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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,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

***Hercules*  
Hercules Capital Limited**

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A letter from the Board is set out on pages 5 to 37 of this circular. A letter from the Independent Board Committee is set out on pages 38 to 39 of this circular. A letter from Hercules containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 59 of this circular.

A notice convening the EGM to be held at Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 13 March 2017 at 10:30 a.m. is set out on pages 69 to 72 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours 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, 17 February 2017

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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 Holdings 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 Holdings”                        | CMC Holdings Limited, a company incorporated in the Cayman Islands with limited liability  |
| “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   |

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## DEFINITIONS

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|--------------------------------------|---|
| “Cooperation Framework Agreement”    | the cooperation framework agreement dated 29 November 2016 and entered into among the Company, CMC Holdings and Huaren Wenhua in respect of the collaboration in the Investment Projects and in the Artistes Engagement (as amended by a supplemental agreement dated 10 February 2017)   |
| “Directors”                          | the director(s) of the Company  |
| “EGM”                                | the extraordinary general meeting of the Company to be held at Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong at 10:30 a.m. on 13 March 2017 to consider, and if thought fit, approve the Cooperation Framework Agreement and the continuing connected transactions contemplated thereunder and the proposed annual caps and the re-election of Directors  |
| “Entertainment and Media Project(s)” | film, 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  |
| “Hercules”                           | Hercules Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Cooperation Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps for the purposes of the Listing Rules |
| “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  |

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## DEFINITIONS

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|--------------------------------|--|
| “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 |
| “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 chief executive, directors and substantial shareholder(s) of the Company or any of its subsidiaries and their respective associates, and each of them an “Independent Third Party”  |
| “Investment Project(s)”        | investment, development, production, operation, distribution, sale of films, television programs, internet dramas, advertisements and/or new media content in any country, district or area  |
| “Latest Practicable Date”      | 13 February 2017, 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)   |

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## DEFINITIONS

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|------------------------------|---|
| “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 Directors:*

Mr. Ding Siqiang

Ms. Ding Xueleng

Mr. Jiang Wei

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

*Alternate Director:*

Mr. Gu Jiong

(Alternate Director to Mr. Hui To Thomas)

*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

17 February 2017

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO COOPERATION FRAMEWORK AGREEMENT,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 29 November 2016 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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Reference is also made to the announcement of the Company dated 25 October 2016 which announced, among other things, the appointment of Mr. Li Ruigang (“**Mr. Li**”) as the chairman of the Board and a non-executive Director, Mr. Jiang Wei (“**Mr. Jiang**”) as an executive Director, Mr. Hui To Thomas (“**Mr. Hui**”) as a non-executive Director and Mr. Gu Jiong as an alternate Director to Mr. Hui. Pursuant to the Articles, Mr. Li, Mr. Jiang and Mr. Hui who were appointed by the Board to fill casual vacancies shall hold office until the first general meeting of the Company after their appointments and be subject to re-election at such meeting. Mr. Li, Mr. Jiang and Mr. Hui will offer themselves for re-election at the EGM.

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 Hercules 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) information regarding re-election of Directors;
- (e) a notice of the EGM; and
- (f) other information in accordance with the requirements of the Listing Rules.



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## LETTER FROM THE BOARD

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### 2. RECENT BUSINESS DEVELOPMENTS OF THE GROUP

Since the second half of 2015, the Group has started to refine its business strategies by combining sports and entertainment. The Shareholders approved the change of the name of the Company from “Meike International Holdings Limited” to “Shaw Brothers Holdings Limited” and the Chinese name of the Company from “美克國際控股有限公司” to “邵氏兄弟控股有限公司” in May 2016 to better align and reflect the dual business strategy of an amalgam of sports and entertainment. The Company had invested in *From Vegas to Macau III* (賭城風雲3) in November 2015 starring Chow Yun-fat, Andy Lau, Nick Cheung and Li Yuchun and had further invested in four more films during the six months ended 30 June 2016, including *脫皮爸爸* and the long-awaited suspense crime action film, *Line Walker* (使徒行者) starring Francis Ng, Louis Koo, Nick Cheung and Charmaine Sheh. The box office of the films already exhibited in both Hong Kong and the PRC, *From Vegas to Macau III* (賭城風雲3) and *Line Walker* (使徒行者), recorded encouraging sales which had proved that the Company is moving towards an appropriate direction for improving the business performance and strategy of the Group. This also demonstrates that the Group has already obtained a number of good investment opportunities on film investment projects by itself from Independent Third Parties.

The Group also commenced its artiste management business in the second quarter of 2016. As at the Latest Practicable Date, there were seven artistes under the management of the Group. The Company is negotiating with certain artistes to engage the Group as their exclusive manager and it is expected that more additional artistes will join the Group during the year ending 31 December 2017. The Group intends to expand its artiste management business and will continue to seek more artistes to join.

The Company will continue with its dual business strategy of carrying on both its film and entertainment business and its sports goods business. As at the Latest Practicable Date, the Company has no intention to introduce any major changes to the business and operation of its sports goods segment. At present, the Company does not have any business plan in relation to the further development of the sports goods business of the Group, nor any intention to downsize such business. In order for the Group to retain sustainable advantages in its business arenas, the Group from time to time reviews the business operations and performances of both its film and entertainment business and sports goods business, as well as its overall financial position to optimize the use of resources, thereby developing business plans and exploring new business opportunities for the best interest of the Group and the Shareholders.

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## LETTER FROM THE BOARD

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### 3. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE COOPERATION FRAMEWORK AGREEMENT

In carrying out its film and entertainment business, the Group makes investments by entering into Investment Projects with parties with experience and capabilities in investment, production, distribution and operations in the entertainment, advertising or media industries. For an Investment Project on film or television drama, the project is initiated with the director or producer presenting a draft script or synopsis with the proposed cast to potential investors to consider. If the project is adopted by an investor, it will take the project forward by inviting other investors to participate. Such major investor will be in charge of the arrangements and implementation of the production, promotion and distribution, while investors with smaller stakes tend to take a lessor or passive role in the project. Each Investment Project can have many investors. The joining of an Investment Project by investors provides the basis for financing and implementation of films, television, drama and advertising productions. Investment Projects which the Group will participate in may include CMC Holdings, Huaren Wenhua and/or their respective Associated Companies as they are involved in media and entertainment investment and operation.

Opportunities may also arise from time to time for the Group on the one hand and CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) on the other hand to engage artistes managed by the other side to provide performance or services in Entertainment and Media Projects.

Given that CMC Holdings and Huaren Wenhua are connected persons of the Company, the aforesaid arrangements will amount to connected transactions of the Company under Chapter 14A of the Listing Rules.

On 29 November 2016, the Company entered into the Cooperation Framework Agreement with CMC Holdings and Huaren Wenhua pursuant to which the Company, CMC Holdings and Huaren Wenhua wish to cooperate in (i) the Investment Projects and (ii) the Artistes Engagement.

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## LETTER FROM THE BOARD

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**(i) Principal terms**

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

Date: 29 November 2016

Parties: (a) the Company;  
(b) CMC Holdings; and  
(c) Huaren Wenhua

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

Term: 3 years from 1 January 2017 to 31 December 2019, subject to the fulfilment of the condition precedent of the Cooperation Framework Agreement.

Nature of the transaction: Collaboration between the Company, CMC Holdings and Huaren Wenhua in (i) the Investment Projects and (ii) the Artistes Engagement.

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## LETTER FROM THE BOARD

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### *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 agreements with CMC Holdings 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 circumstances of the particular 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 not limited to) jointly participating in an Investment Project, CMC Holdings 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 Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for their Entertainment and Media Projects. On the other hand, CMC Holdings 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 Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for particular transaction 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 and  
payment terms:

*In relation to the Investment Projects*

The investment amount and payment terms of the Group for each single 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 Holdings and/or Huaren Wenhua (and/or their respective Associated Company), as the case may be. According to market practice, the investment amount is either payable in full within a certain number of days after executing the definitive agreement; or by instalments (i) within a certain number of days after executing the definitive agreement and (ii) after obtaining certain approval from the relevant authority required for the Investment Project.

*In relation to the Artistes Engagement*

The consideration amount and payment terms for each single 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 Holdings and/or Huaren Wenhua (and/or their respective Associated Company), as the case may be. According to market practice, the consideration amount shall be payable in full within a certain number of days after executing the definitive agreement.

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## LETTER FROM THE BOARD

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Basis for determination *In relation to the Investment Projects*  
of the terms of

definitive agreements: 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 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 project, amount of time required of the artiste for the project and his or her work schedule.

