

SHAW BROTHERS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 0080)

2006/2007 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 2007 as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31st March	
			As restated
	Note	2007	2006
		HK\$’000	HK\$’000
Turnover	2	43,311	54,156
Cost of sales		<u>(25,002)</u>	<u>(28,642)</u>
Gross profit		18,309	25,514
Other income	2	23,157	19,586
Selling and distribution expenses		(540)	(1,305)
General and administrative expenses		(29,952)	(29,161)
Other operating expenses		(21,101)	(20,137)
Share of profits less losses of associates		<u>303,921</u>	<u>302,907</u>
Profit before income tax	4	293,794	297,404
Income tax expense	5	<u>—</u>	<u>—</u>
Profit attributable to equity holders of the Company		<u>293,794</u>	<u>297,404</u>
Dividends	6	<u>179,276</u>	<u>159,356</u>
Dividend per share			
Interim dividend paid		HK\$0.05	HK\$0.06
Final dividend proposed		<u>HK\$0.40</u>	<u>HK\$0.34</u>
Earnings per share attributable to equity holders of the Company	7	<u>HK\$0.74</u>	<u>HK\$0.75</u>

CONSOLIDATED BALANCE SHEET

		As at 31st March	
	Note	2007	2006
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		142,466	159,715
Leasehold land		18,515	18,978
Interests in associates		1,646,749	1,493,348
		<u>1,807,730</u>	<u>1,672,041</u>
Current assets			
Inventories		7,728	8,093
Accounts receivable, prepayments, deposits and other receivables	8	30,176	25,510
Short term bank deposits		47,873	62,099
Bank and cash balances		2,838	3,312
		<u>88,615</u>	<u>99,014</u>
Total assets		<u>1,896,345</u>	<u>1,771,055</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		99,598	99,598
Other reserves		21,938	29,819
Retained profits			
– Proposed final dividend	6	159,356	135,452
– Others		1,602,737	1,492,376
Total equity		<u>1,883,629</u>	<u>1,757,245</u>
LIABILITIES			
Current liabilities			
Accounts payable, other payables and accruals	9	10,973	12,032
Provision for staff long service payments		1,743	1,778
Total liabilities		<u>12,716</u>	<u>13,810</u>
Total equity and liabilities		<u>1,896,345</u>	<u>1,771,055</u>
Net current assets		<u>75,899</u>	<u>85,204</u>
Total assets less current liabilities		<u>1,883,629</u>	<u>1,757,245</u>

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention.

Amendments to published standards and interpretation

In the current year, the Group adopted the following new amendments and interpretation of HKFRS and Hong Kong Accounting Standards (“HKAS”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the accounting periods beginning on or after 1st January 2006 and are relevant to its operations.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 and HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease

The adoptions of new/revised HKAS 19 (Amendment), 39 (Amendment), HKFRS 4 (Amendment) and HKFRS-Int 4 did not result in substantial changes to the accounting policies of the Group.

The comparatives figures have been reclassified to conform with changes in presentation in the current year.

2. Revenue

The Group is principally engaged in investment holding and business operations relating to the media and entertainment industries.

Turnover consists of rental income, film distribution income and filming facilities services fees.

Other income mainly consists of management fee income and interest income.

The amount of each significant category of revenue recognised during the year is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover		
Rental income from buildings	3,663	6,606
Film distribution income	2,166	5,761
Filming facilities services fees	37,482	41,789
	<u>43,311</u>	<u>54,156</u>
Other income		
Management fee income	12,078	11,131
Interest income	7,803	4,069
Others	3,276	4,386
	<u>23,157</u>	<u>19,586</u>
Total revenue	<u><u>66,468</u></u>	<u><u>73,742</u></u>

