



## Shaw Brothers (Hong Kong) Limited

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 0080)**

*Executive Directors:*

Sir Run Run Shaw (GBM) *(Executive Chairman)*

Ms. Mona Fong

*(Deputy Chairperson and Managing Director)*

Mr. Jeremiah Rajakulendran

*Registered Office:*

Lot 220 Clear Water Bay Road

Kowloon, Hong Kong

*Independent Non-Executive Directors:*

Dr. Chow Yei Ching

Ms. Ng Julie Yuk Shun

Mr. Nelson Hon Sang Chiu

*To the Shareholders*

3 February 2009

Dear Sir or Madam,

**PROPOSAL TO PRIVATISE SHAW BROTHERS (HONG KONG) LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 166 OF THE COMPANIES ORDINANCE**

**AND**

**PROPOSED WITHDRAWAL OF LISTING OF  
SHAW BROTHERS (HONG KONG) LIMITED**

### **INTRODUCTION**

On 22 December 2008, the Company and the Offeror jointly announced that on 18 December 2008, the Offeror requested the Board to put forward to the Minority Shareholders the Proposal which, if approved and implemented, would result in the cancellation of the Scheme Shares, the Company becoming wholly-owned by the Offeror and parties acting in concert with the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange. The Proposal will be implemented by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled, the New Shares will be issued as fully paid to the Offeror and the listing of the Shares on the Stock Exchange will be withdrawn in accordance with Rule 6.15 of the Listing Rules.

Following a meeting of the Board on 18 December 2008, the Board has agreed to put forward the Proposal for consideration by the Minority Shareholders.

The Offeror has appointed Macquarie as its financial adviser in connection with the Proposal. The Independent Board Committee was formed, comprising Dr. Chow Yei Ching, Ms. Ng Julie Yuk Shun and Mr. Nelson Hon Sang Chiu, who are all independent non-executive Directors, to advise the Minority Shareholders in connection with the Proposal. Other than Dr. Chow Yei Ching who was interested in the Shares as at the Latest Practicable Date as set out in the section headed "Disclosure of Interests under the SFO" in Appendix III to this document, none of the other members of the Independent Board Committee has any interest in the Proposal. Somerley has been appointed, with

the approval of the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal.

The purpose of this document is to provide you with, among other things, further details of the Proposal, the expected timetable, the Explanatory Statement, further information regarding the Company, the recommendations of the Independent Board Committee with respect to the Proposal, the letter from Somerley to the Independent Board Committee and to give you notices of the Court Meeting and the EGM. In this regard, your attention is also drawn to:

- (i) the letter from the Independent Board Committee set out on pages 15 to 16 of this document;
- (ii) the letter from Somerley to the Independent Board Committee set out on pages 17 to 49 of this document;
- (iii) the Explanatory Statement set out on pages 50 to 65 of this document; and
- (iv) the Scheme of Arrangement set out on pages 155 to 161 of this document.

### **TERMS OF THE PROPOSAL**

Under the Scheme of Arrangement, the holders of the Scheme Shares will receive from the Offeror the Cancellation Consideration as consideration for the cancellation of the Scheme Shares:

HK\$13.35 in cash . . . . . for every Scheme Share cancelled

As at the Latest Practicable Date, there were 398,390,400 Shares in issue and the Offeror and parties acting in concert with the Offeror were interested in 298,484,872 Shares in aggregate, representing approximately 74.92% of the issued Shares as at the Latest Practicable Date. The Minority Shareholders were interested in 99,905,528 Shares in aggregate, representing approximately 25.08% of the issued Shares as at the Latest Practicable Date.

The Shares owned by the Offeror and parties acting in concert with the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting.

As at the Latest Practicable Date, Dr. Chow Yei Ching, an independent non-executive Director, was interested in 100,000 Shares, representing approximately 0.03% of the issued Shares as at the Latest Practicable Date. Based on his confirmation that he is not acting in concert with the Offeror, he will be entitled to vote at the Court Meeting since his interests under the Scheme of Arrangement will not be different, and his rights under the Scheme of Arrangement will not be affected differently, from those of any of the other Minority Shareholders.

The detailed terms of the Proposal are set out in the Explanatory Statement on pages 50 to 65 of this document.

