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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO COOPERATION FRAMEWORK AGREEMENT

COOPERATION FRAMEWORK AGREEMENT

On 6 May 2022, the Company entered into the Cooperation Framework Agreement with CMC and Huaren Wenhua pursuant to which the Company, CMC and Huaren Wenhua wish to cooperate in (i) the Investment Projects and (ii) the Artistes Engagement.

In relation to the Investment Projects, members of the Group may from time to time during the term of the Cooperation Framework Agreement negotiate and enter into definitive cooperation agreements with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) on specific cooperation projects related to films, television or media setting out detailed terms of the particular Investment Project. The content and form of such definitive cooperation agreement may include (but not limited to) jointly participating in an Investment Project, CMC and/or Huaren Wenhua (and/or their respective Associated Companies) procuring or allowing members of the Group to participate in an Investment Project (or to share part of the investment) or vice versa.

In relation to the Artistes Engagement, members of the Group may from time to time request the engagement of artistes who are managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for their Entertainment and Media Projects. On the other hand, CMC and/or Huaren Wenhua (and/or their respective Associated Companies) may from time to time request the engagement of artistes who are managed by members of the Group for their Entertainment and Media Projects. Members of the Group may from time to time enter into definitive agreements with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for particular transactions of Artistes Engagement in accordance with the terms of the Cooperation Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the ultimate controlling shareholder of both CMC and Huaren Wenhua is Mr. Li Ruigang who is the chairman, a director and a substantial shareholder of the Company and is interested, through several companies directly or indirectly held by him, in approximately 29.94% of the total issued share capital of the Company. Each of CMC and Huaren Wenhua is an associate of Mr. Li Ruigang and hence a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Cooperation Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Cooperation Framework Agreement will, on an annual basis, exceed 5%, the Cooperation Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Subject to fulfillment of the condition precedent of the Cooperation Framework Agreement including obtaining the approval by the Independent Shareholders, the Cooperation Framework Agreement is for a term of 3 years from 1 June 2022 to 31 May 2025.

An EGM will be convened to obtain the Independent Shareholders' approval of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Mr. Li Ruigang, CMC and their respective associates will be required to abstain from voting on the resolutions to be proposed at the EGM.

A circular containing, among other things, information relating to the Cooperation Framework Agreement and the proposed annual caps, a letter of advice from the independent financial adviser, the recommendation of the Independent Board Committee, and a notice of the EGM is expected to be despatched to the Shareholders on or before 16 May 2022 in accordance with the Listing Rules.

COOPERATION FRAMEWORK AGREEMENT

On 6 May 2022, the Company entered into the Cooperation Framework Agreement with CMC and Huaren Wenhua pursuant to which the Group, and CMC and/or Huaren Wenhua and/or their respective Associated Companies may cooperate in (i) the Investment Projects and (ii) the Artistes Engagement.

The principal terms of the Cooperation Framework Agreement are set out below:

Date: 6 May 2022

Parties: (a) the Company;

(b) CMC; and

(c) Huaren Wenhua

Condition precedent: The Cooperation Framework Agreement and the transactions contemplated thereunder are conditional upon the Company having complied with the relevant requirements under the Listing Rules, including but not limited to announcement, circular and Independent Shareholders' approval requirements (if required).

Term: 3 years from 1 June 2022 to 31 May 2025, subject to the fulfilment of the condition precedent of the Cooperation Framework Agreement.

Nature of the transaction: Collaboration between the Group, and CMC and/or Huaren Wenhua and/or their respective Associated Companies in (i) the Investment Projects and (ii) the Artistes Engagement.

In relation to the Investment Projects

Members of the Group may from time to time during the term of the Cooperation Framework Agreement negotiate and enter into definitive cooperation agreements with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) on specific cooperation projects related to films, television or media setting out detailed terms including (but not limited to) the specific nature of the particular Investment Project, investment amount, settlement terms, investment proportion, revenue split arrangement, film copyright issues, etc.

The content and form of such definitive cooperation agreement may include (but not limited to) jointly participating in an Investment Project, CMC and/or Huaren Wenhua (and/or their respective Associated Companies) procuring or allowing members of the Group to participate in an Investment Project (or to share part of the investment) or vice versa.

In relation to the Artistes Engagement

Members of the Group may from time to time request the engagement of artistes who are managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for their Entertainment and Media Projects. On the other hand, CMC and/or Huaren Wenhua (and/or their respective Associated Companies) may from time to time request the engagement of artistes who are managed by members of the Group for their Entertainment and Media Projects. Members of the Group may from time to time enter into definitive agreements with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for particular transactions of the Artistes Engagement in accordance with the terms of the Cooperation Framework Agreement.

