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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shaw Brothers Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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  
AND  
NOTICE OF EGM**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**Crescendo Capital Limited**

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A letter from the Board is set out on pages 4 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from Crescendo containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 45 of this circular.

A notice convening the EGM to be held at 12:00 noon on Thursday, 2 June 2022 (or as soon as the annual general meeting to be held at 11:30 a.m. on the same date and at the same place shall have been concluded or adjourned) at Opera II, B3, Intercontinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong is set out on pages 54 to 58 of this circular. A form of proxy for use by the Shareholders at the EGM (or any adjournment thereof) is also enclosed.

Whether or not you propose to attend the EGM (or any adjournment thereof), you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deliver the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours (i.e. 12:00 noon on Tuesday, 31 May 2022) before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

Hong Kong, 13 May 2022

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	24
<b>LETTER FROM CRESCENDO</b> .....	26
<b>APPENDIX – GENERAL INFORMATION</b> .....	46
<b>NOTICE OF EGM</b> .....	54

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## DEFINITIONS

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*In this circular, 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
“Articles”	the articles of association of the Company
“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
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	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

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## DEFINITIONS

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“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”	the extraordinary general meeting of the Company to be held at 12:00 noon on Thursday, 2 June 2022 (or as soon as the annual general meeting to be held at 11:30 a.m. on the same date and at the same place shall have been concluded or adjourned) at Opera II, B3, Intercontinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong 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”	the 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 continuing connected transactions contemplated thereunder and the proposed annual caps

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than the connected person(s) of the Company who is/are interested in the continuing connected transactions contemplated under the Cooperation Framework Agreement
“Independent Third Party(ies)”	independent third parties which are not connected with the Company and its connected person(s)
“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
“Latest Practicable Date”	6 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“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 Share(s)
“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

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**LETTER FROM THE BOARD**

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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)

*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

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of*

*business in Hong Kong:*

19/F., Leighton Centre

77 Leighton Road

Causeway Bay

Hong Kong

13 May 2022

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**  
**IN RELATION TO COOPERATION FRAMEWORK AGREEMENT**  
**AND**  
**NOTICE OF EGM**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 6 May 2022 in relation to the Cooperation Framework Agreement. Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps at the EGM.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with:

- (a) details of the terms of the Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps;
- (b) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps;
- (c) a letter of advice from Crescendo to the Independent Board Committee and the Independent Shareholders in respect of the Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps;
- (d) a notice of the EGM; and
- (e) other information in accordance with the requirements of 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.

#### (i) Principal terms

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).

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## LETTER FROM THE BOARD

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- 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.



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## LETTER FROM THE BOARD

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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 (i.e. the amount of financial resources available for investment by the relevant parties, which would be determinant of their investment amounts in an Investment Project), 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.

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## LETTER FROM THE BOARD

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### *Transactions pursuant to the Cooperation Framework Agreement*

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.

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## LETTER FROM THE BOARD

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### *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.

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## LETTER FROM THE BOARD

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### ***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.

#### **(ii) 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 ( <i>in RMB</i> )			From
	From 1 June 2022 to 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024	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

In relation to the engagement of the Group's artistes by CMC and/or Huaren Wenhua (and/or their respective Associated Companies), a specified percentage of the contract amounts receivable by the Group, which will be determined after arm's length negotiation between the Group and the relevant artiste and shall be fixed as between the Group and the relevant artiste for the relevant contract term regardless of whether such artiste is to be engaged by the Group, a connected person of the Company or an Independent Third Party for an Entertainment and Media Projects during the relevant contract term, are recognised as commission income from artiste management that constitute part of the Group's revenue in the artiste management segment.

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## LETTER FROM THE BOARD

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In an Investment Project in which the Group participates that involves CMC and/or Huaren Wenhua and/or their respective Associated Company, there may also be engagement by CMC and/or Huaren Wenhua (and/or their respective Associated Company) of artistes managed by the Group, as well as engagement by the Group of artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Company) to provide performance or appearances. In such event, the Group's investment amount in the Investment Project will take up a portion of the annual cap for Investment Projects, while the amount payable or receivable (as the case may be) by the Group in relation to the Artistes Engagement will take up a portion of the relevant annual cap for Artistes Engagement.

### **(iii) Basis of proposed annual caps**

#### ***Historical figures***

During each of the three financial years ended 31 December 2017, 2018 and 2019, there were no transactions in relation to the Investment Projects or the Artiste Engagement respectively under the cooperation framework agreement dated 29 November 2016 entered into between the Company, CMC Holdings Limited (now known as CMC) and Huaren Wenhua in respect of the collaboration on Investment Projects and Artistes Engagement. For three years from 1 January 2017 to 31 December 2019, the amount in relation to the Investment Projects and the Artistes Engagement between the Group, CMC, Huaren Wenhua and their respective Associated Companies was nil.

The previous cooperation framework agreement entered into by the Company with CMC and Huaren Wenhua in 2016 was an initiative for collaboration with CMC and its associates proposed by the Group with a view to expanding its then recently commenced business development in the entertainment field. Although various possibilities of collaboration with CMC and Huaren Wenhua on Investment Projects and Artistes Engagement were considered by the Group, in the financial years from 2017 to 2019 the Group focussed on developing its entertainment related business on its own and with other independent third-party business partners without resorting to collaboration with CMC or its associates. This business record has proved and demonstrated the Group's capability in building up a vibrant entertainment business segment independently. At present, the Group's primary business focus is on film, drama and non-drama, as well as artiste and event management. The Group considers it a good timing to again explore collaboration with CMC and its associates on Investment Projects and Artistes Engagement in order to further expand its entertainment related business, and to benefit from synergy with the business operations of CMC and Huaren Wenhua in these fields.

There were no transactions in relation to Investment Projects or Artiste Engagement entered into between the Company and CMC, Huaren Wenhua or their respective Associated Companies from 1 January 2020 up to the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### *In relation to the Investment Projects*

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.

According to the business plan of the Company, the Group targets to invest in twenty-five (25) films and/or drama series in 2022, subject to final business decisions and market conditions and circumstances. The Company anticipates that it would co-invest with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in eleven (11) Investment Projects for the period from 1 June 2022 to 31 December 2022 with a maximum investment amount of approximately RMB173.2 million. The Group also plans to invest in twenty-three (23), twenty-four (24) and twenty-four (24) film and television contents in 2023, 2024 and 2025 respectively, of which thirteen (13) film and television contents will be co-invested with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in each of those years. It is anticipated that the Group's investment in Investment Projects contemplated under the Cooperation Framework Agreement would increase to approximately RMB214.8 million, RMB223.3 million and RMB234.3 million for the year ending 31 December 2023, 31 December 2024 and the period from 1 January 2025 to 31 May 2025 respectively. The Group determined the aforesaid annual caps based on the number of potential Investment Projects involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies), the estimated production costs (with reference to the actual production costs of Investment Projects of the Group with Independent Third Parties) and the Group's anticipated investment ratio in those potential Investment Projects. The above information is estimated by the Company for the purpose of arriving at the annual cap amounts for the Investment Projects for the relevant periods, which is subject to change upon implementation of the relevant business plan of the Group, CMC and Huaren Wenhua (and their respective Associated Companies).

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## LETTER FROM THE BOARD

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***In relation to the Artistes Engagement by the Group engaging artistes managed by CMC and/or Huaren Wenhua and/or their respective Associated Companies***

The aforesaid proposed annual caps for the Cooperation Framework Agreement in respect of the Artistes Engagement by the Group 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). To the Company's knowledge, as at the Latest Practicable Date, there were 8 artistes under the management of CMC and Huaren Wenhua and their respective Associated Companies, and it is expected that 12, 14 and 19 artistes will be under the management of CMC and Huaren Wenhua and their respective Associated Companies during 2023, 2024 and 2025 respectively. The Group may engage any artistes from the said pool of artistes managed by CMC and Huaren Wenhua and their respective Associated Companies during the term of the Cooperation Framework Agreement.

The aforesaid proposed annual caps for the Cooperation Framework Agreement in respect of the Artistes Engagement by the Group in the relevant periods are also determined with reference to 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.

When projecting the anticipated fees to be paid by the Group for the artiste's performance for calculation of the relevant annual caps in respect of the Artistes Engagement, the Group made reference to the estimated production cost and budget of its Entertainment and Media Projects that might need to engage artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies).

