



SHAW BROTHERS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

INTERIM REPORT 2003

The Directors of Shaw Brothers (Hong Kong) Limited (the "Company") are pleased to present the Group's Interim Report and unaudited condensed accounts for the six months ended 30th September 2003, the details of which are given below. The Group's Interim Report and accounts have been reviewed by the Audit Committee of the Board of Directors who have in their review accepted the unaudited published accounts of Television Broadcasts Limited for the six months ended 30th June 2003 which have been included in the Group's accounts.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Note	Unaudited	
		Six months ended 30th September	
		2003	2002
		HK\$'000	HK\$'000
Turnover	2	25,127	30,721
Cost of sales		(11,048)	(8,922)
Gross profit		14,079	21,799
Other revenues	3	7,408	8,546
Selling and distribution expenses		(724)	(964)
Property related expenses		(3,937)	(4,027)
General and administrative expenses		(10,180)	(12,045)
Other operating expenses		(9,849)	(14,466)
Operating loss	4	(3,203)	(1,157)
Finance costs		–	(1)
Share of profits less losses of associated companies		(3,203)	(1,158)
		44,165	49,618
Profit before taxation		40,962	48,460
Taxation	5	(5,218)	(7,774)
Profit attributable to shareholders		35,744	40,686
Dividends	6	19,920	19,920
Earnings per share	7	HK\$0.09	HK\$0.10

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER AND 31ST MARCH 2003

		Unaudited 30th September 2003	Audited 31st March 2003
	Note	HK\$'000	HK\$'000
Fixed assets	8	204,210	209,662
Associated companies		937,932	926,365
Current assets			
Inventories		26,017	24,299
Accounts receivable, prepayments, deposits and other receivables	9	14,535	21,636
Taxation recoverable		–	106
Fixed deposits with banks		336,042	305,720
Bank and cash balances		6,700	2,256
		383,294	354,017
Current liabilities			
Creditors and accruals	10	16,908	15,602
Advance rental received from an associated company		1,879	1,882
Provision for staff long service payments		1,671	1,743
Dividend payable		79,677	–
Bank overdrafts		–	1,828
		100,135	21,055
Net current assets		283,159	332,962
Total assets less current liabilities		1,425,301	1,468,989
Financed by:			
Share capital		99,598	99,598
Reserves	11		
Retained profits		1,276,206	1,255,011
2003 proposed final dividend	6(a)	–	79,677
Proposed interim dividend	6(b)	19,920	–
Other reserves		29,577	34,703
		1,325,703	1,369,391
Shareholders' funds		1,425,301	1,468,989

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Unaudited	
	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Total equity at beginning of the period	1,468,989	1,404,117
Share of reserve movements of an associated company	245	2,704
Net gains not recognised in the profit and loss account	245	2,704
Profit for the period	35,744	40,686
Final dividend 2003 (2002)	(79,677)	(59,758)
Total equity at end of the period	1,425,301	1,387,749

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Unaudited	
	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	9,356	(9,301)
Net cash inflow from investing activities	27,238	66,558
Increase in cash and cash equivalents	36,594	57,257
Cash and cash equivalents at beginning of the period	306,148	332,020
Cash and cash equivalents at end of the period	342,742	389,277
Analysis of the balances of cash and cash equivalents		
Fixed deposits with banks (maturing within three months)	336,042	384,260
Bank and cash balances	6,700	5,017
	342,742	389,277

NOTES TO CONDENSED ACCOUNTS

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 2003 annual accounts.

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 2003 except that the Group has changed its accounting policy on income taxes following its adoption of the revised SSAP 12 “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

Upon adoption of the revised SSAP 12, deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

The adoption of the revised SSAP 12 has no material impact on the current and prior periods’ accounts.

2. Segment information

Primary reporting format – business segments

The Group is principally engaged in investment holding and business operations relating to the media and entertainment industries through the following major business segments:

Property rental	:	Leases of properties for rentals
Film distribution	:	Distribution of films for theatrical income and royalty income
Filming facilities services	:	Provision of studio sites and filming facilities for income
Investment holding	:	Investments in associated companies

The Group’s inter-segment transactions mainly consist of film processing works, as well as provision of administration and accounting services. Film processing works are provided at similar terms as that contracted with third parties. Administration and accounting services are charged on a cost reimbursement basis. Unallocated items consist primarily of management fee income, interest income less corporate expenses.

