

# SHAW BROTHERS (HONG KONG) LIMITED

*(incorporated in Hong Kong with limited liability)*

## 2002/2003 INTERIM RESULTS ANNOUNCEMENT

The Directors of Shaw Brothers (Hong Kong) Limited (the “Company”) are pleased to announce the Group’s unaudited interim results for the six months ended 30th September 2002, the details of which are given below. These results have been reviewed by the Audit Committee of the Board of Directors who have in their review accepted the unaudited published results of Television Broadcasts Limited for the six months ended 30th June 2002 which have been included in the Group’s results.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

*FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002*

		Unaudited Six months ended 30th September	
		2002	As restated 2001
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	30,721	33,895
Cost of sales		(8,922)	(18,378)
		<hr/>	<hr/>
Gross profit		21,799	15,517
Other revenues	3	8,546	14,209
Selling and distribution expenses		(964)	(4,473)
Property related expenses		(4,027)	(3,696)
General and administrative expenses		(12,045)	(12,168)
Other operating expenses		(14,466)	(9,086)
		<hr/>	<hr/>
Operating (loss)/profit	4	(1,157)	303
Finance costs		(1)	(6)
		<hr/>	<hr/>

		(1,158)	297
Share of profits less losses of associated companies		<u>49,618</u>	<u>79,090</u>
Profit before taxation		48,460	79,387
Taxation	5	<u>(7,774)</u>	<u>(14,776)</u>
Profit attributable to shareholders		<u>40,686</u>	<u>64,611</u>
Interim dividend		<u>19,920</u>	<u>39,839</u>
Interim dividend per share		<u>HK\$0.05</u>	<u>HK\$0.10</u>
Earnings per share	6	<u>HK\$0.10</u>	<u>HK\$0.16</u>

*Notes:*

## 1. Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim financial reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2002 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 33	: Discontinuing operations
SSAP 34	: Employee benefits

The effect of adopting these new policies is not material to the current and prior periods. Certain presentational changes, however, have been made upon the adoption of SSAP 1 (revised): “Presentation of financial statements”, SSAP 15 (revised): “Cash flow statements” and SSAP 25 (revised): “Interim financial reporting”.

## 2. Segment information

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

	Six months ended 30th September 2002			
	Property rental <i>HK\$'000</i>	Film distribution <i>HK\$'000</i>	Filming facilities services <i>HK\$'000</i>	Group total <i>HK\$'000</i>
Turnover ( <i>Note</i> )	<u>9,124</u>	<u>9,370</u>	<u>12,227</u>	<u>30,721</u>
Contribution to profit	<u>6,493</u>	<u>(631)</u>	<u>(552)</u>	5,310
Unallocated items				<u>(6,467)</u>
Operating loss				(1,157)
Finance costs				(1)
Share of profits less losses of associated companies				<u>49,618</u>
Profit before taxation				48,460
Taxation				<u>(7,774)</u>
Profit attributable to shareholders				<u>40,686</u>

### *Note:*

Turnover from external customers is after eliminating inter-segment transactions amounting to HK\$660,000 attributable to filming facilities services.

	Six months ended 30th September 2001			
	Property	Film	Filming	Group
	rental	distribution	facilities	total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover ( <i>Note</i> )	<u>9,150</u>	<u>21,349</u>	<u>3,396</u>	<u>33,895</u>
Contribution to profit	<u>7,005</u>	<u>(1,513)</u>	<u>(3,730)</u>	1,762
Unallocated items				<u>(1,459)</u>
Operating profit				303
Finance costs				(6)
Share of profits of associated companies				<u>79,090</u>
Profit before taxation				79,387
Taxation				<u>(14,776)</u>
Profit attributable to shareholders				<u><u>64,611</u></u>

*Note:*

Turnover from external customers is after eliminating inter-segment transactions amounting to HK\$2,539,000 attributable to filming facilities services.

