

SHAW BROTHERS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 0080)

2005/2006 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 2005, 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 accounts of Television Broadcasts Limited for the six months ended 30th June 2005 which have been included in the Group’s accounts.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

		Unaudited Six months ended 30th September	
	Note	2005 HK\$'000	2004 HK\$'000
Turnover	2	30,570	46,096
Cost of sales	4	(14,336)	(24,374)
Gross profit		16,234	21,722
Other revenues	3	9,282	5,862
Selling and distribution expenses	4	(937)	(1,430)
Property related expenses	4	(5,046)	(3,801)
General and administrative expenses	4	(11,530)	(9,621)
Other operating expenses	4	(10,220)	(10,949)
Operating (loss)/profit		(2,217)	1,783
Share of profits less losses of associated companies		169,449	66,675
Profit before taxation		167,232	68,458
Taxation	5	(29,972)	(11,119)
Profit attributable to shareholders		137,260	57,339
Interim dividend		23,904	19,920
Interim dividend per share		HK\$0.06	HK\$0.05
Earnings per share	6	HK\$0.34	HK\$0.14

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER AND 31ST MARCH 2005

	Unaudited 30th September 2005 HK\$'000	As restated Audited 31st March 2005 HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	168,263	174,622
Leasehold land	19,210	2,660
Interest in associates	1,341,040	1,280,939
	<u>1,528,513</u>	<u>1,458,221</u>
Current assets		
Inventories	9,175	11,526
Accounts receivable, prepayments, deposits and other receivables	25,665	21,070
Fixed deposits with banks	163,447	93,664
Bank and cash balances	3,030	7,039
	<u>201,317</u>	<u>133,299</u>
Total assets	<u>1,729,830</u>	<u>1,591,520</u>
EQUITY		
Share capital	99,598	99,598
Other reserves	31,702	29,522
Retained profits		
– Proposed final dividend	–	87,645
– Others	1,494,230	1,356,970
Total equity	<u>1,625,530</u>	<u>1,573,735</u>
LIABILITIES		
Current liabilities		
Creditors and accruals	14,688	13,790
Advanced rental received from an associated company	–	1,853
Provision for staff long service payments	1,967	2,142
Dividend payable	87,645	–
Total liabilities	<u>104,300</u>	<u>17,785</u>
Total equity and liabilities	<u>1,729,830</u>	<u>1,591,520</u>

Notes:

1. Adoption of new/revised Hong Kong Financial Reporting Standards (“new HKFRS”)

From 1st April 2005, the Group adopted the new HKFRS (which include Hong Kong Accounting Standards (“HKAS”) issued by the Hong Kong Institute of Certified Public Accountants) below, which are relevant to its operations. The comparatives of last period have been amended, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

Other than the adoption of the revised HKAS 17, the adoption of the others had no material effect on the Group’s accounting policies.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for leasehold land are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation.

The effects of the adoption of revised HKAS 17 are summarized as follows:

	30th September 2005 HK\$’000	31st March 2005 HK\$’000
Decrease in property, plant and equipment	(19,210)	(2,660)
Increase in leasehold land	19,210	2,660

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 2005				
	Property rental <i>HK\$'000</i>	Film distribution <i>HK\$'000</i>	Filming facilities services <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Group total <i>HK\$'000</i>
Turnover (<i>Note</i>)	<u>4,977</u>	<u>3,672</u>	<u>21,921</u>	<u>-</u>	<u>30,570</u>
Segment results	<u>3,401</u>	<u>(944)</u>	<u>2,795</u>	<u>(2,611)</u>	<u>2,641</u>
Unallocated items					<u>(4,858)</u>
Operating loss					<u>(2,217)</u>
Share of profits less losses of associated companies	-	-	-	169,449	<u>169,449</u>
Profit before taxation					<u>167,232</u>
Taxation					<u>(29,972)</u>
Profit attributable to shareholders					<u>137,260</u>

Note:

Turnover is after eliminating inter-segment transactions amounting to HK\$112,000 attributable to filming facilities services.

	Six months ended 30th September 2004				
	Property rental <i>HK\$'000</i>	Film distribution <i>HK\$'000</i>	Filming facilities services <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Group total <i>HK\$'000</i>
Turnover (<i>Note</i>)	8,930	11,661	25,505	–	46,096
Segment results	6,160	1,125	3,239	(2,650)	7,874
Unallocated items					(6,091)
Operating profit					1,783
Share of profits less losses of associated companies	–	–	–	66,675	66,675
Profit before taxation					68,458
Taxation					(11,119)
Profit attributable to shareholders					57,339

The above comparatives were reclassified to conform to current period's presentation.