3. Segment information

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

	Property rental 2007 HK\$'000	Film distribution 2007 HK\$'000	Filming facilities services 2007 HK\$'000	Investment holding 2007 HK\$'000	Group total 2007 HK\$'000
Turnover (<i>Note</i>)	<u>3,663</u>	<u>2,166</u>	<u>37,482</u>	<u>-</u>	<u>43,311</u>
Segment results	<u>1,616</u>	<u>(555)</u>	<u>2,506</u>	<u>(5,092)</u>	(1,525)
Unallocated items					(8,602)
Share of profits less losses of associates	-	-	-	303,921	<u>303,921</u>
Profit before income tax					293,794
Income tax expense (<i>Note 5</i>)					<u>-</u>
Profit attributable to equity holders of the Company					<u>293,794</u>
Segment assets	50,219	321	141,588	-	192,128
Interests in associates	-	-	-	1,646,749	1,646,749
Unallocated assets					<u>57,468</u>
Total assets					<u>1,896,345</u>
Segment liabilities	1,187	1,666	4,717	-	7,570
Unallocated liabilities					<u>5,146</u>
Total liabilities					<u>12,716</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>3,907</u>	<u>-</u>	<u>3,907</u>
Depreciation charge	<u>1,667</u>	<u>-</u>	<u>18,572</u>	<u>-</u>	<u>20,239</u>
Amortisation of leasehold land	<u>-</u>	<u>-</u>	<u>463</u>	<u>-</u>	<u>463</u>
Amortisation of released films	<u>-</u>	<u>1,469</u>	<u>-</u>	<u>-</u>	<u>1,469</u>

Note:

There are no sales between the business segments.

	Property rental 2006 HK\$'000	Film distribution 2006 HK\$'000	Filming facilities services 2006 HK\$'000	Investment holding 2006 HK\$'000	Group total 2006 HK\$'000
Turnover (<i>Note</i>)	<u>6,606</u>	<u>5,761</u>	<u>41,789</u>	<u>–</u>	<u>54,156</u>
Segment results	<u>4,986</u>	<u>(788)</u>	<u>3,600</u>	<u>(5,781)</u>	2,017
Unallocated items					(7,520)
Share of profits less losses of associates	–	–	–	302,907	<u>302,907</u>
Profit before income tax					297,404
Income tax expense (<i>Note 5</i>)					<u>–</u>
Profit attributable to equity holders of the Company					<u>297,404</u>
Segment assets	46,942	2,014	160,062	–	209,018
Interests in associates	–	–	–	1,493,348	1,493,348
Unallocated assets					<u>68,689</u>
Total assets					<u>1,771,055</u>
Segment liabilities	1,136	2,137	4,016	–	7,289
Unallocated liabilities					<u>6,521</u>
Total liabilities					<u>13,810</u>
Capital expenditure	<u>–</u>	<u>–</u>	<u>22,772</u>	<u>–</u>	<u>22,772</u>
Depreciation charge	<u>1,936</u>	<u>–</u>	<u>18,705</u>	<u>–</u>	<u>20,641</u>
Amortisation of leasehold land	<u>–</u>	<u>–</u>	<u>463</u>	<u>–</u>	<u>463</u>
Amortisation of released films	<u>–</u>	<u>3,078</u>	<u>–</u>	<u>–</u>	<u>3,078</u>

Note:

Turnover was after eliminating inter-segment transactions amounting to HK\$158,000 attributable to filming facilities services.

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

	Turnover		Profit before income tax	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	41,805	49,385	(10,982)	(8,160)
South East Asia	1,015	4,183	424	2,089
USA	390	80	347	75
Others	101	508	84	493
	<u>43,311</u>	<u>54,156</u>	<u>(10,127)</u>	<u>(5,503)</u>
Share of profits less losses of associates			<u>303,921</u>	<u>302,907</u>
			<u>293,794</u>	<u>297,404</u>
	Total assets		Capital expenditure	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	249,596	277,707	3,907	22,772
South East Asia	–	–	–	–
USA	–	–	–	–
Others	–	–	–	–
	<u>249,596</u>	<u>277,707</u>	<u>3,907</u>	<u>22,772</u>
Interests in associates	<u>1,646,749</u>	<u>1,493,348</u>		
	<u>1,896,345</u>	<u>1,771,055</u>		

4. Profit before income tax

Profit before income tax has been arrived at after charging the following:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Depreciation charge	21,153	20,625
(Less)/add: Net amount (capitalised to)/realised from inventories	<u>(914)</u>	<u>16</u>
	20,239	20,641
Amortisation of leasehold land	463	463
Amortisation of released films	1,469	3,078
Auditor's remuneration	282	291
Employee benefit expense	32,724	33,007
Operating leases – land and buildings	409	400
Specific provision for doubtful debts	<u>–</u>	<u>282</u>

5. Income tax expense

Hong Kong profits tax has not been provided as the Company and two of the subsidiaries have utilised their tax losses brought forward to offset their estimated assessable profit for the year (2006: Nil), while other subsidiaries in the Group have no estimated assessable profit for the year (2006: Nil).