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

	Turnover		Operating results	
	Six months ended		Six months ended	
	30th September		30th September	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>25,913</b>	27,220	<b>(1,139)</b>	(907)
South East Asia	<b>4,688</b>	5,265	<b>(49)</b>	920
USA	<b>90</b>	630	<b>25</b>	119
Others	<b>30</b>	780	<b>6</b>	171
	<u><b>30,721</b></u>	<u>33,895</u>	<u><b>(1,157)</b></u>	<u>303</u>

### 3. Other revenues

	<b>Six months ended 30th September</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Management fee income	<b>4,782</b>	4,789
Interest income	<b>3,315</b>	8,181
Others	<b>449</b>	1,239
	<b><u>8,546</u></b>	<b><u>14,209</u></b>

### 4. Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

	<b>Six months ended 30th September</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Crediting</b>		
Gross rental income less outgoings	<b><u>8,914</u></b>	<b><u>8,957</u></b>
<b>Charging</b>		
Wages and salaries (including directors' remuneration)	<b>16,263</b>	15,069
Retirement benefit costs	<b>480</b>	421
Staff costs	<b>16,743</b>	15,490
Amortisation of released films	<b>8,777</b>	17,153
Operating leases – land and buildings	<b>236</b>	228
Depreciation charge	<b><u>7,786</u></b>	<b><u>3,946</u></b>

### 5. Taxation

Hong Kong profits tax and overseas profits tax have not been provided as the Group has no assessable profit in Hong Kong and overseas for the period (2001: nil).

The amount of taxation charged to the consolidated profit and loss account represents the Group's share of taxation attributable to:

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Associated companies:		
Hong Kong profits tax	<b>7,727</b>	14,405
Overseas taxation	<b>539</b>	734
Under/(over) provisions in prior periods	<b>12</b>	(997)
Deferred taxation	<b>(504)</b>	634
	<hr/>	<hr/>
	<b>7,774</b>	14,776
	<hr/> <hr/>	<hr/> <hr/>

## **6. Earnings per share**

The calculation of earnings per share is based on the Group's profit attributable to shareholders for the period of HK\$40,686,000 (2001: HK\$64,611,000) and on 398,390,400 ordinary shares in issue throughout the two six-month periods ended 30th September.

## **INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of 5.0 cents per ordinary share, payable on 22nd January 2003 to shareholders whose names appear on the Register of Members of the Company on that date, and will absorb HK\$19,919,520.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Saturday, 4th January 2003 to Wednesday, 22nd January 2003, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Hopewell Centre, 17th Floor, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Friday, 3rd January 2003.

## **Property Rental**

Property rental income was mainly derived from leasing office premises to our associated company, Television Broadcasts Limited.

## **Film Distribution**

One film was produced and released during the period.

Of the four films under production at the end of last year, two have been completed but not released. We expect to complete post-production of the remaining two films by end of December 2002 and January 2003.

The box office takings of films released over the past 6 months has been very poor and probably the worst over the last 10 years. Hence, we have delayed the release of the films, till we see an improvement in the market.

## **Filming Facilities Services**

The Film Remastering Centre has been fully established and the remastered products have been accepted as of a very high quality. The Centre will generate positive results in the financial year.

## **Clearwater Bay Site**

Following the Government's approval in principle of a mixed development with a residential plot ratio of 1.5 and commercial ratio of 0.302, a Master Layout Plan was prepared and submitted by the consultant to the Town Planning Board in October 2002. Normally, a planning application will be considered by the Town Planning Board within a period of two months. However, given that the zoning of the site is still subject to outstanding planning objections to be considered by the Chief Executive in Council, consideration of the Master Layout Plan may take a considerably longer time.

## **Associated Companies**

Due to Hong Kong's economic situation worsening considerably in 2002, the advertising revenue of Television Broadcasts Limited fell sharply. Consequently, the contribution to the Group fell by 35%.

## **Movie City Project**

Documentation to combine Lot Nos. 67 and 81 in Tseung Kwan O into a new Lot to be known as TKOTL No. 85 has been completed.

The foundation work is in progress and is expected to be completed by end of December 2002. Tenders for superstructure construction have been called from 10 companies and the contract will be awarded to the successful tenderer by early January 2003. The superstructure work is expected to commence in mid January 2003.

## **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 period.

## **Contingent Liabilities**

As at 30th September 2002, the Group and the Company did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th September 2002, the Group employed a total of 166 full time employees, all in Hong Kong. During the period under review, there was no significant change in the Group's remuneration policies.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's Interim Report and unaudited condensed accounts for the six months ended 30th September 2002.



## **CORPORATE GOVERNANCE**

Throughout the six months ended 30th September 2002, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, 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.

**Run Run Shaw**  
*Chairman*

Hong Kong, 4th December 2002

*The interim report of the Company for the six months ended 30th September 2002 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website in due course.*

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