***In relation to the Artistes Engagement by CMC and/or Huaren Wenhua and/or their respective Associated Companies engaging artistes managed by the Group***

The aforesaid proposed annual caps for the Cooperation Framework Agreement in respect of the Artistes Engagement by CMC and/or Huaren Wenhua and/or their respective Associated Companies in the relevant periods are determined by reference to the projected engagement of artistes managed by the Group. As at the Latest Practicable Date, there were 86 artistes under the management of the Group, and it is expected that 7, 8 and 8 additional artistes will join the Group in 2023, 2024 and 2025 respectively, representing a compound annual growth rate of approximately 8% from 2022 to 2025. CMC and/or Huaren Wenhua and/or their respective Associated Companies may engage any artistes from the said pool of artistes managed by the Group during the term of the Cooperation Framework Agreement.

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## LETTER FROM THE BOARD

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The aforesaid proposed annual caps for the Cooperation Framework Agreement in respect of the Artistes Engagement by CMC and/or Huaren Wenhua and/or their respective Associated Companies in the relevant periods are also determined with reference to 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. When projecting the anticipated fees to be received from CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for the artiste's performance for calculation of the relevant annual caps in respect of the Artistes Engagement, the Group made reference to the recent engagement agreements entered into between the Group and Independent Third Parties in relation to the performance of the artistes.

The above information is estimated by the Company for the purpose of arriving at the annual cap amounts for the Artiste Engagement for the relevant periods, which is subject to change upon implementation of the relevant business plan of the Group, CMC and Huaren Wenhua (and their respective Associated Companies).

**(iv) Internal Control Measures**

***In relation to the Investment Projects***

The Group has formed an investment committee comprising Directors and members of senior management with experience in producing entertainment and media projects and in accounting and finance, with responsibility to analyse and vet all Investment Projects, including but not limited to those involving CMC and/or Huaren Wenhua and/or their respective Associated Companies. The experience and expertise of the members of the investment committee are described below:

- Miss Lok Yee Ling Virginia, an executive Director who was appointed as a Director on 29 January 2016 and has over 40 years of experience in TV drama production, artist management, production and distribution of motion pictures and the media industry in Hong Kong. She also took up the positions of line producer and executive producer in sizable movie production companies.
- Mr. Hui To Thomas, a non-executive Director who was appointed as a director on 25 October 2016 and has many years of experience in various industries including entertainment, television, media and investment banking. He holds a Master's Degree of Engineering in Electrical Engineering and a Bachelor's Degree of Science in Electrical Engineering.
- the Senior Finance Director of the Company who joined the Group in January 2022. He is a member of the Hong Kong Institute of Certified Public Accountants, and has over 18 years of experience working as senior management in various international audit firms, including both Hong Kong and US listed companies.



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## LETTER FROM THE BOARD

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- the Business Development Director (artiste management) of the Company, who has been working with the Group in relation to artist management since 2016 and has over 20 years of experience in artiste management. He has held various internal positions (including administrative co-coordination for production, company, and artiste management) and served as manager of numerous famous artists of the Group.
- the Project Production Director of the Company who has been working with the Group since November 2015. She has over 25 years of experience in TV series and film production and is mainly responsible for film and television project planning, production administration, budgeting, cost control, project progress control and production equipment.

Save as disclosed under the section headed “DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE” in the Appendix to this circular, as at the Latest Practicable Date, none of the above members of the investment committee holds any position in CMC or Huaren Wenhua or their respective Associated Companies.

The investment committee is empowered to review and approve an Investment Project taking into account factors including (but not limited to), the script/synopsis, the proposed director/producer and the proposed cast of the Investment Project, performing production analysis and profitability analysis for the Investment Project, in order to ensure that the Investment Project is on normal commercial terms and on terms no less favorable to the Group than terms offered by or obtainable from Independent Third Parties, and to the best interests of the Group.

The investment committee currently comprises a mix of members who have relevant experience, qualifications and expertise in various aspects for the purposes of a comprehensive assessment on investment proposals and has a set of internal procedures for project approval. The project proposer has to submit, *inter alia*, a draft investment contract, detailed production budget and an investment analysis report (including comparison of box office with other similar productions, analysis and comments from the production, finance, marketing, publishing, commercial and licensing departments) together with the project approval form and the script/synopsis of the proposed project to the investment committee for its consideration. The Directors believe that such project approval procedures which involve feasibility assessments by various departments of the Group can effectively safeguard the Company’s interest in the Investment Projects and ensure that the terms of the definitive agreements of Investment Projects would be fair and reasonable and on normal commercial terms.

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## LETTER FROM THE BOARD

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The investment committee will from time to time monitor the Group's aggregate investment amounts in Investment Projects involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) during the term of the Cooperation Framework Agreement. As a corporate governance measure, the Group will put a hold on the entering into of further Investment Projects involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) and/or enter into more Investment Projects involving Independent Third Parties only when the investment amounts by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in the Investment Projects in which the Group is the major investor (i.e. having the largest investment portion) reaches 50% of the total amount of the Group's investments in Investment Projects in a financial year. Under such circumstances, the Group will enter into further Investment Projects involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) during that financial year only when the investment amounts by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in the Investment Projects in which the Group is the major investor (i.e. having the largest investment portion) falls below 50% of the total amount of the Group's investments in Investment Projects as a result of the Group having entered into more Investment Projects involving Independent Third Parties.

### ***In relation to the Artistes Engagement***

The Group has an artiste management team comprising members of senior management with ample experience and capability in artiste management and negotiating engagement terms for vetting Artistes Engagement contracts. The experience and expertise of members of the artiste management team are described below:

- Miss Lok Yee Ling Virginia, an executive Director who was appointed as a Director on 29 January 2016 and has over 40 years of experience in TV drama production, artist management, production and distribution of motion pictures and the media industry in Hong Kong. She also took up the positions of line producer and executive producer in sizable movie production companies.
- the Business Development Director (Artiste Management) of the Company who has been working with the Group in relation to artiste management since 2016 and has over 20 years of experience in artiste management. He has held various internal positions (including administrative co-ordination for production, company, and artiste management) and served as manager of various well-known numerous famous artists of the Group.
- the Promotion and Project Development Manager who has specialized in the promotion and development of new media for the Group's films, TV series and artists since 2015. Taking a lead in the use of new media as platforms for public promotion and marketing, he has over 12 years of experience in new media, film and television promotion.

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## LETTER FROM THE BOARD

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Save as disclosed under the section headed “DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE” in the Appendix to this circular, as at the Latest Practicable Date, none of the above members of the artiste management team holds any position in CMC or Huaren Wenhua or their respective Associated Companies.

The artiste management team will review and approve the pricing and engagement terms of the definitive agreements of Artistes Engagement pursuant to the Cooperation Framework Agreement with consideration of factors including but not limited to the budget of the Entertainment and Media Project, the preferences and capabilities of the artiste, the content and the cast of the Entertainment and Media Project and the work schedule of the artiste, in order to ensure that the Artistes Engagement is on normal commercial terms and on terms no less favorable than terms offered by or available from Independent Third Parties.

The Group’s artiste management team will monitor the aggregate contract sums of Artistes Engagement during the term of the Cooperation Framework Agreement and adopt the following measures:

- (i) The artiste management team will endeavor to maintain the aggregate contract sums of the transactions for the engagement of the Group’s artistes by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) below 50% of the total contract sums of the total transactions for the engagement of the Group’s artistes in the relevant financial year. When such aggregate contract sums reaches 40% of the total contract sums of the total transactions for the engagement of the Group’s artistes at any time in the relevant financial year, the artiste management team will exercise the discretion to slow down the process of further entering into such Artistes Engagement, while allowing the Group to maintain entering into transactions for engagement by Independent Third Parties of artistes managed by the Group.
- (ii) The artiste management team will endeavor to maintain the aggregate contract sums of the transactions for the engagement by the Group of artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) below 50% of the total contract sums of the total transactions for the engagement of artistes by the Group in the relevant financial year. When such aggregate contract sums reaches 40% of the total contract sums of all transactions for the engagement of artistes by the Group at any time in the relevant financial year, the artiste management team will exercise the discretion to slow down the process of further entering into such Artistes Engagement, while allowing the Group to maintain entering into transactions for engagement of artistes managed by Independent Third Parties.

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## LETTER FROM THE BOARD

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A monthly report on the status of the contract sums of the Group's artiste engagement transactions with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) and with Independent Third Parties will be generated for the artiste management team's reference.