### ***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 Holdings and/or Huaren Wenhua (and/or their respective Associated Company) through negotiations. As the Cooperation Framework Agreement was prepared with reference to and in accordance with previous agreements of Investment Projects and engagement of artistes entered into between the Group and Independent Third Parties which reflect the market practice for these types of transactions, the Directors consider that the transactions to be entered into pursuant to the Cooperation Framework Agreement will be conducted on normal commercial terms and thus in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *In relation to the Investment Projects*

Pursuant to the Cooperation Framework Agreement, members of the Group may enter into definitive agreements with CMC Holdings 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, general 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 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.

The carrying out of or participation in Investment Projects by the Group belong to transactions of a revenue nature in its ordinary and usual course of business. In undertaking or participating in Investment Projects, the Group pays an investment amount to cooperate with other co-investors in entertainment or media-related projects (such as production of films, television dramas or advertisements as well as other ancillary operations). The investment amounts paid by the Group for Investment Projects are booked as its costs of investment/costs of sale and the income to be received from the Investment Projects (box office, advertising and/or other income after deduction of necessary costs incurred) are booked as its revenue in its financial statements. For Investment Projects which the Group initiates and takes the lead, at the initiation stage the research and development (R&D) expenses will be booked as expenses, which will be charged to the production costs as overhead when the relevant Investment Project proceeds to production. The production costs incurred

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## LETTER FROM THE BOARD

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for the Investment Project will be accounted for as stock during the production, and as costs of sales afterwards when the corresponding box office income is recognised. For Investment Projects in which the Group merely participates as an investor, at the initiation stage the investment amount will be booked to investment cost as available for sales in the balance sheet, and will subsequently be booked to cost of sales when the corresponding box office income is recognised.

The above accounting treatments adopted by the Company for Investment Projects are in accordance with Hong Kong generally acceptable accounting standards, and apply to all of the Group's transactions in relation to Investment Projects. The profit or loss to the Group generated from the Investment Projects it participates in are assessable to profits tax.

### *In relation to the Artistes Engagement*

Pursuant to the Cooperation Framework Agreement, members of the Group may enter into definitive agreements with CMC Holdings 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 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 that such transactions shall be on normal commercial terms and the terms shall be no less favorable than those offered by Independent Third Parties to the Group or those that can be 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.

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.

Under transactions of Artistes Engagement, the Group either receives commission from the engagement of artistes it manages, or pays consideration to engage artistes managed by CMC Holdings or Huaren Wenhua or their respective Associated Companies. Such transactions involve revenue to the Group or expenditures of the Group, and are of a revenue nature in the ordinary and usual course of business of the Group.



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## LETTER FROM THE BOARD

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**(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 Holdings and/or Huaren Wenhua and/or their respective Associated Companies as contemplated under the Cooperation Framework Agreement in each of the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed the following proposed annual caps:

|  | <b>Proposed annual caps (in RMB)</b>                    |   |   |
|--|---|---|---|
|  | <b>For the year<br/>ending<br/>31 December<br/>2017</b> | <b>For the year<br/>ending<br/>31 December<br/>2018</b> | <b>For the year<br/>ending<br/>31 December<br/>2019</b> |
| Investment Projects contemplated<br>under the Cooperation<br>Framework Agreement   | 255,919,000   | 320,272,000   | 383,536,000   |
| Artistes Engagement contemplated<br>under the Cooperation<br>Framework Agreement:–   | 109,356,000   | 181,500,000   | 239,500,000   |
| – In relation to the members of<br>the Group engaging artistes<br>managed by CMC Holdings<br>and/or Huaren Wenhua<br>(and/or their respective<br>Associated Companies) | 23,500,000  | 31,500,000  | 39,500,000  |
| – In relation to CMC Holdings<br>and/or Huaren Wenhua<br>(and/or their respective<br>Associated Companies)<br>engaging artistes managed by<br>members of the Group     | 85,856,000  | 150,000,000   | 200,000,000   |

The above two sets of annual caps for Artistes Engagement will be separately and respectively applied to (i) the transactions of the Group engaging artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) and to (ii) the transactions of CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) engaging artistes managed by the Group.

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## LETTER FROM THE BOARD

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In relation to the engagement of the Group's artistes by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies), about 20-30% of the contract amounts receivable by the Group are recognised as commission income from artiste management that constitute part of the Group's revenue in the artiste management segment.

In an Investment Project in which the Group participates that involves CMC Holdings and/or Huaren Wenhua and/or their respective Associated Company, there may also be engagement by CMC Holdings or Huaren Wenhua (or their respective Associated Company) of artistes managed by the Group, as well as engagement by the Group of artistes managed by CMC Holdings or Huaren Wenhua (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**

***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 film/drama series investment projects that may be invested by the Group and the estimated amounts proposed to be invested by the Group in the Investment Projects and generally in accordance with the Group's business plan for each of the financial years ending 31 December 2017, 2018 and 2019. 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 Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) by comparing with the actual production costs of other Investment Projects co-invested by the Group with Independent Third Parties.

The Group expects to invest in fifteen films and/or drama series in 2017, and anticipates that it would co-invest with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in eleven Investment Projects for the year ending 31 December 2017 with a maximum investment amount of approximately RMB255.92 million and such maximum investment amount would increase to approximately RMB320.27 million and RMB383.54 million for the years ending 31 December 2018 and 31 December 2019 respectively, representing a compound annual growth rate of approximately 22.4%. The Group plans to invest in sixteen and twelve films and/or drama series in 2018 and 2019 respectively, of which fourteen and ten films and/or drama series respectively will be co-invested with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies). Of these proposed films and/or drama series in the years 2017, 2018 and 2019, the Group may act as a major investor in about eight, ten and four projects respectively, while CMC Holdings

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## LETTER FROM THE BOARD

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and/or Huaren Wenhua (and/or their respective Associated Companies) may act as a major investor in about four, six and two projects respectively, subject to their respective final business decisions and the then market conditions and circumstances.

The following information on the anticipated investment amounts by the Group in Investment Projects involving CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in each of the financial years for the annual caps is the basis on which such proposed annual caps are calculated:–

|   | <b>For the year<br/>ending<br/>31 December<br/>2017</b> | <b>For the year<br/>ending<br/>31 December<br/>2018</b> | <b>For the year<br/>ending<br/>31 December<br/>2019</b> |
|---|---|---|---|
| No. of Investment Projects involving CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) | 11  | 14  | 10  |
| Range of investment amount by the Group   | About<br>RMB7.5<br>million to<br>RMB76.1<br>million     | About<br>RMB5.25<br>million to<br>RMB96.9<br>million    | About<br>RMB8.65<br>million to<br>RMB136<br>million     |
| Average investment amount by the Group per Investment Project   | About<br>RMB23.27<br>million                            | About<br>RMB22.88<br>million                            | About<br>RMB38.35<br>million                            |
| Range of investment amount by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies)        | About<br>RMB7.5<br>million to<br>RMB76.1<br>million     | About<br>RMB5.25<br>million to<br>RMB100<br>million     | About<br>RMB8.65<br>million to<br>RMB136<br>million     |
| Average investment amount by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies)         | About<br>RMB25.99<br>million                            | About<br>RMB24.38<br>million                            | About<br>RMB38.35<br>million                            |

The above information on investment amounts by the Group is estimated by the Company for the purpose of arriving at the annual cap amounts for the Investment Projects for 2017 to 2019, which is subject to change upon implementation of the relevant business plan of the Group.

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## LETTER FROM THE BOARD

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The above information on investment amounts by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) is based on the Company's current understanding and the estimated total investment amounts by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) of about RMB285.9 million, RMB341.3 million and RMB383.5 million in such Investment Projects in 2017, 2018 and 2019 respectively. Such information is for reference purpose only and is subject to adjustment upon implementation of the relevant Investment Projects and the investment decision of CMC Holdings, Huaren Wenhua or their respective Associated Companies.

The investment amount by each investor (including the Group, CMC Holdings and Huaren Wenhua (or their respective Associated Companies) in an Investment Project co-invested by various investors usually accounts for between about 5% to 35% of the total investment amount, depending on the size of the Investment Project. Apart from the Group and CMC Holdings/Huaren Wenhua (or its Associated Company), the number of other third party investors involved in the Investment Projects referred to above may range from one to about eight depending on factors such as the size of the total investment, popularity of the theme or features of the project, the cast of the film or drama, etc. The roles of the investors in each of the Investment Projects will often be that which the particular investor has ample experience or capabilities in. For example, the Group is experienced in the formulation of the script and organization of the production, while CMC Holdings and Huaren Wenhua have strength in the distribution of film or drama. Other investors may have expertise in marketing, sourcing of cast, or other areas of production.

