

SHAW BROTHERS (HONG KONG) LIMITED

2001/2002 FINAL RESULTS ANNOUNCEMENT

GROUP RESULTS

The Directors of Shaw Brothers (Hong Kong) Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2002 as follows:

	<i>Note</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
TURNOVER		72,480	33,143
COST OF SALES		(43,212)	(6,152)
GROSS PROFIT		29,268	26,991
OTHER REVENUES		26,497	27,183
SELLING AND DISTRIBUTION EXPENSES		(9,640)	(2,437)
PROPERTY RELATED EXPENSES		(7,346)	(7,438)
GENERAL AND ADMINISTRATIVE EXPENSES		(24,697)	(27,554)
OTHER OPERATING EXPENSES		(21,765)	(16,134)
		(7,683)	611
GAIN ON DISPOSAL OF FILM LIBRARY		—	471,980
OPERATING (LOSS)/PROFIT	2	(7,683)	472,591
FINANCE COSTS		(6)	(296)
		(7,689)	472,295
SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES		183,921	237,968
PROFIT BEFORE TAXATION		176,232	710,263
TAXATION	3	(28,897)	(36,566)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		147,335	673,697
INTERIM DIVIDEND PAID		39,839	39,839
FINAL DIVIDEND PROPOSED		59,758	59,758
EARNINGS PER SHARE	4	HK\$0.37	HK\$1.69

DIVIDEND PER SHARE		
Interim dividend paid	<u>HK\$0.10</u>	<u>HK\$0.10</u>
Final dividend proposed	<u>HK\$0.15</u>	<u>HK\$0.15</u>

NOTES TO THE ACCOUNTS

1. Segment information

An analysis of the Group's turnover and results for the year by business segments is as follows:

	Property rental 2002 HK\$'000	Film distribution 2002 HK\$'000	Filming facilities services 2002 HK\$'000	Group total 2002 HK\$'000
Turnover	<u>18,303</u>	<u>47,428</u>	<u>6,749</u>	<u>72,480</u>
Segment results	<u>13,584</u>	<u>(5,338)</u>	<u>(10,691)</u>	<u>(2,445)</u>
Unallocated items				<u>(5,238)</u>
Operating loss				<u>(7,683)</u>
Finance costs				<u>(6)</u>
Share of profits less losses of associated companies				<u>183,921</u>
Profit before taxation				<u>176,232</u>
Taxation				<u>(28,897)</u>
Profit attributable to shareholders				<u>147,335</u>

	Property rental 2001 HK\$'000	Film distribution 2001 HK\$'000	Filming facilities services 2001 HK\$'000	Group total 2001 HK\$'000
Turnover	<u>18,428</u>	<u>8,289</u>	<u>6,426</u>	<u>33,143</u>
Segment results	<u>13,361</u>	<u>62</u>	<u>(5,434)</u>	<u>7,989</u>
Unallocated items				<u>(7,378)</u>
Gain on disposal of film library				<u>471,980</u>
Operating profit				<u>472,591</u>
Finance costs				<u>(296)</u>
Share of profits less losses of associated companies				<u>237,968</u>

Profit before taxation	710,263
Taxation	<u>(36,566)</u>

Profit attributable to shareholders 673,697

An analysis of the Group's turnover and contribution to operating (loss)/profit for the year by geographical segments is as follows:

	Turnover		Segment results	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	56,755	26,974	(9,842)	(1,763)
South East Asia	11,617	4,523	1,626	905
USA	1,250	100	138	30
Others	2,858	1,546	395	1,439
	<u>72,480</u>	<u>33,143</u>	<u>(7,683)</u>	611
Gain on disposal of film library			<u>—</u>	<u>471,980</u>
Operating (loss)/profit			<u>(7,683)</u>	<u>472,591</u>

2. Operating (loss)/profit

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting		
Gross rental income less outgoings	17,939	18,053
Management fee income	<u>9,827</u>	<u>10,260</u>
Charging		
Amortisation of released films	42,720	5,629
Depreciation charge	<u>8,358</u>	<u>7,434</u>

3. Taxation

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2001: Nil). Tax on overseas profits has been calculated, where applicable, at the rates of taxation prevailing in the countries in which the Group operates.

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Associated companies:		
Hong Kong profits tax	24,570	33,217
Overseas taxation	2,176	2,838
Over provisions in prior years	(11,654)	–
Deferred taxation	13,805	511
	<u>28,897</u>	<u>36,566</u>

4. Earnings per share

The calculation of earnings per share is based on earnings for the year of HK\$ 147,335,000 (2001: HK\$673,697,000) and on 398,390,400 ordinary shares in issue throughout the two years ended 31st March.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2002, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK\$1,556,069,000 (2001: HK\$1,545,506,000).