### **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.

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## LETTER FROM THE BOARD

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- (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 are not aware of any disadvantage to the Group of entering into the Cooperation Framework Agreement by the Company.

The Group intends to fund the investment amounts required for the proposed Investment Projects by its internal resources and, where necessary, by seeking film project financing by banks if related bank financing facilities and products are available and suitable.

### **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.

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE LISTING RULES

As of the Latest Practicable Date, the ultimate controlling shareholder of both CMC and Huaren Wenhua is Mr. Li Ruigang (“**Mr. Li**”) 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 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 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.

Among the Directors, Mr. Li is the ultimate controlling shareholder of each of CMC and Huaren Wenhua and is therefore considered to have a material interest in the Cooperation Framework Agreement and the transactions contemplated thereunder. As such, Mr. Li had abstained from voting on the board resolutions approving the Cooperation Framework Agreement and the transactions contemplated thereunder. Besides, each of Mr. Hui To Thomas and Miss Lok Yee Ling Virginia holds directorship or other positions in CMC or its subsidiary or associate, and accordingly had also abstained from voting on the board resolutions approving the Cooperation Framework Agreement and the transactions contemplated thereunder to avoid potential conflicts of interest.

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## LETTER FROM THE BOARD

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### EGM

There is set out on pages 54 to 58 of this circular a notice convening the EGM to be held at 12:00 noon on Thursday, 2 June 2022 (or as soon as the annual general meeting to be held at 11:30 a.m. on the same date and at the same place shall have been concluded or adjourned) at Opera II, B3, Intercontinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at which:-

- an ordinary resolution will be proposed for the approval by the Independent Shareholders of the terms of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps in relation to Investment Projects involving the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Companies);
- an ordinary resolution will be proposed for the approval by the Independent Shareholders of the terms of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps in relation to Artistes Engagement by the Group of artistes managed by CMC and/or Huaren Wenhua and/or their respective Associated Companies; and
- an ordinary resolution will be proposed for the approval by the Independent Shareholders of the terms of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps in relation to Artistes Engagement by CMC and/or Huaren Wenhua and/or their respective Associated Companies of artistes managed by the Group.

Pursuant to the Listing Rules, any shareholder with a material interest in the relevant transaction is required to abstain from voting in favour of the resolution relating to such transaction. Mr. Li, CMC and their respective associates are considered to be materially interested in the continuing connected transactions under the Cooperation Framework Agreement and will be required to abstain from voting on the ordinary resolutions to be proposed at the EGM regarding the Cooperation Framework Agreement. As at the Latest Practicable Date, Shine Investment Limited being a subsidiary of CMC held 425,000,000 Shares, representing approximately 29.94% of the issued share capital of the Company. Shine Investment Limited as a Shareholder will be required to abstain from voting on the resolutions to approve the Cooperation Framework Agreement at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquires, no other Shareholder is involved in or interested in the Cooperation Framework Agreement and the transactions contemplated thereunder, which is required to abstain from voting on the relevant resolutions to be proposed at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will exercise his power under Article 66 of the Articles to put the ordinary resolution to be proposed at the EGM to be voted by way of poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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## LETTER FROM THE BOARD

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Whether or not you propose to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deliver the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours (i.e. 12:00 noon on Tuesday, 31 May 2022) before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

### RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" in this circular after taking into consideration the advice from Crescendo) consider that the terms of the Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and the Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are and will be 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. Therefore, the Directors recommend that the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 24 to 25 of this circular, the Letter from Crescendo to the Independent Board Committee and the Independent Shareholders set out on pages 26 to 45 of this circular, and the information set out in the appendix on pages 46 to 53 to this circular.

Yours faithfully,  
By order of the Board  
**Shaw Brothers Holdings Limited**  
**Li Ruigang**  
*Chairman*



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## LETTER FROM THE BOARD

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### PRECAUTIONARY MEASURES FOR THE EGM

In May 2022, the coronavirus situation in Hong Kong is still developing and the situation at the time of EGM is difficult to predict.

The Company will convene and hold the EGM on 2 June 2022. Shareholders are welcome to attend the EGM. However, Shareholders are reminded that should the coronavirus continue to affect Hong Kong at or around the time of the EGM, Shareholders should assess for themselves whether they should attend the EGM in person due to the health risks that may or may not pose.

The Company wishes to emphasize that attendees' health and safety are our primary concerns. In view of the ongoing pandemic caused by coronavirus COVID-19, the Company will implement certain precautionary measures to protect the attendees from the risk of infection:

- (i) compulsory body temperature check will be conducted for every attendee or his/her proxy at the entrance of the EGM venue;
- (ii) every attendee or his/her proxy will have to submit a completed health declaration form prior to entry into the EGM Venue;
- (iii) every attendee or his/her proxy is required to wear surgical face masks before they are permitted to access to the EGM venue and throughout the EGM;
- (iv) seating at the EGM venue will be arranged in order to allow appropriate social distancing; and
- (v) every attendee who does not comply with any of the above precautionary measures or is subject to any Hong Kong Government prescribed quarantine will be denied entry into the EGM venue.

Should anyone seeking to attend the EGM decline to follow the Company's precautionary measures and/or be found to have common coronavirus symptoms such as fever, cough or other respiratory symptoms or otherwise unwell, the Company reserves the right to refuse such person's admission to the EGM venue.

As additional precautionary measures and with a view to avoiding close contact amongst attendees, seating will be arranged in order to allow appropriate social distancing and where necessary and practicable, multiple meeting rooms with telecommunication facilities will be put into use. In addition, **no refreshment will be served and no gifts will be distributed at the EGM this year.**

In light of the above precautionary measures, Shareholders intending to attend the EGM in person are suggested to arrive at the EGM venue in advance of the scheduled time for the EGM to ensure that they have sufficient time to complete the registration process.

**As an alternative to attending the EGM in person, the Company strongly encourages and recommends Shareholders and their representatives to appoint the chairman of the EGM as their proxy to vote on their behalf at the EGM.**

In the event that the coronavirus situation deteriorates and requires the date and venue of the EGM to be changed, Shareholders will be notified of the revised arrangement and further announcement will be made by the Company on its website ([www.shawbrotherspictures.com](http://www.shawbrotherspictures.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Shareholders are advised to read the Company's announcement(s) in relation to the latest arrangement of the EGM (if any) published on the websites of the Company and the Stock Exchange before attending the EGM.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee, setting out its recommendation to the Independent Shareholders in relation to the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, which has been prepared for the purpose of incorporation in this circular.*



### 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)

13 May 2022

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE COOPERATION FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 13 May 2022 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee to consider and 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, and 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 recommend whether or not the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Crescendo has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. The text of the letter of advice from Crescendo to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 45 of the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 23 of the Circular.

After taking into consideration the terms of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps and the advice of Crescendo, we consider that terms of the Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and the Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are and will be 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. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps.

Yours faithfully,

For and on behalf of the Independent Board Committee of  
**Shaw Brothers Holdings Limited**

**Mr. Pang Hong**  
*Independent non-executive  
Director*

**Mr. Poon Kwok Hing Albert**  
*Independent non-executive  
Director*

**Miss Szeto Wai Ling Virginia**  
*Independent non-executive  
Director*

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## LETTER FROM CRESCENDO

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*The following is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Cooperation Framework Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



1105 Tai Tung Building  
8 Fleming Road  
Wanchai, Hong Kong

13 May 2022

Shaw Brothers Holdings Limited  
19/F., Leighton Centre  
77 Leighton Road  
Causeway Bay, Hong Kong

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO COOPERATION FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Cooperation Framework Agreement (the “**Continuing Connected Transactions**”) and the annual caps (the “**Annual Caps**”) thereunder, details of which are set out in the “Letter from the Board” contained in the circular dated 13 May 2022 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 6 May 2022 (after trading hours), the Company entered into the Cooperation Framework Agreement with CMC and Huaren Wenhua to set out the principal terms for cooperation in the Investment Projects and the Artistes Engagement for a term of 3 years from 1 June 2022 to 31 May 2025, subject to the approval by the Independent Shareholders.