Having considered the actual growth of the box office revenue in the PRC of 49% for the year ended 31 December 2015 according to "Theatrical Market Statistics 2015" published by Motion Picture Association of America in April 2016; the expected compound annual growth rate of approximately 23.1% from 2015 to 2017 for the box office revenue in the PRC and the expected compound annual growth rate of approximately 31.3% from 2015 to 2020 for the home video revenue in the PRC according to the "Global Entertainment and Media Outlook 2016-2020" published by PwC in June 2016, the Group anticipates that a compound annual growth rate of about 22.4% for the annual caps in respect of the Investment Projects is required and considers that it is reasonable for its plan to increase in both the number of films and/or drama series to be invested and the investment amount in individual film or drama series in 2018 and 2019.

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## LETTER FROM THE BOARD

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### *In relation to the Artistes Engagement*

The aforesaid proposed annual caps for the Cooperation Framework Agreement in respect of the Artistes Engagement in the relevant periods are determined by reference to the projected engagement of artistes managed by the Group and by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies). The Group commenced its artiste management business in the second quarter of 2016. As at the Latest Practicable Date, there were seven artistes under the management of the Group. The Company is negotiating with certain artistes to engage the Group as their exclusive manager and it is expected that two or more additional artistes will join the Group during the year ending 31 December 2017. As the Group intends to expand its artiste management business, the Group shall continue to proactively seek more artistes to join. The Group believes that the strong network of its management in the entertainment industry, the capability in producing high box office films and television programs and the joining of big stars in its artistes pool, shall help to attract more artistes to engage the Group as their manager. It is anticipated that six and eight additional artistes will join the Group during the years ending 31 December 2018 and 31 December 2019 respectively. The Group intends to engage eight, ten and twelve artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) to perform in certain Entertainment and Media Projects of the Group in 2017, 2018 and 2019 respectively.

The annual caps for Artistes Engagement 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 years ending 31 December 2017, 2018 and 2019. 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 talent 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.

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## LETTER FROM THE BOARD

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When projecting the anticipated fees to be received from CMC Holdings 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. Based on each artiste managed by the Group to be engaged in about 15 to 30 Entertainment and Media Projects by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Company) in a financial year, the Company has estimated the aggregate amount of revenue from such engagements in each of the years ending 31 December 2017, 2018 and 2019 respectively. The following information is the basis of calculation of the annual caps for Artiste Engagements by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in the years of 2017 to 2019:-

|  | <b>For the year<br/>ending<br/>31 December<br/>2017</b> | <b>For the year<br/>ending<br/>31 December<br/>2018</b> | <b>For the year<br/>ending<br/>31 December<br/>2019</b> |
|--|---|---|---|
| No of artistes managed<br>by the Group   | 9   | 15  | 23  |
| Range of annual revenue<br>per artiste from<br>Article Engagement by<br>CMC Holdings/<br>Huaren Wenhua<br>(or their respective<br>Associated Company)  | About<br>RMB300,000 to<br>RMB65,000,000                 | About<br>RMB1,250,000 to<br>RMB100,000,000              | About<br>RMB1,250,000 to<br>RMB125,000,000              |
| Average of annual revenue<br>per artiste from<br>Article Engagement by<br>CMC Holdings/Huaren<br>Wenhua<br>(or their respective<br>Associated Company) | About<br>RMB9,500,000                                   | About<br>RMB10,000,000                                  | About<br>RMB8,700,000                                   |

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## LETTER FROM THE BOARD

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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 Holdings and/or Huaren Wenhua (and/or their respective Associated Companies). The following information is the basis of calculation of the annual caps for amounts payable by the Group for engagement of such artistes in the years of 2017 to 2019:-

|   | For the year<br>ending<br>31 December<br>2017 | For the year<br>ending<br>31 December<br>2018 | For the year<br>ending<br>31 December<br>2019 |
|---|---|---|---|
| No of artistes managed by<br>CMC Holdings/<br>Huaren Wenhua<br>(or their respective<br>Associated Company)<br>proposed to be engaged<br>by the Group          | 8   | 10  | 12  |
| Range of fees payable for<br>engagement of<br>an artiste managed by<br>CMC Holdings/<br>Huaren Wenhua<br>(or their respective<br>Associated Company)          | About<br>RMB1,000,000 to<br>RMB5,000,000      | About<br>RMB1,000,000 to<br>RMB5,000,000      | About<br>RMB1,000,000 to<br>RMB5,000,000      |
| Average amount of fees<br>payable for engagement<br>of an artiste managed<br>by CMC Holdings/<br>Huaren Wenhua<br>(or their respective<br>Associated Company) | About<br>RMB2,940,000                         | About<br>RMB3,150,000                         | About<br>RMB3,292,000                         |

The above information is estimated by the Company for the purpose of arriving at the annual cap amounts for the Artiste Engagement for 2017 to 2019, which is subject to change upon implementation of the relevant business plan of the Group, CMC Holdings and Huaren Wenhua (or their respective Associated Companies).

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## LETTER FROM THE BOARD

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### (iv) Internal Control Measures

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

The Group has formed an investment committee (the Green Light 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 Holdings and/or Huaren Wenhua and/or their respective Associated Companies. The experience and expertise of the members of the investment committee are described below:–

- An executive Director was appointed as a Director on 29 January 2016 and has over 35 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.
- Another executive Director was appointed as a Director on 25 October 2016 and has many years of experience in film production and distribution. He is currently the managing director of a film production and distribution company and had worked in many well-known film production and distribution companies before.
- An non-executive Director 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 Financial Controller of the Company started to serve the Group in early July 2016. He holds a Master's degree in Corporate Finance and has over 10 years' financial experience in various industries including entertainment, television and advertising.



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## LETTER FROM THE BOARD

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- The Director of Project Development of the Company has been serving the Group in relation to Investment Projects since August 2016. She holds a Master’s degree in Applied Communications Studies and has over 10 years’ experience in the media and movie industry, having acted in various roles including publication director and director responsible for project development.
- The Project Manager of the Company has served the Group for one year. She has over 20 years’ experience in television drama and movie production, mainly responsible for production administration, budgetary control and production facilities.

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 Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) during the term of the Cooperative Framework Agreement. As a corporate governance measure, the Group will put a hold on the entering into of further Investment Projects involving CMC Holdings 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 Holdings 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.

The Company takes the view that the aforesaid measures would effectively ensure that the Group's business regarding Investment Projects will not be reliant on the financial participation by CMC Holdings, Huaren Wenhua or their respective Associated Companies, as those Investment Projects that the Group will be in charge will not be financially dependent on the participation of such connected persons.

### ***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:-

- The executive Director was appointed as a Director on 29 January 2016 and has over 35 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 vice president of the Company joined the Group in early 2016 and has over 15 years of experience in overall management of production in television and entertainment industry.
- The Assistant Controller of the Company joined the Group in November 2016 and has nearly 10 years of experience in management of artiste related affairs.

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## LETTER FROM THE BOARD

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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 Holdings 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 Holdings and 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 Holdings and Huaren Wenhua (and/or their respective Associated Companies) and with Independent Third Parties will be generated for the artiste management team's reference.

The Group's artiste management team will thus control the potential risk of over-reliance on CMC Holdings or Huaren Wenhua for transactions on engagement of artistes through continuous monitoring, and through making available the services of the artistes managed by the Group for other users as well as engaging artistes managed by Independent Third Parties in film, television, stage performance, commercial advertising and other forms of commercial appearances. The Directors consider that the potential risk of the aforesaid over-reliance can be avoided by the diversification in the engagement of artistes managed by the Group.

**(v) Reasons for and benefits of entering into the Cooperation Framework Agreement**

The market players which have considerable scale and capabilities in the film and entertainment industry that the Group operates in are not numerous, and co-development and co-investment in film projects by a number of investors and operators is a common market practice. In order to strive to be successful in the Investment Projects that the Group participates in, it is necessary to avail itself of opportunities to co-operate with prominent investors and operators in the film and entertainment industry with the financial strength and capabilities to develop films, drama series and other media projects that can bring decent commercial returns. The Group can choose to partner with CMC Holdings and/or Huaren Wenhua on Investment Projects, just as it can choose to partner with other Independent Third Parties. The Company considers that the Group's business regarding Investment Projects does not fundamentally rely on cooperation with CMC Holdings and/or Huaren Wenhua to be carried out, as the Group already undertook a couple of film projects of major scale in 2015-2016 without the involvement of either of them. However, in any event it would be advantageous for the Group in carrying out Investment Projects by partnering with CMC Holdings and Huaren Wenhua being major PRC investors and operators in the entertainment industry which are strong in capital, connection and marketing, and which at the same time would take the interest of the Group into account in the relevant business deals given their indirect shareholding relationship with the Company.