6. Dividends

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend paid, HK\$0.05 (2006: HK\$0.06) per ordinary share	19,920	23,904
Final dividend proposed, HK\$0.40 (2006: HK\$0.34) per ordinary share	<u>159,356</u>	<u>135,452</u>
	<u>179,276</u>	<u>159,356</u>

At a meeting held on 27th June 2007, the Directors proposed a final dividend of HK\$0.40 per ordinary share for the year ended 31st March 2007. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2008.

7. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$293,794,000 (2006: HK\$297,404,000) and on 398,390,400 ordinary shares in issue throughout the years ended 31st March 2007 and 2006. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. Accounts receivable, prepayments, deposits and other receivables

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Accounts receivable	9,181	11,356
Less: Specific provision for doubtful debts	<u>(1,731)</u>	<u>(1,731)</u>
Accounts receivable – net (<i>Note</i>)	7,450	9,625
Prepayments, deposits and other receivables	15,497	10,890
Receivables from related parties	<u>7,229</u>	<u>4,995</u>
	<u><u>30,176</u></u>	<u><u>25,510</u></u>

Note:

The Group has a defined credit policy. The general credit term ranges from 30 to 90 days.

At 31st March 2007, the ageing analysis of accounts receivable is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current	5,836	6,662
1 – 3 months	930	1,602
Over 3 months	<u>684</u>	<u>1,361</u>
	<u><u>7,450</u></u>	<u><u>9,625</u></u>

9. Accounts payable, other payables and accruals

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Accounts payable (<i>Note</i>)	447	735
Other payables and accruals	<u>10,526</u>	<u>11,297</u>
	<u><u>10,973</u></u>	<u><u>12,032</u></u>

Note:

At 31st March 2007, the ageing analysis of accounts payable is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current	406	694
Over 3 months	<u>41</u>	<u>41</u>
	<u><u>447</u></u>	<u><u>735</u></u>

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2007, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$1,590,289,000 (2006: HK\$1,579,259,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Filming Facilities Services

Filming facilities services comprise Film Remastering and Film Processing Centres, and the contribution towards Group profits during the year was HK\$2.5 Million.

Redevelopment of Clearwater Bay Site

The land exchange application is being processed by the Lands Department. Preliminary comments from Government Departments have been received and are being dealt with. Subject to no further adverse comments being received prior to the District Lands Conference (“DLC”), we expect the first provisional basic terms (without quoting of premium) to be offered by end of Year 2007. Meanwhile, we are proceeding with the preparation of Master Landscape Plan, being a condition stipulated when the Master Layout Plan was approved.

Associated Companies

The contribution after taxation from Television Broadcasts Limited (“TVB”) to Group profits for the year increased slightly by 1%. TVB experienced a decline in Hong Kong advertising revenue of approximately 5% during the first half of 2006, due to substantial drop in spending on TV advertising from the local property, the slimming centres and the skin care categories. It regained some of the shortfall when the overall advertising market bounced back in the second half of 2006, resulting in just a marginal decline in the advertising revenue for the full year. The decrease in TVB’s share of losses of an associate, TVB Pay Vision Holdings Limited, has helped contributing to the 1% increase in the Group’s share of profits of TVB.

Movie City Project (Shaw Studios)

The Sound Stages have been soft launched since March 2006. Internal fitting-out works are expected to be substantially finished by the end of 2007.

Financial And Capital Structure

The Group had no 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.

Capital Commitments

As at 31st March 2007, capital commitments of the Group amounted to HK\$91.8 Million (2006: HK\$29.6 Million), which would be funded by internal resources. The increased commitment is mainly in respect of the Movie City Project.

