

# SHAW BROTHERS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

## 2002/2003 ANNUAL RESULTS ANNOUNCEMENT

The Directors of Shaw Brothers (Hong Kong) Limited (the “Company”) are pleased to announce the Group’s audited consolidated results for the year ended 31st March 2003, the details of which are given below.

		<b>2003</b>	As restated
	<i>Note</i>	<i>HK\$’000</i>	2002
			<i>HK\$’000</i>
Turnover	2	<b>62,442</b>	72,480
Cost of sales		<b>(37,848)</b>	(43,212)
		<hr/>	<hr/>
Gross profit		<b>24,594</b>	29,268
Other revenues	3	<b>17,783</b>	26,497
Selling and distribution expenses		<b>(1,996)</b>	(9,643)
Property related expenses		<b>(7,942)</b>	(7,346)
General and administrative expenses		<b>(23,520)</b>	(24,622)
Other operating expenses		<b>(18,805)</b>	(21,865)
		<hr/>	<hr/>
Operating loss	4	<b>(9,886)</b>	(7,711)
Finance costs		<b>(1)</b>	(6)
		<hr/>	<hr/>
		<b>(9,887)</b>	(7,717)
		<hr/>	<hr/>
Share of profits less losses of associated companies		<b>176,350</b>	182,148
		<hr/>	<hr/>
Profit before taxation		<b>166,463</b>	174,431
Taxation	5	<b>(23,418)</b>	(28,897)
		<hr/>	<hr/>
Profit attributable to shareholders		<b>143,045</b>	145,534
		<hr/>	<hr/>
Dividends		<b>99,597</b>	99,597
		<hr/>	<hr/>
Earnings per share	6	<b>HK\$0.36</b>	HK\$0.37
		<hr/>	<hr/>
Dividends per share			
Interim dividend paid		<b>HK\$0.05</b>	HK\$0.10
Final dividend proposed		<b>HK\$0.20</b>	HK\$0.15
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Notes:

## 1. Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). The accounts are prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAP”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

Except for the restatement of prior years’ balances following the adoption of SSAP 34 “Employee benefits”, the adoption of these new and revised policies has no material impact on the accounts of the Company and the Group in the current and prior years. Certain presentational changes, however, have been made upon the adoption of SSAP 1 (revised): “Presentation of financial statements” and SSAP 15 (revised): “Cash flow statements”.

## 2. Segment information

An analysis of the Group’s revenues and contributions for the year by business segments is as follows:

	Property rental 2003 HK\$’000	Film distribution 2003 HK\$’000	Filming facilities services 2003 HK\$’000	Investment holding 2003 HK\$’000	Total 2003 HK\$’000
Turnover (Note)	<u>18,141</u>	<u>13,965</u>	<u>30,336</u>	<u>-</u>	<u>62,442</u>
Segment results	<u>12,708</u>	<u>(10,045)</u>	<u>(655)</u>	<u>(6,461)</u>	<u>(4,453)</u>
Unallocated items					<u>(5,433)</u>
Operating loss					(9,886)
Finance costs					(1)
Share of profits less losses of associated companies	-	-	-	176,350	<u>176,350</u>

Profit before taxation	166,463
Taxation	<u>(23,418)</u>
Profit attributable to shareholders	<u>143,045</u>

*Note:*

Turnover is after eliminating inter-segment transactions amounting to HK\$1,095,000 attributable to filming facilities services.

	Property rental 2002 HK\$'000	Film distribution 2002 HK\$'000	Filming facilities services 2002 HK\$'000	Investment holding 2002 HK\$'000	Total 2002 HK\$'000
Turnover (Note)	<u>18,303</u>	<u>47,428</u>	<u>6,749</u>	<u>-</u>	<u>72,480</u>
Segment results	<u>13,432</u>	<u>(5,442)</u>	<u>(11,099)</u>	<u>(6,251)</u>	(9,360)
Unallocated items					<u>1,649</u>
Operating loss					(7,711)
Finance costs					(6)
Share of profits less losses of associated companies	-	-	-	182,148	<u>182,148</u>
Profit before taxation					174,431
Taxation					<u>(28,897)</u>
Profit attributable to shareholders					<u>145,534</u>

*Note:*

Turnover is after eliminating inter-segment transactions amounting to HK\$4,444,000 attributable to filming facilities services.

