

SHAW BROTHERS (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00080)

ANNOUNCEMENT

2007/2008 ANNUAL RESULTS FINAL DIVIDEND FOR 2007/2008 AND CLOSURE OF BOOKS

The Directors of Shaw Brothers (Hong Kong) Limited (the "Company") are pleased to announce the Group's consolidated results for the year ended 31st March 2008 as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31st March	
		2008	2007
	Note	HK\$'000	HK\$'000
Turnover	2	33,457	43,311
Cost of sales		(20,082)	(25,002)
Gross profit		13,375	18,309
Other income	2	24,592	23,157
Selling and distribution expenses		(560)	(540)
General and administrative expenses		(25,302)	(29,952)
Other operating expenses		(20,746)	(21,101)
Operating loss		(8,641)	(10,127)
Share of net profit after income tax of associates		320,041	303,921
Profit before income tax of the Company and subsidiaries	4	311,400	293,794
Income tax expense – Company and subsidiaries	5	–	–
Profit attributable to equity holders of the Company		311,400	293,794
Dividends	6	187,243	179,276
Dividend per share			
Interim dividend paid		HK\$0.05	HK\$0.05
Final dividend proposed		HK\$0.42	HK\$0.40
Earnings per share attributable to equity holders of the Company	7	HK\$0.78	HK\$0.74

CONSOLIDATED BALANCE SHEET

		As at 31st March	
		2008	2007
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		138,791	142,466
Leasehold land		18,052	18,515
Interests in associates		1,792,869	1,646,749
		<u>1,949,712</u>	<u>1,807,730</u>
Current assets			
Inventories		753	7,728
Accounts receivable, prepayments, deposits and other receivables	8	26,324	30,176
Cash and cash equivalents		48,882	50,711
		<u>75,959</u>	<u>88,615</u>
Total assets		<u><u>2,025,671</u></u>	<u><u>1,896,345</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		99,598	99,598
Other reserves		26,100	21,938
Retained profits			
– Proposed final dividend	6	167,323	159,356
– Others		1,723,161	1,602,737
Total equity		<u>2,016,182</u>	<u>1,883,629</u>
LIABILITIES			
Current liabilities			
Accounts payable, other payables and accruals	9	7,583	10,973
Provision for staff long service payments		1,906	1,743
Total liabilities		<u>9,489</u>	<u>12,716</u>
Total equity and liabilities		<u><u>2,025,671</u></u>	<u><u>1,896,345</u></u>
Net current assets		<u>66,470</u>	<u>75,899</u>
Total assets less current liabilities		<u><u>2,016,182</u></u>	<u><u>1,883,629</u></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.

Adoption of new/revised HKFRS effective 1st January 2007

The following new/revised HKFRS are mandatory for the financial year ended 31st March 2008. The Group adopted those which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The new/revised HKFRS above do not have material financial impact to the Group other than the disclosure impact on the consolidated financial statements for the year ended 31st March 2008.

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:

	2008	2007
	HK\$'000	HK\$'000
Turnover		
Rental income from buildings	3,872	3,663
Film distribution income	619	2,166
Filming facilities services fees	28,966	37,482
	33,457	43,311
Other income		
Management fee income	10,616	12,078
Interest income	8,639	7,803
Others	5,337	3,276
	24,592	23,157
Total revenue	58,049	66,468