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## LETTER FROM THE BOARD

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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 Holdings and Huaren Wenhua have a reputation as leading investors in the PRC in culture and art and their investment and operations cover fields across, including without limitation, film, television, sports, music, fashion, games, artistes management, live entertainment, news and information, advertising, marketing and data services sectors. CMC Holdings 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. In 2016, CMC Holdings and Warner Bros. Entertainment, Inc. formed a joint venture, Flagship Entertainment Group Limited, to invest, produce and distribute Chinese and English movies to the global market. Flagship Entertainment Group Limited planned to invest in and produce 12 movies in the coming two years, one of which will involve investment amount of over 100 million US dollars. Huaren Wenhua is a shareholder of Gravity Pictures Film Production Company (“**Gravity Pictures**”), a licensed film distributor in the PRC, which has successfully produced and distributed Chinese language films including *Black & White Episode 2* (痞子英雄二), *Fleet of Time* (匆匆那年), *Somewhere Only We Know* (有一個地方只有我們知道) and *Let’s Get Married* (咱們結婚吧) etc.
- (b) The entering into the Cooperation Framework Agreement would enable the Group to benefit from utilising the vast film resources and experience of CMC Holdings and Huaren Wenhua in their film and media content production and investment. The film distribution network of CMC Holdings 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.
- (c) The cooperation with CMC Holdings and Huaren Wenhua in various Investment Projects would also allow the Group to participate in more films with larger budget and investment amount, and hence enhancing the Group’s market presence in the film industry.

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## LETTER FROM THE BOARD

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- (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. The portfolio company of Huaren Wenhua, 東陽正午陽光影視有限公司 (Daylight Entertainment Co., Ltd.), manages about 10 to 20 artistes, most of them being famous artistes in the PRC. CMC Holdings, Huaren Wenhua and their respective Associated Companies may come to manage more artistes in the near future. It would be beneficial for the Group to have access to this pool of artistes for its entertainment and media business through arrangements under the Cooperation Framework Agreement.
- (e) The cooperation in Artistes Engagement would also provide more opportunities for artistes managed by the Group to participate in various film production, advertising and other commercial engagements, and hence increasing the Group's revenue in commission received from its artistes management business, and also attracting other artistes to sign management contracts and/or entering into other cooperation deals with the Group.
- (f) CMC Holdings and Huaren Wenhua are leading investment and operating platforms in China covering media, entertainment, sports and internet sectors. CMC Holdings and Huaren Wenhua have its business layout across the content, platform, technology and services of a wide array of sectors, including but not limited to, film, television, animation, sports, music, fashion and lifestyle, games, artiste management, news and media, advertising and marketing, data services, social media, internet and etc. CMC Holdings and Huaren Wenhua have a strong presence in the film and entertainment market in the PRC. The Directors take the view that the Group engaging in business of similar nature to certain business of CMC Holdings and Huaren Wenhua does not give rise to an adverse competition situation. Instead, the Directors believe that the collaboration with CMC Holdings 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 Holdings 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.

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## **LETTER FROM THE BOARD**

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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.

#### **4. INFORMATION ON THE GROUP, CMC HOLDINGS AND HUAREN WENHUA**

The Group is principally engaged in the manufacturing, trading of sports goods and investments in films. The Company acts as an investment holding company and engages in investments in films.

CMC Holdings is principally engaged in the investment and operation in media and entertainment, internet and mobile, and lifestyle sectors.

Huaren Wenhua is principally engaged in the investment and operation in media and entertainment, internet and mobile, and lifestyle sectors.

#### **5. IMPLICATIONS UNDER THE LISTING RULES**

As of the Latest Practicable Date, the ultimate controlling shareholder of both CMC Holdings and Huaren Wenhua is 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 Holdings 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.

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## LETTER FROM THE BOARD

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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 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.

Hercules 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 Holdings 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, Mr. Jiang and Miss Lok Yee Ling Virginia holds directorship or other positions in CMC Holdings 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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### 6. RE-ELECTION OF DIRECTORS

It was announced on 25 October 2016 by the Board that (i) Mr. Li was appointed as a non-executive Director and as chairman of the Board; (ii) Mr. Jiang was appointed as an executive Director; (iii) Mr. Hui was appointed as a non-executive Director; and (iv) Mr. Gu Jiong was appointed as an alternate Director to Mr. Hui, a non-executive Director, all with effect from 25 October 2016. Pursuant to the Articles, Mr. Li, Mr. Jiang and Mr. Hui who were appointed by the Board to fill casual vacancies shall hold office until the first general meeting of the Company after their appointment and be subject to re-election at such meeting. Accordingly, Mr. Li, Mr. Jiang and Mr. Hui will hold their directorships until the EGM, and will offer themselves for re-election. As such, ordinary resolutions will be proposed at the EGM to approve the re-election of Mr. Li, Mr. Jiang and Mr. Hui, respectively as a Director. Details of each of Mr. Li, Mr. Jiang and Mr. Hui are set out as below.

#### **Mr. Li Ruigang (Chairman and non-executive Director)**

Mr. Li Ruigang, aged 47, is the Founding Chairman of CMC Capital Partners and CMC Holdings (together with its affiliates, called “CMC”). Mr. Li has rich operational experience and in-depth insight into China’s media and entertainment industry. Mr. Li is a pioneer in establishing extensive international partnerships, and has led CMC in the creation of many industry champions across the areas of media, entertainment, sports, internet, mobile, and lifestyle.

Mr. Li is a non-executive director of WPP plc which is listed on the London Stock Exchange and the New York Stock Exchange. Mr. Li is a member of the Chinese Football Association’s Executive Committee and a board member of Special Olympics. Mr. Li is the Honorary Chairman of Shanghai Oriental Pearl Media Co. Ltd. which is listed on the Shanghai Stock Exchange. Mr. Li is the vice chairman and a non-executive director of Television Broadcasts Limited (“TVB”) and a non-executive director of IMAX China Holding, Inc., both being companies listed on the Stock Exchange.

Mr. Li was formerly the chairman and president of Shanghai Media Group (“SMG”) in China for more than ten years, and had successfully transformed SMG from a provincial broadcaster into a media conglomerate with a comprehensive business scope, including the A-share listed Shanghai Oriental Pearl Media Co. Ltd. and China Business Network. Mr. Li was also Chief of Staff of Shanghai Municipal Government. Mr. Li holds a Master’s Degree of Arts and a Bachelor’s Degree of Arts of Journalism from Fudan University.

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## LETTER FROM THE BOARD

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Save as disclosed in the above paragraphs, Mr. Li did not have any other directorships in the past three years in public companies, the securities of which are listed on any securities market in Hong Kong and overseas.

At the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Li is interested in 425,000,000 Shares, representing approximately 29.94% of the issued share capital of the Company. Such interests are held indirectly through Shine Holdings Cayman Limited's interest in Shine Investment Limited ("**Shine Investment**"). Mr. Li through Gold Pioneer Worldwide Limited ("**Gold Pioneer**"), which is controlled by him, controls CMC Holdings, and he holds such interests in Shares through CMC Holdings' wholly-owned subsidiaries, namely, CMC Shine Holdings Limited ("**CMC Shine Holdings**"), CMC Shine Acquisition Limited ("**CMC Shine Acquisition**"), and Shine Holdings Cayman Limited ("**Shine Holdings**"). Gold Pioneer, CMC Holdings, CMC Shine Holdings, CMC Shine Acquisition, Shine Holdings and Shine Investment are substantial shareholders of the Company (within the meaning of Part XV of the SFO). Save as disclosed in this paragraph, Mr. Li did not hold any other interest in the Shares.

Mr. Li is a director of Gold Pioneer, the chairman of CMC Holdings, and the vice chairman and a non-executive director of TVB, all of which are substantial shareholders of the Company (within the meaning of Part XV of the SFO). Save as disclosed in this and above paragraphs, Mr. Li does not have any other relationship with any Directors, senior management, or substantial or controlling shareholders of the Company.

Upon Mr. Li's successful re-election at the EGM, he will be subject to retirement and re-election at every third annual general meeting of the Company in accordance with the Articles and the Listing Rules. Mr. Li will continue to be the chairman of the Board following his successful re-election as a Director at the EGM.

Pursuant to the letter of appointment entered into between the Company and Mr. Li, he is entitled to a Chairman's fee of HK\$360,000 per annum. The said fee is payable on a pro-rata basis by reference to the length of his service as a non-executive Director of the Company and the Chairman of the Board.

Save as the information disclosed above, there are no other matters relating to the re-election of Mr. Li as a non-executive Director that need to be brought to the attention of the Shareholders and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

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## LETTER FROM THE BOARD

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### Mr. Jiang Wei (Executive Director)

Mr. Jiang Wei, aged 46, is the managing director of Gravity Pictures since September 2013. Gravity Pictures has successfully produced and distributed local films including *Black & White Episode 2*, *Fleet of Time*, *Somewhere Only We Know* and *Let's Get Married* etc.

