adversely affects those rights, preferences or privileges; 2) any change to the size of the board; and 3) any amendment to Ztore's memorandum and articles of association.

Restriction on transfers

The Ztore Shareholders Agreement contains certain restrictions on the transfer of shares in Ztore.

For a period of five years following closing of the Ztore SPA, the Founders may not sell any ordinary share held by them without the approval of the board of directors of Ztore.

For a period of five years following closing of the Ztore SPA, no shareholder may transfer any share of Ztore held by such shareholder without the approval of board of directors of Ztore except with respect to transfers pursuant to the drag-along provisions or certain exempted transfers (such as transfers to Affiliates).

If any shareholder of Ztore other than the SPV proposes to transfer any shares in Ztore, the SPV will have a right of first refusal over such transfer in accordance with the terms of the Ztore Shareholders Agreement. If the SPV does not exercise the right of first refusal, the SPV has a right of co-sale with the transferring shareholder which may be exercised in accordance with the relevant procedures under the Ztore Shareholders Agreement.

The SPV has drag-along rights over all other shareholders of Ztore if it wishes to sell its shares to a third party, provided that the implied valuation of Ztore is no less than the value for exercise of the call option or put option described below.

The rights of first refusal and the co-sale right does not apply to transfers of shares to Affiliates.

Call option

The SPV has a call option to purchase all of the shares held by any and all the existing shareholders of Ztore on certain terms and conditions, where the right to exercise such call option is linked to the GMV and Contribution Margin percentage of the GMV per financial quarter.

Put Option

Provided that the call option has not previously been exercised, the existing shareholders shall be granted a joint put option to sell all of the shares held in Ztore to the SPV on certain terms and conditions, where the right to exercise such put option is linked to the GMV and Contribution Margin percentage of the GMV per financial quarter. The existing shareholders may exercise the put option at the price of HK\$140,000,000 depending on the certain threshold of GMV and Contribution Margin percentage of the GMV per financial quarter being met.

Termination

The Ztore Shareholders Agreement will automatically terminate upon the consummation of Ztore's initial public offering, except for provisions that by their nature are intended to survive termination.