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## LETTER FROM CRESCENDO

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As at the Latest Practicable Date, the ultimate controlling shareholder of both CMC and Huaren Wenhua was Mr. Li Ruigang, who was the chairman, a director and a substantial shareholder of the Company and was 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 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.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia, has been established to advise the Independent Shareholders as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, and whether the terms of the Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards and how to vote on the resolutions in relation to the Continuing Connected Transactions to be proposed at the EGM.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. We have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates. We are not aware of any relationship or interest between our firm and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders and we are independent of the Company pursuant to the requirements under Rule 13.84 of the Listing Rules.

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## LETTER FROM CRESCENDO

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### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that the information provided to us may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subjects of, and parties to, the Cooperation Framework Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change this opinion and we do not have any obligation to update, revise or reaffirm this opinion.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the Continuing Connected Transactions, we have considered the following principal factors and reasons:

#### **1. Background and reasons for the Continuing Connected Transactions**

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

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## LETTER FROM CRESCENDO

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CMC is a company incorporated in the Cayman Islands with limited liability and is indirectly controlled by Mr. Li Ruigang and a substantial Shareholder. Huaren Wenhua is a company incorporated in the PRC with limited liability. Mr. Li Ruigang controls the exercise of the majority of the voting power at CMC's general meetings. CMC and Huaren Wenhua are principally engaged in the businesses of media and entertainment, film and television dramas, games, variety shows, information media, lifestyle and consumption, etc. 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.

The Group carries out its business by making investments in Investment Projects either individually or with parties with experience and capabilities in investment, production, distribution and operations in the entertainment, advertising or media industries. We were advised by management of the Company that it is a common market practice for investors and producers to co-develop and co-invest in projects with market players who have considerable scale and capabilities in the film and entertainment industry to provide the basis for financing and implementation of films, television, drama and advertising productions. Therefore, the Company also intends to invite other partners to co-invest and participate in the Investment Projects so as to diversify its investment risks.

According to "Film Entertainment Industry in Hong Kong" (the "**HKTDC Article**") released in December 2021 by Hong Kong Trade Development Council Research, a statutory body established in 1966 to promote, assist and develop Hong Kong's trade, Hong Kong remains the primary co-production partner of China even after the mainland market has opened up for film co-production with overseas counterparts. In the first eight months of 2020, 30 out of 39 National Radio and Television Administration approved applications for film co-production were for movie projects between Hong Kong and mainland filmmakers. In light of the above, we concur with the view of the Directors that it is a common market practice for investors and operators in the film and entertainment industry to co-develop and co-invest in projects with other market players.

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## LETTER FROM CRESCENDO

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On 29 November 2016, the Company entered into a cooperation framework agreement with CMC Holdings Limited (now known as CMC) and Huaren Wenhua in relation to the arrangement for cooperation in Investment Projects and Artistes Engagement (the “**Previous Cooperation Agreement**”). However, during each of the three financial years ended 31 December 2017, 2018 and 2019, there were no transactions in relation to the Investment Projects and the Artiste Engagement occurred respectively under the Previous Cooperation Agreement. According to management of the Company, the Previous Cooperation Agreement was an initiative for collaboration with CMC and its associates proposed by the Group with a view to expanding its then recently commenced business development in the entertainment field. Although various possibilities of collaboration with CMC and Huaren Wenhua on Investment Projects and Artistes Engagement were considered by the Group, in the financial years from 2017 to 2019 the Group focused on developing its entertainment related business on its own and with other independent third-party business partners without resorting to collaboration with CMC or its associates. This business record has proved and demonstrated the Group’s capability in building up a vibrant entertainment business segment independently. At present, the Group’s primary business focus is on film, drama and non-drama, as well as artiste and event management. The Group considers it a good timing again to explore collaboration with CMC and its associates on Investment Projects and Artistes Engagement in order to further expand its entertainment related business, and to benefit from synergy with the business operations of CMC and Huaren Wenhua in these fields.

Management of the Company expected that the cooperation with CMC and Huaren Wenhua in various Investment Projects would allow the Group to participate in films with larger budgets and investment amounts, and hence enhancing the Group’s market presence in the film industry. Furthermore, the entering into of the Cooperation Framework Agreement would enable the Group to benefit from utilising the vast film resources and experience of CMC and Huaren Wenhua in their film and media content production and investment. The film distribution network of CMC and Huaren Wenhua in the PRC and worldwide would also enable the Group to penetrate into film markets outside Hong Kong and enhance the Group’s brand image internationally.

Moreover, 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. CMC, 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. The cooperation in Artistes Engagement would also provide more opportunities for artistes managed by the Group to participate in various film productions, advertising and other commercial engagements organized by CMC and Huaren Wenhua, and hence would increase the Group’s revenue in commission received from its artistes management business and also attract other artistes to sign management contracts and/or enter into other cooperation deals with the Group.



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## LETTER FROM CRESCENDO

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Having considered the business nature of the Group, the abovementioned benefits that could be brought to the Group by the Cooperation Framework Agreement and the fact that the Cooperation Framework Agreement is only a framework agreement which sets out the principles upon which detailed terms of the co-investment agreement for each Investment Project and/or Artistes Engagement are to be further negotiated and agreed upon by the Group, CMC and Huaren Wenhua in good faith, on a case by case basis, and the participation of the Group in the relevant Investment Projects and/or Artistes Engagement is optional, and not compulsory, we concur with the Directors' view that the Continuing Connected Transactions are normal commercial transactions conducted in the ordinary and usual course of business of the Group and the entering into of the Cooperation Framework Agreement is in the interests of the Company and its Shareholders as a whole.

### **2. Principal terms of the Cooperation Framework Agreement**

The Cooperation Framework Agreement is a master agreement which sets out the principles upon which detailed terms of each individual 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 Companies) through negotiations. The Cooperation Framework Agreement has a term of 3 years, commencing from 1 June 2022 to 31 May 2025, subject to compliance with the relevant requirements under the Listing Rules, including but not limited to announcement, circular and Independent Shareholders' approval requirements (if required).

#### ***(a) Cooperation in relation to the Investment Projects***

Pursuant to the Cooperation Framework Agreement, the parties thereto shall discuss and determine, before 31 December of each year, the investment projects to be jointly carried out by the parties and the total investment for such projects in the next financial year. The total investment amount of the Group and its Associated Companies in the investment projects co-invested by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) shall not exceed the Annual Cap for Investment Projects for each relevant year. Members of the Group may from time to time during the term of the Cooperation Framework Agreement negotiate and enter into definitive 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 cooperation definitive agreement may include, but are 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.

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## LETTER FROM CRESCENDO

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The Company, CMC and Huaren Wenhua agreed that the definitive agreements shall be on normal commercial terms which are no less favourable to the Group than terms offered by the Group to Independent Third Parties or those obtained by the Group from Independent Third Parties. 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 (i.e. the amount of financial resources available for investment by the relevant parties, which would be determinant of their investment amounts in an Investment Project), 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, the business scopes of the contracting parties, applicable laws and regulations, market condition, general applicable commercial terms, trade practice and basis of fairness and in accordance with the principles set out in the Cooperation Framework Agreement. The Cooperation Framework Agreement also provides that the sharing of profit or loss of an Investment Project (after deduction of expenses, costs, remuneration or bonus to certain 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 also make reference to recent agreements of Investment Projects of similar nature and budget size entered into between the Group and Independent Third Parties.

Following the market practice, the investment amount of the Investment Projects will be 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.

We understand from management of the Company that the Group has not entered into any cooperation agreement with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for Investment Projects up to the Latest Practicable Date and thus we were unable to compare the terms of the cooperation agreements entered into between the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Companies) with those entered into with other Independent Third Parties. However, we have reviewed samples of cooperation agreements for Investment Projects with Independent Third Parties, which are randomly selected and are considered to be fair and representative samples, and noted that the detailed terms of the cooperation agreements varied case by case but it is common for the sample projects that the profit or loss of the projects was shared by the contracting parties in proportion to their respective investment amount in the projects and the investment amounts were payable either in full or by installments as mentioned above.

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## LETTER FROM CRESCENDO

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We were also advised by management of the Company that the Group has formed an investment committee (the “**Investment Committee**”) comprising Directors and members of senior management with experience in production of entertainment and media projects and in accounting and finance, with responsibilities to analyze and vet all Investment Projects including, but not limited to, those involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies). The Investment Committee is empowered to review and approve an Investment Project taking into account factors including, but not limited to, the script/synopsis, the proposed director/producer and the proposed casts of the Investment Project, and perform production analysis and profitability analysis for the Investment Project in order to ensure that the Investment Project is on normal commercial terms and on terms no less favourable to the Group than terms offered to or obtainable from Independent Third Parties, and to the best interests of the Group.