3. Segment information

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

	Property rental 2008 HK\$'000	Film distribution 2008 HK\$'000	Filming facilities services 2008 HK\$'000	Investment holding 2008 HK\$'000	Group total 2008 HK\$'000
Turnover (<i>Note</i>)	<u>3,872</u>	<u>619</u>	<u>28,966</u>	<u>-</u>	<u>33,457</u>
Segment results	<u>2,261</u>	<u>306</u>	<u>690</u>	<u>(5,066)</u>	<u>(1,809)</u>
Unallocated items					<u>(6,832)</u>
Operating loss					<u>(8,641)</u>
Share of net profit after income tax of associates	-	-	-	320,041	<u>320,041</u>
Profit before income tax of the Company and subsidiaries					<u>311,400</u>
Income tax expense – Company and subsidiaries (<i>Note 5</i>)					<u>-</u>
Profit attributable to equity holders of the Company					<u>311,400</u>
Segment assets	48,884	-	124,838	-	173,722
Interests in associates	-	-	-	1,792,869	1,792,869
Unallocated assets					<u>59,080</u>
Total assets					<u>2,025,671</u>
Segment liabilities	614	166	4,265	-	5,045
Unallocated liabilities					<u>4,444</u>
Total liabilities					<u>9,489</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>5,529</u>	<u>-</u>	<u>5,529</u>
Depreciation charge	<u>1,147</u>	<u>-</u>	<u>12,488</u>	<u>-</u>	<u>13,635</u>
Amortisation of leasehold land	<u>-</u>	<u>-</u>	<u>463</u>	<u>-</u>	<u>463</u>
Amortisation of released films	<u>-</u>	<u>229</u>	<u>-</u>	<u>-</u>	<u>229</u>

Note:

There are no sales between the business segments.

	Property rental 2007 <i>HK\$'000</i>	Film distribution 2007 <i>HK\$'000</i>	Filming facilities services 2007 <i>HK\$'000</i>	Investment holding 2007 <i>HK\$'000</i>	Group total 2007 <i>HK\$'000</i>
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>	<u>(1,525)</u>
Unallocated items					<u>(8,602)</u>
Operating loss					<u>(10,127)</u>
Share of net profit after income tax of associates	–	–	–	303,921	<u>303,921</u>
Profit before income tax of the Company and subsidiaries					<u>293,794</u>
Income tax expense – Company and subsidiaries (<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.

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

	Turnover		Profit/(loss) before income tax of the Company and subsidiaries	
	2008	2007	2008	2007
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Hong Kong	32,919	41,805	(9,029)	(10,982)
South East Asia	400	1,015	269	424
USA	30	390	3	347
Others	108	101	116	84
	33,457	43,311	(8,641)	(10,127)
Share of net profit after income tax of associates			320,041	303,921
			311,400	293,794
	Total assets		Capital expenditure	
	2008	2007	2008	2007
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Hong Kong	232,802	249,596	5,529	3,907
South East Asia	–	–	–	–
USA	–	–	–	–
Others	–	–	–	–
	232,802	249,596	5,529	3,907
Interests in associates	1,792,869	1,646,749		
	2,025,671	1,896,345		

4. Profit before income tax of the Company and subsidiaries

Profit before income tax of the Company and subsidiaries has been arrived at after charging the following:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Depreciation charge	9,204	21,153
Add/(less): Net amount realised from/(capitalised to) inventories	4,431	(914)
	13,635	20,239
Amortisation of leasehold land	463	463
Amortisation of released films	229	1,469
Auditor's remuneration	287	282
Employee benefit expense	33,002	32,724
Operating leases – land and buildings	402	409

5. Income tax expense – Company and subsidiaries

Hong Kong profits tax has not been provided as two of the subsidiaries have utilised their tax losses brought forward to offset their estimated assessable profit for the year (2007: Nil), while the Company and other subsidiaries in the Group have no estimated assessable profit for the year (2007: Nil).

6. Dividends

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim dividend paid, HK\$0.05 (2007: HK\$0.05) per ordinary share	19,920	19,920
Final dividend proposed, HK\$0.42 (2007: HK\$0.40) per ordinary share	167,323	159,356
	187,243	179,276

At a meeting held on 27th June 2008, the Directors proposed a final dividend of HK\$0.42 per ordinary share for the year ended 31st March 2008. Such dividend is to be approved by the shareholders at the Annual General Meeting on 3rd September 2008. Therefore, 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 2009.

