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*Directors:*

Sir Run Run Shaw, G.B.M. – *Executive Chairman*

Dr. Norman Leung Nai Pang, G.B.S., LL.D., J.P. – *Executive Deputy Chairman*

Mona Fong – *Deputy Chairperson*

Louis Page – *Managing Director*

Dr. Chow Yei Ching, G.B.S.

Ho Ting Kwan

Chien Lee \*

Christina Lee Look Ngan Kwan

Dr. Li Dak Sum, DSSc. (Hon.), J.P. \*

Kevin Lo Chung Ping

Robert Sze Tsai To \*

Anthony Hsien Pin Lee (*Alternate Director to Christina Lee Look Ngan Kwan*)

*Registered office and principal  
place of business:*

TVB City

77 Chun Choi Street

Tseung Kwan O Industrial Estate

Kowloon

Hong Kong

*\* Independent Non-executive Directors*

12 April 2006

To Shareholders

Dear Sir or Madam,

## **EXPLANATORY STATEMENT REGARDING GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE SHARES**

### **Introduction**

This explanatory statement and the appendix contain all the information required pursuant to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) to enable shareholders of the Company to make an informed decision on whether to vote for or against ordinary resolutions to renew the Directors’ general mandates to 1) repurchase Ordinary Shares of HK\$0.05 each in the capital of the Company (“Shares”) (“Share Repurchase Mandate”) and 2) issue Shares (“Share Issue Mandate”). The resolutions will be proposed at the annual general meeting of the Company to be held on 24 May 2006 (“Annual General Meeting”).

### **General mandate to repurchase Shares**

At the annual general meeting of the Company held on 25 May 2005, a general mandate (“Existing Repurchase Mandate”) was given by the Company to the Directors to exercise the powers of the Company to repurchase Shares with an aggregate nominal amount of up to 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the resolution. Under the Listing Rules, the Existing Repurchase Mandate will lapse at the conclusion of the Annual General Meeting.

An ordinary resolution will be proposed at the Annual General Meeting to grant to the Directors a general mandate to exercise the powers of the Company to repurchase Shares ( “Share Repurchase Mandate”) not exceeding 10 per cent of the issued share capital of the Company at the date of passing such ordinary resolution.

#### **General mandate to issue Shares**

At the annual general meeting of the Company held on 25 May 2005, a general mandate (“Existing Issue Mandate”) was given by the Company to the Directors to exercise the powers of the Company to allot, issue and deal with Shares not exceeding 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of the resolution and such general mandate was extended by adding to it the aggregate nominal amount of any Shares repurchased by the Company under the authority to repurchase Shares granted on that date. Under the Listing Rules, the Existing Issue Mandate to allot, issue and deal with Shares will also lapse at the conclusion of the Annual General Meeting.

An ordinary resolution will accordingly be proposed at the Annual General Meeting to grant to the Directors a general mandate to allot, issue and deal with Shares ( “Share Issue Mandate”) and approving an extension of the Share Issue Mandate.

The Directors believe that the granting of the Share Repurchase Mandate and the Share Issue Mandate are in the best interests of the Company as well as its shareholders. Accordingly, the Directors recommend that all shareholders of the Company should vote in favour of all the aforesaid resolutions set out in the Notice of Annual General Meeting.

Yours faithfully,

For and on behalf of the Board

**Run Run Shaw**

Executive Chairman

## APPENDIX

The explanatory statement (“Explanatory Statement”) set out below contains the information required to be sent to the shareholders under Rule 10.06(1)(b) of the Listing Rules. This Explanatory Statement also constitutes the memorandum of the terms of the proposed repurchases as required under section 49BA of the Companies Ordinance.

### 1. Listing Rules requirement for repurchase of Shares

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (a) Shareholder approval

All proposed share repurchases on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Such authority may only continue in force during the period from the passing of the resolution until the next annual general meeting of that company or the expiration of the period within which the next annual general meeting of that company is required by the memorandum and articles of association of that company or any applicable law to be held or the revocation or variation of the resolution by an ordinary resolution of the shareholders of that company in general meeting, whichever is the earliest.