Consideration:

In relation to the Investment Projects

The investment amount and payment terms for each individual transaction of the Investment Projects shall be set out in the relevant definitive agreement to be entered into between the relevant member of the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Company), as the case may be.

In relation to the Artistes Engagement

The consideration amount and payment terms for each individual transaction of the Artistes Engagement payable for the engagement of the artiste (whether for the benefit of the artiste concerned or his/her manager) shall be set out in the relevant definitive agreement to be entered into between the relevant member of the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Company), as the case may be.

Basis for determination
of the terms of
definitive
agreements:

In relation to the Investment Projects

The relevant parties shall negotiate and conclude the terms of a definitive agreement taking into account relevant factors including (but not limited to) the financial strength of the parties involved, size and content of the Investment Project, the artistes/producers involved, and the relevant parties' ability on distribution and on obtaining government and regulatory approvals.

In relation to the Artistes Engagement

The relevant parties shall negotiate and conclude the terms of a definitive agreement taking into account relevant factors including (but not limited to) the commercial value of the artiste to be engaged, the content and other participants of the Entertainment and Media Project, amount of time required of the artiste for the Entertainment and Media Project and his or her work schedule.

The Cooperation Framework Agreement is a master agreement according to which detailed terms of each single transaction of the Investment Projects or the Artistes Engagement are to be determined between members of the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Company) through negotiations.

In relation to the Investment Projects

Pursuant to the Cooperation Framework Agreement, members of the Group may enter into definitive agreements with CMC and/or Huaren Wenhua (and/or their respective Associated Company), as the case may be, from time to time to provide for detailed terms of each single transaction of the Investment Projects with reference to their respective business scopes, applicable laws and regulations, market condition, generally applicable commercial terms, trade practice and basis of fairness, and in accordance with the principles that such transactions shall be on normal commercial terms and its terms shall be no less favorable than those offered by Independent Third Parties to the Group or those obtained by the Group from Independent Third Parties. Such detailed terms include, without limitation, the specific nature of the particular Investment Project, investment amount, settlement terms, investment proportion, revenue split arrangement and film copyright issues, etc. The Cooperation Framework Agreement provides that the sharing of profit or loss of an Investment Project (after deduction of expenses, costs, remuneration or bonus to relevant participants in the project) by the investors shall be pro rata to (or in such proportions as close as practicable to) their corresponding investment amount.

When negotiating the terms and conditions of the definitive agreements of the Investment Projects, the Group will make reference to recent agreements of Investment Projects with similar nature and budget size entered into between the Group and Independent Third Parties.

In relation to the Artistes Engagement

Pursuant to the Cooperation Framework Agreement, members of the Group may enter into definitive agreements with CMC and/or Huaren Wenhua (and/or their respective Associated Company), as the case may be, from time to time to provide for detailed terms of each individual transaction of the Artistes Engagement with reference to the market condition, applicable laws and regulations, usual norm in respect of engaging artiste in the entertainment industry or relevant project and basis of fairness and in accordance with the principles set out in the Cooperation Framework Agreement. Such detailed terms include, without limitation, the content of the artiste's participation in the engagement, remuneration and payment methods, insurance and other arrangements. The Company, CMC and Huaren Wenhua agree that such detailed terms shall be on normal commercial terms which are no less favourable to the Group than terms available to or from Independent Third Parties.

As for the fees charged for Artistes Engagement, the Directors rely on the expertise of the Group's talent management executives to assess whether fees chargeable for an engagement of artiste for a particular project is in line with the industry and market norms. The performance fees of artistes vary substantially among artistes and the pricing and engagement terms of artistes engagement are personal and time-specific. Therefore, there is no standard pricing policy that can be applied in the entertainment and media industry. However, the entertainment and media production industry is competitive and those involved in the industry are more or less aware of pricing information of artistes, such as the fees usually asked by the artistes or their managers, and the fee rates commonly offered to artistes of a particular caliber for jobs of certain nature. The artistes management executives keep regular contact and friendly relationship with potential users of artistes (such as entertainment production entities, advertising customers, etc.) and other artiste management companies to obtain information about potential projects and budget size in order to optimize the sale of services of their artistes and obtain information on fees chargeable by artistes managed by other management companies.

When negotiating the terms and conditions of the definitive agreements of the Artistes Engagement, the Group will also make reference to recent artiste engagement agreements of similar nature and budget size entered into between the Group and Independent Third Parties.

