

## **REPORT OF THE DIRECTORS**

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The Directors have pleasure in presenting their report together with the audited accounts for the year ended 31st March 2002.

### **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 14 and 15 to the accounts respectively.

The analysis of the Group's performance for the year by business and geographical segments is set out in Note 2 to the accounts.

### **RESULTS**

The results of the Group for the year ended 31st March 2002 are set out in the consolidated profit and loss account on page 19.

### **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 2002.

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 2002 payable to shareholders who are on the Register of Members on 20th September 2002. Final dividend, if approved, will be paid to shareholders on 22nd October 2002.

### **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 20 to the accounts.

### **FIXED ASSETS**

Movements of fixed assets of the Group and the Company during the year are shown in Note 13 to the accounts.

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### 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 15 and 16.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The following directors and senior managers were in office during the year:

#### **Sir Run Run Shaw**, GBM

Aged Ninety-four, 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 Executive Deputy Chairperson and Managing Director of the Company.

#### **Mona Fong**

Aged Sixty-seven, joined the Company in 1969 and was appointed a Director in 1981, Managing Director in 1996 and Executive Deputy Chairperson in 2001. She is the Executive Chairperson of Shaw Holdings Inc., a substantial shareholder of the Company and the Deputy Chairperson of Television Broadcasts Limited. She is also the Chairperson of The Shaw Foundation Hong Kong Limited and 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-four, was appointed 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-two, has been a senior executive with the Company since 1975 and was appointed a 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.

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### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

#### **William Turnbull**, OBE; LLB; JP

Aged Sixty-eight, was appointed 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. He resigned as Director of the Company with effect from 31st May 2002.

#### **The Hon. Ti-liang Yang**, GBM; JP

Aged Seventy-three, was appointed 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-six, was appointed 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 and Van Shung Chong Holdings Limited. Dr. Chow is the Honorary Consul of the Kingdom 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-nine, was appointed 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-six, 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.

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### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

#### Lawrence Siu-keung Lau

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

### DIRECTORS

Mr. William Turnbull resigned as a Director of the Company effective 31st May 2002.

In accordance with Article 88 of the Company's Articles of Association, Mr. Louis Page and The Hon. Ti-liang Yang retire by rotation and, being eligible, offer themselves for re-election with the unanimous support of other 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 interest in a joint venture company developing a Movie City in Tseung Kwan O, in which Shaw Property Holdings Limited is a shareholder. Ms. Mona Fong has an indirect interest in Shaw Property Holdings Limited as she is a director of both Shaw Property Holdings Limited and its holding company, 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.

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### DIRECTORS' INTERESTS (continued)

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 2002 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	-	-	27,286,200	-	-	400

#### 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	-	-	1,096,000	-	-	-	-	-

#### 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
100,000	-	-	150,000	-	-	-	-	-

#### Yei-ching Chow

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
450,000	-	-	100,000	-	-	-	-	-

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### DIRECTORS' INTERESTS *(continued)*

The above corporate interests in which the Directors are taken to be interested are the interests of corporations where the Directors 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 has 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 to the spouse or children under 18 years of age of any such directors, 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 2002, 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:

	<b>Ordinary share of 25 cents each</b>
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.

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### 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 production management agreement was renewed for a further period of two years from 1st February 2001. The amount of the production management fee received during the year totalled HK\$5,345,000.

The Company has an interest in a joint venture company developing a Movie City in Tseung Kwan O, in which Shaw Property Holdings Limited is one of the shareholders. Shaw Property Holdings Limited is 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.

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\$29,568,000. 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 24 to the accounts. Note 24(ii) and (iii) constitute connected transactions under the Listing Rules as disclosed above.

### 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 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

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.

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### 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 Note 4 and 5 to the accounts.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the turnover for the year attributable to the Group's major customers are as follows:

– the largest customer	8.4%
– five largest customers	33.5%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the customers noted above.

During the year, the percentage of purchases attributable to the Group's five largest suppliers are 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

**Mona Fong**

*Deputy Chairman and Managing Director*

Hong Kong, 26th June 2002