

# SHAW BROTHERS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 0080)

## 2004/2005 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 2005, the details of which are given below.

	<i>Note</i>	<b>2005</b> <b>HK\$’000</b>	2004 <i>HK\$’000</i>
Turnover	<i>1</i>	<b>72,516</b>	59,506
Cost of sales		<b>(37,433)</b>	(35,187)
Gross profit		<b>35,083</b>	24,319
Other revenues	<i>2</i>	<b>13,436</b>	14,357
Selling and distribution expenses		<b>(2,253)</b>	(1,256)
Property related expenses		<b>(7,553)</b>	(7,718)
General and administrative expenses		<b>(20,570)</b>	(21,268)
Other operating expenses		<b>(20,877)</b>	(20,082)
Operating loss	<i>3</i>	<b>(2,734)</b>	(11,648)
Finance costs		<b>–</b>	(1)
		<b>(2,734)</b>	(11,649)
Share of profits less losses of associated companies		<b>224,638</b>	120,409
Profit before taxation		<b>221,904</b>	108,760
Taxation	<i>4</i>	<b>(39,604)</b>	(7,690)
Profit attributable to shareholders		<b>182,300</b>	101,070
Dividends		<b>107,565</b>	79,678
Earnings per share	<i>5</i>	<b>HK\$0.46</b>	HK\$0.25
Dividends per share			
Interim dividend paid		<b>HK\$0.05</b>	HK\$0.05
Final dividend proposed		<b>HK\$0.22</b>	HK\$0.15

Notes:

**1. Segment information**

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

	Property rental 2005 <i>HK\$'000</i>	Film distribution 2005 <i>HK\$'000</i>	Filming facilities services 2005 <i>HK\$'000</i>	Investment holding 2005 <i>HK\$'000</i>	Total 2005 <i>HK\$'000</i>
Turnover ( <i>Note</i> )	<u>17,876</u>	<u>13,594</u>	<u>41,046</u>	<u>-</u>	<u>72,516</u>
Segment results	<u>13,336</u>	<u>(1,051)</u>	<u>2,964</u>	<u>(5,886)</u>	9,363
Unallocated items					<u>(12,097)</u>
Operating loss					(2,734)
Share of profits less losses of associated companies	-	-	-	224,638	<u>224,638</u>
Profit before taxation					221,904
Taxation					<u>(39,604)</u>
Profit attributable to shareholders					<u>182,300</u>

*Note:*

Turnover is after eliminating inter-segment transactions amounting to HK\$1,045,000 attributable to filming facilities services.

	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>13,253</u>	<u>(7,883)</u>	<u>(667)</u>	<u>(5,708)</u>	(1,005)
Unallocated items					<u>(10,643)</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.

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

	Turnover		Operating loss before finance costs	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	<b>63,848</b>	55,506	<b>(4,551)</b>	(7,271)
South East Asia	<b>7,278</b>	3,810	<b>1,013</b>	(4,162)
USA	<b>180</b>	–	<b>35</b>	2
Others	<b>1,210</b>	190	<b>769</b>	(217)
	<u><b>72,516</b></u>	<u>59,506</u>	<u><b>(2,734)</b></u>	<u>(11,648)</u>

## 2. Other revenues

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Management fee income	9,205	9,213
Interest income	1,395	2,708
Others	2,836	2,436
	<u>13,436</u>	<u>14,357</u>

## 3. Operating loss

Operating loss is stated after crediting and charging the following:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<u>Crediting</u>		
Gross rental income less outgoings	<u>17,580</u>	<u>17,493</u>
<u>Charging</u>		
Depreciation charge	20,261	20,047
Less: net amount capitalised to inventories	(215)	(847)
	<u>20,046</u>	19,200
Amortisation of released films	12,449	11,953
Exchange loss	209	–
Staff costs	34,772	35,100
Operating leases - land and buildings	400	400
Auditors' remuneration	<u>300</u>	<u>292</u>

## 4. Taxation

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2004: 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:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Company and subsidiaries:		
Hong Kong profits tax		
– Under provision in prior years	–	1,091
Associated companies:		
Hong Kong profits tax	21,026	1,995
Under/(over) provision in prior years	671	(1,215)
Overseas taxation	8,895	1,563
Deferred taxation	<u>9,012</u>	<u>4,256</u>
	<u>39,604</u>	<u>6,599</u>
	<u>39,604</u>	<u>7,690</u>

## **5. Earnings per share**

The calculation of earnings per share is based on earnings for the year of HK\$182,300,000 (2004: HK\$101,070,000) and on 398,390,400 ordinary shares in issue throughout the two years ended 31st March 2005.

## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31st March 2005, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$1,576,835,000 (2004 : HK\$1,568,103,000).

## **DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Directors will recommend at the Annual General Meeting to be held on Wednesday, 7th September 2005, a final dividend of 22.0 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 27.0 cents per ordinary share for the year.

The Register of Members of the Company will be closed from Friday, 2nd September 2005 to Wednesday, 7th September 2005, both days inclusive. The Final Dividend, if approved, will be paid to shareholders on 26th October 2005.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Property Rental**

Property rental income was mainly derived from leasing office premises to our associated company, Television Broadcasts Limited. The lease expires on 30th June 2005 and the Company is exploring options to maximize the potential for rental income.

### **Filming Facilities Services**

Filming facilities services comprise Film Remastering and Film Processing Centres, and the contribution towards Group profits during the year was HK\$2,964,000, in line with expectations.

### **Redevelopment Of Clearwater Bay Site**

Consideration of the Master Layout Plan submitted in October 2002 has been re-activated, and it is anticipated that by the end of the year 2005, the Company should be able to determine the scope and character of the development.

### **Associated Companies**

The recovery in the economy in Hong Kong during 2004 reflected in robust growth in advertising revenues, and as a result the contribution after taxation from Television Broadcasts Limited to Group profits during the year increased by 63%.

### **Movie City Project (Shaw Studios)**

The Occupation Permit was obtained only in March 2005. Internal fitting out works are in progress and soft launch of the studio facilities is expected to be in the first quarter of March 2006.

## **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**

A civil suit has been filed, by a stuntman who was injured during the course of film production, against Film Power Company Limited, a non-wholly owned subsidiary of the Company. Based on Counsel's advice, the Directors estimate that the maximum compensation payable will be HK\$1.0 Million.

Apart from the above, the Group and the Company did not have any significant contingent liabilities as at 31st March 2005.

## **Exposure To Fluctuations In Exchange Rates**

As the majority of the revenues, expenses, assets and liabilities of the Group are denominated in Hong Kong Dollars, the Group does not have significant risk in exposure to fluctuations in exchange rates.

## **Employees And Remuneration Policies**

As at 31st March 2005, the Group employed a total of 171 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.

## **DIRECTORS**

In accordance with Article 88 of the Company's Articles of Association, Mr. Louis Page and The Hon. Sir Ti Liang Yang retire by rotation. Mr. Louis Page, being eligible, offers himself for re-election with the unanimous support of other Directors, while due to personal reasons, The Hon. Sir Ti Liang Yang does not wish to seek re-election in the forthcoming Annual General Meeting to be held on 7th September 2005. The Hon. Sir Ti Liang Yang has confirmed that there is no disagreement with the Board and there is no matter relating to him not seeking re-election that needs to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to thank The Hon. Sir Ti Liang Yang for his contribution towards the Company during the tenure of his office as an independent non-executive director and audit committee member.

In accordance with Article 94 of the Company's Articles of Association, Mr. Chiu Nelson Hon Sang shall hold office until the forthcoming Annual General Meeting, and being eligible, offers himself for re-election with the unanimous support of other Directors.

## 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 accounts and consider the significant accounting policies, and to discuss with the management about the Group’s internal controls and financial reporting matters, before the accounts were presented to the Board of Directors for approval.

## 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 in force prior to 1st January 2005, 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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules.

The Company has made specific enquiries of all directors regarding any non-compliance with the Model Code during the year, and received confirmations from all the directors that they had fully complied with the required standard set out in the Model Code.

The Company has received, from each of the independent non-executive directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

**Run Run Shaw**  
*Executive Chairman*

Hong Kong, 22nd June 2005

*The 2005 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.*

As at the date of this announcement, the Board comprises of:

*Executive Directors :*

Sir Run Run Shaw, GBM

*(Executive Chairman)*

Mona Fong *(Deputy Chairperson and  
Managing Director)*

Louis Page

Jeremiah Rajakulendran

*Independent Non-executive Directors :*

The Hon. Sir Ti Liang Yang, GBM; JP

Dr. Chow Yei Ching

Ng Julie Yuk Shun

Chiu Nelson Hon Sang

## 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 Wednesday, 7th September 2005 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 2005.
- (2) To declare a final dividend.
- (3) To re-elect Mr. Louis Page and Mr. Chiu Nelson Hon Sang as Directors and to fix the Directors' 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, 22nd June 2005

*Notes:*

1. In accordance with Article 88 of the Company’s Articles of Association, Mr. Louis Page and The Hon. Sir Ti Liang Yang retire by rotation. Mr. Louis Page, being eligible, offers himself for re-election with the unanimous support of other Directors, while due to personal reasons, The Hon. Sir Ti Liang Yang does not wish to seek re-election in the forthcoming Annual General Meeting to be held on 7th September 2005.

