

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year are investment holding and investments in the media and entertainment industries.

The activities and particulars of the subsidiaries and associated companies are shown in Note 15 and 16 to the accounts respectively.

The analysis of the Group's turnover and contribution to operating profit after finance costs by principal activities and geographical areas is shown in Note 2 to the accounts.

RESULTS

The results of the Group for the year ended 31st March 2001 are set out in the consolidated profit and loss account on page 17.

APPROPRIATIONS

The Directors have declared an interim dividend of 10.0 cents per ordinary share, totalling HK\$39,839,040 which was paid on 22nd January 2001.

The Directors recommend the payment of a final dividend of 15.0 cents per ordinary share, totalling HK\$59,758,560, in respect of the year ended 31st March 2001 payable to shareholders who are on the Register of Members on 21st September 2001. Final dividend, if approved, will be paid to shareholders on 22nd October 2001.

SHARE CAPITAL

The Company did not issue any shares during the financial year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 21 to the accounts.

FIXED ASSETS

Movements of fixed assets of the Group and the Company during the year are shown in Note 14 to the accounts.

FIVE-YEAR FINANCIAL REVIEW

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 13 and 14.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The following directors and senior managers were in office during the year and at the date of this report:

Sir Run Run Shaw, GBM

Aged Ninety-three, has been the Executive Chairman of the Company since its incorporation. He is also the Executive Chairman of Television Broadcasts Limited. Sir Run Run Shaw is the husband of Ms. Mona Fong, the Managing Director of the Company.

Mona Fong

Aged Sixty-six, joined the Company in 1969 and was appointed as Director in 1981 and Managing Director in 1996. She is the Executive Chairman of Shaw Holdings Inc., a substantial shareholder of the Company. She is the Deputy Chairperson of Television Broadcasts Limited and The Shaw Foundation Hong Kong Limited. She is also the Chairman of the Sir Run Run Shaw Charitable Trust and member of the Board of Trustees of Shaw College of the Chinese University of Hong Kong. Ms. Mona Fong is the wife of Sir Run Run Shaw, the Executive Chairman of the Company.

The Hon. Quo-wei Lee, GBM; JP

Aged Eighty-three, was appointed as a Non-executive Director of the Company in 1971. He is the Chairman of Wideland Investors Limited and Wei Lun Foundation Limited. He is the Honorary Chairman of Hang Seng Bank Limited. He is also a Director of Miramar Hotel and Investment Company Limited, New World Development Company Limited and Shanghai Industrial Holdings Limited. Mr. Lee is also a Life Member of the Council of the Chinese University of Hong Kong.

Louis Page

Aged Fifty-one, has been a senior executive with the Company since 1975 and was appointed Director in 1988. He is a Director of Shaw Holdings Inc., a substantial shareholder of the Company. He is also Managing Director of Television Broadcasts Limited.

William Turnbull, OBE; LLB; JP

Aged Sixty-seven, was appointed as a Non-executive Director of the Company in 1982. He is a solicitor admitted to practice in both Hong Kong and England and Wales. He has been a permanent resident in Hong Kong since 1957 and has wide legal, financial and business experience. In addition to his own diverse business interests, he has held in the past and currently holds a number of directorships in Hong Kong and elsewhere and Government advisory and other appointments.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Cont'd)*

The Hon. Ti-liang Yang, GBM; JP

Aged Seventy-two, was appointed as a Non-executive Director of the Company in July 2000. He is a barrister admitted to practice in Hong Kong and served as Chief Justice of Hong Kong for eight years. He is a member of the Executive Council and holds a number of Government advisory and other appointments. He is also the Chairman of the Exchange Fund Investment Limited.