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\$311,400,000 (2007: HK\$293,794,000) and on 398,390,400 ordinary shares in issue throughout the years ended 31st March 2008 and 2007. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

8. Accounts receivable, prepayments, deposits and other receivables

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable	2,729	9,181
Less: Specific provision for doubtful debts	(672)	(1,731)
	<hr/>	<hr/>
Accounts receivable – net (<i>Note</i>)	2,057	7,450
Prepayments, deposits and other receivables	12,639	15,497
Receivables from related parties	11,628	7,229
	<hr/>	<hr/>
	26,324	30,176
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Note:

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

At 31st March 2008, the ageing analysis of accounts receivable is as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	1,450	5,836
1 – 3 months	211	930
Over 3 months	396	684
	<hr/>	<hr/>
	2,057	7,450
	<hr/> <hr/>	<hr/> <hr/>

9. Accounts payable, other payables and accruals

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable (<i>Note</i>)	422	447
Other payables and accruals	7,161	10,526
	<hr/>	<hr/>
	7,583	10,973
	<hr/> <hr/>	<hr/> <hr/>

Note:

At 31st March 2008, the ageing analysis of accounts payable is as follows:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	422	406
Over 3 months	–	41
	<hr/>	<hr/>
	422	447
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DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2008, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$1,601,060,000 (2007: HK\$1,590,289,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Redevelopment of Clearwater Bay Site

Land Exchange Application for our Sites was considered by the District Lands Conference at their meeting on 22nd April 2008, and the Application was approved in principle. Presently, we are in discussion with the Lands Department, the Legal Advisory Conveyancing Office and the owner of the adjacent property re the possibility of incorporating our right of way over the adjacent property, in the Land Grant Conditions and the issue of basic terms is pending until the above is resolved.

Associated Companies

The contribution after taxation from Television Broadcasts Limited to Group profits for the year increased by 6%. The increase was largely attributable to the rise in advertising revenue under terrestrial broadcasting, which benefited from the strong retail sales and rising property market during 2007.

Internal fitting-out works are expected to be completed at Shaw Studios by first quarter of 2009 and the facilities will be launched for operations thereafter.

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 2008, capital commitments of the Group amounted to HK\$69.9 Million (2007: HK\$91.8 Million), which would be funded by internal resources.

Contingent Liabilities

As at 31st March 2008, 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 2008, the Group employed a total of 143 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 period from 1st April 2007 to 4th September 2007, 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 "Exchange") except for the following:

- (a) the Executive Chairman and the Managing Director were not subject to retirement by rotation pursuant to Article 88 of the Company's Articles of Association. The Board considered that the Chairman and the Managing Director, the former being the founder of the Company and the latter who joined the Company since 1969, possessed a wealth of experience which was essential to the Board and contributed 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 were 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 was not a multiple of three, then the number nearest to but not greater than one-third) would retire from office by rotation at each annual general meeting of the Company, and consequently the Directors had retired by rotation at least once every three years.

Notwithstanding the aforesaid, at the Annual General Meeting of the Company held on 5th September 2007, the Company has amended Article 88 of the Company's Articles of Association to comply fully with the Code as from that date.

Save for the above, none of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31st March 2008, in compliance with 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.

All 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 2008.

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 2008. 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 2008 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 2008 have been agreed by PricewaterhouseCoopers, the Group’s auditor, to the amounts set out in the Group’s 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.shawbrothers.com.hk and the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkexnews.hk.

The Annual Report will also be available at the Company's and HKEx's websites in mid July 2008 and the printed report will be dispatched to shareholders of the Company in mid July 2008.

DIVIDENDS

The Directors will recommend at the Annual General Meeting to be held on Wednesday, 3rd September 2008, a final dividend of HK\$0.42 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\$0.47 per ordinary share for the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 29th August 2008 to Wednesday, 3rd September 2008, 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, 28th August 2008. The final dividend, if approved, will be paid to shareholders on 23rd October 2008.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the Harbour Room, Mezzanine Floor, Kowloon Shangri-La Hotel, Tsim Sha Tsui East, Kowloon, Hong Kong, on Wednesday, 3rd September 2008 at 12:00 noon.

Run Run Shaw
Executive Chairman

Hong Kong, 27th June 2008

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