THE JV SUBSCRIPTION AGREEMENT

Date: 19 August 2021

Parties: SPV

BBECGL

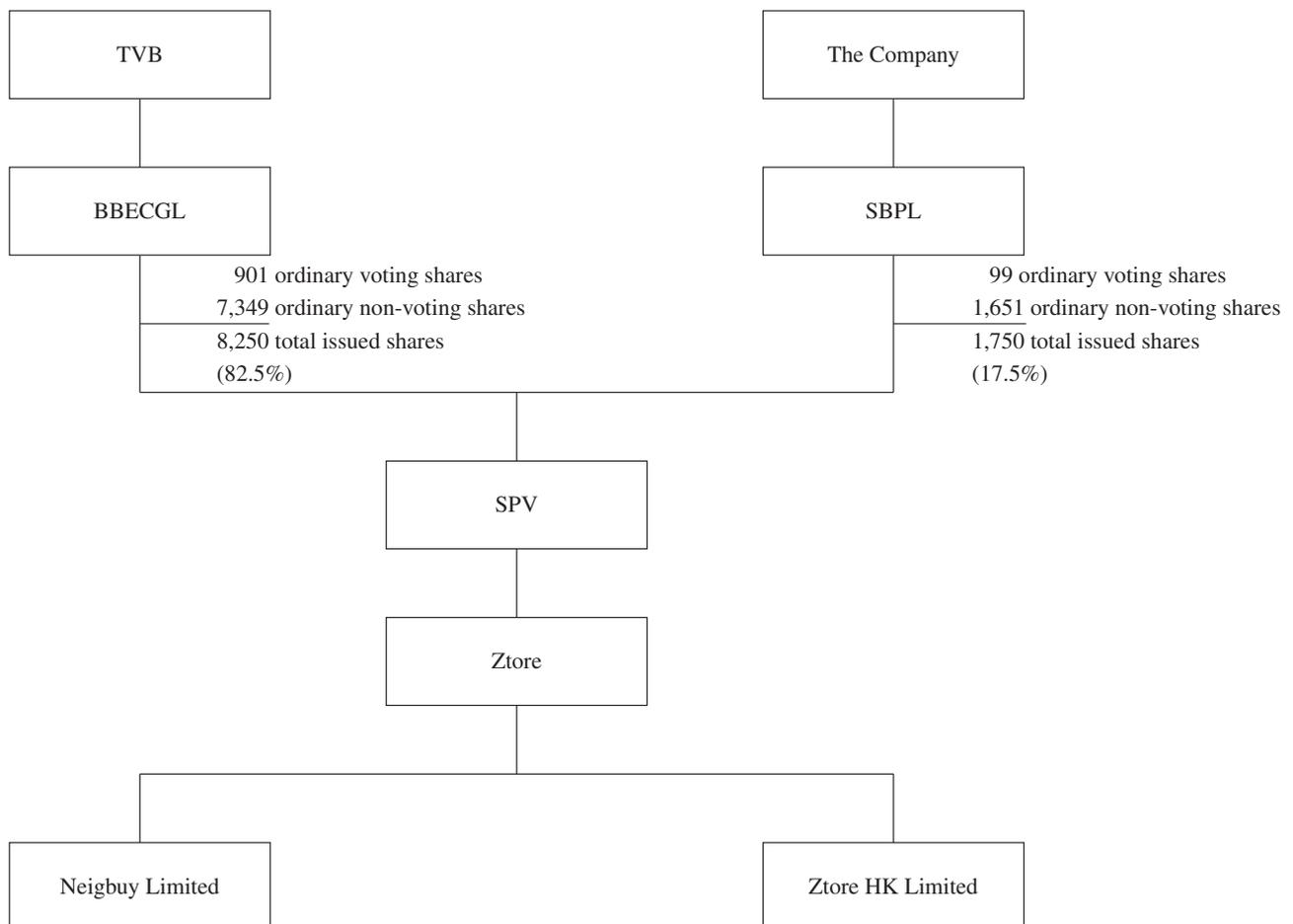
SBPL

Subject matter

Pursuant to the JV Subscription Agreement, each of BBECGL and SBPL has conditionally agreed to subscribe for, and the SPV has conditionally agreed to issue to them, the following respective numbers of shares:

- a) BBECGL: 900 ordinary voting shares and 7,349 ordinary non-voting shares; and
- b) SBPL: 99 ordinary voting shares and 1,651 ordinary non-voting shares.

The organisation chart of the SPV after the closing of the JV Subscription Agreement will be as follows:



The principal terms of the JV Subscription Agreement are set out below.

Consideration and payment

The aggregate consideration in respect of the shares to be subscribed by SBPL is HK\$35,000,000, to be satisfied in cash.

The aggregate consideration in respect of the shares to be subscribed by BBECGL is HK\$165,000,000, comprising of (i) the sum of an aggregate of HK\$35,000,000 to be satisfied in cash and (ii) the sum of HK\$130,000,000 to be satisfied by BBECGL procuring the provision of TVB Resource Packages to Ztore or to such other person as Ztore may nominate with a value of HK\$130,000,000, where such arrangements entered into in connection with the TVB Resource Packages are provided on an arm's length basis.

The consideration under the JV Subscription Agreement was reached through arm's length negotiations, on normal commercial terms and in the ordinary and usual course of business of the Group. The consideration was determined with reference to various factors including, among other things, financial and operational metrics of Ztore (being the underlying target of the investment) and the benefits of and reasons for the Transaction as described below.

Conditions Precedent

The closing of the transaction contemplated under the JV Subscription Agreement is conditional upon the satisfaction of the conditions precedent set out in the JV Subscription Agreement, which include, among other things, the closing of the Ztore SPA.

Closing

Closing under the JV Subscription Agreement will take place on the 5th Business Day after the date on which the last of the conditions precedent is satisfied, or such other date as may be mutually agreed between the parties, provided that closing under the JV Subscription Agreement shall take place simultaneously with the closing under the Ztore SPA.