Dr. Yei-ching Chow

Aged Sixty-five, was appointed as a Non-Executive Director of the Company in February 2001. He is the founder and chairman of Chevalier Group that comprises three publicly listed companies in Hong Kong and one in Singapore. He is a Non-executive Director of Television Broadcasts Limited, United Chinese Bank Limited and Van Shung Chong Holdings Limited. Dr. Chow is the Honorary Consul Designate of the State of Bahrain in Hong Kong and a member of the Chinese People's Political Consultative Conference, Shanghai. He holds an Honorary Degree of Doctor of Laws from The University of Hong Kong and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. He also serves in a number of positions in various educational, charitable and trade organisations.

Julie Yuk-shun Ng

Aged Forty-eight, was appointed as a Non-executive Director of the Company in February 2001. She has a MBA degree from New York University and has been managing her own shipping and trading companies in Hong Kong since 1973.

Jeremiah Rajakulendran

Aged Fifty-five, is the Chief Financial Officer of the Company. He joined the Company in 1984 and was appointed Company Secretary in April 1998 and Director in February 2001.

Lawrence Siu-keung Lau

Aged Fifty, joined the Company as Group Financial Controller in 1998 and was appointed Company Secretary in February 2001.

DIRECTORS

Dr. Tse-kai Ann, who had been a Director of the Company since 1985, passed away in June 2000.

In accordance with Article 88 of the Company's Articles of Association, Mr. William Turnbull and The Hon. Quo-wei Lee retire by rotation and, being eligible, offer themselves for re-election with the unanimous support of other Directors. In accordance with Article 94 of the Company's Articles of Association, Dr. Yei-ching Chow, Ms. Julie Yuk-shun Ng and Mr. Jeremiah Rajakulendran shall hold office only until the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election with the unanimous support of other Directors.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS

None of the Directors of the Company has a service contract with the Company which is not determinable within one year, without payment of compensation, other than statutory compensation.

The Company has an arrangement with Television Broadcasts Limited for the use of certain facilities in the Company's studio and office spaces. Sir Run Run Shaw, the Executive Chairman of the Company, is also the Executive Chairman of and has an indirect interest in Television Broadcasts Limited.

The Company has an arrangement with Shaw Property Holdings Limited for the development of a Movie City in Tseung Kwan O. Sir Run Run Shaw and Ms. Mona Fong have an indirect interest in Shaw Property Holdings Limited through its holding company, Shaw Holdings Inc.. Ms. Mona Fong is a director of both Shaw Property Holdings Limited and Shaw Holdings Inc..

Save as mentioned in the preceding paragraphs, no contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

The interests of the Directors in the ordinary shares of the Company and of its associated company as recorded in the Register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31st March 2001 were as follows:

Sir Run Run Shaw

Shaw Brothers (Hong Kong) Limited			Television Broadcasts Limited			Goldway Holdings Limited		
Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests
—	—	297,106,872	—	—	27,216,200	—	—	370

Mona Fong

Shaw Brothers (Hong Kong) Limited			Television Broadcasts Limited			Goldway Holdings Limited		
Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests
1,378,000	—	—	970,000	—	—	—	—	—

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS (Cont'd)

Louis Page

Shaw Brothers (Hong Kong) Limited			Television Broadcasts Limited			Goldway Holdings Limited		
Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests	Personal interests	Family interests	Attributed corporate interests
300,000	—	—	300,000	—	—	—	—	—

The above corporate interests in which the Directors and chief executive are taken to be interested are the interests of corporations where the Directors and chief executive are either entitled to exercise (or are deemed or taken under the SDI Ordinance to be able to exercise) or control the exercise, directly or indirectly of one-third or more of the voting power in general meetings of such corporations.

Sir Run Run Shaw and Ms. Mona Fong are deemed to have indirect interests (through the Company's interests) in the shares of other non-listed associated corporations of the Company as a result of their deemed interests in the shares of the Company. Other than the above stated interests, none of the Directors and chief executive have any family interests or other interest (including any deemed to be held through the Company's interest) in the shares of non-listed associated corporations of the Company.