	Six months ended 30th September 2003				
	Property rental	Film distribution	Filming facilities services	Investment holding	Group total
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover (<i>Note</i>)	<u>8,927</u>	<u>2,762</u>	<u>13,438</u>	<u>–</u>	<u>25,127</u>
Segment results	<u>6,250</u>	<u>(899)</u>	<u>(2,935)</u>	<u>(2,607)</u>	<u>(191)</u>
Unallocated items					<u>(3,012)</u>
Operating loss					<u>(3,203)</u>
Finance costs					<u>–</u>
Share of profits less losses of associated companies	<u>–</u>	<u>–</u>	<u>–</u>	<u>44,165</u>	<u>44,165</u>
Profit before taxation					<u>40,962</u>
Taxation					<u>(5,218)</u>
Profit attributable to shareholders					<u>35,744</u>

Note:

Turnover is after eliminating inter-segment transactions amounting to HK\$321,000 attributable to filming facilities services.

2. Segment information (continued)

Primary reporting format – business segments (continued)

	Six months ended 30th September 2002				Group total HK\$'000
	Property rental	Film distribution	Filming facilities services	Investment holding	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover (Note)	9,124	9,370	12,227	–	30,721
Segment results	6,397	(695)	(800)	(3,221)	1,681
Unallocated items					(2,838)
Operating loss					(1,157)
Finance costs					(1)
Share of profits less losses of associated companies	–	–	–	49,618	49,618
Profit before taxation					48,460
Taxation					(7,774)
Profit attributable to shareholders					40,686

Note:

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

Secondary reporting format – geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in four main geographical areas:

Hong Kong : Property rental, film distribution, filming facilities services and investment holding
 South East Asia, USA and others : Film distribution

There are no sales between the geographical segments.

	Turnover		Operating loss before finance costs	
	Six months ended 30th September		Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	24,361	25,913	(3,156)	(1,139)
South East Asia	610	4,688	(50)	(49)
USA	–	90	–	25
Others	156	30	3	6
	25,127	30,721	(3,203)	(1,157)

3. Other revenues

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Management fee income	4,623	4,782
Interest income	2,024	3,315
Others	761	449
	7,408	8,546

4. Operating loss

Operating loss is stated after crediting and charging the following:

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
<u>Crediting</u>		
Gross rental income less outgoings	<u>8,735</u>	<u>8,914</u>
<u>Charging</u>		
Depreciation charge	10,344	9,519
Less: amounts capitalised to inventories	<u>(2,274)</u>	<u>(1,733)</u>
	8,070	7,786
Amortisation of released films	2,789	8,777
Staff costs	15,864	16,743
Operating leases – land and buildings	<u>232</u>	<u>236</u>

5. Taxation

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period (2002: nil). Tax on overseas profits has been calculated, where applicable, at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Company and subsidiaries:		
Under provisions in prior periods	<u>1,091</u>	–
Associated companies:		
Hong Kong profits tax	1,585	7,727
Overseas taxation	1,054	539
Under provisions in prior periods	66	12
Deferred taxation relating to the origination and reversal of temporary differences	35	(504)
Deferred taxation resulting from an increase in tax rate	<u>1,387</u>	–
	<u>4,127</u>	<u>7,774</u>
	<u>5,218</u>	<u>7,774</u>

6. Dividends

	Six months ended 30th September 2003	2002
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$0.05 (2002: HK\$0.05) per ordinary share (<i>Note (b)</i>)	19,920	19,920
	<u>19,920</u>	<u>19,920</u>

Notes:

- (a) At a meeting held on 25th June 2003, the Directors proposed a final dividend of HK\$0.20 per ordinary share for the year ended 31st March 2003, which was paid on 22nd October 2003 and has been reflected as an appropriation of retained profits for the six months ended 30th September 2003.
- (b) At a meeting held on 3rd December 2003, the Directors declared an interim dividend of HK\$0.05 per ordinary share for the year ending 31st March 2004. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March 2004.

7. Earnings per share

The calculation of earnings per share is based on earnings for the period of HK\$35,744,000 (2002: HK\$40,686,000) and on 398,390,400 ordinary shares in issue throughout the two six-month periods ended 30th September 2003 and 2002.