We have reviewed the composition of the Investment Committee and noted that the Investment Committee currently comprises Miss Lok Yee Ling Virginia (“**Miss Lok**”), an executive Director, Mr. Hui To Thomas (“**Mr. Hui**”), a non-executive Director, the Business Development Director (Artistes Management), the Project Production Director and the Senior Finance Director, being a mix of members who have relevant experience, qualifications and expertise in various aspects for the purposes of a comprehensive assessment on investment proposals. As at the Latest Practicable Date, save for Miss Lok and Mr. Hui who hold a position in CMC or Huaren Wenhua (or their respective Associated Companies), details of which are disclosed under the section headed “DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE” in the Appendix to the Circular, none of the above members of the Investment Committee holds any position in CMC or Huaren Wenhua (or their respective Associated Companies).

We understand from management of the Company that Mr. Hui, who is the chief operating officer and a director of CMC, will abstain from voting on resolutions in relation to the investment projects involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies). On the other hand, Miss Lok is not required to abstain from voting on resolutions in relation to investment projects involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) as she only holds a directorship in Shine Investment Limited, a subsidiary of CMC for holding CMC’s investment in the Company only and not involving in daily business operation of CMC. As at the Latest Practicable Date, save for holding 425,000,000 Shares, Shine Investment Limited did not have any other material asset and operation. As the equity interest in the Company is the sole asset of Shine Investment Limited, we consider that the business objective of Shine Investment Limited shall be in line with that of the Group and conflict of interest may not arise solely because of Miss Lok’s directorship in Shine Investment Limited. Therefore, we concur with the Company’s view that it is beneficial to the Group for having Miss Lok to join the committee in assessing and approving projects involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) given Miss Lok’s extensive experience and knowledge in the media industry. Furthermore, under the proposed arrangement, all investment projects

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## LETTER FROM CRESCENDO

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involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) shall be reviewed and assessed by, in addition to Miss Lok, other three committee members who do not have any interest in CMC and Huaren Wenhua and their respective Associated Companies and are well-versed in project investment, we consider that such arrangement can effectively ensure business opportunities and performance are independently assessed and reviewed from time to time and the interest of the Company and its Shareholders are adequately safeguarded.

We have also reviewed the internal procedures for project approval and noted that the project proposer has to submit, *inter alia*, a draft investment contract, detailed production budget and an investment analysis report together with the project approval form and the script/synopsis of the proposed project to the Investment Committee for its consideration. With the implementation of the above stringent project approval procedures which involve feasibility assessments by various departments, we believe that appropriate measures are in place to ensure that the transactions in relation to the cooperation on Investment Projects will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority Shareholders.

***(b) Cooperation in relation to Artistes Engagement***

Pursuant to the Cooperation Framework Agreement, members of the Group may from time to time during the term of the Cooperation Framework Agreement 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. Similarly, 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. The total transaction amount for Artistes Engagement between the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Companies) shall not exceed the Annual Cap for Artistes Engagement for each relevant year.

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) to provide for detailed terms of each particular 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 that such transactions shall be on normal commercial terms and its terms shall be no less favourable to the Group than those offered by the Group to Independent Third Parties or those obtained by the Group from Independent Third Parties. Such detailed terms include, without limitation, the content of the artiste's participation in the engagement, remuneration and payment methods, insurance and other arrangements.

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## LETTER FROM CRESCENDO

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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 of, and other artistes and producers participated in, the Entertainment and Media Project, amount of time required of the artiste for the Entertainment and Media Project, the work schedule of the proposed artiste and his/her willingness to participate in the Entertainment and Media Project. When negotiating the terms and conditions of the definitive agreements of the Artistes Engagement, the Group will also make reference to the recent artiste engagement agreements with similar nature and budget size entered into between the Group and Independent Third Parties.

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 Companies), as the case may be. According to market practice, 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 installments 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. Under transactions of Artistes Engagement, the Group either receives commission from the engagement of artistes it manages, or pays consideration to CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for engagement of artistes under their management.

We understand from management of the Company that the Group has not entered into any artistes engagement contract with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for Artistes Engagement up to the Latest Practicable Date. Therefore, we were unable to compare the terms of the artistes engagement contract entered into between the Company and CMC and/or Huaren Wenhua (and/or their respective Associated Companies) with those entered into with other Independent Third Parties.

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## LETTER FROM CRESCENDO

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According to management of the Company, the Group has an artistes management team, comprising members of senior management with ample experience and capability in artistes management and negotiation of engagement terms, for vetting all the artistes engagement contracts. The artistes management team will review and approve the pricing and engagement terms of the artistes engagement contracts with consideration of factors including, but not limited to, the budget of the Entertainment and Media Project, the preferences and capabilities of the artiste, the content and the cast of the Entertainment and Media Project and the work schedule of the artiste, in order to ensure that the Artistes Engagement is on normal commercial terms and on terms no less favorable to the Group than terms available to or offered by Independent Third Parties. The existing members of the artistes management team comprises Miss Lok Yee Ling Virginia, an executive Director, the Business Development Director (Artistes Management) and the Promotion and Project Development Manager. As at the Latest Practicable Date, save for Miss Lok who has a directorship in Shine Investment Limited, details of which are disclosed under the section headed “DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE” in the Appendix to the Circular, none of the above members of the artistes management team holds any position in CMC or Huaren Wenhua (or their respective Associated Companies).

We understand from management of the Company that Miss Lok is not required to abstain from voting on resolutions in relation to artistes engagements involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) despite her directorship in Shine Investment Limited, a subsidiary of CMC, as the Company considers that the business objective of Shine Investment Limited shall be in line with that of the Group and conflict of interest may not arise solely because of Miss Lok’s directorship in Shine Investment Limited. We concur with the Company’s view that it is beneficial to the Group for having Miss Lok to join the artistes management team in assessing and approving artistes engagements involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) given Miss Lok’s extensive experience and knowledge in the media industry. Furthermore, under the proposed arrangement, all artistes engagements involving CMC and/or Huaren Wenhua (and/or their respective Associated Companies) shall be reviewed and assessed by, in addition to Miss Lok, other two members who do not have any interest in CMC and Huaren Wenhua and their respective Associated Companies, we consider that such arrangement can effectively ensure business opportunities and performance are independently assessed and reviewed from time to time and the interest of the Company and its Shareholders are adequately safeguarded.

We have reviewed five samples of artistes engagement contracts together with the approval forms, which are randomly selected and considered by us to be representative samples, and noted that all the sample artistes engagement contracts were properly approved by an executive Director and the Senior Business Development Manager.

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## LETTER FROM CRESCENDO

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We have also interviewed, through telephone, the Business Development Director (Artiste Management) of the Company and were given to understand that the performance fees of artistes vary substantially among artistes and the pricing and engagement terms of artistes engagements are personal and time-specific. Therefore, no standard pricing policy can be applied in the entertainment industry given the unique nature of the industry. However, as the entertainment and media production industry is competitive and those involved in the industry are more or less aware of the pricing information of artistes, such as the fees usually requested by the artistes or their managers, and the fee rates commonly offered to artistes of a particular caliber for jobs of certain nature. Therefore, the artistes management executives keep regular contact and friendly relationship with potential users of artistes (such as entertainment production companies and advertising customers, etc.) and other artistes 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. Moreover, as the artistes share the largest portion of the performance fees and they have their own preference in accepting or rejecting an engagement, the managers on behalf of the artistes will instinctively conclude the Artistes Engagements on normal commercial terms for their own benefits.

With the implementation of the abovementioned approval procedures and policies, we believe that appropriate measures are in place to ensure that the transactions with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in relation to Artiste Engagement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority Shareholders.

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## LETTER FROM CRESCENDO

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### 3. Annual Caps for the Continuing Connected Transactions

The proposed Annual Caps are summarized as follows:

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

In relation to the engagement of the Group's artistes by CMC and/or Huaren Wenhua (and/or their respective Associated Companies), a specified percentage of the contract amounts receivable by the Group are recognised as commission income from artistes management that constitute part of the Group's revenue in the artiste management segment.



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## LETTER FROM CRESCENDO

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For an Investment Project co-invested by the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Companies), it may involve engagement of artistes managed by both the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for performance or appearances. In such event, the Group's investment amount in the Investment Project will take up a portion of the Annual Cap for Investment Projects, while the amount payable or receivable (as the case may be) by the Group in relation to the Artistes Engagement will take up a portion of the relevant Annual Cap for Artistes Engagement.