### **COMPARISON OF VALUE**

The Cancellation Consideration of HK\$13.35 in cash for each Scheme Share cancelled under the Proposal represents:

- a premium of approximately 64.2% over the closing price of the Shares of HK\$8.13 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 73.5% over the average closing price of the Shares of approximately HK\$7.70 per Share as quoted on the Stock Exchange for the one month ended the Last Trading Date;
- a premium of approximately 54.0% over the average closing price of the Shares of approximately HK\$8.67 per Share as quoted on the Stock Exchange for the three months ended the Last Trading Date;

- a discount of approximately 4.5% to the average closing price of the Shares of approximately HK\$13.98 per Share as quoted on the Stock Exchange for the six months ended the Last Trading Date;
- a premium of approximately 2.7% over the closing price of the Shares of HK\$13.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 163.8% over the audited consolidated net asset value per Share of approximately HK\$5.06 as at 31 March 2008; and
- a premium of approximately 169.7% over the unaudited consolidated net asset value per Share of approximately HK\$4.95 as at 30 September 2008.

As at the Latest Practicable Date, the Company held 113,888,628 shares in TVB, representing approximately 26% of the issued share capital of TVB. Based on the average closing price of HK\$26.29 per ordinary share of TVB for the five trading days ended the Latest Practicable Date, the value of the Company's 26% shareholding in TVB was approximately HK\$2,994 million (or HK\$7.52 per Share).

Adopting a direct comparison method, Jones Lang LaSalle valued the Company's direct property interests at a market value of HK\$1,114.6 million (or approximately HK\$2.80 per Share) as at 31 December 2008. Jones Lang LaSalle also adopted a depreciated replacement cost method for valuing an indirect property interest, in which the Company holds a 35% stake, at a market value of HK\$574.7 million (or approximately HK\$1.44 per Share) as at 31 December 2008. The valuations assume that the Company's direct and indirect property interests were sold on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of those property interests.

At the Cancellation Consideration, the Proposal values the entire issued share capital of the Company at approximately HK\$5,319 million.

#### **Highest and lowest prices**

During the six month period preceding the Last Trading Date, the highest closing price and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$23.50 per Share on 26 June 2008 and HK\$6.00 per Share on 27 October 2008, respectively.

#### **CONDITIONS OF THE PROPOSAL**

The Scheme of Arrangement will become effective and binding on the Company, the Offeror and all the other Shareholders subject to the fulfillment or waiver, as applicable, of the Conditions set out in the section headed "Conditions of the Proposal" in the Explanatory Statement on pages 52 to 53 of this document.

All the Conditions will have to be fulfilled or waived, as applicable, on or before 31 March 2009 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the High Court may direct), otherwise the Proposal will lapse. If the Proposal is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

**Shareholders and potential investors should note that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable. The Scheme of Arrangement may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

#### **REASONS FOR THE PROPOSAL**

Your attention is drawn to the section headed "Reasons for the Proposal" in the Explanatory Statement on pages 53 to 54 of this document.

## **FINANCIAL RESOURCES**

### **Total cash consideration**

The aggregate Cancellation Consideration payable in cash under the Proposal will be approximately HK\$1,334 million for 99,905,528 Scheme Shares, and will be funded by the internal resources of the Offeror.

### **Confirmation of financial resources**

Macquarie is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in accordance with its terms.

As at the Latest Practicable Date, Macquarie did not hold any voting rights or other rights over Shares.

## **IRREVOCABLE UNDERTAKING**

The Offeror has obtained the Irrevocable Undertaking from ASB, pursuant to which ASB has undertaken, amongst other things, to vote (or use commercially reasonable efforts to procure votes) in favour of any resolution to be proposed for the purposes of approving or implementing the Scheme of Arrangement at the Court Meeting and the EGM in respect of the Undertaking Shares. ASB has also undertaken in the Irrevocable Undertaking (a) not to sell, transfer, assign or otherwise dispose of any interest in or right attached to any of the Undertaking Shares until such time as the Scheme of Arrangement shall have become effective or the Scheme of Arrangement shall have lapsed or have been withdrawn, provided however that ASB may sell, transfer, assign or otherwise dispose of interests in or rights attached to any Undertaking Shares if such action is necessary for it to fulfil its fiduciary duty to its clients; and (b) not to acquire any interest in or right over shares of the Company after the date of the Irrevocable Undertaking.