At closing, the SPV will allot and issue the relevant numbers of subscription shares to BBECGL and SBPL, and the JV Shareholders' Agreement will be entered into by the parties.

Upon closing, SBPL will hold 17.5% of the issued share capital of the SPV, which indirectly holds the business of Ztore. The SPV and its financial results will not be consolidated into the Group's financial statement.

Termination

The JV Subscription Agreement will automatically terminate if closing has not occurred on or before 1 October 2021.

THE JV SHAREHOLDERS' AGREEMENT

Date: to be entered into on the day of closing of the JV Subscription Agreement

Parties: SPV
BBECGL
SBPL

Subject matter

The JV Shareholders' Agreement sets out the terms on which the SPV will be owned, controlled, managed and financed. The principal terms of the JV Shareholders' Agreement are set out below.

Business

The business of the SPV is to acquire, hold, and dispose of interests in Ztore.

Board composition

The board of directors of the SPV will consist of up to three directors, all of which will be appointed by BBECGL. SBPL has the right to appoint one non-voting board observer.

Reserved matters

Certain matters will require the unanimous approval of the shareholders of the SPV. Such matters include 1) altering the articles of association or other constitutional documents of the SPV in a way that would be disproportionately prejudicial to a shareholder; 2) issuing any securities in or changing or varying the share capital of the SPV other than any issuance of new shares as provided in the JV Shareholders' Agreement or the articles of association of the SPV; and 3) any proposal to wind up the SPV or other similar proceedings.

Additional funding

Following the closing of the JV Subscription Agreement, subject to the SPV's exercise of its rights of further injection under the Ztore SPA, each shareholder in the SPV may provide funding to the SPV in accordance with the terms of the JV Shareholders' Agreement.

Restriction on transfers

The JV Shareholders' Agreement contain certain restrictions on the transfer of shares in the SPV.

Transfer of shares in the SPV require the prior written consent of all shareholders, unless 1) the transfer is made to an affiliate of the transferring shareholder; or 2) the transfer occurs after 60 months from the date of closing under the JV Subscription Agreement, and is not to a competitor of BBECGL or SBPL (or their respective Affiliates) and is made in accordance with the customary transfer restrictions including the right of first refusal, a drag-along right for BBECGL and a tag-along right for SBPL.

Termination

The JV Shareholders' Agreement may be terminated by written agreement of all the parties. It will automatically terminate upon the occurrence of a voluntary or involuntary winding up of the SPV.

BENEFITS OF AND REASONS FOR THE TRANSACTION

The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to develop its existing business portfolio and broaden its source of income. Ztore owns and operates two growing e-commerce platforms ztore.com and neigbuy.com, with a combined GMV of over HK\$400 million as of 31 March 2021 and with registered customers of approximately 660,000 and 270,000 for the two platforms respectively as of 31 July 2021. The Directors are of the view that the Transaction could help explore other sources of revenue such as livestreaming e-commerce (直播帶貨) using the Group' artistes and/or agency network and will expand and create synergy effect with the Group's existing business. The Directors further consider that the business of e-commerce platforms has shown growth potential and expect that the diversification of income stream will increase the Shareholders' value and benefit the Company and the Shareholders as a whole.

In view of the above, the Directors consider that the terms of the Transaction are on normal commercial terms, and are fair and reasonable and the entry into the Transaction is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE GROUP

SBPL is a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company. The Group is principally engaged in investments in films, drama and non-drama, and artiste and event management.

INFORMATION ON BBECGL

BBECGL is a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of TVB, whose shares are listed on the main board of the Stock Exchange (stock code: 00511). TVB and its subsidiaries are principally engaged in terrestrial television broadcasting with programme production, digital new media business, programme licensing and distribution, overseas pay TV operations and channel operations. BBECGL operates an e-commerce platform which practises a "showing on TV and selling in Big Big Shop" model, turning viewers of TVB's Jade channel into its online customers.