8. Capital expenditure

	Fixed assets
	HK\$'000
Six months ended 30th September 2003	
Opening net book amount	209,662
Additions	4,892
Depreciation charge (<i>Note 4</i>)	(10,344)
	<u>204,210</u>
Closing net book amount	

9. Accounts receivable, prepayments, deposits and other receivables

Included in accounts receivable, prepayments, deposits and other receivables are trade debtors and their ageing analysis is as follows:

	30th September 2003	31st March 2003
	HK\$'000	HK\$'000
Current	5,930	6,575
1 to 3 months	1,776	4,656
Over 3 months	746	811
	<u>8,452</u>	<u>12,042</u>

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

10. Creditors and accruals

Included in creditors and accruals are trade creditors and their ageing analysis is as follows:

	30th September 2003	31st March 2003
	HK\$'000	HK\$'000
Current	695	224
1 to 3 months	–	70
Over 3 months	303	272
	<u>998</u>	<u>566</u>

11. Reserves

	Legal reserve	Capital reserve	Exchange fluctuation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	1,942	32,982	(2,456)	1,272,051	1,304,519
Share of reserve movements of an associated company	–	–	2,235	(730)	1,505
Profit for the year	–	–	–	143,045	143,045
2002 Final dividend	–	–	–	(59,758)	(59,758)
2003 Interim dividend	–	–	–	(19,920)	(19,920)
	<u>1,942</u>	<u>32,982</u>	<u>(221)</u>	<u>1,334,688</u>	<u>1,369,391</u>
At 31st March 2003					
Representing:					
Retained profits				1,255,011	
2003 Final dividend proposed				79,677	
				<u>1,334,688</u>	
At 31st March 2003					
At 1st April 2003	1,942	32,982	(221)	1,334,688	1,369,391
Share of reserve movements of an associated company	94	–	(5,220)	5,371	245
Profit for the period	–	–	–	35,744	35,744
2003 Final dividend paid (<i>Note 6(a)</i>)	–	–	–	(79,677)	(79,677)
	<u>2,036</u>	<u>32,982</u>	<u>(5,441)</u>	<u>1,296,126</u>	<u>1,325,703</u>
At 30th September 2003					
Representing:					
Retained profits				1,276,206	
2004 Interim dividend proposed (<i>Note 6(b)</i>)				19,920	
				<u>1,296,126</u>	
At 30th September 2003					

12. Capital commitments

	30th September 2003	31st March 2003
	HK\$'000	HK\$'000
Authorised but not contracted for		
– in respect of the Group's share of contribution to an associated company for its development of film studio and ancillary facilities	49,828	37,318
Contracted but not provided for		
– in respect of property, plant and equipment	215	576
– in respect of the Group's share of contribution to an associated company for its development of film studio and ancillary facilities	150,646	219,856
	<u>150,861</u>	<u>220,432</u>
	<u>200,689</u>	<u>257,750</u>

13. Related party transactions

The Group entered into the following significant transactions in the normal course of business during the period with related parties:

- (i) The Group received rental income in respect of land and buildings amounting to HK\$8,866,000 (2002: HK\$8,866,000) from an associated company. The rental income was determined by contract between both parties.
- (ii) The Group provided labour and administrative services to certain related companies for management fees totaling HK\$4,252,000 (2002: HK\$4,264,000). The fees for these services were determined by contract between the parties. These related companies are held by a substantial shareholder of the Company.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 5.0 cents per ordinary share, payable on 27th January 2004 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, 10th January 2004 to Tuesday, 27th January 2004, 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, at Hopewell Centre, 17th Floor, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Friday, 9th January 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Rental

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

Film Distribution

One film produced last year was released during the period. The economic weakness continued into year 2003 and the movie industry was one of those worse affected. Consequently the box office takings was very poor.

Quota-free distribution of Hong Kong made movies has been introduced under the liberalization of trade in services between mainland China and Hong Kong. Hence, we are contemplating producing 6 movies next year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Filming Facilities Services

Contribution from the Film Remastering Centre was HK\$1,359,000, and is expected to remain at the same level for the rest of the year.

Redevelopment of Clearwater Bay Site

By letter dated 29th October 2003, the Sai Kung District Planning Office issued an amended planning brief and, based on the amendments, a revised Master Layout Plan will be submitted for consideration by the Town Planning Board.

Associated Companies

Contribution from Television Broadcasts Limited to Group profits fell by 10.86% and the dividend income remained the same as last year.

Movie City Project

The superstructure work is progressing to schedule, and completion of the first phase, namely the administration block and the post production suites, is expected to be completed by July 2004.

Financial

The Group had no significant external borrowing and 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 2003, the Group and the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September 2003, the Group employed a total of 184 full time employees, all in Hong Kong. During the period under review, there was no significant change in the Group's remuneration policies.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September 2003, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

Throughout the six months ended 30th September 2003, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on 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.

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 2003.