#### (b) Maximum number of shares to be repurchased and subsequent issues

A maximum of 10 per cent of the fully-paid issued share capital of a company at the date of passing of the relevant resolution may be repurchased on the Stock Exchange. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a shares repurchase (other than an issue of shares pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue shares, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

### 2. Number of Shares subject to the Repurchase Mandate

As at 29 March 2006, being the latest practicable date prior to the printing of this Explanatory Statement (“Latest Practicable Date”), the issued share capital of the Company comprised 438,000,000 shares of HK\$0.05 each. If the ordinary resolution authorising the Directors of the Company to repurchase its own shares (“Repurchase Mandate”) is passed at the Annual General Meeting of the Company to be held on 24 May 2006, and assuming that no shares in the Company are issued or repurchased prior to the date of passing the said resolution, up to 43,800,000 fully paid-up shares representing 10 per cent of the existing issued share capital of the Company, may be repurchased by the Company during the period from the date of the passing of the resolution up to the conclusion of the next annual general meeting. The shares to be repurchased by the Company must be fully paid up.

### 3. Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the Companies Ordinance of Hong Kong. It is envisaged that the funds required for any repurchase would be derived from the Company’s available cash flow or working capital facilities.

#### **4. Reasons for repurchases**

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from the shareholders to enable the Company to repurchase its own shares in the market at any appropriate time. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of the Company and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

#### **5. Financial effect of repurchases**

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the funding requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. However, on the basis of the consolidated financial position of the Company as at 31 December 2005 (being the date to which the latest published audited financial statements of the Company have been made up), there might be a material adverse impact on the funding or gearing position of the Company in the event that the Repurchase Mandate is exercised in full.

#### **6. Disclosure of Interests**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate set out in the Notice of Annual General Meeting in accordance with the Listing Rules and the Companies Ordinance.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their associates have any present intention to sell any of the Company's shares to the Company or its subsidiaries if the Repurchase Mandate is approved and exercised.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell any of the Company's shares to the Company, or have undertaken not to do so, if the Repurchase Mandate is approved and exercised.

#### **7. Hong Kong Code on Takeovers and Mergers**

If, as the result of a repurchase of the Company's shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). As a result, a shareholder, or a group of shareholders acting in concert, could, depending on the level of increase of shareholders' interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code. As at the Latest Practicable Date, Shaw Brothers (Hong Kong) Limited and associated parties held a total of 142,320,828 shares in the Company, representing 32.49 per cent of the existing issued share capital of the Company. If the Directors were to exercise the Repurchase Mandate in full, such shares would represent approximately 36.10 per cent of the issued share capital of the Company, and an obligation to make a general offer to shareholders may arise as a result. According to the Takeovers Code, the Company may repurchase a maximum of 7.16 per cent of the Company's existing issued share capital before an obligation to make a general offer to shareholders is triggered. It is not the present intention of the Directors to exercise the Repurchase Mandate in such manner as to trigger off any general offer obligations.

Directors of the Company have no intention to exercise the Repurchase Mandate to such an extent which shall result in the level of shareholdings in the Company held in the hands of the public fall below the minimum prescribed percentage of 25% laid down in Rule 8.08 of the Listing Rules.

## 8. Share repurchases made by the Company

The Company has not repurchased its own shares (whether on the Stock Exchange or otherwise) in the past six months preceding the date of this Explanatory Statement.

## 9. Share Prices

The highest and lowest prices at which the Company's shares were traded on the Stock Exchange in each of the 12 months prior to the Latest Practicable Date were as follows:

	<b>Month</b>	<b>Highest (HK\$)</b>	<b>Lowest (HK\$)</b>	
<b>2005</b>	March	39.60	33.80	
	April	42.10	38.80	
	May	42.10	37.50	
	June	47.20	39.60	
	July	46.75	42.90	
	August	47.15	42.50	
	September	47.80	39.80	
	October	47.25	41.40	
	November	43.70	39.30	
	December	42.00	40.05	
	<b>2006</b>	January	45.80	41.20
		February	44.00	39.50

The notice convening the Annual General Meeting of the Company to be held at the Harbour Room, Mezzanine Floor, Kowloon Shangri-la Hotel, Tsim Sha Tsui East, Kowloon on Wednesday, 24 May 2006 at 11:00 a.m. is enclosed with the 2005 Annual Report of the Company to be despatched to shareholders together with this Explanatory Statement.