BUSINESS REVIEW

Property Rental

Property rental income was mainly derived from leasing office premises to our associated company, Television Broadcasts Limited.

Film Distribution

The Company, through a non-wholly owned subsidiary, produced and released 6 films during the year. Although a loss of HK\$5.3 million was recorded due to heavy promotion expenses, the Company is confident that, going forward, the film distribution business will improve. Currently four films are under production.

Filming Facilities Services

A loss of HK\$ 10.7 million was recorded mainly due to initial expenses incurred in setting up the Film Remastering Centre. The Centre is expected to generate positive results in the current year.

Clearwater Bay Site

The District Planning Office, Sai Kung, has gazetted the Draft Clear Water Bay Peninsula North Development Permission Area Plan which includes the development of the Company's Clearwater Bay Site and is awaiting objections, from the public, to the Plan. Based on the draft plan gazetted by the Government, we will be permitted to develop the site to the extent of approximately 63,000 square metres of residential and 17,000 square metres of commercial gross floor area. Final approval of the scope and character of development is expected to take at least another 24 months.

Associated Companies

Contribution from Television Broadcasts Limited to Group profits fell by 22.98%, while the dividend income remained at the same level as the previous year.

The Movie City Project is progressing as planned and the project is expected to be completed by June 2005.

Financial

The Group had no significant external borrowing and consequently none of the Group Assets are subject to any charge. There was no acquisition or disposal of subsidiaries or associated companies in the course of the financial year.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors will recommend at the Annual General Meeting to be held on Friday 20th September 2002, a final dividend of 15.0 cents per ordinary share to shareholders who are on the Register of Members on that date. This, together with the Interim Dividend of 10.0 cents per ordinary share amounts to a total distribution of 25.0 cents per ordinary share for the year.

The Register of Members of the Company will be closed from Tuesday, 10th September 2002 to Friday, 20th September 2002, both days inclusive. The Final Dividend, if approved, will be paid to shareholders on 22nd October 2002.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares.

AUDIT COMMITTEE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, an Audit Committee was established on 1st April 1999 with all independent non-executive directors being appointed as members. Two meetings were held during the current financial year.

The Audit Committee has met with the management and the external auditors to review the year-end financial statements and consider the significant accounting policies, and to discuss with the management about the Group's internal controls and financial reporting matters.

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") save that independent non-executive directors who have not been appointed for a specific term are subject to retirement by rotation as specified by the Company's Articles of Association.

Run Run Shaw
Chairman

Hong Kong, 26th June 2002

The 2002 annual report of the Company containing all the information required under the rules governing the Listing of Securities on the Stock Exchange will be published on the Stock Exchange website within 21 days from the date of this announcement.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of the Company will be held at the Harbour Room, Mezzanine Floor, Kowloon Shangri-La Hotel, on Friday, 20th September 2002 at 12:00 noon for the following purposes:

- (1) To receive and consider the Company's Accounts and the Reports of the Directors and Auditors for the year ended 31st March 2002.
- (2) To declare a final dividend.
- (3) To elect Directors and to fix their remuneration.
- (4) To appoint Auditors and to authorise the Directors to fix their remuneration.
- (5) As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to allot, issue or deal with additional shares in the share capital of the Company or securities convertible into such shares or options, warrants, or similar rights to subscribe for any shares or convertible securities and to make and grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which might require the exercise of such power after end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to Rights Issue, the exercise of the subscription rights or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company and from time to time outstanding, the exercise of any options granted under the share option scheme of the Company, or any shares allotted in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company from time to time shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of shares of the Company open for a period fixed by directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangement as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or such stock exchange in, any territory outside Hong Kong).”

(6) To transact any other ordinary business of the Company.

By Order of the Board
Lau Siu Keung Lawrence
Company Secretary

Hong Kong, 26th June 2002

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead; a proxy need not also be a member of the Company. To be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed, must be deposited at the registered office of the Company, Lot 220 Clear Water Bay Road, Kowloon, not later than 48 hours before the time appointed for holding the meeting.
2. The Transfer Books and Register of Members of the Company will be closed from Tuesday, 10th September 2002 to Friday, 20th September 2002, both days inclusive. In order to qualify for the declared final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on Monday, 9th September 2002.

"Please also refer to the published version of this announcement in The Standard"