An analysis of the Group's revenues and contributions for the year by geographical segments is as follows:

	Turnover		Operating profit/(loss) before finance costs	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	54,839	56,755	(5,064)	(9,870)
South East Asia	7,109	11,617	(4,655)	1,626
USA	230	1,250	24	138
Others	264	2,858	(191)	395
	<u>62,442</u>	<u>72,480</u>	<u>(9,886)</u>	<u>(7,711)</u>

### 3. Other revenues

	2003 HK\$'000	2002 HK\$'000
Management fee income	10,024	9,827
Interest income	5,960	11,957
Others	1,799	4,713
	<u>17,783</u>	<u>26,497</u>

### 4. Operating loss

Operating loss is stated after crediting and charging the following:

	2003 HK\$'000	2002 HK\$'000
<u>Crediting</u>		
Gross rental income less outgoings	<u>17,768</u>	<u>17,939</u>
<u>Charging</u>		
Depreciation charge	18,891	8,358
Less: amounts capitalised to inventories	(2,471)	–
	<u>16,420</u>	<u>8,358</u>
Amortisation of released films	21,926	42,720
Exchange loss	11	97
Staff costs	34,556	32,308
Operating leases – land and buildings	404	396
Auditors' remuneration	<u>307</u>	<u>335</u>

## 5. Taxation

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2002: Nil). Tax on overseas profits has been calculated, where applicable, at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents the Group's share of taxation attributable to associated companies:

	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong profits tax	<b>21,020</b>	24,570
Under/(over) provisions in prior years	<b>406</b>	(11,654)
Overseas taxation	<b>1,153</b>	2,176
Deferred taxation	<b>839</b>	13,805
	<hr/> <b>23,418</b> <hr/>	<hr/> 28,897 <hr/>

## 6. Earnings per share

The calculation of earnings per share is based on earnings for the year of HK\$143,045,000 (2002 as restated: HK\$145,534,000) and on 398,390,400 ordinary shares in issue throughout the two years ended 31st March 2003.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2003, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$1,563,978,000 (2002 as restated: HK\$1,555,531,000).

## DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors will recommend at the Annual General Meeting to be held on Friday, 19th September 2003, a final dividend of 20.0 cents per ordinary share to shareholders whose names appear on the Register of Members on that date. This, together with the Interim Dividend of 5.0 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, 9th September 2003 to Friday, 19th September 2003, both days inclusive. The Final Dividend, if approved, will be paid to shareholders on 22nd October 2003.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Property Rental**

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

### **Film Distribution**

Two films were produced during the year, of which one was released.

As you are all aware, the economic weakness continued into year 2002 and the movie industry was one of those worse affected. Consequently the box office takings were very poor.

We will not be embarking on the production of new films, until such time we are comfortable that the economy has turned around.

### **Filming Facilities Services**

The Film Remastering Centre contributed HK\$3,757,000 towards Group profits, and is expected to maintain the same level in the current year.

### **Clearwater Bay Site**

Consideration of the revised Master Layout Plan submitted in October 2002 has been deferred pending agreement with the Town Planning Board on the Planning Brief in relation to the development.

It is anticipated that the Master Layout Plan will need further amendments depending on the outcome of these discussions and consequently the submission of an application for Land Exchange may be considerably delayed.

### **Associated Companies**

Contribution from Television Broadcasts Limited to Group profits fell by only 3% and the dividend income remained the same as last year.

### **Movie City Project**

As a result of the expansion in the scale of the Movie City Project, the total capital cost is estimated to be HK\$950 million, and the Company's commitment is HK\$332.5 million which will be funded from internal resources.

The superstructure work commenced in mid January 2003 as scheduled, and the work is progressing according to plan 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's assets are subject to any charge. There was no acquisition or disposal of material subsidiaries or associated companies in the course of the financial year.

## **Contingent Liabilities**

As at 31st March 2003, the Group and the Company did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31st March 2003, the Group employed a total of 176 full time employees, all in Hong Kong. During the year under review, there was no significant change in the Group's remuneration policies.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year.

## **AUDIT COMMITTEE**

In compliance with the Code of Best Practice as set out in Appendix 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules"), the Company has established an Audit Committee comprising of all independent non-executive directors. 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

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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**  
*Executive Chairman*

Hong Kong, 25th June 2003

*The 2003 annual report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange website within 14 days from the date of this announcement.*

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## 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 Kowloon Room, Mezzanine Floor, Kowloon Shangri-La Hotel, on Friday, 19th September 2003 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 2003.
- (2) To declare a final dividend.
- (3) To elect Directors and to fix their fees.
- (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 the 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 10% 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  
**Jeremiah Rajakulendran**  
*Company Secretary*

Hong Kong, 25th June 2003

*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, 9th September 2003 to Friday, 19th September 2003, 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, 8th September 2003.

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