Contingent Liabilities

As at 31st March 2007, the Group and the Company did not have any significant contingent liabilities.

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 2007, the Group employed a total of 181 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 subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance.

During the year under review, the Company has been in compliance with the Code Provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following:

- (a) the Executive Chairman and the Managing Director are not subject to retirement by rotation pursuant to Article 88 of the Company's Articles of Association. The Board considers that the Chairman and the Managing Director, the former being the founder of the Company and the latter who joined the Company since 1969, possess a wealth of experience which is essential to the Board and contributes to the continued stability of the Company's business;
- (b) Non-executive Directors were not appointed for a specific term as required by the Code. However, they are subject to retirement by rotation and re-election at the Company's annual general meetings pursuant to Article 88 of the Company's Articles of Association;
- (c) Pursuant to Article 88 of the Company's Articles of Association, one-third of the Directors for the time being, excluding the Executive Chairman and the Managing Director (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation at each annual general meeting of the Company, and consequently the Directors have retired by rotation at least once every three years.

Notwithstanding the aforesaid, steps are being taken to amend Article 88 of the Company's Articles of Association with a view to ensuring full compliance with the requirements of the Code.

The Board adopts the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors and Senior Management in their dealings in the Company's securities.

Mr. Louis Page, who resigned as Director of the Company on 30th June 2006, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 1st April 2006 and 30th June 2006.

All other Directors and members of the Senior Management confirmed, following specific enquiry by the Company, that they had complied with the Model Code throughout the year ended 31st March 2007.

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.

AUDIT COMMITTEE

The Audit Committee was established on 1st April 1999 with all independent non-executive directors being appointed as members. Membership of the Audit Committee is appointed by the Board, and the current composition consists of three independent Non-executive Directors, namely, Dr. Chow Yei Ching (Chairman of the Audit Committee), Ms. Ng Julie Yuk Shun and Mr. Nelson Hon Sang Chiu. They possess appropriate academic and professional qualifications or related financial management expertise. The Audit Committee is provided with sufficient resources to discharge its duties. The principal duties of the Audit Committee include review of the Group's financial reporting, the scope of audit services as well as the effectiveness of the system of internal control and compliance. It will also discuss matters raised by the external auditor and regulatory bodies to ensure that appropriate recommendations are implemented.

The Audit Committee held two meetings during the year ended 31st March 2007. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor.

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and the effectiveness of the Group's system of internal control, and discussed financial reporting matters including a review of the interim financial statements and the annual consolidated financial statements for the year ended 31st March 2007 before such statements were presented to the Board of Directors for approval.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March 2007 have been agreed by PricewaterhouseCoopers, the Group's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL REPORT

This results announcement is published on the Company's website at www.shawbrothers.com.hk and the website of the Stock Exchange. The Annual Report will also be available at the Company's and the Stock Exchange's websites in mid July 2007 and the printed report will be dispatched to shareholders of the Company in mid July 2007.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors will recommend at the Annual General Meeting to be held on Wednesday, 5th September 2007, a final dividend of HK\$0.40 per ordinary share to shareholders whose names appear on the Register of Members on that date. This, together with the interim dividend of HK\$0.05 per ordinary share amounts to a total distribution of HK\$0.45 per ordinary share for the year.

The Register of Members of the Company will be closed from Friday, 31st August 2007 to Wednesday, 5th September 2007, both days inclusive, during which period, no transfer of shares will be effected. In order to qualify for the above final dividend, all transfers must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 30th August 2007. The final dividend, if approved, will be paid to shareholders on 25th October 2007.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the Kowloon Room, Mezzanine Floor, Kowloon Shangri-La Hotel, Tsim Sha Tsui East, Kowloon, Hong Kong, on Wednesday, 5th September 2007 at 12:00 noon.

Run Run Shaw
Executive Chairman

Hong Kong, 27th June 2007

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

Executive Directors:

Sir Run Run Shaw, GBM (*Executive Chairman*)
Mona Fong (*Deputy Chairperson and Managing Director*)
Jeremiah Rajakulendran

Independent Non-executive Directors:

Dr. Chow Yei Ching
Ng Julie Yuk Shun
Nelson Hon Sang Chiu