The Company did not grant to the Directors or chief executive, or to the spouse or children under 18 years of age of any such directors or chief executive, any right to subscribe for shares of the Company.

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st March 2001, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

	Ordinary share of 25 cents each
Shaw Holdings Inc.	263,610,872

Note: For the avoidance of doubt and double counting, it should be noted that the above shareholding has already been included in the shareholding stated against Sir Run Run Shaw shown above under Directors' interests.

Save for the shares referred to above, no other person is recorded in the register kept pursuant to Section 16 of the Securities (Disclosure of Interests) Ordinance as having an interest representing 10% or more of the issued share capital of the Company.

REPORT OF THE DIRECTORS

CONNECTED AND RELATED PARTY TRANSACTIONS

Two tenancy agreements were made between the Company and Television Broadcasts Limited (“TVB”) dated 19th May 1997 and 15th December 1997 respectively whereby the Company granted to TVB tenancies of certain office and car parking spaces situated at Shaw House, Lot 220 Clear Water Bay Road, Kowloon, Hong Kong. The term of the two tenancies commenced on 1st July 1997 and 1st November 1997 respectively and will both expire on 30th June 2005. The amount of rental received during the year totalled HK\$17,732,000.

Since 5th May 1992, the Company has been providing video production facilities to TVB under a production management agreement. On 31st January 2001, the Company and TVB entered into a new production management agreement for a period of two years from 1st February 2001 at a monthly fee of HK\$445,418. The amount of the production management fee received during the year totalled HK\$5,345,000.

The Company signed a joint venture agreement on 1st June 1999, relating to the development of a Movie City at Town Lot No. 67 in Tseung Kwan O, with Shaw Property Holdings Limited, a connected person of the Company by virtue of it being an associate of Shaw Holdings Inc., controlling shareholder of both the Company and Shaw Property Holdings Limited, and independent third parties (“the Agreement”). The Agreement was approved by the independent shareholders at the Extraordinary General Meeting held on 21st July 1999.

Since November 2000, the Company has been providing financial assistance in the form of an interest bearing loan to a non-wholly owned subsidiary, Film Power Company Limited, at Hong Kong Dollar prime lending rate per annum for financing its film productions. The amount of interest bearing loan at the balance sheet date is HK\$16,045,000. The minority shareholder of the non-wholly owned subsidiary is connected to the Company by virtue only of his substantial shareholding therein.

Details of related party transactions of the Group are set out in Note 25 to the accounts. Note 25(ii) and (iii) constitute connected transactions under the Listing Rules as disclosed above.

BUSINESS REVIEW

The disposal of the Group’s films and pictures, and the related assets was successfully concluded and the Group will now concentrate on investments in the media and entertainment industries.

An associated company, Hong Kong Digital Movie City Company Limited, was successful in the tender for Lot 87 in Tseung Kwan O for the development of studio and ancillary facilities. Application has been made for a comprehensive development combining both Lots 61 and 87 in Tseung Kwan O and the decision of the Government is expected shortly.

The processing of the application for the redevelopment of the Clearwater Bay Road site has moved to an advanced stage and a determination of the extent and character of the redevelopment is expected from the District Planning Office, Sai Kung, in the current financial year.

The Group had no significant external borrowing and consequently none of the Group’s assets are subject to any charge. One of our subsidiaries, Shaw Brothers (Thailand) Company Limited was liquidated during the year.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, an Audit Committee was established on 1st April 1999 with three independent non-executive directors being appointed as members. Two meetings were held during the current financial year.

CORPORATE GOVERNANCE

During 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.

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REMUNERATION OF DIRECTORS AND SENIOR EMPLOYEES

Details of directors' remuneration and the five highest paid employees are set out in Notes 4 and 5 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's five largest suppliers and the percentage of turnover attributable to the Group's five largest customers are both less than 30%.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Run Run Shaw
Chairman

Hong Kong, 22nd June 2001