

SHAW BROTHERS (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTION

- The Company, Shaw Property and other independent parties participated in a joint venture for the development of the Movie City Project pursuant to the JV Agreement.
- On 17th February, 2003, the board of directors of Goldway resolved that, to the extent that banking facilities are not arranged, the capital costs for the Movie City Project will be financed by way of shareholders' loans to be provided by all shareholders of Goldway in proportion to their respective shareholding in Goldway.
- The shareholders' loans to be provided by the Company, being a 35% shareholder in Goldway, is expected to be HK\$332.5 million in total which exceeds 15% of the audited consolidated net tangible assets of the Group as at 31st March, 2002.
- By virtue of Shaw Holdings' interests in the Company and in Shaw Property, the provision of shareholders' loans to Goldway constitutes a connected transaction of the Company for the purposes of the Listing Rules and is subject to the disclosure requirements in the form of this announcement. Details of the shareholders' loans will also be included in the Company's next published annual report and accounts.

INTRODUCTION

Reference is made to an announcement (the "Announcement") and circular (the "Circular") of the Company dated 1st June, 1999 and 21st June, 1999 respectively and disclosures in the Company's results announcements and annual reports thereafter relating to the participation by the Group in a joint venture relating to the Movie City Project.

THE MOVIE CITY PROJECT

As disclosed in the Announcement and the Circular, the Company, Shaw Property and other independent parties entered into the JV Agreement in 1999 to participate in the Movie City Project. Pursuant to the JV Agreement, the Company and Shaw Property each had 35% and 37% interest respectively in Goldway. The remaining 28% interest in Goldway were held by 5 independent parties not connected to a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates. Subsequent to the completion of the JV Agreement, Shaw Property acquired additional 23% interest in Goldway from certain of the independent parties, increasing its holding to 60%. The percentage holding of the Company remains unchanged.

It was also disclosed in the Announcement and the Circular that the capital cost of the Movie City Project was estimated to be approximately HK\$400 million to be incurred over a period of 4 years and to be financed by bank loans or shareholders' loans.

A parcel of land at Town Lot No. 67 in Tseung Kwan O was tendered to develop the facilities of the Movie City Project. In 2000, Movie City Company successfully tendered an additional piece of land at Town Lot No. 81 in Tseung Kwan O and obtained approval from the relevant authorities to increase the gross floor area of buildings to be developed in the Movie City Project. Movie City Company has appointed an independent contractor for the superstructure work of the Movie City Project. Construction commenced in January 2003 and is expected to be completed by June 2004.

FINANCING ARRANGEMENT

As a result of the expansion in the scale of the Movie City Project as described above, the total capital cost for the Movie City Project is estimated to be HK\$950 million. Pursuant to the terms of the JV Agreement, the shareholders of Goldway agreed to procure bank loans to finance the capital cost, failing which the shareholders will advance monies to Goldway in proportion to their respective shareholdings in Goldway.

The Directors wish to announce that on 17th February, 2003, the board of directors of Goldway resolved that, to the extent that banking facilities are not arranged, the total capital costs for the Movie City Project will be funded by way of shareholders' loans to be provided by the shareholders of Goldway. Pursuant to the terms of the JV Agreement, the shareholders are bound by the decision of the board of directors of Goldway and consequently the shareholders' loan will be provided by the shareholders of Goldway in proportion to their respective shareholdings in Goldway on the same terms. The amount to be contributed by each shareholder of Goldway will be as follows:

	Shareholders' Percentage shareholding	Shareholders' loans provided to date	Shareholders' loans to be provided	Total shareholders' loans
	%	HK\$'million	HK\$'million	HK\$'million
Shaw Property	60	124.3	445.7	570.0
The Company	35	72.5	260.0	332.5
Other independent party	5	10.4	37.1	47.5
	<u>100</u>	<u>207.2</u>	<u>742.8</u>	<u>950.0</u>

It is expected that the proportionate contribution from each shareholder of Goldway will be made substantially over a period of 18 months starting from March 2003 in accordance with the progress payments to be made to the contractor under the Main Contract. The shareholders' loans will be unsecured, interest free and has no fixed repayment terms.

GENERAL

The principal activities of the Group are investment holding and investments in the media and entertainment industries.

The Movie City Project aims to provide state-of-the-art studio and post-production facilities to serve local and international film producers. The Directors expect that the Company will benefit through its investment in Goldway by participating in the film industry by way of providing the movie production infrastructure to local and international film producers. The audited consolidated net asset value, the net tangible assets, profit before tax and profit after tax of Goldway as at 31st March, 2002 was HK\$379,163 (2001: HK\$415,435), HK\$379,163 (2001: HK\$415,435), HK\$-36,272 (2001: HK\$308,848) and HK\$-36,272 (2001: HK\$308,848) respectively.

The Group intends to fund the capital contribution to Goldway by internal resources of the Group. The Directors consider that the provision of shareholders' loans to Goldway would not have material adverse effect on the working capital and financial position of the Group. The Directors including the independent non executive Directors consider that the shareholders' loans are on normal commercial terms and that financing arrangement for the capital costs of the Movie City Project is in the interest of the Company and its shareholders as a whole.

By virtue of Shaw Holdings' interests in the Company and in Shaw Property, the provision of shareholders' loans by the Company to Goldway constitutes a connected transaction of the Company for the purposes of the Listing Rules. As the contribution to be made by the Company to Goldway exceeds 15% of the audited consolidated net tangible assets of the Group as at 31st March, 2002, the provision of shareholders' loans to Goldway is subject to the disclosure requirements under Rule 14.25(2)(b) of the Listing Rules by way of this announcement. Details of the shareholders' loans will also be included in the Company's next published annual report and accounts.

The Directors confirm that, save for the financial assistance provided and to be provided to Goldway as described in this announcement, the Group has not provided any other advances or financial assistance to Goldway, its controlling shareholder, subsidiaries or affiliated companies and/or any other affiliated companies of the Company which are discloseable under the requirements of Practice Note 19 of the Listing Rules.

DEFINITIONS

"Company"	Shaw Brothers (Hong Kong) Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
"Directors"	directors of the Company
"Goldway"	Goldway Holdings Limited, a company incorporated in British Virgin Islands
"Group"	the Company and its subsidiaries
"JV Agreement"	the agreement dated 1st June, 1999 among shareholders of Goldway regarding the Movie City Project
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Contract"	the contract for the superstructure work of the Movie City Project to be entered into between Movie City Company and an independent contractor
"Movie City Company"	Hong Kong Movie City Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Goldway established as the operating company for the Movie City Project
"Movie City Project"	the project of developing studio and ancillary facilities consisting of high base studios, post production facilities, specialist laboratories and back lots undertaken by Movie City Company
"Shaw Holdings"	Shaw Holdings Inc., a company incorporated in the Republic of Nauru and the controlling shareholder of the Company which is interested in 74% of the issued shares of the Company
"Shaw Property"	Shaw Property Holdings Limited, a company incorporated in Hong Kong, all the shares of which are held by or on behalf of Shaw Holdings
"Stock Exchange"	The Stock Exchange of the Hong Kong Limited
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong SAR

By Order of the Board
Shaw Brothers (Hong Kong) Limited
Jeremiah Rajakulendran
Company Secretary

Hong Kong SAR, 17th February, 2003