

# SHAW BROTHERS (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)  
(Stock Code: 0080)

## 2006/2007 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 2006, 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 financial information of Television Broadcasts Limited for the six months ended 30th June 2006 which have been included in the Group’s financial information.

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

		Unaudited Six months ended 30th September	
	Note	2006 HK\$'000	As restated 2005 HK\$'000
Turnover		20,141	30,570
Cost of sales		(11,268)	(14,336)
Gross profit		8,873	16,234
Other revenues	3	10,273	9,282
Selling and distribution expenses		(252)	(937)
Property related expenses		(5,988)	(5,046)
General and administrative expenses		(10,030)	(11,530)
Other operating expenses		(9,948)	(10,220)
Operating loss	4	(7,072)	(2,217)
Share of profits less losses of associates		120,040	139,477
Profit before income tax		112,968	137,260
Income tax expense	5	–	–
Profit attributable to equity holders of the Company		112,968	137,260
Interim dividend		19,920	23,904
Interim dividend per share		HK\$0.05	HK\$0.06
Earnings per share	6	HK\$0.28	HK\$0.34

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30TH SEPTEMBER AND 31ST MARCH 2006**

	<i>Note</i>	<b>Unaudited 30th September 2006 HK\$'000</b>	<b>Audited 31st March 2006 HK\$'000</b>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		151,261	159,715
Leasehold land		18,747	18,978
Interest in associates		1,481,486	1,493,348
		<u>1,651,494</u>	<u>1,672,041</u>
Current assets			
Inventories		9,839	8,093
Accounts receivable, prepayments, deposits and other receivables	7	28,082	25,510
Short term bank deposits		216,049	62,099
Bank and cash balances		2,897	3,312
		<u>256,867</u>	<u>99,014</u>
Total assets		<u><u>1,908,361</u></u>	<u><u>1,771,055</u></u>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital		99,598	99,598
Other reserves		28,639	29,819
Retained profits			
– Proposed final dividend		–	135,452
– Others		1,602,727	1,492,376
Total equity		<u>1,730,964</u>	<u>1,757,245</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable, other payables and accruals	8	40,175	12,032
Provision for staff long service payments		1,770	1,778
Dividend payable		135,452	–
Total liabilities		<u>177,397</u>	<u>13,810</u>
Total equity and liabilities		<u><u>1,908,361</u></u>	<u><u>1,771,055</u></u>
Net current assets		<u>79,470</u>	<u>85,204</u>
Total assets less current liabilities		<u><u>1,730,964</u></u>	<u><u>1,757,245</u></u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information for the six months ended 30th September 2006 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2006, except that the Group has adopted the new standards, amendments to standards and interpretations issued by the HKICPA which are effective for accounting periods commencing on or after 1st January 2006.

### Effect of adopting new standards, amendments to standards and interpretations

The HKICPA has issued a number of new standards (including HKASs and Hong Kong Financial Reporting Standards (“HKFRSs”)), Hong Kong (International Financial Reporting Interpretations Committee) Interpretations (“HK(IFRIC) – Int”) and amendments to standards, which are effective for accounting periods beginning on or after 1st January 2006. The Group has adopted the following amendments to standards and interpretation that are relevant to its operations:

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The application of these amendments to standards and interpretation do not have a material impact on the results of operations and the financial position of the Group.

### 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 2006				
	Property rental HK\$’000	Film distribution HK\$’000	Filming facilities services HK\$’000	Investment holding HK\$’000	Group total HK\$’000
Turnover (Note)	<u>1,818</u>	<u>1,330</u>	<u>16,993</u>	<u>-</u>	<u>20,141</u>
Segment results	<u>722</u>	<u>(883)</u>	<u>1,593</u>	<u>(2,508)</u>	(1,076)
Unallocated items					<u>(5,996)</u>
Operating loss					(7,072)
Share of profits less losses of associates	-	-	-	120,040	<u>120,040</u>
Profit before income tax					112,968
Income tax expense					<u>-</u>
Profit attributable to equity holders of the Company					<u>112,968</u>

*Note:*

There are no sales between the business segments.

	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>	2,641
Unallocated items					<u>(4,858)</u>
Operating loss					(2,217)
Share of profits less losses of associates	-	-	-	139,477	<u>139,477</u>
Profit before income tax					137,260
Income tax expense					<u>-</u>
Profit attributable to equity holders of the Company					<u>137,260</u>

*Note:*

Turnover is after eliminating inter-segment transactions amounting to HK\$112,000 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	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	19,255	27,528	(7,329)	(3,757)
South East Asia	886	2,560	257	1,352
USA	-	80	-	28
Others	-	402	-	160
	<u>20,141</u>	<u>30,570</u>	<u>(7,072)</u>	<u>(2,217)</u>

### 3. Other revenues

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Management fee income	5,689	5,914
Interest income	3,321	2,189
Others	1,263	1,179
	<u>10,273</u>	<u>9,282</u>

### 4. Operating loss

The following items have been charged/(credited) to the operating loss during the period:

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Depreciation charge	10,729	10,168
Net amount (capitalised to)/realised from inventories	(1,410)	212
	<u>9,319</u>	<u>10,380</u>
Amortisation of leasehold land	231	231
Amortisation of released films	1,435	1,661
Employee benefit expense	15,647	16,951
Operating leases – land and buildings	235	232
	<u>17,558</u>	<u>19,155</u>

### 5. Income tax expense

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the period (2005: nil). Tax on overseas profits has been calculated, where applicable, at the rates of taxation prevailing in the countries in which the Group operates.