Mr. Jiang was formerly the chief representative of Great China for EDKO Films Limited (“**EDKO Films**”) since June 2001, and general manager of EDKO (Beijing) Films Limited from 2005 to September 2013, distributing films of EDKO as well as Universal Pictures titles in mainland China. Meanwhile, Mr. Jiang has been the vice president of Urban Cinema Branch of China Film Distribution and Projection Association. Mr. Jiang has participated in the production and taken charge of the distribution of local productions including *Fearless*, *Kung Fu Hustle*, *Secret, Lust, Caution*, *The Mummy: Tomb of the Dragon Emperor*, *Sophie's Revenge*, *Ocean Heaven*, *Cold War* and *Finding Mr. Right*. During his days in EDKO Films, Mr. Jiang also led the distribution of *Slumdog Millionaire*, *Sanctum*, *Three Idiots* and Universal titles in mainland China such as *Mr. Bean's Holiday*, *The Bourne Ultimatum*, *The Bourne Legacy*, *Fast Five*, *Fast & Furious 6*, and *Battleship* etc.

Prior to EDKO Films, Mr. Jiang had worked at Sony from April 1994 to June 2001. In 1997, he started taking charge of the distribution of Sony Pictures in mainland China, where he participated in the development and distribution of the celebrated hit *Crouching Tiger, Hidden Dragon*.

Mr. Jiang did not have any directorships in the past three years in public companies, the securities of which are listed on any securities market in Hong Kong and overseas.

At the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Jiang did not hold any interest in the Shares.

Mr. Jiang does not have any relationship with any Directors, senior management, or substantial or controlling shareholders of the Company.

Upon Mr. Jiang's successful re-election at the EGM, he will be subject to retirement and re-election at every third annual general meeting of the Company in accordance with the Articles and the Listing Rules.

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## LETTER FROM THE BOARD

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Pursuant to the letter of appointment entered into between the Company and Mr. Jiang, he is entitled to a Director's fee of HK\$120,000 per annum. The said fee is payable on a pro-rata basis by reference to the length of his service as an executive Director.

Save as the information disclosed above, there are no other matters relating to the re-election of Mr. Jiang as an executive Director that need to be brought to the attention of the Shareholders and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### **Mr. Hui To Thomas (Non-executive Director)**

Mr. Hui To Thomas, aged 44, is the president, chief strategy officer and an executive director of CMC Holdings. Mr. Hui is also a non-executive director of TVB, a company listed on the main board of the Stock Exchange. Mr. Hui was formerly the managing director of Gravity Corporation, a media holding company. Prior to that, Mr. Hui was an independent non-executive director of KingSoft Corporation Limited which is listed on the main board of the Stock Exchange. Before that, Mr. Hui was the president, chief operation officer and an executive director of GigaMedia Limited, a company listed on the NASDAQ stock market. Prior to that, Mr. Hui also was a non-executive director of JC Entertainment Corporation, a Korean online game company listed on the KOSDAQ stock market. He was an executive director in the investment banking division of Goldman Sachs (Asia) L.L.C., Hong Kong, and an investment banker at Merrill Lynch & Co. as well as serving as a management consultant at McKinsey & Company. Mr. Hui holds a Master's Degree of Engineering in Electrical Engineering from Cornell University and a Bachelor's Degree of Science in Electrical Engineering from the University of Wisconsin, Madison. Save as disclosed in the above paragraph, Mr. Hui did not have any other directorships in the past three years in public companies, the securities of which are listed on any securities market in Hong Kong and overseas.

At the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Hui did not hold any interest in the Shares.

Mr. Hui is the president, chief strategic officer and an executive director of CMC Holdings and a non-executive director of TVB, both of which are substantial shareholders of the Company (within the meaning of Part XV of the SFO). Save as disclosed in this paragraph, Mr. Hui does not have any other relationship with any Directors, senior management, or substantial or controlling shareholders of the Company.

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## LETTER FROM THE BOARD

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Upon Mr. Hui's successful re-election at the EGM, he will be subject to retirement and re-election at every third annual general meeting of the Company in accordance with the Articles and the Listing Rules.

Pursuant to the letter of appointment entered into between the Company and Mr. Hui, he is entitled to a Director's fee of HK\$120,000 per annum. The said fee is payable on a pro-rata basis by reference to the length of his service as a non-executive Director.

Save as the information disclosed above, there are no other matters relating to the re-election of Mr. Hui as a non-executive Director that need to be brought to the attention of the Shareholders and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### 7. EGM

There is set out on pages 69 to 72 of this circular a notice convening the EGM to be held at Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 13 March 2017 at 10:30 a.m. 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 Holdings 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 Holdings 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 CMC Holdings and/or Huaren Wenhua and/or their respective Associated Companies of artistes managed by the Group; and
- ordinary resolutions will be proposed for approval by the Shareholders of the re-election of Directors.

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## LETTER FROM THE BOARD

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Mr. Li, CMC Holdings 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 being a subsidiary of CMC Holdings held 425,000,000 Shares, representing approximately 29.94% of the issued share capital of the Company. Shine Investment 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.

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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours 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.

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## LETTER FROM THE BOARD

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### 8. 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 Hercules) 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. The Directors also recommend all the Shareholders to vote in favour of the ordinary resolutions regarding the re-election of Directors to be proposed at the EGM.

### 9. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 38 to 39 of this circular, the Letter from Hercules to the Independent Board Committee and the Independent Shareholders set out on pages 40 to 59 of this circular, and the information set out in the appendix on pages 60 to 68 to this circular.

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

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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 inclusion 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)**

17 February 2017

*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 17 February 2017 (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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Hercules 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 Hercules to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 59 of the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 37 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 Hercules, 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 HERCULES

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*The following is the letter of advice from Hercules 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, which has been prepared for the purpose of inclusion in this circular.*

### ***Hercules*** **Hercules Capital Limited**

1503 Ruttonjee House  
11 Duddell Street  
Central  
Hong Kong

17 February 2017

*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 with respect to the continuing connected transactions contemplated under the Cooperation Framework Agreement (the “Continuing Connected Transactions”) and the annual caps thereunder, details of which are set out in the Letter from the Board contained in the circular of the Company dated 17 February 2017 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 requires otherwise.

On 29 November 2016, the Company entered into the Cooperation Framework Agreement with CMC Holdings and Huaren Wenhua in relation to the arrangement for cooperation in (i) the Investment Projects; and (ii) the Artistes Engagement.

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## LETTER FROM HERCULES

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As at the Latest Practicable Date, the ultimate controlling shareholder of both CMC Holdings 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 Holdings 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 Continuing Connected Transactions (the “Annual Caps”) exceed 5%, the Cooperation Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened to seek the Independent Shareholders’ approval of the Cooperation Framework Agreement and the transactions contemplated thereunder as well as the proposed Annual Caps. Mr. Li Ruigang, CMC Holdings and their respective associates are considered to be materially interested in the Continuing Connected Transactions 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 Holdings, 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 Shareholders are involved in or interested in the Cooperation Framework Agreement and the transactions contemplated thereunder, which are required to abstain from voting on the relevant resolutions to be proposed at the EGM.

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 on the terms of the Cooperation Framework Agreement. We, Hercules Capital Limited, have been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in this regard, in particular as to whether the Continuing Connected Transactions are on normal commercial terms and conducted in the ordinary and usual course of business of the Group and the terms of the Cooperation Framework Agreement and the proposed Annual Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole.

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## LETTER FROM HERCULES

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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 any other parties that could be reasonably regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders.

### **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 they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject 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 market and economic conditions) may affect and/or change this opinion.

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## LETTER FROM HERCULES

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### 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 of, and reasons for, the Continuing Connected Transactions**

**(a) Principal activities of the contracting parties**

The Group is principally engaged in the manufacturing, trading of sports goods and investments in films. The Company acts as an investment holding company and engages in investments in films.

CMC Holdings and Huaren Wenhua are principally engaged in the investment and operation in media and entertainment, internet and mobile, and lifestyle sectors. CMC Holdings and Huaren Wenhua have their business layout across the content, platform, technology and services of a wide array of sectors, including but not limited to, film, television, animation, sports, music, fashion and lifestyle, games, artiste management, news and media, advertising and marketing, data services, social media and internet, etc. In 2016, CMC Holdings and Warner Bros. Entertainment Inc. formed a joint venture, namely Flagship Entertainment Group Limited, to invest, produce and distribute Chinese and English movies to the global market. Flagship Entertainment Group Limited planned to invest in and produce 12 movies in the coming two years, one of which will involve investment amount of over US\$100 million.

Huaren Wenhua is a shareholder of Gravity Pictures Film Production Company, which is a licensed film distributor in the PRC and has successfully produced and distributed Chinese language films including *Black & White Episode 2*, *Fleet of Time*, *Somewhere Only We Know* and *Let's Get Married*, etc. 東陽正午陽光影視有限公司 (Daylight Entertainment Co., Ltd.), the portfolio company of Huaren Wenhua, manages about 10 to 20 artistes, most of them being famous artistes in the PRC.

