

SHAW BROTHERS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

2003/2004 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 2004, the details of which are given below.

	<i>Note</i>	2004 HK\$’000	2003 HK\$’000
Turnover	2	59,506	62,442
Cost of sales		(35,187)	(37,848)
Gross profit		24,319	24,594
Other revenues	3	14,357	17,783
Selling and distribution expenses		(1,256)	(1,996)
Property related expenses		(7,718)	(7,942)
General and administrative expenses		(21,268)	(23,520)
Other operating expenses		(20,082)	(18,805)
Operating loss	4	(11,648)	(9,886)
Finance costs		(1)	(1)
		(11,649)	(9,887)
Share of profits less losses of associated companies		120,409	176,350
Profit before taxation		108,760	166,463
Taxation	5	(7,690)	(23,418)
Profit attributable to shareholders		101,070	143,045
Dividends		79,678	99,597
Earnings per share	6	HK\$0.25	HK\$0.36
Dividends per share			
Interim dividend paid		HK\$0.05	HK\$0.05
Final dividend proposed		HK\$0.15	HK\$0.20

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 2003:

SSAP 12 (revised)	:	Income Taxes
SSAP 34 (revised)	:	Employee Benefits

The adoption of these revised standards has no material impact to the accounts of the Company and the Group in the current and prior years, except for certain presentational changes.

2. Segment information

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

	Property rental 2004 HK\$’000	Film distribution 2004 HK\$’000	Filming facilities services 2004 HK\$’000	Investment holding 2004 HK\$’000	Total 2004 HK\$’000
Turnover (<i>Note</i>)	<u>17,833</u>	<u>5,796</u>	<u>35,877</u>	<u>–</u>	<u>59,506</u>
Segment results	<u>13,645</u>	<u>(7,883)</u>	<u>(4,135)</u>	<u>(5,708)</u>	<u>(4,081)</u>
Unallocated items					<u>(7,567)</u>
Operating loss					(11,648)
Finance costs					(1)
Share of profits less losses of associated companies	–	–	–	120,409	<u>120,409</u>
Profit before taxation					108,760
Taxation					<u>(7,690)</u>
Profit attributable to shareholders					<u>101,070</u>

Note:

Turnover is after eliminating inter-segment transactions amounting to HK\$389,000 attributable to filming facilities services.

	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 (<i>Note</i>)	<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>	(4,453)
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.

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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	55,506	54,839	(7,271)	(5,064)
South East Asia	3,810	7,109	(4,162)	(4,655)
USA	–	230	2	24
Others	190	264	(217)	(191)
	<u>59,506</u>	<u>62,442</u>	<u>(11,648)</u>	<u>(9,886)</u>

3. Other revenues

	2004 HK\$'000	2003 HK\$'000
Management fee income	9,213	10,024
Interest income	2,708	5,960
Others	2,436	1,799
	<u>14,357</u>	<u>17,783</u>

4. Operating loss

Operating loss is stated after crediting and charging the following:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<u>Crediting</u>		
Gross rental income less outgoings	<u>17,493</u>	<u>17,768</u>
<u>Charging</u>		
Depreciation charge	20,047	18,891
Less: net amount capitalised to inventories	<u>(847)</u>	<u>(2,471)</u>
	19,200	16,420
Amortisation of released films	11,953	21,926
Exchange loss	–	11
Staff costs	35,100	34,556
Operating leases – land and buildings	400	404
Auditors' remuneration	<u>292</u>	<u>307</u>

5. Taxation

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2003: Nil). Taxation charge in current year represented under provision of Hong Kong profits tax in prior years. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/04. 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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Company and subsidiaries:		
Hong Kong profits tax		
– under provision in prior years	<u>1,091</u>	–
Associated companies:		
Hong Kong profits tax	1,995	21,020
(Over)/under provisions in prior years	(1,215)	406
Overseas taxation	1,563	1,153
Deferred taxation	<u>4,256</u>	<u>839</u>
	<u>6,599</u>	<u>23,418</u>
	7,690	23,418

6. Earnings per share

The calculation of earnings per share is based on earnings for the year of HK\$101,070,000 (2003: HK\$143,045,000) and on 398,390,400 ordinary shares in issue throughout the two years ended 31st March 2004.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2004, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$1,568,103,000 (2003: HK\$1,563,978,000).

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors will recommend at the Annual General Meeting to be held on Friday, 17th September 2004, a final dividend of 15.0 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 20.0 cents per ordinary share for the year.

The Register of Members of the Company will be closed from Tuesday, 7th September 2004 to Friday, 17th September 2004, both days inclusive. The Final Dividend, if approved, will be paid to shareholders on 26th October 2004.

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

One film produced during the year was released in April 2004 with satisfactory results.

We are in discussion with mainland investors to co-produce movies in China. The negotiations are at a preliminary stage.

Filming Facilities Services

The Film Remastering Centre contributed HK\$2,121,000 towards Group profits. The shortfall in contribution over 2003 is due to timing differences.

Clearwater Bay Site

Submission of the revised Master Layout Plan has been delayed pending discussions with SCMP Group Limited, which owns the adjoining TV City properties, for a joint submission which will be mutually beneficial to both parties.

Associated Companies

Contribution after taxation from Television Broadcasts Limited to Group profits fell by 25.2%, even though its consolidated revenues for 2003 exceeded that of 2002 by 5%. This was due to increased cost burden made up largely of exceptional items.

Movie City Project

The superstructure work is progressing to schedule, and completion of the first phase, namely the administration block and the post production suites, is expected to be completed by August 2004. The Movie City is expected to come into operation in phases starting from the first quarter of 2005, after completion of internal fitting out works.

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 2004, the Group and the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2004, the Group employed a total of 184 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"), 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

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, 23rd June 2004

The 2004 annual report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31st March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1st July 2004 under the transitional arrangements, will be published on the Stock Exchange website within 14 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, 17th September 2004 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 2004.
- (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, 23rd June 2004

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, 7th September 2004 to Friday, 17th September 2004, 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, 6th September 2004.

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