### 6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$112,968,000 (2005: HK\$137,260,000) and on 398,390,400 ordinary shares in issue throughout the two six-month periods ended 30th September 2006 and 2005. No fully diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

### 7. Accounts receivable, prepayments, deposits and other receivables

The ageing analysis of accounts receivable is as follows:

	30th September 2006	31st March 2006
	HK\$'000	HK\$'000
Current	6,716	6,662
1 – 3 months	1,420	1,602
Over 3 months	3,072	3,092
	<u>11,208</u>	<u>11,356</u>
Less: Specific provision for doubtful debts	(1,731)	(1,731)
	<u>9,477</u>	<u>9,625</u>

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

## 8. Accounts payable, other payables and accruals

The ageing analysis of accounts payable is as follows:

	<b>30th September 2006 HK\$'000</b>	31st March 2006 HK\$'000
Current	1,415	694
Over 3 months	41	41
	<u>1,456</u>	<u>735</u>

## INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 5 cents per ordinary share, payable on 25th January 2007 to shareholders whose names appear on the Register of Members of the Company on that date, and will absorb HK\$19,919,520.

The Register of Members of the Company will be closed from Saturday, 13th January 2007 to Thursday, 25th January 2007, 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, 12th January 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Filming Facilities Services

Filming facilities services comprise Film Remastering and Film Processing Centres, and the contribution towards Group profits during the period was HK\$1,593,000.

### Redevelopment Of Clearwater Bay Site

The Master Layout Plan for the development proposal has been considered and approved by the Town Planning Board at the meeting held on 20th October 2006. The approved Master Layout Plan proposes a total residential gross floor area (excluding hostel floor area) of approximately 62,500 square metres and commercial gross floor area of approximately 23,000 square metres subject to the implementation of the development in 2 phases, details of which are to be agreed with the Planning Department and/or relevant Government departments. The approval is valid for commencement of construction until 20th October 2010.

### Associated Companies

The contribution after taxation from Television Broadcasts Limited to Group profits during the period decreased by 14% due to a decline of approximately 5% in Hong Kong advertising sales during the first half of 2006, with substantial drop in spending on TV advertising from the local property, the slimming centre and the skin care categories.

### **Movie City Project (Shaw Studios)**

Internal fitting out works are still in progress. Soft launch of the Sound Stages took place in the first quarter of 2006 and fitting out of the post-production facilities is expected to be completed by the second quarter of 2007.

### **Financial And Capital Structure**

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.

### **Capital Commitments**

As at 30th September 2006, capital commitments of the Group amounted to HK\$8.5 Million (31st March 2006: HK\$29.6 Million), which would be funded by internal resources.

### **Contingent Liabilities**

As at 30th September 2006, 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 2006, the Group employed a total of 181 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 2006, 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**

### **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30th September 2006, the Company has been 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 "Stock 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. The Board considers that the Chairman and the Managing Director, the former being

the founder of the Company and the latter who joined the Company since 1969, possess a wealth of experience which is essential to the Board and contributes to the continued stability of the Company's business;

- (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, excluding the Executive Chairman and the Managing Director (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, and consequently the Directors have retired by rotation at least once every three years.

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 2006, in compliance with the Code.

#### **COMPLIANCE WITH MODEL CODE**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

Mr. Louis Page, who resigned as Director of the Company on 30th June 2006, confirmed, following specific enquiry by the Company, that he had complied with the Model Code throughout the period between 1st April 2006 and 30th June 2006.

All other Directors and members of the Senior Management confirmed, following specific enquiry by the Company, that they had complied with the Model Code throughout the period between 1st April 2006 and 30th September 2006.

#### **AUDIT COMMITTEE**

The Audit Committee is composed of all 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. They possess appropriate academic and professional qualifications or related financial management expertise. The Audit Committee is provided with sufficient resources to discharge its duties. The principal duties of the Audit Committee include review of the Group's financial reporting, the scope of audit services as well as the effectiveness of the system of internal controls and compliance. It will also discuss matters raised by the external auditors and regulatory bodies to ensure that appropriate recommendations are implemented.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated



financial information for the six months ended 30th September 2006 before they were presented to the Board of Directors for approval.

The interim results for the six months ended 30th September 2006 have been reviewed by the Audit Committee of the Company, but have not been audited.

On Behalf of the Board  
**Run Run Shaw**  
*Executive Chairman*

Hong Kong, 29th November 2006

*The interim report of the Company for the six months ended 30th September 2006 containing all the information required by the Listing Rules will be published on the Stock Exchange's website in due course.*

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

*Executive Directors:*

Sir Run Run Shaw, GBM (*Executive Chairman*)

Mona Fong (*Deputy Chairperson and Managing Director*)

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.