INFORMATION ON ZTORE

Ztore is an investment holding company and holds two operating subsidiaries which own and operate e-commerce platforms ztore.com and neigbuy.com. Established in 2015, ztore.com is an online shopping platform offering delivery and click-and-collect services for a wide range of products sourced worldwide, ranging from home essentials, general merchandise, beauty and cosmetics. Launched in 2018, neigbuy.com is an online shopping platform operating a flash buying” model which offers free click-and-collect services for diversified categories of products.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from shareholders’ approval requirement under Chapter 14 of the Listing Rules.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Ztore, BBECGL and each of the parties named in the Transaction and each of their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Affiliates”	with respect to a person, any person that is not an individual, any other person that, directly or indirectly, controls, is controlled by or is under common control with such person
“BBECGL”	Big Big e-Commerce Group Limited, a company incorporated in Hong Kong with its registered office at TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong, and a wholly-owned subsidiary of TVB

“Business Day”	any day (other than a Saturday, Sunday, legal holiday in Hong Kong or the British Virgin Islands or any day on which a tropical cyclone warning no.8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9.00am and 5.00pm) on which banks are open in the Hong Kong or the British Virgin Islands for general commercial business
“Company”	Shaw Brothers Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 00953)
“Contribution Margin”	the result of gross profit & commission minus variable cost (incl. warehouse operating cost, delivery cost and selling expenses) as defined in the management projection
“Director(s)”	the directors of the Company
“Founders”	each of (i) Shum Tik Chan of 19/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong, (ii) Leung Tsz Ki of 19/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong and (iii) Ling Clarence Chun Kit of 19/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong
“Group”	the Company, together with its subsidiaries
“GMV”	gross merchandise value
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“JV Shareholders’ Agreement”	the shareholders’ agreement in the form appended to the JV Subscription Agreement to be entered into among the SPV, BBECGL and SBPL as at the date of closing of the JV Subscription Agreement
“JV Subscription Agreement”	the subscription agreement in relation to the subscription of shares in the SPV dated 19 August 2021 and entered into among the SPV, BBECGL and SBPL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SBPL”	Shaw Brothers Pictures Limited, a company incorporated under the laws of the British Virgin Islands with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPV”	Sunrise Investments Global Limited, a company incorporated in the British Virgin Islands with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Targets”	the Ztore and Neigbuy e-commerce platforms operated by subsidiaries of Ztore

“Transaction”	the formation of the SPV between BBECGL and SBPL and the subscription by the SPV of 116,716,110 Series D Preferred Shares in Ztore for a consideration of HK\$200,000,000
“TVB”	Television Broadcasts Limited, a company incorporated under the laws of Hong Kong and whose shares are listed on the main board of the Stock Exchange (stock code: 00511)
“TVB Resource Packages”	resources in relation to artists, television commercial spots and other advertising products on TVB’s free-to-air and digital platforms, product placement and content production of TVB and/or its Affiliates
“Ztore”	Ztore Investment Limited, an exempted company with limited liability incorporated in the British Virgin Islands, with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands
“Ztore Shareholders Agreement”	the fifth amended and restated shareholders agreement in the form exhibited to the Ztore SPA, to be entered into among Ztore, Ztore HK Limited, Ztore E-Commerce (Shenzhen) Co., Ltd., the existing shareholders of Ztore and the SPV as at the day of closing of the Ztore SPA
“Ztore SPA”	the series D preferred share purchase agreement dated 19 August 2021 and entered into between the SPV, Ztore, Ztore HK Limited, Neigbuy Limited, Ztore E-Commerce (Shenzhen) Co., Ltd. and the Founders

By Order of the Board
Shaw Brothers Holdings Limited
Li Ruigang
Chairman

Hong Kong, 19 August 2021

As at the date of this announcement, the Board of the Company comprises:

Chairman and Non-executive Director

Mr. Li Ruigang

Executive Director

Miss Lok Yee Ling Virginia

Non-executive Director

Mr. Hui To Thomas

Independent Non-executive Directors

Mr. Pang Hong

Mr. Poon Kwok Hing Albert

Miss Szeto Wai Ling Virginia