Payment arrangements under the Cooperation Framework Agreement

According to market practice, the investment amount for the Investment Projects is either payable in full within one month after executing the definitive agreement or by instalments (i) within one month after executing the definitive agreement, (ii) within one month before the commencement of shooting, (iii) within one month after the completion of 50% of shooting, and (iv) within one month before the end of shooting. In respect of the Artistes Engagement, the consideration amount shall be payable, (i) for commercial performances or activities, in full before the relevant activity; (ii) for commercials shooting, in full on the day of shooting or by instalments on the days of multiple shootings; and (iii) for television programs or films shooting, by instalments (a) upon signing of the definitive agreement, (b) before the commencement of production, (c) during the production process, and (d) before the end of production.

Proposed annual caps

The maximum annual investment amounts to be invested by the Group in Investment Projects and the maximum annual contract amounts for the agreements in respect of Artistes Engagement to be entered into by the Group with CMC and/or Huaren Wenhua and/or their respective Associated Companies as contemplated under the Cooperation Framework Agreement during the term of the Cooperation Framework Agreement shall not exceed the following proposed annual caps:

	Proposed annual caps (in RMB)			
	From 1 June 2022 to 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024	From 1 January 2025 to 31 May 2025
Investment Projects	173,200,000	214,800,000	223,300,000	234,300,000
Artistes Engagement by the Group engaging artistes managed by CMC and/ or Huaren Wenhua and/or their respective Associated Companies	5,500,000	12,100,000	13,900,000	8,600,000
Artistes Engagement by CMC and/or Huaren Wenhua and/ or their respective Associated Companies engaging artistes managed by the Group	21,200,000	39,300,000	42,800,000	19,500,000

Basis of proposed annual caps

The aforesaid proposed annual caps for the Cooperation Framework Agreement in respect of the Investment Projects in the relevant periods are determined by reference to the estimated number of Investment Projects that may be co-invested by the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Companies) and the estimated amounts proposed to be invested by the Group in such Investment Projects, and generally in accordance with the Group's business plan for each of the financial periods corresponding to the periods for the proposed annual caps. The estimated investment amounts adopted for calculation of the annual caps in respect of the Investment Projects are based on the estimated production costs of the proposed Investment Projects to be co-invested with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) with reference to the actual production costs of other Investment Projects co-invested by the Group with Independent Third Parties.

The aforesaid proposed annual caps for the Cooperation Framework Agreement in respect of the Artistes Engagement by the Group and by CMC and/or Huaren Wenhua and/or their respective Associated Companies respectively in the relevant periods are determined by reference to the projected engagement of artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Company) and by the Group and the Group's business plan and the anticipated fees charged for those artistes based on industry and market norms for each of the financial periods corresponding to the periods for the proposed annual caps.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION FRAMEWORK AGREEMENT

The Directors believe that the entering into of the Cooperation Framework Agreement is in the best interests of the Company and the Shareholders as a whole for the following reasons:

- (a) CMC and Huaren Wenhua have a reputation as a leading group in the PRC in media and entertainment and its investment and operations cover fields across, including without limitation, film, drama series, games, lifestyle and consumption, artistes management, news and information, live entertainment, sports and other services sectors. CMC and Huaren Wenhua have rich resources and experience in the areas of film development, production, distribution and marketing, and a strong film distribution network in the PRC and worldwide.

- (b) The entering into the Cooperation Framework Agreement enables the Group to benefit from utilising the vast film resources and experience of CMC and Huaren Wenhua in its film and media content production and investment. The film distribution network of CMC and Huaren Wenhua in the PRC and worldwide also enable the Group to penetrate into film markets outside Hong Kong and enhance the Group's brand image internationally.
- (c) The cooperation with CMC and Huaren Wenhua in various Investment Projects would also allow the Group to participate in films with larger budget and investment amount, and hence enhancing the Group's market presence in the film industry.
- (d) As the Group is in the business of entertainment and media, it is important for the Group to have a variety of choice of artistes when selecting film characters for its film production and investment or for its other projects or events. Given that CMC and Huaren Wenhua and their respective Associated Companies own the management right to a large pool of artistes, it would be beneficial to the Group if it could have access to this pool of artistes for its entertainment and media business through arrangements under the Cooperation Framework Agreement.
- (e) The cooperation in Artistes Engagement would also provide more opportunities for artistes managed by the Group to participate in various film production, advertising and other commercial engagements, and hence increasing the Group's revenue in commission received from its artistes management business and also attracting other artistes to sign management contracts and/or entering into other cooperation deals with the Group.