The Irrevocable Undertaking will terminate in accordance with its terms on (a) 31 March 2009 or (b) the day after the date on which the Scheme of Arrangement (i) becomes effective, (ii) lapses or (iii) is withdrawn, whichever is the earliest. The Irrevocable Undertaking will also terminate with respect to any Undertaking Shares in the event that the client account for which ASB exercises voting powers and the power to transact purchases and sales of such shares has terminated or in respect of which its authority to so act has been revoked.

In accordance with its terms, the Irrevocable Undertaking will extend to any revised scheme to privatize the Company submitted by the Company at the request of the Offeror to the shareholders of the Company which would result in the Company becoming wholly-owned by the Offeror and parties acting in concert with the Offeror and which represents, on such basis as the Offeror may consider appropriate, no diminution in the value of the Cancellation Consideration or any other material change to the terms of the Scheme of Arrangement (including any change in the form of the Cancellation Consideration but excluding any change in timing).

As at the Latest Practicable Date, ASB held 40,630,550 Undertaking Shares, representing approximately 10.20% of the issued Shares, in the capacity of an investment adviser with discretion to exercise voting powers attached to and transact purchases and sales of such shares on behalf of its clients. ASB is an investment management firm engaged in the provision of investment advisory services to institutional and individual clients.

## **INFORMATION ON THE COMPANY AND THE OFFEROR**

Your attention is drawn to the sections headed "Information on the Company" and "Information on the Offeror" in the Explanatory Statement on pages 56 to 57 of this document. Your attention is also drawn to the "Financial Information of the Group" in Appendix I to this document and the "Property Valuation" in Appendix II to this document.

## **FUTURE PLANS FOR THE GROUP**

Please refer to the section headed "Future Plans for the Group" in the Explanatory Statement on page 59 of this document.

## **WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme of Arrangement becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules with effect from the date on which the Scheme of Arrangement becomes effective. The Scheme of Arrangement will lapse if any of the conditions described in the section headed "Conditions of the Proposal" has not been fulfilled or waived, as applicable, on or before 31 March 2009 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the High Court may direct). The holders of the Scheme Shares will be notified by way of an announcement of the dates of the last day for dealing in the Shares and on which the Scheme of Arrangement and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

## **THE COURT MEETING AND THE EGM**

In accordance with the direction of the High Court, the Court Meeting has been convened to be held on Friday, 27 February 2009 for the purposes of considering and, if thought fit, passing the appropriate resolution to approve the Scheme of Arrangement (with or without modifications). The Scheme of Arrangement is subject to approval by a majority in number of the Minority Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in nominal value of those Shares that are voted either in person or by proxy by the Minority Shareholders at the Court Meeting, provided that the number of votes cast against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all the Shares held by the Minority Shareholders.

The EGM will be held immediately following the Court Meeting for the purposes of considering and, if thought fit, passing a special resolution to approve the implementation of the Scheme of Arrangement by the Shareholders by way of poll. All Shareholders will be entitled to attend and vote on such special resolution in relation to the Scheme of Arrangement at the EGM. The special resolution will be passed provided that it is approved by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the EGM.

Notices of the Court Meeting and the EGM are set out on pages 162 to 165 of this document. The Court Meeting and the EGM will be held on Friday, 27 February 2009 at the respective times specified in such notices at the Fanling Room, Lower Level I, Kowloon Shangri-La Hotel, Tsim Sha Tsui East, Kowloon, Hong Kong.

## **EXPLANATORY STATEMENT**

Please refer to the Explanatory Statement for detailed information in relation to the Proposal and an explanation of the effects of the Proposal.

## **RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE**

Your attention is drawn to the letter from the Independent Board Committee on pages 15 to 16 of this document which sets out its recommendations in relation to the Proposal.

## **ADVICE OF SOMERLEY**

Please also refer to the advice of Somerley, set out in the letter from Somerley to the Independent Board Committee on pages 17 to 49 of this document.

**ADDITIONAL INFORMATION**

Your attention is also drawn to all the appendices to this document set out on pages 66 to 154 of this document, the scheme of arrangement set out on pages 155 to 161 of this document and the notices of the Court Meeting and the EGM set out on pages 162 to 165 of this document.

Yours faithfully,  
On behalf of the Board



**Jeremiah Rajakulendran**  
Director/Company Secretary