DIRECTORS' INTERESTS IN SHARES

As at 30th September 2003, the beneficial interests of the directors and chief executive in the ordinary shares of the Company as recorded in the register maintained under Section 352 of the Securities and Futures Ordinance were as follows:

	No. of Ordinary Shares of HK\$0.25 each				Percentage of Issued Capital (%)
	Personal Interests	Family Interests	Corporate Interests	Total	
Sir Run Run Shaw	–	1,378,000 [#]	297,106,872 [*]	298,484,872	74.92%
Mona Fong	1,378,000 [#]	–	–	1,378,000	0.35%
Louis Page	100,000	–	–	100,000	0.03%
Dr. Yei-ching Chow	450,000	–	–	450,000	0.11%

Note: Duplication of shareholdings occurred between parties (#) shown above and between parties (*) shown above and below under "Substantial Shareholders".

* 263,610,872 shares were held by Shaw Holdings Inc., 11,761,000 shares and 21,735,000 shares were held by its wholly owned subsidiaries, Double One Limited and The Shaw Foundation Hong Kong Limited respectively, in which companies Sir Run Run Shaw holds 100% equity interests through The Sir Run Run Shaw Charitable Trust.

As at 30th September 2003, the beneficial interests of the directors and chief executive in the ordinary shares of the associated corporations (within the meaning of the Securities and Futures Ordinance) of the Company as recorded in the register maintained under Section 352 of the Securities and Futures Ordinance were as follows:

	No. of Ordinary Shares of HK\$0.05 each in Television Broadcasts Limited				Percentage of Issued Capital (%)
	Personal Interests	Family Interests	Corporate Interests	Total	
Sir Run Run Shaw	–	1,146,000 [#]	141,174,828 ^{**}	142,320,828	32.49%
Mona Fong	1,146,000 [#]	–	–	1,146,000	0.26%
Louis Page	100,000	–	–	100,000	0.02%
Dr. Yei-ching Chow	100,000	–	–	100,000	0.02%

Note: Duplication of shareholdings occurred between parties (#) shown above.

** 113,888,628 shares were held by Shaw Brothers (Hong Kong) Limited and 27,286,200 shares were held by The Shaw Foundation Hong Kong Limited, in which companies Sir Run Run Shaw holds 74.58% and 100% equity interests respectively through Shaw Holdings Inc., a company in which Sir Run Run Shaw holds 100% equity interests through The Sir Run Run Shaw Charitable Trust.

DIRECTORS' INTERESTS IN SHARES *(continued)*

	No. of Ordinary Shares of US\$1.00 each in Goldway Holdings Limited				Percentage of Issued Capital (%)
	Personal Interests	Family Interests	Corporate Interests	Total	
Sir Run Run Shaw	–	–	950 ^{##}	950	95.00%

^{##} 350 shares were held by Shaw Brothers (Hong Kong) Limited and 600 shares were held by Shaw Property Holdings Limited, in which companies Sir Run Run Shaw holds 74.58% and 100% equity interests respectively through Shaw Holdings Inc., a company in which Sir Run Run Shaw holds 100% equity interests through The Sir Run Run Shaw Charitable Trust.

All the interests stated above represented long positions. The Company or its subsidiaries did not grant to the directors or chief executive or their spouse or children under 18 years of age any rights to subscribe for shares, underlying shares or debentures of the Company or any other body corporate.

Apart from the above, no interests or short positions were held or deemed or taken (under the Securities and Futures Ordinance) to be held by any directors or chief executive of the Company in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) as at 30th September 2003.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors and chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance).

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2003, the register of substantial shareholders maintained under section 336 of the Securities and Futures Ordinance shows that the Company had been notified of the following substantial shareholders' interests (all being beneficial interests), being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

	No. of Ordinary Shares of HK\$0.25 each	Percentage of Issued Capital (%)
Shaw Holdings Inc.	297,106,872 [*]	74.58%
Arnhold and S. Bleichroeder Advisers, LLC	47,787,000 [~]	12.00%

Note: Duplication of shareholdings occurred between parties () shown here and above under "Directors' Interests In Shares".*

^{*} 11,761,000 shares and 21,735,000 shares were held by its wholly owned subsidiaries, Double One Limited and The Shaw Foundation Hong Kong Limited respectively.

[~] Interests were held in the capacity of investment adviser that maintains discretion to exercise voting powers and transact purchases and sales on behalf of its clients.

All the interests stated above represented long positions. Save for the interests referred to above, no other person was recorded in the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance as having any substantial shareholders' interests or short positions, being 5% or more of the issued share capital of the Company as at 30th September 2003.

Run Run Shaw
Executive Chairman

Hong Kong, 3rd December 2003