In accordance with Article 94 of the Company’s Articles of Association, Mr. Chiu Nelson Hon Sang shall hold office until the forthcoming Annual General Meeting, and being eligible, offers himself for re-election with the unanimous support of other Directors.

Particulars of Mr. Louis Page and Mr. Chiu Nelson Hon Sang are as follows:–

Mr. Louis Page

Mr. Louis Page, aged Fifty-five, has been a senior executive with the Company since 1975 and was appointed a Director in 1988. He is a Director of certain subsidiaries of the Company and Shaw Holdings Inc., a substantial shareholder of the Company, and its associates. He is also the Managing Director of Television Broadcasts Limited, an associated corporation (within the meaning of the Securities and Futures Ordinance) of the Company. He has more than 30 years experience in business and financial management in Hong Kong and overseas. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and Fellow of the Chartered Institute of Management Accountants United Kingdom.

Save as disclosed above, Mr. Page does not hold any directorship in other listed public companies in the last three years or any position with the Company or other companies of the Group.

There is no service contract between the Company and Mr. Page. He has no fixed term of service with the Company and will be subject to retirement by rotation and re-election at the Company's Annual General Meetings in accordance with Article 88 of the Company's Articles of Association. There is no agreement on the amount of the remuneration payable to Mr. Page. The director's fee payable to Mr. Page is determined by shareholders in general meeting. Mr. Page received director's fee of HK\$8,000 for the year ended 31st March 2005 which was determined by shareholders in the Annual General Meeting of the Company held on 17th September 2004.

Save as disclosed above, Mr. Page is not connected with any directors, senior management or substantial or controlling shareholders of the Company. As at 31st March 2005, Mr. Page has interest in 100,000 shares in the Company and 220,000 shares in Television Broadcasts Limited within the meaning of Part XV of the Securities and Futures Ordinance.

The Directors are not aware of any other matters relating to his re-election that need to be brought to the attention of the Shareholders.

Mr. Chiu Nelson Hon Sang

Mr. Chiu Nelson Hon Sang, aged Fifty-nine, was appointed a Non-executive Director of the Company in September 2004. He is the Chairman and Managing Director of SunTech Environmental Group Limited, a company listed in the Australian Stock Exchange since 1995. He is the founder of the group. He has more than 30 years of experience in business and financial management in Australia and Hong Kong, of which over 12 years have been in China-related business. He holds a Degree of Master of Business Administration from the University of Sydney, Australia and is a fellow of the Australian Institute of Management and Institute of Chartered Accountants in Australia. He is also a fellow of the Hong Kong Institute of Directors.

Save as disclosed above, Mr. Chiu does not hold any directorship in other listed public companies in the last three years or any position with the Company or other companies of the Group.

There is no service contract between the Company and Mr. Chiu. He has no fixed term of service with the Company and will be subject to retirement by rotation and re-election at the Company's Annual General Meetings in accordance with Article 88 of the Company's Articles of Association. There is no agreement on the amount of the remuneration payable to Mr. Chiu. Mr. Chiu received director's fee of HK\$4,000 and audit committee member fee of HK\$6,000 for the year ended 31st March 2005, on a prorata basis. The annual director's fee was determined by shareholders in the Annual General Meeting of the Company held on 17th September 2004, and the annual audit committee member fee was determined by the Board of Directors.

Save as disclosed above, Mr. Chiu is not connected with any directors, senior management or substantial or controlling shareholders of the Company. As at 31st March 2005, Mr. Chiu does not have any interest in shares within the meaning of Part XV of the Securities and Futures Ordinance.

The Directors are not aware of any other matters relating to his re-election that need to be brought to the attention of the Shareholders.

2. 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. Such a proxy vote will only be used if a poll is called for, decisions at a General Meeting being normally decided on a show of hands of members present as provided under Article 60 of the Company's Articles of Association.

#### Right to demand a poll

Pursuant to Article 60 of the Company's Articles of Association, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least three members present in person or by proxy entitled to vote; or
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has been on a show of hands carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

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. A vote cast by proxy shall not be invalidated by the revocation of the appointment of the proxy or of the authority under which the appointment was made unless notice in writing of such revocation shall have been received by the Company at the registered office of the Company, Lot 220 Clear Water Bay Road, Kowloon, not later than 24 hours before, or by the Company Secretary or the Chairman on the day and at the place, but before the commencement, of the meeting.

3. The Transfer Books and Register of Members of the Company will be closed from Friday, 2nd September 2005 to Wednesday, 7th September 2005, 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 Thursday, 1st September 2005.

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