- (f) The Directors take the view that the Group engaging in businesses of similar nature to certain businesses of CMC and Huaren Wenhua as mentioned in sub-paragraph (a) above does not give rise to an adverse competition situation. Instead, the Directors believe that the collaboration with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in the Investment Projects and the Artistes Engagement will create opportunities and synergy for the development of the Group's film investment and artiste management businesses in terms of expanding its reach to and presence in the PRC and overseas markets, investing in films with larger budgets, gaining access to opportunities to invest in high quality films and development of talented artistes. The Group also expects that the cooperation between the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Companies) may improve and enhance the variety and the geographical diversification of film investment and production it participates in, and ultimately will bring a positive effect on the Group's further development and market share in the film and entertainment industry.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from Crescendo to the Independent Board Committee) consider that the terms of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the ultimate controlling shareholder of both CMC and Huaren Wenhua is Mr. Li Ruigang who is the chairman, a director and a substantial shareholder of the Company and is interested, through several companies directly or indirectly held by him, in approximately 29.94% of the total issued share capital of the Company. Each of CMC and Huaren Wenhua is an associate of Mr. Li Ruigang and hence a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under the Cooperation Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Cooperation Framework Agreement will, on an annual basis, exceed 5%, the Cooperation Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened to obtain the Independent Shareholders' approval of the Cooperation Framework Agreement and the transactions contemplated thereunder and the proposed annual caps.

An Independent Board Committee, comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, whether the Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are conducted on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM.

Crescendo has been appointed by the Company as its independent financial adviser to give recommendations to the Independent Board Committee and the Independent Shareholders as to, among other things, whether terms of the Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, whether the Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are conducted on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM.

A circular containing, among other things, information relating to the Cooperation Framework Agreement and the proposed annual caps, a letter of advice from Crescendo, the recommendation of the Independent Board Committee, and a notice of the EGM is expected to be despatched to the Shareholders on or before 16 May 2022 in accordance with the Listing Rules.

INFORMATION ON THE GROUP, CMC AND HUAREN WENHUA

The Group is principally engaged in investments in films, drama and non-drama, and artiste and event management. The Company acts as an investment holding company.

CMC is principally engaged in businesses of media and entertainment, film and television dramas, games, variety shows, information media, lifestyle and consumption, etc.

Huaren Wenhua is principally engaged in businesses of media and entertainment, film and television dramas, games, variety shows, information media, lifestyle and consumption, etc.

The ultimate controlling shareholder of both CMC and Huaren Wenhua is Mr. Li Ruigang, who is the chairman, a Director and a substantial shareholder of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following respective meanings:

“30%-controlled company”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Artistes Engagement”	the engagement of artistes by members of the Group, CMC or Huaren Wenhua or their respective Associated Companies for the Entertainment and Media Projects in accordance with the term of the Cooperation Framework Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Associated Company”	a subsidiary or a 30%-controlled company
“Board”	the board of Directors
“CMC”	CMC Inc., a company incorporated in the Cayman Islands with limited liability which is indirectly controlled by Mr. Li Ruigang

“Company”	Shaw Brothers Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 00953)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Cooperation Framework Agreement”	the cooperation framework agreement dated 6 May 2022 and entered into among the Company, CMC and Huaren Wenhua in respect of the collaboration in the Investment Projects and in the Artistes Engagement
“Crescendo”	Crescendo Capital Limited (薈盛融資有限公司), a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the purposes of the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve the Cooperation Framework Agreement and the continuing connected transactions contemplated thereunder and the proposed annual caps
“Entertainment and Media Project(s)”	films, television programs, internet dramas, variety shows, commercial performance, public relations, advertising and/or new media programs or projects

“Group”	the Company and its subsidiaries from time to time
“Huaren Wenhua”	華人文化有限責任公司 (English transliteration for identification purpose: Huaren Wenhua Limited Liability Company), a company incorporated in the PRC with limited liability which Mr. Li Ruigang controls the exercise of the majority of the voting power at its general meeting
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of giving advice and making recommendation to the Independent Shareholders in respect of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholders”	Shareholders other than connected person(s) of the Company who is/are interested in the continuing connected transactions contemplated under the Cooperation Framework Agreement
“Independent Third Parties”	independent third parties which are not connected with the Company and its connected person(s), and each of them an “Independent Third Party”
“Investment Project(s)”	investment, development, production, operation, distribution, sale of films, television programs, internet dramas, advertisements and/or new media content in any country, district or area
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Hong Kong, 6 May 2022

As at the date of this announcement, the Board 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