Note:

Turnover is after eliminating inter-segment transactions amounting to HK\$835,000 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 (loss)/profit	
	Six months ended 30th September		Six months ended 30th September	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	27,528	39,311	(3,757)	724
South East Asia	2,560	6,545	1,352	988
USA	80	180	28	47
Others	402	60	160	24
	<u>30,570</u>	<u>46,096</u>	<u>(2,217)</u>	<u>1,783</u>

3. Other revenues

	Six months ended 30th September	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee income	5,914	4,374
Interest income	2,189	527
Others	1,179	961
	<u>9,282</u>	<u>5,862</u>

4. Expenses by nature

Included in cost of sales, selling and distribution expenses, property related expenses, general and administrative expenses and other operating expenses are the following:

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Depreciation charge	10,168	10,070
Net amount realised from inventories	212	525
	<u>10,380</u>	<u>10,595</u>
Amortisation of leasehold land	231	31
Amortisation of released films	1,661	9,331
Staff costs	16,951	17,493
Operating leases – land and buildings	232	232
	<u>19,255</u>	<u>27,112</u>

5. Taxation

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period (2004: 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 associated companies.

	Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax	18,408	979
Overseas taxation	4,121	5,286
(Over)/under provisions in prior periods	(58)	29
Deferred taxation	7,501	4,825
	<u>29,972</u>	<u>11,119</u>

6. Earnings per share

The calculation of earnings per share is based on earnings for the period of HK\$137,260,000 (2004: HK\$57,339,000) and on 398,390,400 ordinary shares in issue throughout the two six-month periods ended 30th September 2005 and 2004.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 6.0 cents per ordinary share, payable on 26th January 2006 to shareholders whose names appear on the Register of Members of the Company on that date, and will absorb HK\$23,903,424.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Saturday, 14th January 2006 to Thursday, 26th January 2006, 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, 13th January 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Rental

Property rental income was mainly derived from leasing office premises to our associated company, Television Broadcasts Limited. The lease expired on 30th June 2005. Part of the office premises has been leased to other new tenants and the Company will continue to explore options to maximize the potential for rental income.

Filming Facilities Services

Filming facilities services comprise Film Remastering and Film Processing Centres, and the contribution towards Group profits during the period was HK\$2,795,000.

Redevelopment Of Clearwater Bay Site

Traffic and Environment impact assessments have been submitted to the Town Planning Board for consideration by the relevant departments. The scope and character of the development should be determined by end of the year 2005, as scheduled.

Associated Companies

Television Broadcasts Limited continued to report growth in advertising revenues during January to June 2005 against the background of improved retail sales in Hong Kong. As a result the contribution after taxation from Television Broadcasts Limited to Group profits during the period increased by 150%.

Movie City Project (Shaw Studios)

Internal fitting out works are in progress and soft launch of the studio facilities is expected to be in the first quarter of 2006.

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

The civil suit filed by a stuntman, who was injured during the course of film production, against Film Power Company Limited, a non-wholly owned subsidiary of the Company, has been settled out of Court at HK\$1.3 Million.

As at 30th September 2005, 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 30th September 2005, the Group employed a total of 178 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 2005, 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

During the six months ended 30th September 2005, the Company was 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 are not subject to retirement by rotation pursuant to Article 88 of the Company's Articles of Association;
- (b) Non-executive Directors were not appointed for a specific term as required by the Code. However, they are 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 (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation at each annual general meeting of the Company, although the Directors were not required to retire by rotation at least once every three years;
- (d) a remuneration committee of the Board comprising a majority of independent non-executive Directors was formed on 30th September 2005 in accordance with the provisions of the Code.

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 six months ended 30th September 2005, in compliance with the Code.

The Board had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the period.

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) in April 1999 and has formulated its written terms of reference in accordance with the provisions set out in the Code. The existing Audit Committee of the Company comprises 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. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures, review of the Group’s financial information and review of the relationship with the external auditors of the Company.

The Group’s interim report for the six months ended 30th September 2005 has been reviewed by the Audit Committee.

Run Run Shaw
Executive Chairman

Hong Kong, 30th November 2005

The interim report of the Company for the six months ended 30th September 2005 containing all the information required by the Listing Rules, will be published on the Exchange website within 14 days from the date of this announcement.

As at the date of this announcement, the Board comprises of:

Executive Directors:

Sir Run Run Shaw, GBM (*Executive Chairman*)
Mona Fong (*Deputy Chairperson and Managing Director*)
Louis Page
Jeremiah Rajakulendran

Independent Non-executive Directors:

Dr. Chow Yei Ching
Ng Julie Yuk Shun
Nelson Hon Sang Chiu

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