***(a) Investment Projects contemplated under the Cooperation Framework Agreement***

The proposed Annual Caps for the Cooperation Framework Agreement in respect of cooperation in Investment Projects were 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 with similar budget co-invested by the Group and Independent Third Parties.

We have discussed with management of the Company and reviewed the business plan of the Group in respect of Investment Projects to be carried out during the term of the Cooperation Framework Agreement and the breakdown of the Annual Caps in respect of the Investment Projects contemplated under the Cooperation Framework Agreement. We were advised by management of the Company that the Group targets to invest in twenty-five (25) films and/or drama series in 2022, subject to final business decisions and market conditions and circumstances. The Company anticipates that it would co-invest with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in eleven (11) Investment Projects for the period from 1 June 2022 to 31 December 2022 with a maximum investment amount of approximately RMB173.2 million. It is further anticipated that the Group's investment in Investment Projects contemplated under the Cooperation Framework Agreement would increase to approximately RMB214.8 million, RMB223.3 million and RMB234.3 million for the year ending 31 December 2023, 31 December 2024 and the period from 1 January 2025 to 31 May 2025 respectively.

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## LETTER FROM CRESCENDO

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The Group started its first film investment in 2015 and had invested in a number of quality film and television contents during the years, such as “Leap”(奪冠), a film co-invested by the Group which ranked among the mainland’s top 10 highest-grossing movies in 2020 as reported in the HKTDC Article, “Line Walker 2: Invisible Spy”(使徒行者之諜影行動), a film co-invested by the Group which won the “Golden Angel Award Films” at the 16th Chinese American Film Festival. The Group is well equipped with relevant experiences for participation in film and television contents investments and is proactively seeking new talents to build up a strong artiste roster and further cooperation with various Chinese portals and online platforms for new project development in films, drama and non-drama production. Together with the positive outlook of the entertainment and media industry, as evidenced by the anticipated growth in box-office revenue as detailed below, the Group is confident in its film and television content investment business and intends to increase its investment amount for the Investment Projects during the period of the term of the Cooperation Framework Agreement.

According to the “Global Entertainment and Media Outlook 2021-2025” (the “**PwC Report**”) published in July 2021 by PricewaterhouseCoopers Limited, a network of firms providing assurance, advisory and tax services globally, the global entertainment and media (“**E&M**”) revenue declined by 3.8% from US\$2,100 billion in 2019 to US\$2,000 billion in 2020 due to the COVID-19 pandemic. Hong Kong recorded a drop of 11.11% while the PRC recorded a slight reduction of 0.02%. It is expected that the global E&M revenue will increase at a compound annual growth rate of 5.0% from 2020 to 2025 and reach US\$2,600 billion in 2025. The total E&M revenue in Hong Kong is projected to increase at a compound annual growth rate of 4.4% and will reach US\$10 billion in 2025 while the compound annual growth rate for the PRC is projected to be 5.1% and will reach US\$436.8 billion by 2025. The PwC Report also stated that owing to the COVID-19 pandemic, the global box-office revenue decreased from US\$40.7 billion in 2019 to US\$11.8 billion in 2020. It is expected that as the pandemic continues, the global box-office revenue would only partially recover to about US\$23 billion in 2021 and return to its pre-pandemic level in 2024. The box-office revenue of the PRC in 2020 exceeded that of the US for the first time and the PRC market is likely to repeat the feat in 2021 although it was an exceptional year in many respects. It is expected that the box-office revenue of the PRC will recover at a compound annual growth rate of 27% between 2020 and 2025. The Hong Kong box-office revenue dropped by nearly three-quarters year on year to US\$70 million in 2020. It is expected that the box-office revenue will recover at a compound annual growth rate of 31.6% between 2020 and 2025 in Hong Kong and reach US\$276 million in 2025. Based on the above, the Directors remain cautiously optimistic about the future development of the global film market, in particular the PRC market, and consider that the Group should invest and produce quality E&M projects in advance to get ready for the recovery of the industry.

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## LETTER FROM CRESCENDO

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We noted from the business plan of the Group in respect of Investment Projects and the breakdown of the Annual Caps in respect of the Investment Projects contemplated under the Cooperation Framework Agreement that the eleven (11) Investment Projects planned to be co-invested with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for the period from 1 June 2022 to 31 December 2022 are either at pre-production state or initial production stage. The Group has also planned to invest in twenty-three (23), twenty-four (24) and twenty-four (24) film and television contents in 2023, 2024 and 2025 respectively, of which thirteen (13) film and television contents will be co-invested with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in each of the years.

We have reviewed the estimated production costs of the randomly selected samples of the Investment Projects to be co-invested with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) during 2022 to 2025, which accounted for approximately 64%, 63%, 57% and 57% of the Annual Caps in respect of the Investment Projects contemplated under the Cooperation Framework Agreement in 2022, 2023, 2024 and 2025 respectively and are considered to be representative samples for comparison purposes. We have compared the estimated production costs of the sample Investment Projects to be co-invested with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) with the actual production costs of other investment projects co-invested by the Group with Independent Third Parties, which we considered are representative samples, and considered that the estimated production costs of the sample Investment Projects to be co-invested with CMC and/or Huaren Wenhua (and/or their respective Associated Companies) are fair and reasonable. We are also satisfied that the projected investment amounts adopted for the calculation of the Annual Caps in respect of the Investment Projects contemplated under the Cooperation Framework Agreement are in line with the estimated production costs of the proposed Investment Projects.

Based on the above, we consider that the Annual Caps in respect of the Investment Projects contemplated under the Cooperation Framework Agreement are fair and reasonable.

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## LETTER FROM CRESCENDO

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***(b) Artistes Engagement contemplated under the Cooperation Framework Agreement***

The proposed Annual Caps for the Cooperation Framework Agreement in respect of cooperation in Artistes Engagement were determined by reference to the projected engagement of artistes managed by the Group and by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in accordance with the Group's business plan and the anticipated fees charged by those artistes based on industry and market norms for each of the financial periods corresponding to the periods for the proposed Annual Caps. When projecting the anticipated fees to be received from CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for engagements of the Group's artistes in calculation of the Annual Caps in respect of the Artistes Engagement, the Group made reference to the fees charged by the Group for the recent engagement agreements entered into between the Group and Independent Third Parties in relation to the performance of the artistes. When projecting the anticipated fees to be paid by the Group for artiste performance of the artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) in calculation of the Annual Caps in respect of the Artistes Engagement, the Group made reference to the estimated production cost and budget of the projects of the Group and the estimated performance fee of the artiste managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) as preliminarily discussed with CMC.

*In relation to engagement of artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies)*

We have discussed with management of the Company and reviewed the breakdown of the Annual Caps in respect of the Artistes Engagement contemplated under the Cooperation Framework Agreement in relation to engagement of artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies). We noted that the Annual Caps in respect of the engagement of the artistes of CMC and/or Huaren Wenhua (and/or their respective Associated Companies) to participate in the Entertainment and Media Projects of the Group to be approximately RMB5.5 million, RMB12.1 million, RMB13.9 million and RMB8.6 million for the period from 1 June 2022 to 31 December 2022, two years ending 31 December 2023 and 2024 and the period from 1 January 2025 to 31 May 2025 respectively.

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## LETTER FROM CRESCENDO

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Based on the Group's business plan, the Group may engage artistes from the pool of artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) during the term of the Cooperation Framework Agreement. To the Company's knowledge, as at the Latest Practicable Date, there were eight (8) artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) and it is expected that those artistes may perform in certain Entertainment and Media Projects of the Group in 2022. It is also expected that twelve (12), fourteen (14) and nineteen (19) artistes will be managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) during 2023, 2024 and 2025 respectively and those artistes may perform in the Group's Entertainment and Media Projects in 2023, 2024 and 2025 respectively.

We have reviewed two randomly selected samples of artiste engagement schedule for 2022 to 2025, which accounted for approximately 83%, 53%, 51% and 38% of the Annual Caps in respect of the engagement of the artistes of CMC and/or Huaren Wenhua (and/or their respective Associated Companies) to participate in the Entertainment and Media Projects of the Group for the period from 1 June 2022 to 31 December 2022, the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025 respectively and are considered to be representative samples for comparison purposes. We are satisfied that the jobs scheduled for engagement of the artistes of CMC and/or Huaren Wenhua (and/or their respective Associated Companies) are commercially viable and noted that the anticipated performance fees to be paid by the Group for the artiste performances applied in the calculation of Annual Caps are in line with the rates indicated in the information provided by the Group after preliminary discussion with CMC.