**(b) Reasons for entering into the Cooperation Framework Agreement**

As set out in the letter from the Board, the Group carries out its film and entertainment business by making investments in Investment Projects 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.

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## LETTER FROM HERCULES

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We have reviewed the list of movies produced by Hong Kong production companies (including international co-productions) and released in 2016 published by Nash Information Services, LLC, which is an independent corporation providing consulting, data and analytical services on the movie industry to independent film producers, investment companies, technology companies, retailers, web sites and entertainment companies, and noted that nine out of the ten films with the highest worldwide box office produced by Hong Kong production companies (including international co-productions) and released in 2016 were co-produced or coinvested by various production companies. 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.

CMC Holdings and Huaren Wenhua have a reputation as leading investors in the PRC in culture and art and their investment and operations cover fields across, including without limitation, film, television, sports, music, fashion, games, artiste management, live entertainment, news and information, advertising, marketing and data services sectors. CMC Holdings and Huaren Wenhua have strong presence in the film and entertainment market in the PRC with 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 cooperation with CMC Holdings and Huaren Wenhua in various Investment Projects would allow the Group to participate in more 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 Holdings and Huaren Wenhua in their film and media content production and investment. The film distribution network of CMC Holdings 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.

Furthermore, 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 Holdings, Huaren Wenhua and their respective Associated Companies may come to manage more artistes in the near future. 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, and hence increasing the Group's revenue in commission received from its artiste 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 HERCULES

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Having considered 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 Holdings 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 entering into of the Cooperation Framework Agreement is in the interests of the Company and Shareholders as a whole. Given the business nature of the Group, we also consider that the Continuing Connected Transactions are normal commercial transactions conducted in the ordinary and usual course of business of the Group.

### **2. Terms of 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 Holdings 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 January 2017 to 31 December 2019, 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, 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 Holdings 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 circumstances of the particular 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 not limited to, jointly participating in an Investment Project, CMC Holdings 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 HERCULES

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The Company, CMC Holdings and Huaren Wenhua agreed that the definitive agreements shall be on normal commercial terms which are no less favourable than terms offered by Independent Third Parties to the Group 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 a definitive agreement), size and content of the 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. 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 a certain number of days after executing the definitive agreement; or by instalments (i) within a certain number of days after executing the definitive agreement; and (ii) after obtaining certain approval from the relevant authority required for the Investment Projects.

We understand that the Group has entered into definitive cooperation agreements for Investment Projects with Independent Third Parties and we have reviewed certain samples of such cooperation agreements that we considered are fair and representative. We 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. As advised by management of the Company, the Group has not entered into any cooperation agreement with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for Investment Projects so far and thus we were unable to compare the terms of the cooperation agreements entered into between the Group and CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) with those entered into with other Independent Third Parties. However, it is stated in the Cooperation Framework Agreement 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 and the Company shall ensure that the definitive cooperation agreements on Investment Projects will be on normal



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## LETTER FROM HERCULES

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commercial terms which are no less favourable than terms offered by Independent Third Parties to the Group or those obtained by the Group from Independent Third Parties.

We were also advised by management of the Company that the Group has formed an investment committee (the “Green Light Committee”) comprising Directors and members of senior management with experience in producing entertainment and media projects and in accounting and finance, with responsibility to analyze and vet all Investment Projects including, but not limited to, those involving CMC Holdings and/or Huaren Wenhua and/or their respective Associated Companies. The Green Light 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 favourable to the Group than terms offered by or obtainable from Independent Third Parties, and to the best interests of the Group.

We have reviewed the composition of the Green Light Committee and noted that the Green Light 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. 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 (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 Green Light Committee for its consideration. With the implementation of the above stringent project approval procedures which involve feasibility assessments by various departments, we believe that the interests of the Company in the Investment Projects could be effectively safeguarded and the terms of the definitive agreements in relation to the cooperation on Investment Projects would be fair and reasonable and on normal commercial terms.

***(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 Agreement request the engagement of artistes who are managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for their Entertainment and Media Projects. Similarly, CMC Holdings 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.

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## LETTER FROM HERCULES

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Members of the Group may from time to time enter into definitive agreements with CMC Holdings 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 that such transactions shall be on normal commercial terms and the terms shall be no less favourable than those offered by Independent Third Parties to the Group or those that can be 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.

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 project, amount of time required of the artiste for the project and his or her work schedule. 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.

The consideration amount and payment terms for each single 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 Holdings 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 in full within a certain number of days after executing the definitive agreement. Under transactions of Artistes Engagement, the Group either receives commission from the engagement of artistes it manages, or pays consideration to engage artistes managed by CMC Holdings and/or Huaren Wenhua and/or their respective Associated Companies.

We understand from management of the Company that the Group has not entered into any performance agreement with CMC Holdings 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 performance agreements entered into between the Group and CMC Holdings 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 HERCULES

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According to management of the Company, the Group has an artiste management team comprising members of senior management with experience and capability in artiste management and negotiating engagement terms for vetting Artistes Engagement contracts. 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.

We have interviewed with the head of the artiste management team of the Group 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 that can be applied in the entertainment and media industry given the unique nature of the 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. Therefore, the artiste 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. 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 with normal commercial terms for their own benefits.

Based on the above, we believe that the terms of the definitive agreements on Artistes Engagement will be on normal commercial terms which are no less favourable than terms available to/offered from Independent Third Parties.

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## LETTER FROM HERCULES

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### 3. Bases of the Annual Caps

The proposed Annual Caps are summarized as follows:

|   | Annual Caps                     |                |                |
|---|---------------------------------|----------------|----------------|
|   | For the year ending 31 December |                |                |
|   | 2017                            | 2018           | 2019           |
|   | <i>RMB'000</i>                  | <i>RMB'000</i> | <i>RMB'000</i> |
| Investment Projects contemplated under the Cooperation Framework Agreement  | 255,919                         | 320,272        | 383,536        |
| Artistes Engagement contemplated under the Cooperation Framework Agreement <i>(Note)</i> :  |                                 |                |                |
| – in relation to members of the Group engaging artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) | 23,500                          | 31,500         | 39,500         |
| – in relation to CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) engaging artistes managed by members of the Group | 85,856                          | 150,000        | 200,000        |
|   | <u>109,356</u>                  | <u>181,500</u> | <u>239,500</u> |

*Note:* These two sets of annual caps for Artistes Engagement will be separately and respectively applied to (i) the transactions of the Group engaging artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies); and (ii) the transactions of CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) engaging artistes managed by the Group.

In an Investment Project in which the Group participates that involves CMC Holdings and/or Huaren Wenhua and/or their respective Associated Companies, there may also be engagement by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) of artistes managed by the Group, as well as engagement by the Group of artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) 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.

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## LETTER FROM HERCULES

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***(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 Group's business plan for each of the financial years ending 31 December 2017, 2018 and 2019, the estimated number of Investment Projects that might be co-invested with CMC Holdings 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. 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 Holdings 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.

We have discussed with management of the Company and reviewed 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. We were advised by management of the Company that the Group targets to invest in fifteen films and/or drama series in 2017 and may act as a major investor in about eight of them, subject to final business decisions and market conditions and circumstances. The Company anticipated that it would co-invest with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in eleven Investment Projects for the year ending 31 December 2017 with a maximum investment amount of approximately RMB255.9 million and such maximum investment amount would increase to approximately RMB320.3 million and RMB383.5 million for the years ending 31 December 2018 and 31 December 2019 respectively, representing a compound annual growth rate of approximately 22.4%.

According to the information disclosed in the 2016 interim report of the Company, the Group started its first film investment in November 2015 and had invested in five films up to the six months ended 30 June 2016. Management of the Company considers that its team for film investment is now well equipped with relevant experiences for participation in film investments after more than a year's operation in the field. Together with the positive outlook of the film and home video industry, as evidenced by the growth in box office revenue and home video revenue as detailed below, the Group is confident in its film investment business and intends to increase its investment amount for the Investment Projects for each of the three years ending 31 December 2019. Besides increasing the number of Investment Projects to be participated, the Group shall also increase its share in the Investment Projects in the coming years.

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## LETTER FROM HERCULES

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According to “Theatrical Market Statistics 2015” published in April 2016 by Motion Picture Association of America, a global organization working to protect the film (motion picture, home video and television) industry, the global box office was US\$38.3 billion in 2015, representing an increase of 5.2% as compared to the previous year, among which the box office in the United States of America (“U.S.”) and Canada increased by 6.7% to US\$11.1 billion while the international (excluding the U.S. and Canada) box office increased by 4.6% to US\$27.2 billion. The box office in Asia Pacific region increased by 13.7% to US\$14.1 billion in 2015 as compared to the prior year. Among the Asia Pacific countries, the PRC market recorded the strongest growth in box office, which increased at a growth rate of 49% to US\$6.8 billion in 2015 and accounted for nearly 50% of the Asia Pacific box office. With reference to the information released on 4 January 2016 by State Administration of Press, Publication, Radio, Film and Television of the PRC, the box office in the PRC for 2015 amounted to approximately RMB44.1 billion, of which approximately 61.6% was contributed by local movies and the remaining 38.4% was contributed by imported movies.

According to the “Global Entertainment and Media Outlook 2016-2020” published in June 2016 by PwC, a network of firms providing assurance, advisory and tax services globally, it is expected that the box office of the PRC will replace the U.S. as the country with the largest box office revenue by 2017, reaching a revenue of US\$10.3 billion, representing a compound annual growth rate of approximately 23.1% from 2015 to 2017, and reaching US\$15.08 billion in 2020. Meanwhile, the home video revenue over the next five years is expected to grow at a compound annual growth rate of 31.3%, taking it from the fifth in the world in 2015 to the second with revenue of US\$3.11 billion in 2020. Based on the above, the Directors consider that, in the absence of any unforeseen adverse factors which may negatively impact the worldwide economy, the global film market, in particular the PRC market (both film and home video market) shall remain positive in the near future.

We understand from management of the Company that the Group is in negotiations with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for co-investment in eleven Investment Projects, which are either at production stage or development stage with preliminary planning, in 2017. We have reviewed the samples of the estimated production costs of the Investment Projects to be co-invested with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in 2017, which we considered are representative. We have compared the estimated production costs of the sample Investment Projects to be co-invested with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies), which we considered are representative, with the actual

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## LETTER FROM HERCULES

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production costs of sample investment projects co-invested by the Group with Independent Third Parties, which we considered are representative, and considered that the estimated production costs of the sample Investment Projects to be co-invested with CMC Holdings 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. As such, we consider that the Annual Cap in respect of the Investment Projects contemplated under the Cooperation Framework Agreement for the year ending 31 December 2017 is fair and reasonable.

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 Group has planned to invest in sixteen and twelve films and/or drama series in 2018 and 2019 respectively, of which fourteen and ten films and/or drama series respectively will be co-invested with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies). Subject to final business decisions and market conditions and circumstances, the Company anticipated that the Group may act as a major investor in about ten and four Investment Projects in 2018 and 2019 respectively. The Company anticipated that the Group's investment amount in two and three of the films to be co-invested in 2018 and 2019 would be more than RMB40 million respectively. Having considered (i) the actual growth of the box office revenue in the PRC of 49% for the year ended 31 December 2015; (ii) the expected compound annual growth rate of approximately 23.1% from 2015 to 2017 for the box office revenue in the PRC; and (iii) the expected compound annual growth rate of approximately 31.3% from 2015 to 2020 for the home video revenue in the PRC, we consider that it is reasonable for the Group to plan for increases in both the number of Investment Projects to be invested and the investment amount in individual Investment Project in 2018 and 2019, and the expected compound annual growth rate of approximately 22.4% for the Annual Caps in respect of the Investment Projects contemplated under the Cooperation Framework Agreement for the three years ending 31 December 2019 is fair and reasonable.

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## LETTER FROM HERCULES

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We noted that a considerable portion of the Investment Projects that have been planned by the Company for the coming years might involve co-investment by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) and enquired the Company whether the Group would have undue reliance on CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for its film/drama production business. We were advised and confirmed by management of the Company that the Group's business regarding Investment Projects will not be reliant on the financial and operational participation by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) since:

- (i) the Group has its own management and production teams, which comprise veterans in the relevant fields, for overseeing and managing the daily operation of the Group's production business and thus the Group has the capability to manage its film/drama production business independently;
- (ii) for the fifteen, sixteen and twelve Investment Projects that the Group has planned to invest in 2017, 2018 and 2019, CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) may act as a major investor (i.e. having the largest investment portion) in only about four, six and two projects in the relevant periods respectively while other planned Investment Projects will be principally invested and controlled by the Group;
- (iii) all the Investment Projects that have been planned to be co-invested by the Group and CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in 2017, 2018 and 2019 shall have participation by other Independent Third Parties. Therefore, CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) is not expected to have an absolute domination in those Investment Projects;
- (iv) the Company has also co-invested, and planned to co-invest, with Independent Third Parties in Investment Projects that would not involve participation by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies); and



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- (v) the Green Light Committee will from time to time monitor the Group's aggregate investment amounts in Investment Projects involving CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) during the term of the Cooperation Framework Agreement. The Group will put a hold on the entering into of further Investment Projects involving CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) and/or enter into more Investment Projects involving only Independent Third Parties when the investment amounts invested by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in the Investment Projects in which the Group is the major investor reaches 50% of the total amount of the Group's investments in Investment Projects in a financial year.

Based on the above, we consider that there will not be over-reliance by the Group on the financial and operational participation by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for its business on Investment Projects, and the proposed Annual Caps in respect of the Investment Projects contemplated under the Cooperation Framework Agreement for the three years ending 31 December 2019 are fair and reasonable.

***(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 Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in accordance with the Group's business plan and the anticipated and prevailing fees charged by those artistes based on industry and market norms for each of the financial years ending 31 December 2017, 2018 and 2019. When projecting the anticipated fees to be received from CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for artiste performance in calculation of the 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. When projecting the anticipated fees to be paid by the Group for artiste performance 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.

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## LETTER FROM HERCULES

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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. We noted that the anticipated amounts in respect of engagements of the Group's artistes by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for the Entertainment and Media Projects to be approximately RMB85.9 million, RMB150.0 million and RMB200.0 million for the three years ending 31 December 2017, 2018 and 2019 respectively, which accounted for approximately 79%, 83% and 84% of the respective Annual Caps for each of the three years ending 31 December 2017, 2018 and 2019. Meanwhile, the anticipated amounts in respect of the engagement of the artistes of CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) to participate in the Entertainment and Media Projects of the Group to be approximately RMB23.5 million, RMB31.5 million and RMB39.5 million for the three years ending 31 December 2017, 2018 and 2019 respectively.

We were advised by management of the Company that the Group commenced its artiste management business in the second quarter of 2016. As at the Latest Practicable Date, there were seven artistes under the Group's management. The Company is negotiating with certain artistes to engage the Group as their exclusive manager and it is expected that two or more additional artistes will join the Group during the year ending 31 December 2017. As the Group intends to expand its artiste management business, the Group shall continue to seek potential artistes to join the Group proactively. The Group believes that the strong network of its management in the entertainment industry, the capability in producing high box office films and television programs and the joining of big stars in its artistes pool shall help attracting more artistes to engage the Group as their manager. It is anticipated that six and eight additional artistes will join the Group during the years ending 31 December 2018 and 31 December 2019 respectively.

We have discussed with management of the Company, and reviewed, the samples of artiste engagement schedule for 2017 to 2019, which we considered are representative, and 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 Holdings 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.

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## LETTER FROM HERCULES

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Based on the Group's business plan, the Group intended to engage eight artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) to perform in certain Entertainment and Media Projects of the Group in 2017. We have reviewed the estimated production costs of some representative projects in which artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) are expected to be engaged and noted that the anticipated fees applied in the calculation of the Annual Caps are in line with the budget of the projects.

The Company expected to have more cooperation with CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in 2018 and 2019 and planned to engage two and four more additional artistes managed by them to perform in the Group's Entertainment and Media Projects in 2018 and 2019 respectively. Accordingly, a total of ten and twelve artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) are expected to be engaged by the Group in 2018 and 2019 respectively. We were advised by management of the Company that the budget for engaging the artistes of CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) in 2018 and 2019 will be similar to that of 2017 and therefore similar performance fees of artistes were applied in the calculation of the Annual Caps for 2018 and 2019.

We were also given to understand that the Company will control the potential risk of over-reliance on CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for transactions on engagement of artistes through continuous monitoring, and through making available the services of the artistes managed by the Group for other users as well as engaging artistes managed by Independent Third Parties in film, television, stage performance, commercial advertising and other forms of commercial appearances. The key control measures include the following:

- (i) the artiste management team will endeavor to maintain the aggregate contract sums of transactions for the engagement of the Group's artistes by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) below 50% of the total contract sums of all transactions for the engagement of the Group's artistes in the relevant financial year. When such aggregate contract sums reach 40% of the total contract sums of all 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;

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## LETTER FROM HERCULES

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- (ii) the artiste management team will endeavor to maintain the aggregate contract sums of transactions for the engagement by the Group of artistes managed by CMC Holdings and Huaren Wenhua (and/or their respective Associated Companies) below 50% of the total contract sums of all transactions for the engagement of artistes by the Group in the relevant financial year. When such aggregate contract sums reach 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; and
- (iii) a monthly report on the status of the contract sums of the Group's artiste engagement transactions with CMC Holdings and Huaren Wenhua (and/or their respective Associated Companies) and with Independent Third Parties will be generated for the artiste management team's reference.