Based on the above, we consider that the proposed Annual Caps in respect of the Artistes Engagement contemplated under the Cooperation Framework Agreement in relation to the Group's engagement of artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) are fair and reasonable.

*In relation to engagement of artistes managed by the Group*

We have discussed with management of the Company and reviewed the breakdown of the Annual Caps in respect of the Artistes Engagement contemplated under the Cooperation Framework Agreement in relation to engagement of artistes managed by the Group. We noted that the Annual Caps in respect of engagements of the Group's artistes by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for the Entertainment and Media Projects are projected to be approximately RMB21.2 million, RMB39.3 million, RMB42.8 million and RMB19.5 million for the period from 1 June 2022 to 31 December 2022, two years ending 31 December 2023 and 2024 and the period from 1 January 2025 to 31 May 2025 respectively.

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## LETTER FROM CRESCENDO

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We understand from management of the Company that there were 86 artistes under the Group's management as at the Latest Practicable Date. It is the intention of the Group to continue to explore potential artistes to join the Group. The Company is negotiating with certain artistes to engage the Group as their exclusive manager and it is expected that seven (7) additional artistes will join the Group during the year ending 31 December 2023. The Group believes that its management team's extensive network in the entertainment industry with broad customer base, capability in producing high box office film and television contents and capability in assisting the artistes to develop both Hong Kong and the PRC markets shall help attracting more artistes to join the Group. It is anticipated that eight (8) additional artistes will join the Group in each of 2024 and 2025, representing a compound annual growth rate of approximately 8% from 2022 to 2025. Based on the above and the fact that the number of artistes under the management of the Group had increased by a compound annual growth rate of approximately 11% from 2019 to 2021, we consider that the projected number of new artistes joining the Group in the coming years is reasonable.

We have also discussed with management of the Company, and reviewed, four samples of artiste engagement schedule for 2022 to 2025, which accounted for approximately 72%, 71%, 68% and 66% of the Annual Caps in respect of the engagement of the Group's artistes by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for the Entertainment and Media Projects for the period from 1 June 2022 to 31 December 2022, the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025 respectively and are considered to be representative samples for comparison purposes. We are satisfied that the jobs scheduled for the artistes of the Group are commercially viable and noted that the anticipated fees to be received from CMC and/or Huaren Wenhua (and/or their respective Associated Companies) for the artiste performances applied in the calculation of Annual Caps are in line with the rates indicated in the samples of the recent performance agreements entered into between the Group and Independent Third Parties in relation to performance of the artistes.

Based on the above, we consider that the proposed Annual Caps in respect of the Artistes Engagement contemplated under the Cooperation Framework Agreement in relation to engagement of artistes managed by the Group are fair and reasonable.

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## LETTER FROM CRESCENDO

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### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, the terms of the Continuing Connected Transactions (and the proposed Annual Caps thereunder) are fair and reasonable so far as the Independent Shareholders are concerned and the Continuing Connected Transactions are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Cooperation Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,  
For and on behalf of  
**Crescendo Capital Limited**

**Amilia Tsang**  
*Managing Director*

**Helen Fan**  
*Director*

*Notes:*

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in corporate finance.
2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 14 years of experience in corporate finance.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

### Long position in the shares and in the underlying shares of the Company

Name of Director	Capacity/Nature	No. of shares/ underlying shares interested	Approximate percentage of shareholdings of the Company (Note 1)
Li Ruigang	Interest of controlled corporation	425,000,000 (Note 2)	29.94%

Notes:

- The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date, which was 1,419,610,000.



2. Mr. Li Ruigang was interested in such 425,000,000 Shares through certain corporations controlled directly or indirectly by him. Shine Investment Limited (“**Shine Investment**”), Shine Holdings Cayman Limited (“**Shine Holdings**”), CMC Shine Acquisition Limited (“**CMC Shine Acquisition**”), CMC Shine Holdings Limited (“**CMC Shine Holdings**”), CMC, GLRG Holdings Limited (“**GLRG Holdings**”), Gold Pioneer Worldwide Limited (“**Gold Pioneer**”) and Brilliant Spark Holdings Limited (“**Brilliant Spark**”) were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was wholly-owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC. CMC was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC, GLRG Holdings, Gold Pioneer and Brilliant Spark was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Brilliant Spark was wholly-owned and controlled by Mr. Li Ruigang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Director</b>	<b>Name of company which had such discloseable interest or short position</b>	<b>Position of such director within such company</b>
Mr. Li Ruigang	CMC	Founding chairman and CEO
	Television Broadcasts Limited (“ <b>TVB</b> ”)	non-executive director
	Gold Pioneer	director

Name of Director	Name of company which had such discloseable interest or short position	Position of such director within such company
Mr. Hui To Thomas	CMC	chief operating officer and director
	TVB	chairman and non-executive director
Miss Lok Yee Ling Virginia	Shine Investment	director
	TVB	assistant general manager (talent management and development)

### 3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors are aware, each of the following persons (other than a Director or chief executive of the Company or their respective associates) had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

#### Long position in the shares and in the underlying shares of the Company

Name of substantial Shareholder	Capacity/Nature	No. of shares/ underlying shares interested	Approximate percentage of shareholdings of the Company (Note 1)
Brilliant Spark	Interest of controlled corporation	425,000,000 (Note 2)	29.94%
Gold Pioneer	Interest of controlled corporation	425,000,000 (Note 2)	29.94%
GLRG Holdings	Interest of controlled corporation	425,000,000 (Note 2)	29.94%
CMC	Interest of controlled corporation	425,000,000 (Note 2)	29.94%
CMC Shine Holdings	Interest of controlled corporation	425,000,000 (Note 2)	29.94%
CMC Shine Acquisition	Interest of controlled corporation	425,000,000 (Note 2)	29.94%

Name of substantial Shareholder	Capacity/Nature	No. of shares/ underlying shares interested	Approximate percentage of shareholdings of the Company (Note 1)
Shine Holdings	Interest of controlled corporation	425,000,000 (Notes 2 and 4)	29.94%
Shine Investment	Beneficial owner	425,000,000 (Notes 2 and 4)	29.94%
TVB	Deemed interest	425,000,000 (Notes 3 and 4)	29.94%
Xie Qing Yu	Beneficial owner	88,052,000	6.20%

## Notes:

- The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date, which was 1,419,610,000.
- Shine Investment, Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC, GLRG Holdings, Gold Pioneer and Brilliant Spark were the substantial shareholders of the Company. Shine Investment was interested in such 425,000,000 Shares. Shine Investment was 85% owned by Shine Holdings which was wholly-owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC CMC was a non wholly-owned subsidiary of Gold Pioneer. Gold Pioneer held the interest in CMC directly and also held through its wholly-owned subsidiary, GLRG Holdings. Gold Pioneer was wholly-owned by Brilliant Spark. Each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC, GLRG Holdings, Gold Pioneer and Brilliant Spark was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Brilliant Spark was wholly-owned and controlled by Mr. Li Ruigang. Mr. Li Ruigang was interested in such 425,000,000 Shares through the above corporations controlled directly or indirectly by him (also see Note 4 below).
- TVB was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 4 below).
- Shine Investment, Shine Holdings and TVB were parties of the agreement (the “**Agreement**”) to hold the interest in such 425,000,000 Shares. The Agreement was the one to which section 317 of the SFO applied.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which do not expire or are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### 5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors (including their respective close associates) were considered to have interests in businesses which may compete, either directly or indirectly, with the businesses of the Group, particulars of which are set out below:

Name of Director	Name of the entities which may compete with the businesses of the Group	Description of businesses of the entities which may compete with the businesses of the Group	Nature of Director's interests in the entities
Mr. Li Ruigang	CMC	Film, drama and non-drama investment and artiste management	Ultimate controlling shareholder, founding chairman and CEO
	Huaren Wenhua	Film, drama and non-drama investment and artiste management	Ultimate controlling shareholder and director
	Flagship Entertainment Group Limited ("Flagship")	Film investment, production and distribution	Ultimate controlling shareholder
	TVB	Film, drama and non-drama investment and artiste management	Non-executive director
Mr. Hui To Thomas	CMC	Film, drama and non-drama investment and artiste management	Chief operating officer and executive director
	Huaren Wenhua	Film, drama and non-drama investment and artiste management	Director
	Flagship	Film investment, production and distribution	Director
	TVB	Film, drama and non-drama investment and artiste management	Chairman and non-executive director
	Imagine Tiger Television, LLC	Film production	Director