In light of the above, we concur with the Directors' view that the potential risk of overreliance on CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) for transactions on engagement of artistes can be effectively avoided, and consider that the proposed Annual Caps in respect of the Artistes Engagement contemplated under the Cooperation Framework Agreement for the three years ending 31 December 2019 are fair and reasonable.

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## LETTER FROM HERCULES

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### RECOMMENDATION

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

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

**Louis Koo**  
*Managing Director*

**Amilia Tsang**  
*Director*

*Notes:*

1. Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.
2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

## 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/<br>underlying<br>shares interested | Approximate<br>percentage of<br>shareholdings<br>of the Company<br><i>(Note 1)</i> |
|------------------|---------------------------------------|---|--|
| Li Ruigang       | Interest of controlled<br>corporation | 425,000,000<br><i>(Note 2)</i>                    | 29.94%   |
| Ding Siqiang     | Beneficial owner                      | 4,034,000   | 0.28%  |
| Ding Xueleng     | Interest of spouse                    | 4,034,000   | 0.28%  |

*Notes:*

1. 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 Holdings and Gold Pioneer Worldwide Limited (“**Gold Pioneer**”) 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 100% owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Holdings. CMC Holdings was 90.90% owned by Gold Pioneer, so each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings and Gold Pioneer was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Gold Pioneer was 100% owned 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<br/>which had such<br/>discloseable interest<br/>or short position</b> | <b>Position of such director<br/>within such company</b>         |
|----------------------------|---|--|
| Mr. Li Ruigang             | CMC Holdings  | chairman and director  |
|                            | TVB   | vice chairman and<br>non-executive director                      |
|                            | Gold Pioneer  | director   |
| Mr. Hui To Thomas          | CMC Holdings  | president, chief strategy officer<br>and executive director      |
|                            | TVB   | non-executive director   |
| Miss Lok Yee Ling Virginia | Shine Investment  | director   |
|                            | TVB   | assistant general manager (talent<br>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 would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV 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/<br>underlying shares<br>interested | Approximate<br>percentage of<br>shareholdings<br>of the Company<br><i>(Note 1)</i> |
|---------------------------------|---------------------------------------|---|--|
| Gold Pioneer                    | Interest of controlled<br>corporation | 425,000,000<br><i>(Note 2)</i>                    | 29.94%   |
| CMC Holdings                    | Interest of controlled<br>corporation | 425,000,000<br><i>(Note 2)</i>                    | 29.94%   |
| CMC Shine Holdings              | Interest of controlled<br>corporation | 425,000,000<br><i>(Note 2)</i>                    | 29.94%   |
| CMC Shine Acquisition           | Interest of controlled<br>corporation | 425,000,000<br><i>(Note 2)</i>                    | 29.94%   |
| Shine Holdings                  | Interest of controlled<br>corporation | 425,000,000<br><i>(Notes 2 and 4)</i>             | 29.94%   |
| Shine Investment                | Beneficial owner                      | 425,000,000<br><i>(Notes 2 and 4)</i>             | 29.94%   |
| TVB                             | Deemed interest                       | 425,000,000<br><i>(Notes 3 and 4)</i>             | 29.94%   |
| Xie Qing Yu                     | Beneficial owner                      | 88,052,000<br><i>(Note 5)</i>                     | 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 Holdings and Gold Pioneer 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 100% owned by CMC Shine Acquisition. CMC Shine Acquisition was wholly-owned by CMC Shine Holdings which was wholly-owned by CMC Holdings. CMC Holdings was 90.90% owned by Gold Pioneer, so each of Shine Holdings, CMC Shine Acquisition, CMC Shine Holdings, CMC Holdings and Gold Pioneer was deemed to be interested in such 425,000,000 Shares held by Shine Investment. Gold Pioneer was 100% owned 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.
- TVB was deemed to be interested in such 425,000,000 Shares through its interest in Shine Investment (also see Note 4 below).

4. 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.
5. Mr. Xie Qing Yu was interested in such 88,052,000 Shares.

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 would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the any other member of the Group or had any options in respect of such capital.

#### 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 terminable 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 Holdings  | Film investment and artiste management   | Ultimate controlling shareholder, chairman and director |
|                  | Huaren Wenhua   | Film investment and artiste management   | Ultimate controlling shareholder                        |
|                  | Flagship Entertainment Group Limited                                    | Film investment, production and distribution   | Ultimate controlling shareholder                        |

| 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                |
|----------------------------|---|--|---|
|                            | TVB   | Film investment and artiste management   | Vice chairman and non-executive director                      |
| Mr. Hui To Thomas          | CMC Holdings  | Film investment and artiste management   | President, chief strategy officer and an executive director   |
|                            | TVB   | Film investment and artiste management   | Non-executive director  |
| Mr. Jiang Wei              | Gravity Pictures Film Production Company                                | Film production and distribution   | Director  |
| 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 company;
- (b) under the internal control measures referred to in the Letter from the Board, where 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 Directors interest in potentially competing business will not prejudice the interest of the Group.

As the abovementioned Directors hold interest or position in different companies with potentially competing businesses, it may not be necessary for all these Directors to abstain from voting on the resolution(s) for every transaction involving CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Company). For example, when the Company is proposed to undertake an Investment Project involving CMC Holdings only, Miss Lok Yee Ling Virginia can still vote on the relevant resolution as she only holds a senior management position in TVB but not in CMC Holdings. In case all the above four Directors have to abstain from voting at the resolution(s) in a particular transaction involving CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Company), the remaining two executive Directors and three independent non-executive Directors can make decision on such transaction.

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 2015, 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, none of the Directors was materially interested in any contract or arrangement 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 2015, 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>  |
|--------------------------|---|
| Hercules 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, Hercules 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, Hercules did not have any direct or indirect interest in any assets which had been, since 31 December 2015, 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.

Hercules 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 following documents (or copies thereof) will be available for inspection at the office of Messrs. Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours within 14 days from the date of this circular:

- (a) the Cooperation Framework Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Hercules, the text of which is set out in this circular; and
- (d) the consent letter of Hercules referred to in the paragraph headed “Expert” in this appendix.

**10. GENERAL**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is at 19/F., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Miss Chan Yin Yi Annie who is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (d) In the event of any inconsistency, the English language 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 Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 13 March 2017 at 10:30 a.m. 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 for the years ending 31 December 2017, 2018 and 2019 respectively in relation to Investment Projects involving the Group and CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) (all as defined and described in the circular of the Company dated 17 February 2017 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 for the years ending 31 December 2017, 2018 and 2019 respectively in relation to Artistes Engagement by the Group of artistes managed by CMC Holdings and/or Huaren Wenhua (and/or their respective Associated Companies) (all as defined and described in the circular of the Company dated 17 February 2017 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 for the years ending 31 December 2017, 2018 and 2019 respectively in relation to Artistes Engagement by CMC Holdings 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 17 February 2017 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 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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4. **“THAT**

Mr. Li Ruigang be re-elected as a non-executive director of the Company and that the board of directors of the Company (the **“Board”**) be and is hereby authorised to fix the director’s remunerations of Mr. Li.”

5. **“THAT**

Mr. Jiang Wei be re-elected as an executive director of the Company and that the Board be and is hereby authorised to fix the director’s remunerations of Mr. Jiang.”

6. **“THAT**

Mr. Hui To Thomas be re-elected as a non-executive director of the Company and that the Board be and is hereby authorised to fix the director’s remunerations of Mr. Hui.”

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

Hong Kong, 17 February 2017

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be delivered to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof).
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM (or any adjournment thereof) if such member of the Company so desires, and in such event, the form of proxy shall be deemed to be revoked.

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## NOTICE OF EGM

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4. Where there are joint holders of any share of the Company (the “Share”), 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 was solely entitled thereto, but if more than one of such joint holders are 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 holder(s), 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.
5. The transfer books and register of members of the Company will be closed from Thursday, 9 March 2017 to Monday, 13 March 2017, 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 attendance 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8 March 2017.
- 6.. As at the date of this notice, the Board consists of Mr. Li Ruigang as chairman and non-executive Director; Mr. Ding Siqiang, Ms. Ding Xueleng, Mr. Jiang Wei and Miss Lok Yee Ling Virginia as executive Directors; 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; and Mr. Gu Jiong as alternate Director to Mr. Hui To Thomas.
7. A form of proxy for the EGM is enclosed.