Name of Director	Name of the entities which may compete with the businesses of the Group	Description of businesses of the entities which may compete with the businesses of the Group	Nature of Director's interests in the entities
Miss Lok Yee Ling Virginia	TVB	Film investment and artiste management	Assistant general manager (talent management and development)

The Directors consider that, having taken into account the followings, the interest of the Company and its shareholders are adequately safeguarded:

- (a) the Group is capable of, and does carry on its business independently of, and on an arm's length basis, with the competing business of these companies;
- (b) if a member of the investment committee or the artiste management team has a conflict of interest in a transaction being reviewed due to his or her relationship with the counterparty, that transaction shall be reviewed by other members who have no such conflict, thus will ensure business opportunities and performance are independently assessed and reviewed from time to time; and
- (c) the relevant Directors are fully aware of their fiduciary duties to the Group and will abstain from voting on any matter where there is or may be conflict of interest.

In addition, since all the major and important corporate actions of the Company are and will be fully considered and determined by the Board, and any Director who is or is deemed to be interested in any proposed transaction will have to fully disclose his/her interest and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the Articles and the Listing Rules from time to time, the Board is of the view the relevant Director's interest in potentially competing business will not prejudice the interest of the Group.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors, the proposed Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**6. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors and proposed Directors had any direct or indirect interest in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save for the Cooperation Framework Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

**8. EXPERT**

The following is the qualifications of the expert which has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Crescendo Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Crescendo did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Crescendo did not have any direct or indirect interest in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Crescendo has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which they appear.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Framework Cooperation Agreement will be available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.shawbrotherspictures.com](http://www.shawbrotherspictures.com)) for a period not less than 14 days commencing from the date of this circular.

**10. GENERAL**

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese language text.

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## NOTICE OF EGM

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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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Shaw Brothers Holdings Limited (the “Company”) will be held at 12:00 noon on Thursday, 2 June 2022 (or as soon as the annual general meeting to be held at 11:30 a.m. on the same date and at the same place shall have been concluded or adjourned) at Opera II, B3, Intercontinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

the terms of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps from 1 June 2022 to 31 December 2022, for the year ending 31 December 2023, for the year ending 31 December 2024 and from 1 January 2025 to 31 May 2025 respectively in relation to Investment Projects involving the Group and CMC and/or Huaren Wenhua (and/or their respective Associated Companies) (all as defined and described in the circular of the Company dated 13 May 2022 of which this notice forms part) be and are hereby approved, confirmed and ratified; and that the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Cooperation Framework Agreement and the aforesaid transactions and proposed annual caps as they may in their discretion consider to be desirable and in the interests of the Company.”



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## NOTICE OF EGM

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2. “**THAT**

the terms of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps from 1 June 2022 to 31 December 2022, for the year ending 31 December 2023, for the year ending 31 December 2024 and from 1 January 2025 to 31 May 2025 respectively in relation to Artistes Engagement by the Group of artistes managed by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) (all as defined and described in the circular of the Company dated 13 May 2022 of which this notice forms part) be and are hereby approved, confirmed and ratified; and that the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Cooperation Framework Agreement and the aforesaid transactions and proposed annual caps as they may in their discretion consider to be desirable and in the interests of the Company.”

3. “**THAT**

the terms of the Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps from 1 June 2022 to 31 December 2022, for the year ending 31 December 2023, for the year ending 31 December 2024 and from 1 January 2025 to 31 May 2025 respectively in relation to Artistes Engagement by CMC and/or Huaren Wenhua (and/or their respective Associated Companies) of artistes managed by the Group (all as defined and described in the circular of the Company dated 13 May 2022 of which this notice forms part) be and are hereby approved, confirmed and ratified; and that the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts, matters and things and take all such steps as they may in their discretion consider necessary, desirable or expedient to implement and/or to give effect to the Cooperation Framework Agreement and the aforesaid transactions and proposed annual caps as they may in their discretion consider to be desirable and in the interests of the Company.”

By order of the Board  
**Shaw Brothers Holdings Limited**  
**Li Ruigang**  
*Chairman*

Hong Kong, 13 May 2022

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## NOTICE OF EGM

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*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either in person or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. To be valid, the instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours (i.e. 12:00 noon on Tuesday, 31 May 2022) before the time appointed for holding the EGM or any adjournment thereof.
4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.
5. Where there are joint holders of any shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
7. The transfer books and Register of Members of the Company will be closed from 26 May 2022 to 2 June 2022, both dates inclusive (the "**Book Close Period**") for the purpose of determining shareholders' attendance at the EGM. During the Book Close Period, no transfer of shares will be registered. In order to qualify for attending at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 25 May 2022.
8. As at the date of this notice, the Board consists of Mr. Li Ruigang as chairman and non-executive Director; Miss Lok Yee Ling Virginia as executive Director; Mr. Hui To Thomas as non-executive Director; Mr. Pang Hong, Mr. Poon Kwok Hing Albert and Miss Szeto Wai Ling Virginia as independent non-executive Directors.
9. A form of proxy for the EGM is enclosed.
10. If tropical cyclone warning signal no. 8 or above or "extreme conditions" caused by super typhoons or a "black" rainstorm warning signal is in force at 7:30 a.m. on Thursday, 2 June 2022, the meeting will be postponed and further announcement for details of alternative meeting arrangements will be made. The meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.

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## NOTICE OF EGM

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### IMPORTANT NOTICE TO SHAREHOLDERS

#### Precautionary measures for the EGM

In May 2022, the coronavirus situation in Hong Kong is still developing and the situation at the time of EGM is difficult to predict.

The Company will convene and hold the EGM on 2 June 2022. Shareholders are welcome to attend the EGM. However, Shareholders are reminded that should the coronavirus continue to affect Hong Kong at or around the time of the EGM, Shareholders should assess for themselves whether they should attend the EGM in person due to the health risks that may or may not pose.

The Company wishes to emphasise that attendees' health and safety are our primary concerns. In view of the ongoing pandemic caused by coronavirus COVID-19, the Company will implement certain precautionary measures to protect the attendees from the risk of infection:

- (i) compulsory body temperature check will be conducted for every attendee or his/her proxy at the entrance of the EGM venue;
- (ii) every attendee or his/her proxy will have to submit a completed health declaration form prior to entry into the EGM venue;
- (iii) every attendee or his/her proxy is required to wear surgical face masks before they are permitted to access to the EGM venue and throughout the EGM;
- (iv) seating at the annual general meeting venue will be arranged in order to allow appropriate social distancing; and
- (v) every attendee who does not comply with any of the above precautionary measures or is subject to any Hong Kong Government prescribed quarantine will be denied entry into the EGM venue.

Should anyone seeking to attend the EGM decline to follow the Company's precautionary measures and/or be found to have common coronavirus symptoms such as fever, cough or other respiratory symptoms or otherwise unwell, the Company reserves the right to refuse such person's admission to the EGM venue.

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## NOTICE OF EGM

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As additional precautionary measures and with a view to avoiding close contact amongst attendees, seating will be arranged in order to allow appropriate social distancing and where necessary and practicable, multiple meeting rooms with telecommunication facilities will be put into use. In addition, **no refreshment will be served and no gifts will be distributed at the EGM this year.**

In light of the above precautionary measures, Shareholders intending to attend the EGM in person are suggested to arrive at the EGM venue in advance of the scheduled time for the EGM to ensure that they have sufficient time to complete the registration process.

**As an alternative to attending the EGM in person, the Company strongly encourages and recommends Shareholders and their representatives to appoint the chairman of the EGM as their proxy to vote on their behalf at the EGM.**

In the event that the coronavirus situation deteriorates and requires the date and venue of the EGM to be changed, Shareholders will be notified of the revised arrangement and further announcement will be made by the Company on its website ([www.shawbrotherspictures.com](http://www.shawbrotherspictures.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Shareholders are advised to read the Company's announcement(s) in relation to the latest arrangement of the EGM (if any) published on the websites of the Company and the Stock Exchange before attending the EGM.